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**Betwixt and Between:
Bangladesh Military in Business. A Comment
from an International Perspective**

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Betwixt and Between:

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Soldiers in Business – Global and Historical Phenomena:

First of all, one has to emphasize that this discussion is about a phenomenon which is not a sole Pakistan or Bangladesh trend, or an Asian invention, but rather appears worldwide. Second, business activities of soldiers are not a new trend. They can be traced back some hundred years ago – even before the emergence of standing armies – where a military leader had to be not only a soldier but also an entrepreneur who had to accumulate funds and other resources by himself to keep his troops fighting. In other words, taking military history into account, the notion that an army should be maintained exclusively by a state or its government is quite young. In more recent times, certain events and developments like the two World Wars, processes of de-colonization, or the implosion of the Soviet Union led to a further opening up of opportunities for the military to enter the economic sphere as well as to a sophistication of their already existing business activities. Today, military economic enterprises come in various shapes and forms like Military-Owned-Businesses (whole or partly, often via foundations and cooperatives), Military-Private Partnerships and Military Collaborations with Private Businesses, including Private Sponsorship Programs for the armed forces. Beside these types of military business which are normally operating formally in a legal framework, in addition the list of profit-orientated activities, involvements of the armed forces in criminal activity to extract “unconventional resources” must be added in certain cases. Such types of military business activities can involve all services and tiers of the armed forces and can be carried out by the military as an institution, one or various services/units or an individual soldier from the top brass to the rang-and-files. Many countries in Africa, Latin and Central America, and Asia particularly the so-called “post-communist states” have already a detailed history of military business activities covering virtually all segments of their economies, e.g. running media, entertainment and leisure enterprises as well as agricultural farms, providing basic transportation and logistics services (by sea, land and air), offering services in numerous economic sectors from health to finance (e.g. finance, real estate, banking, insurance), wide-scale manufacturing of pharmaceutical products, vehicles, machines, textiles, and consumer goods etc.

Soldiers in Business – Reinvention of the Military?:

With the large-scale extension of the military business phenomenon, the discourse of its extinction gained momentum. Generally one can state that the idea to stop or at least to monitor the enterprises of the armed forces is deeply linked with processes of stabilization and consolidation of democracies and the demand for the entrenchment of control over the armed forces as a necessary condition. Today under the virtual cue “*well resourced and poorly guided,*” the military as owners, stakeholders, or managers of economic enterprises becomes increasingly targeted. Many cases are by political analysts identified in which the military attempts to counter the loss of political prerogatives or the tightening of their defense budgets by getting involved in economic affairs. Therefore, in the context of increasing international aversions against armed forces interventions into politics the military is portrayed as an institution which tries to reinvent itself by substituting its loss in political power by economic strength.

Political Implications – Losing the Power of the Purse:

This reinvention, it is stated, would provide the soldiers with a new kind of cunning and subtle mechanism to gain autonomy which has far reaching impacts on the balance of power between civilians and military. Through the switch from exercising political to economic control, the military can avoid strategies of overt and formal influence on the political decision-making process to ensure their corporate interests. Entrepreneurial activities, pursuant to the claim of the antagonists, constitutes a kind of self-financing which is by nature off-the-budget which makes the armed forces independent from government allocations. To display this as a challenge towards the development of (liberal) democracy, further arguments are put forward.

First, business activities facilitate the military top brass to reduce the oversight opportunities of the parliamentarians over the defense budget. Here, since the armed forces can always turn to other, non-state-resources the civilians are losing the budgeting process as a key instrument to keep the army in check. However, in this context it is also emphasized that the establishment of civilian control is even more undermined when a lack of civilian concern and expertise comes across.

Second, civilian oversight is also challenged because military business is typically not recognized in the decision-making process for the defense budget - at least in traceable

patterns. Additionally, they are (mostly) not visible either to the political leadership nor to the general public, as such it undermines the principles of transparency and accountability. Third, it also might enforce the phenomena of so-called “secret-budgets” used for hidden and extra-legal activities remaining out of bounds for any governmental control authority, usually with reference to matters of national security. This can be considered as an outstanding disturbance of civil-military relations because it tends to increase the power of the armed forces at the expense of civilians as well as the military’s reluctance towards supremacy of elected representatives.

Fourth, in the context of extra-legal activities, military business is also accused to entangle the soldiers in criminal activities, corruption, or human rights abuses etc. Especially in areas of conflicts it is alleged that military is interested to maintain a fragile internal security situation to expand or maintain lucrative profit-orientated enterprises. Therefore, military business brings (in particular cases) soldiers in direct conflict with other state agencies. It is also not uncommon that such struggles turns into an unrestrained competition with other security forces (Police, Paramilitary) over the domination of economic resources.

