The military in Pakistan is a formidable political player with greater influence than any other actor. The organization’s political control, which was discussed in the two previous chapters, is also a manifestation of its financial autonomy. Over the years, the military has built an economic empire that strengthens it institutionally. Pakistan’s Milbus has a highly complex structure, which will be explained in this chapter.

THE ECONOMIC EMPIRE

Pakistan military’s internal economy has a fairly decentralized structure, operating at three levels and in three segments of the economy: agriculture, manufacturing and the service sector (see Table 4.1).

Although the critics of the military’s economic role focus their attention on its four subsidiaries – the Fauji Foundation (FF), Army Welfare Trust (AWT), Shaheen Foundation (SF) and Bahria Foundation (BF) – the economic empire extends beyond these four organizations, as is obvious from Table 4.1. Because of the lack of transparency, a large part of the military’s internal economy remains invisible. The hidden portion comprises commercial ventures carried out directly by different segments of the military organization, and economic benefits provided to individual members of the military fraternity. A glance at Figure 4.1 will show that Pakistan’s Milbus is a complex network in which various channels generate economic opportunities.

As the main controlling authority for the defence establishment is the Ministry of Defence (MoD), it is at the apex of the economic network. The MoD controls the four main planks of Milbus: the service headquarters, the Department of Military Land and Cantonment (MLC), the FF and the Rangers (a paramilitary force). The MLC is responsible for acquiring land for further allocation to the service headquarters, which is then distributed among individual members. The MLC also controls the FF. The chairman of the FF is the secretary of defence. The MLC also comes under the MoD.
The economic network broadens further at the level of the service headquarters. The three services have independent welfare foundations, which are directly controlled by the senior officers of these services. In addition, the nine corps of the army, subdivided into divisions and units, run independent ventures, identified in this study as military cooperatives. Then there are institutions such as the National Logistic Cell (NLC), the Frontier Works Organization (FWO) and the Special Communications Organization (SCO), which are controlled by the army. The Pakistan Rangers, which is a paramilitary organization, comes under the administrative control of the MoD as well.

Placing the MoD at the top of the organizational chart does not, however, mean that the economic initiatives are centrally planned. It simply indicates the administrative position of the MoD in the overall system of defence administration in the country. Each of the three services plans independently. In fact, the MoD is used as a forum to negotiate economic

![Figure 4.1 Milbus: the structure](image-url)
opportunities and the monopolization of resources. For instance, it is used to obtain ownership of provincial or federal government land and sanction its distribution between the three services, which then allocate it to their personnel. The various government departments such as the MoD or the MLC are an administrative mechanism for economic exploitation.

The operations of Pakistan’s Milbus represent a cross between the Indonesian and the Turkish models. It is similar to the Indonesian Milbus in the multiple levels of the military’s internal economy. Indonesia’s armed forces, Angkatan Bersenjata Republik Indonesia (ABRI), conduct commercial ventures through a number of welfare foundations. They also run cooperatives which are operated directly by the organizations through the rank and file involvement of their personnel. In Pakistan’s case, the cooperatives started to grow mainly after the 1980s as a result of the general financial empowerment of senior military commanders. While the Pakistan military’s cooperatives draw on the military’s public-sector resources including labour, they have not necessitated the establishment of a separate cadre of officials specializing in economic and political management. This is one of the key differences from the Indonesian system. Another difference concerns the financial or administrative linkage with the civilian public-sector institutions. Unlike in Indonesia, the Pakistan military’s internal economy is an independent entity.

The similarities with the Turkish model involve the management of resources and administration of commercial ventures. In order to avoid the involvement of serving personnel in direct business activities, the military mainly uses its influence and resources to provide welfare funds for investment. The four welfare foundations are controlled by the service headquarters and run by retired military personnel. The profits are distributed between the shareholders, who again are retired military personnel.

The inter-services rivalry within the armed forces is reflected even in the structure of the internal economy. Unlike the Turkish military foundation, OYAK, which represents the interests of all services, Pakistan’s Milbus is known for the independence of the three armed forces. The three services have separate welfare foundations and housing schemes. On the surface there does not seem to be competition between the three services, because of their difference in size. However, all three have engaged in an unbridled expansion of their commercial and other economic operations.