Last but not least, these negative effects are aggravating when business activities motivate the military to influence the political decision-making process for the sake of protecting their economic interests with the aim to bounce back civilian control efforts. This can only be avoided by effective parliamentary oversight over the defense budget as well as clear regulations (including total restriction) on business activities.

Economic Aspects – Pros and Cons:

Protagonists emphasize two major functions of military business. First, it promotes development and nation building. Here the entrepreneurial activities of the soldiers can make remarkable contributions to industrialization and modernization of countries. This is an argument which one can find especially in socialist and/or post-communist states. Following the Keynesian path it is argued that the military business is promoting economic development which inspires not only the defense industry but also creates spill-over affects on other economic sectors. Therefore it will support not only social change but also national cohesion.

Second, military business reduces financial constraints on governments. This line of reasoning follows basically two paths:

In one way, military business activities are portrayed as a reduction of the burdens for the

state and society since the soldiers are “more self-financed”. This would reduce the pressure on the national budget. Consequently the governments would have more flexibility to invest in other, non-defense related spheres. This line of arguments is particularly used in countries which are in processes of economic and socio-political transformations.

In another way, since these business activities are for the financing of welfare and other social services for the military – *from soldiers for soldiers* –the work load, responsibilities and liabilities of civilians will be reduced.

To summarize the main rationale of the protagonists, military business is legitimate and in many cases needed. This is because it supports the development of state and nation as well as it takes care of soldier’s basic requirements, especially in cases of budget shortcomings and economic constraints to be able to satisfy the needs of the armed forces. This would significantly help to ensure national security even during outstanding crisis situations.

In response to those pros, some cons were interposed on the debate. A major argument made, is that military business will lead to a distortion of processes and rules of free markets since the soldiers, due to their closeness to state authorities, are often provided with political and economic privileges which gives some advantages over “private sector competitors”. Additionally, free economic competition will be hampered by a threat perception among the other non-security actors that the military will play an unfair role by introducing coercive power as an instrument in conventional business practice. Especially those entrepreneurs arising from the middle class, who are in many countries identified as a spearhead of economic development, have to suffer under such market distortions because they remain outside the murky economic-political frameworks produced by military business.

Special problems arise if the military becomes financially dependent on business activities. First, military funding is conditioned by fluctuations in the (global) economic market (e.g. Asian Financial Crisis in 1997, World Financial and Economic Crisis in 2007-2010) and can succumb to its trends, norms and procedures. This makes the funding of the military budget and the entire military institution vulnerable which could create an additional threat in the national security situation, perhaps even challenging national sovereignty.

Second, maintaining the level of income from “legal” business (in cases of economic deprivation or mismanagement etc.) might force the military entrepreneurs to become involved in criminal economic activities like drug and human trafficking, smuggling or

ambiguous services like offering security services to private individuals, companies or institutions outside the realm of national defense.

Additionally it is alleged that the military personnel, being primarily soldiers and not entrepreneurs, are running enterprises a priori inefficient and ineffective which introduces market distortion and irrationalities into the economic sphere.

Related to that it is also argued that there might be a threat that “management decisions” are not at any time on the lines of economic evaluations but more influenced by political and security related considerations. Here, a fundamental challenge appears if the military is structuring the economy in security-dominated patterns (e.g. war economy, arms race). This could lead to shortages in the provision of essential, consumer goods, services and resources for civilians. According to the last points made, the claimed positive impact of military business on the economic development is either very limited or non-existent.

Military Aspects – Professional Soldiers in Pinstriped Suits?:

Regarding the military internal dimension the advocates of business activities emphasizes mainly that they serve the active and retired personnel of the armed forces regarding their well-being and re-integration into society. This will enforce not only internal cohesion of the military as well as entrenchment of morality, discipline and loyalty among the soldiers but also lead to acceptance of civilian leadership, therefore providing the necessary socio-economic and political framework. Here the rationale is that the profitable engagement in entrepreneurial affairs is also a disincentive to resist orders which has a twofold affect on the behavior of the soldiers: First, the threat to lose economic opportunities and benefits makes the officers and rank-and-file subservient to the military hierarchy. Second, the military as an institution will become loyal to the civilian government which has – at least in normative terms – the power to separate the armed forces from the business sphere. Both, it is argued, will reduce the likelihood of military interventions into politics.