The military’s economic empire operates at three distinct levels:

- direct involvement of the organization
- subsidiaries
- individuals.
The next sections explain the structure and operations at each of the three tiers.

LEVEL 1: THE ORGANIZATION

At this level the military is directly involved in profit-making activities. The commercial operations comprise two distinct segments: first, major public-sector organizations controlled by the army, and second, the cooperatives. The three major public sector organizations are the NLC, the FWO and the SCO.

The National Logistic Cell (NLC)

Created in August 1978 by the quartermaster-general (QMG) of the army, the NLC is the largest goods transportation company in the country. It has one of the largest public-sector transport fleets in Asia, of 1,689 vehicles. The company also engages in the construction of roads, bridges and wheat storage facilities. Although it is presented as an attached department of the Ministry of Planning and Development, the basic control of the organization is with the army (see Figure 4.2).

In terms of strategic management the organization is part of a civilian organization, the Ministry of Planning and Development, as mentioned above. The NLC board is headed by a chairman who was the federal minister for planning and development. This was subsequently changed to the minister for finance. The members of the board comprise the federal ministers for communication, railways, and food and agriculture, the deputy chairman of the Planning Commission, the federal secretaries for planning and development, finance, communication and railways, and the Pakistan Army’s QMG, who is also the secretary of the board. The ground operations, however, are managed by the army. The NLC is staffed by serving army officers. The four main divisions highlighted in Figure 4.2 are headed by serving officers with the rank of brigadier.

The NLC is staffed by about 7,279 people of whom 2,549 are serving personnel. The rest are retired officers and civilians. The civilians mainly work in administrative and clerical positions. The organization is managed through a national logistics board headed by a chairman who is a federal minister. However, the operational control of the organization is with the army’s QMG. The estimated net worth of the NLC in 2000–1 was Rs.3,964.652 million (US$68.356 million).
The company was established in 1978 to deal with a specific crisis of major bottlenecks at the only operational seaport at Karachi. The QMG, Maj.-General Saeed Qadir, was instructed by General Zia ul Haq to launch operation 'Survival', aimed at creating an independent cell to be placed under the Ministry of Communication, which at that time was being run by Qadir. Its mandate involved the establishment of an infrastructure to transport goods from Karachi port, and building roads and other facilities for wheat storage. Hence, the NLC is one of the prime examples of a 'replacement' institution. This concept involves the military filling a gap or replacing an inefficient civilian institution through creating a parallel structure which is under the control of the armed forces. According to Qadir, he was given a broad mandate from the onset, which included not only transportation but also constructing and repairing the roads network that was considered necessary for transporting goods from one part of the country to another. The organization was also involved in providing support to the Afghan operation during the 1980s.
Frontier Works Organization (FWO)

The FWO was established in 1966 to construct the 805 km Karakoram Highway. It remains the largest contractor in the country for constructing roads and collecting tolls. The company is staffed by the army’s corps of engineers, which was put together to construct the road link between Pakistan and China. Although it is staffed by army personnel, the organization was initially put under the control of the Ministry of Communication. However, it was later brought under the administrative control of the MoD.

Even after the completion of the Karakoram Highway the organization was not disbanded. It was seen as a reserve force that could be utilized during a future conflict or cater for any unforeseen emergency, but in fact it is engaged in commercial ventures. Currently, all the government’s major road construction projects are undertaken by the FWO. In addition, the organization manages toll collection on all major and minor road networks in the country, a job that was once given to private contractors. Since the mid-1990s, the FWO has grown as one of the primary contractors for public-sector road construction. After 1999, the FWO established another sub-organization, LAFCO, which is a joint undertaking with other private-sector contractors.

Special Communication Organization (SCO)

The SCO was originally established in 1976 to handle a project to establish a telecommunications network in Azad Jammu Kashmir and northern areas. It is an army establishment jointly controlled by the signals directorate of the service and the Ministry of Information Technology. The organization was revitalized towards the end of the 1990s and given the task of expanding the telecommunications network in the areas mentioned.

The cooperatives

The ventures referred to here as cooperatives are small and medium-sized profit-making activities carried out by the various military commands. The businesses are diverse in nature, and vary from bakeries and cinemas to gas stations and commercial plazas and markets. This category also includes money-making activities such as imposing tolls on national highways and selling sand along the seashore, and contracts for fishing in the coastal areas.

The control of these profit-making ventures is fairly decentralized. They can be run by army units, divisions or the corps headquarters, and use...
lower-ranking personnel as free labour. The sizes of the ventures also vary, from small operations like bakeries and poultry farms, to large ones such as gas stations and highway toll collection organizations. In 2004 the Ministry of Defence provided a partial list of about 50 such commercial projects, which allegedly made about Rs.134 million (US$2.3 million) in the financial year 2003/04. However, there was no detail available regarding the legal position of these projects or the way they were being managed.

LEVEL 2: THE SUBSIDIARIES

The most transparent segment of Milbus is the military’s four subsidiaries, the FF, AWT, SF and BF. Although senior generals ignore or refute any suggestion that these subsidiaries represent the military’s involvement in commercial ventures, their claim is not supported by the structure of command and control of these organizations. All subsidiaries are controlled at the top by senior generals or members of the MoD. Furthermore, as can be seen from Figure 4.3, the foundations have the status of subsidiaries of their respective parent services. This sign for one of the colleges of Bahria Foundation in Bahawalpur claims it to be a subsidiary of the Pakistan Navy.

Figure 4.3  The sign of Bahria Foundation College, Bahawalpur, marks it as a subsidiary of the Pakistan Navy
The four foundations run about 100 independent projects, which include heavy manufacturing industries such as cement, fertilizer and cereal production. In addition, some of the foundations are involved in the insurance business, information technology, banking and education. In recognition of the fact that the armed forces have a better reputation than a number of civilian institutions, the link with the parent services is advertised to attract business. This is certainly true in the real estate business, where the value of property tends to appreciate in areas controlled by the armed forces or their subsidiaries. The military organization is central to the Milbus network, as is obvious from Figure 4.4. The influence of the defence establishment plays a key role in obtaining public-sector business contracts and securing industrial or financial inputs at subsidized rates. These concessions put the foundations ahead of their private-sector competitors.

It must be reiterated that the welfare foundations flaunt their connection with the armed forces. This is obvious from the fact that the four foundations use the insignia of their parent services. The issue of the use of insignias was in fact challenged in the Supreme Court in a public interest case by a lawyer, Wahab-ul-Khairi, in 1990. In Khairi’s view, the foundations were in contravention of the Companies Ordinance of 1984 and the Trade Mark Act of 1940, which forbid any private venture or party to use the name of
the state or the armed forces or the founder of the country. He pleaded with the court to ban all the commercial activities of the military, because in his view such tasks diverted the armed forces from their core activity of defending the country’s frontiers. The case he brought concerned a specific allegation of corruption in a commercial operation involving the navy’s BF. The BF not only blatantly denied the charges, but also denied using any of its links with the navy for commercial benefits. Despite the fact that the case was dismissed on technical grounds, it did raise the issue of how these foundations exploit their deep connection with the armed services for profit maximization.

Regarding the link between the foundations and the services, there are numerous cases in which the businesses have unlawfully used the military’s resources. The fact that the higher management of the three services and the foundations is the same makes the transfer of resources possible.

The Fauji Foundation (FF)

The Fauji Foundation (fauji means soldier) was established in 1954 under the Charitable Endowments Act 1890, for the welfare of ex-servicemen. It was the first organization of its kind in Pakistan, meant to cater for the welfare of military personnel from all the three services. As in the Turkish model, the military sought initial funding for this institution: the Rs.18 million (US $300,000) capital investment was money provided by the Royal British military in 1947 as Pakistan’s share of the post-War Services Reconstruction Fund for reinvestment purposes. The fund was established by the British to provide financial help and welfare benefits for British war veterans.7

The money was used to set up some industrial units in the western wing of the country. Today the FF is one of the largest business conglomerates in the country (see Table 4.2).8

The FF is also a major taxpayer in the country.9 However, until the beginning of the 1970s it was exempt from paying taxes.10

The FF started its industrial operations in both wings of the country. The industrial operations were primarily in consumer-oriented, non-tradable commodities like rice, flour, jute and textiles. In 1982 it had assets with an estimated worth of Rs.2,060 million (US$35.52 million), in the shape of 29 industrial units.11 Currently its declared assets amount to Rs.9.8 billion (US$169 million), with a total of 25 independent projects. Out of the total number, about 18 are completely controlled by the FF, while the remaining seven are listed as subsidiaries, with shareholdings by other parties as
Most of the heavy manufacturing industrial projects are categorized as subsidiaries, which means that these are shareholding ventures. The fully owned projects mainly comprise agri-based ventures such as farms, the motorway project and educational institutions. Out of the total of 25 projects, only the fertilizer and cement factories are listed on the stock exchange.

Employing about 6,000–7,000 retired military personnel, the foundation is run by a governing board that is predominantly controlled by the army. One of the features of the organization is the domination by the largest service, the army, despite the fact that it was meant to be a tri-service organization. About 80–90 per cent of jobs are taken by army personnel, with the remainder being divided between the air force and the navy. All the managing directors of the company have been senior retired army officers.

At a glance, the organizational structure gives the impression of a highly centralized structure (see Figure 4.5).

The strategic control of the organization is in the hands of the MoD and the military establishment. The Committee of Administration is the apex body that gives overall direction. The chairman of this committee is the secretary of defence. The members comprise the chief of general staff (CGS), the QMG, the adjutant-general (AG), the chief of logistics staff – Pakistan Army (CLS), the deputy chief of naval staff (training and personnel) – Pakistan Navy, and the deputy chief of air staff (administration) – PAF. The secretary of the Central Board of Directors acts as the secretary of the committee. The operational planning and running of the foundation is the responsibility of the Central Board of Directors. The chairman of the board is the secretary for defence, and the vice-chairman is the managing executive of the foundation.

### Table 4.2 List of Fauji Foundation projects

<table>
<thead>
<tr>
<th>Fully owned projects</th>
<th>Associated companies</th>
<th>Affiliated projects</th>
<th>Investment Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundation Gas</td>
<td>Mari Gas Company Ltd</td>
<td></td>
<td>Foundation</td>
</tr>
<tr>
<td>Fauji Corn Complex</td>
<td>Fauji Cement Company Ltd</td>
<td></td>
<td>University</td>
</tr>
<tr>
<td>Fauji Security Services</td>
<td>Fauji Fertilizer Company Ltd</td>
<td></td>
<td>Pakistan Maroc</td>
</tr>
<tr>
<td>Fauji Sugar Mills</td>
<td>Fauji Fertilizer Bin Qasim Ltd</td>
<td></td>
<td>Phosphere, S. A</td>
</tr>
<tr>
<td>Overseas Employment Services</td>
<td>Foundation Securities (PVT) Ltd</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fauji Foundation Experimental &amp; Seed Multiplication Farm</td>
<td>Fauji Kabirwala Power Company Ltd</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fauji Oil Terminal &amp; Distribution Company Ltd</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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director of the FF, who is a retired army lt.-general. All the members of the board are from the FF, with roles such as directors of finance, planning & development, industries, systems evaluation & development, human resource & administration, welfare (education), welfare (health), corporate advisor, and secretary to the board. The Board of Directors carries out the overall plans which are presented to the Committee of Administration for approval. A report of the performance of the FF is also presented to the Committee of Administration.

From an operational perspective, the FF is decentralized like its three sister organizations. It has four major divisions: fully owned projects, associated companies, affiliated projects and the Investment Board. The first division comprises all those projects that are totally financed by the FF. The other two divisions have major funding from the FF but have administrative independence. The last category covers the FF’s international partnership. This is a joint undertaking between the Fauji Group (represented by the FF, the Fauji Fertilizer Cooperation and Fauji Foundation Bin Qasim Ltd) and Office Cherifien des Phosphates, Morocco with 50:50 equity (between
the Pakistani and Moroccan owners), for the production of 375,000 metric tonnes of phosphoric acid per annum. The project had started operating by mid-2007.13

The decentralized structure is necessary for two reasons. First, the FF cannot have total control over projects that are not fully funded by it. Second, because some of the associated companies are headed by senior officers equivalent in rank to the MD of the FF, it would be difficult to have central control. For example, the managing director of the FF and the director industrial (popularly known as heading Fauji Fertilizer) are both retired lt.-generals.14 This does not mean that there is no consultation between the two. However, smooth running calls for lax control and independence for the fertilizer group. A senior general would be far more comfortable exercising independent control of his unit. On the other hand, the previous experience of these senior officers as colleagues helps business communication. The basic philosophy here is that old associations help in developing the understanding and confidence in an individual that in turn is necessary to obtain better results for an organization. This concept was explained by the managing director of the FF, Lt.-General (rtd) Mohammad Amjad, in the context of why General Musharraf preferred to appoint military personnel to head public-sector corporations.15

The FF claims to provide for the welfare of 8.5 million beneficiaries, who comprise ex-services staff and their dependants.16

Army Welfare Trust (AWT)

The AWT is the army’s welfare foundation, established in 1971 to create greater employment and profit-making opportunities for the largest service. The army felt that the welfare needs of its personnel were not being met by the FF. Some tend to link this creation of a new organization with the dire economic straits that the military was in after the US arms embargo of the 1960s.17 The army was facing a resource crunch between the two wars of 1965 and 1971.

As is obvious from Figure 4.6, the AWT is controlled by the army GHQ. The managing director (MD) of the Committee of Administration, which is the apex body, is also the MD of the AWT. The office bearer is the AG of the army. However, because of the AG’s busy schedule, he appoints an acting MD. The members of the committee include the CGS, QMG, CLS and the MD of the AWT. The acting MD does not, however, participate in the meetings of the committee as a full member. The committee supervises the work of the Board of Directors, which is also chaired by the AG. The
vice chairman is the MD of the AWT, who works with the help of seven directors.

The trust was opened with an initial endowment of Rs.700,000 (US$12,100) under the Societies Registration Act 1860, with the specific purpose of generating funds for orphans, widows of martyrs, disabled soldiers, and providing for the rehabilitation of ex-servicemen. Currently the AWT runs 41 independent projects, of which it has shareholdings in about 13 while the rest are completely owned (see Table 4.3).

Of these projects, only the five in the financial sector (such as the bank, leasing and insurance companies) are listed with the stock exchange. The group boasts of having total assets worth Rs.50 billion (US$862.1 million). It provides employment to about 5,000 ex-services staff.

The AWT was raised with a totally different method of providing for welfare. Unlike the FF, which created projects for welfare, the AWT aimed at generating profit for distribution among its shareholders. This was
done through investing welfare funds in industrial and other profit-making ventures. The money is borrowed from the benevolent fund account maintained in the GHQ. This account, in turn, is formed by compulsory deductions from the pay of army personnel for welfare purposes. The AWT was also set apart from the FF because it did not pay taxes on its industrial and other projects until 1993, because of its identity as a welfare institution. Taxes at concessionary rates were, however, levied in 1992–3. Interestingly, there was no uniform tax rate applied on the organizations. The AWT and FF pay tax at roughly 20 per cent on their profits, while the SF and BF are charged a higher rate of 30 per cent. Sources attribute this to the greater political influence of the army.18

Shaheen Foundation (SF)

The Pakistan Air Force followed the larger service in opening its own welfare foundation in 1977, again under the Charitable Endowments Act 1890, with seed money of Rs.5 million (US$86,000). Like the AWT, the SF is controlled by the PAF (see Figure 4.7).

At the top is the Committee of Administration headed by the chief of the air staff. While the vice-chairman is the deputy chief of air staff (operations), its members include the deputy chiefs of air staff (administration), (personnel), (training) and (engineering), the director-general of the Air Force Strategic Command, the inspector-general of the PAF, and the
MD of the SF. The committee supervises the work of the Board of Directors, which is headed by the MD of the SF, who is a retired air vice marshal. The board, which makes and implements business plans, comprises the deputy MD, director admin, human resource and welfare, director finance, and executive director Shaheen Projects (which are listed in Table 4.4). Other than the MD and the deputy MD, the members are civilians.

The idea was to create greater opportunities for welfare, especially when the top management was not happy with its meagre share in the tri-service FF. The PAF’s share in welfare and rehabilitation opportunities and the management of the FF is not more than 5 per cent. Currently, the SF employs about 200 retired personnel, the bulk of whom were technicians/airmen rather than officers. Commensurate with the service's comparative size and influence, the SF is not a large organization. It runs about 14 independent projects, none of which are listed on the stock exchange (see Table 4.4).

The SF claims to have a worth of more than Rs.2 billion (US$34.4 million),19 with an estimated annual turnover of Rs.600 million (US$10.3 million).20 Its project sizes are relatively small, with the biggest being the

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**Table 4.4** List of SF projects

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shaheen Air International</td>
<td>Shaheen Complex (two projects)</td>
</tr>
<tr>
<td>Shaheen Air Cargo</td>
<td>Shaheen Pay TV</td>
</tr>
<tr>
<td>Shaheen Airport services</td>
<td>FM-100 (radio channel)</td>
</tr>
<tr>
<td>Shaheen Aerotraders</td>
<td>Shaheen Systems (information technology)</td>
</tr>
<tr>
<td>Shaheen Insurance</td>
<td>Shaheen Knitwear</td>
</tr>
<tr>
<td>Shaheen Travel (three projects)</td>
<td></td>
</tr>
</tbody>
</table>
airline, and the real estate that it owns in three major cities. Most of its expansion took place during the 1990s. The projects depend primarily on the resources of the air force and the service's ability to generate business for the SF. Most of the projects, as is obvious from Table 4.4, are related to the airline industry, cargo, or otherwise depend on orders from the PAF. There are, however, rare cases like insurance where there is no commonality or shared experience. Assessing the SF is highly problematic because of the lack of transparency. None of its companies are listed with the stock exchange and data is not available through any other source.

Bahria Foundation (BF)

Not to be left behind in the race, the navy established its own welfare foundation in January 1982. Registered under the Charitable Endowments Act 1890, the BF was opened using the service's own welfare funds, which amounted to Rs.3 million (US$52,000). Like its sister foundations, the BF is controlled by an armed force, in this case the navy (see Figure 4.8).

Although very little is known about the administrative structure of the BF, sources indicate that the organization’s structure is similar to SF. The BF runs 19 projects (see Table 4.5), none of which are listed with the stock exchange.

Its estimated value is around Rs.4 billion (US$69 million). Getting official assessment of its worth was difficult because of a resistance by its employees and naval personnel to discussing their business ventures. This resistance is partly because of the controversy regarding some of the projects, especially the housing schemes. Most of the BF’s relatively capital-intensive

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**Figure 4.8** Organizational chart of the Bahria Foundation
projects, like Bahria Paints and the real estate development programmes, are shareholdings. These projects have raised a lot of questions because of the involvement of controversial characters and news of financial mismanagement.

Table 4.5  List of BF projects

<table>
<thead>
<tr>
<th>Falah Trading Agency</th>
<th>Bahria Shipping</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahria Construction</td>
<td>Bahria Coastal Services</td>
</tr>
<tr>
<td>Bahria Travel &amp; Recruiting Agency</td>
<td>Bahria Security &amp; System Services</td>
</tr>
<tr>
<td>Bahria Paints</td>
<td>Bahria Catering &amp; Decoration Services</td>
</tr>
<tr>
<td>Bahria Deep Sea Fishing</td>
<td>Bahria Farming</td>
</tr>
<tr>
<td>Bahria Complexes</td>
<td>Bahria Holding</td>
</tr>
<tr>
<td>Bahria Town &amp; Housing Schemes (three projects)</td>
<td>Bahria Harbor Services</td>
</tr>
<tr>
<td>Bahria Dredging</td>
<td>Bahria Ship Breaking</td>
</tr>
<tr>
<td>Bahria Bakery</td>
<td>Bahria Diving &amp; Salvage International</td>
</tr>
<tr>
<td>Bahria University</td>
<td></td>
</tr>
</tbody>
</table>

LEVEL 3: THE MEMBERS

Any discussion of Milbus would be incomplete without mention of one of its integral components, which is also the most difficult to quantify. The benefits provided to individual personnel are part of the internal economy because significant benefits are provided to serving and retired members of the armed forces as part of the military’s system of patronage. Individual members of the military fraternity, especially retired officers, receive financial dividends because of the strong client–patron relationship, in which the military organization is central to the distribution of rewards or profit-making opportunities. In such cases the economic or political exploitation is not necessarily institutional, but individuals can use their connection with the regime or the powerful institutions to create personal wealth. Therefore, the informal monopolization of resources by individuals has been included in the discussion on Milbus.

This informal pattern of exploitation is also visible in other countries, such as Cuba, China and Syria. According to political analyst Frank O. Mora, senior military officers use their positions in a non-democratic system to generate benefits for themselves. The evidence from Pakistan suggests that this linkage is more than cursory because it tends to use structured institutional support to gain personal benefits. It is, as mentioned earlier, extremely difficult to put a value to this segment of the economy. Nevertheless, the picture of Milbus would be incomplete without
mentioning this category, which is related to the benefits provided to personnel.

The advantages can be divided into two, the visible and the non-visible. The core visible perk is the urban and rural real estate provided to retired and serving officers and officials of the armed forces (see Chapter 7 for a detailed discussion). While it is comparatively easy to put a value to the land, it is more difficult to quantify the subsidies provided to the senior officers for developing the land and building the various housing schemes. The land is acquired by individuals through laws and rules made at the institutional level for the greater benefit of individuals.

Other benefits include jobs, especially after retirement. The Musharraf regime, for instance, has provided about 4,000–5,000 jobs to military officers and officials in various departments and ministries of the government. The employment for serving and retired military personnel is not generated through a process of open and fair competition, but it is part of the preferential treatment given to members of the military fraternity. These jobs are therefore not filled by open competition, nor do they attract the best minds available in the public sector. The pay and perks of these jobs have a financial cost to the state, which needs to be included in the discussion on Milbus.

The invisible benefits are the business or other opportunities obtained by retired personnel using the influence of their parent organization, the defence services. Retired personnel tend to use their contacts in the armed forces to enter the weapons procurement business as defence contractors. This is nothing unusual. However, the more ambitious senior officers can enter into other ventures as well, and use their contacts in the military or the government to obtain advantages. One of the key examples in Pakistan is private ventures like the Varan Transport Company. Owned by the daughter of the former head of the main intelligence agency, ISI, Lt.-General (rtd) Hameed Gul, the company is a clear example of how a military-oriented patronage system benefits its clients. Varan was given preferential access to bus routes between the twin cities of Islamabad and Rawalpindi, and as is discussed in Chapter 6, the company’s management and drivers behaved with impunity.

Since the debate started in Pakistan regarding the military’s involvement in the economy, there has appeared to be a lack of clarity over what constitutes Milbus. Most of the debate revolves around the four welfare foundations, which do operate a large array of commercial activities. However, there is a lot that is visible to the common people, but not documented as part of
Milbus. Under the circumstances, I believed it important to identify the structure of this economy and describe each of its essential components.

The military’s internal economy comprises three distinct levels, as has been discussed in this chapter. While the subsidiaries of the welfare foundations are the easiest to quantify, the value of the other two levels needs serious quantification and systematic calculation. The purpose of this section of the book was to provide a qualitative framework that basically described each segment of the military economy.