However, this is countered by the statement that business activities do not serve the improvement of conditions for active troops or well-being of disabled and retired soldiers but the profit orientation of certain individuals. The argument that military business led to integrated armed forces is heavily challenged. It rather generates factions and cliques based on new or resurrected cleavages between those who strive to share distribution of wealth, benefits and privileges. In brief, the antagonistic Mantra is: “*doing business disintegrates the military*”, which avoids the cultivation of professionalism including the

growth of corruption, a decline of military discipline, norms and values, and a breakdown in the chain-of-command. This happen on various levels:

First, it increases diversions between the different services and units. Here the access to economic opportunities is largely dependent upon the nature of a certain service, or the geographically deployment of a unit (e.g. economic hub or remote area) which is dividing the armed forces in rich and poor segments.

Second, frictions will appear between the individual soldiers especially between the high-ranking and low-ranking officers as well as between officers and the rank-and-file. In both dimensions an unequal access to socio-economic benefits and resources lead to disturbances of military cohesion. According to some assertions, these will even become more serious when economic-orientated "*young turks*" among the officers are emerging. Being interested in ensuring personal shares in contemporary and future businesses, they get in direct conflict with up-coming reform measures which are not in favor of military business. /Third, it is necessary to state that not all military personnel, especially among the top brass, share the same preferences for or take a common stand regarding economic interests. This leads to confrontations between professionally oriented officers and those who want to be "*soldiers in pinstriped suits*". Besides the tensions between "*Have(s) and Have Not(s)*", it is argued that these intra-military-conflicts in particular and economic involvement in general have a diametrical impact on military professionalism and combat readiness. Due to the entanglement in business activities the military is losing its focus on the original task of defending the country, preparing a war and managing security. Here the critics points out that an unavoidable conflict exists between the military's primary security function as a neutral agent of the state and its interests as a profit-orientated economic actor. Tensions emerge especially when the military becomes involved in internal security tasks which might have effects on its business activities as in areas were remarkable natural resources are available. On more practical lines, it is stated that too many military personnel are taking time off from their regular duties to carry out entrepreneurial activities to satisfy their own or military institutional profit-orientated interests. This will lead to further erosion of combat preparedness.

Military, Business and Society – Triangle of Disturbance:

The protagonist argues that when restrictions or even a ban on military business activities are imposed, the society (and its government) has to deal with the additional financial burden and administrative tasks of taken care of social welfare of their active and retired military personal. Additional, the military business can function as a catalyst to complement civilian efforts or even fill the gaps where the state is not able to perform its duties (e.g. in isolated or remote areas) to promote socio-economic development. Therefore, entrepreneurial activities will a relief for the society.

However, critics are stating that military business has a strong negative impact on the reputation and perception of the armed forces in society. It is asserted that the military image becomes seriously damaged when corruption, human rights violations and other socio-economic abuses (e.g. extortion, confiscation of goods, land and properties) are identified as an outgrowth of military business activities. This tends to alienate the general public from their fellow countrymen in uniform, a process which is further deepened when economic interests transform the armed forces into an “isolated and self-replicating community” or as generally referred to as a “*state within a state*”. On the other hand, when the armed forces are held in low public esteem, this reduces the morale and discipline of the soldiers. This process will gain momentum especially in countries which are born out of armed conflicts (e.g. decolonization, succession).

Here the imminent threat exists when the general image of the military turns from being a symbol of purity, unity and integrity of the nation into something which can be described as an enemy of the public which is merely interested in money-making at the expense of the society. This societal perception can extend a rift not only between soldiers and the state but also enforce mutual distrust. Consequently, an atmosphere will be created in which the military is reluctant to feel responsible and accountable towards society and its institutions. Furthermore this might prepare the ground for fortifying soldiers to engage in political interventions.

Military Business in Bangladesh:

The roots of business activities of the Bangladesh Armed Forces can be identified in various phases of which three are of special importance.

First, there is an “historical-behavioral-heritage”. Here, the *War of Liberation* characterized by the nature of a guerilla struggle produced a rudimentary type of “self-financing”. Despite the fact that this help-your-self-attitude remained rudimentary since the war covered only a period of ninth months plus foreign supplies were available, it became extra-ordinary entrenched in the first years after independence. Due to this wasteful economic deterioration of the war-torn country and a budgetary policy which was not in favor of building up regular armed forces, there was a “*cross-factional*” consensus among the military echelon that one could not rely on the government at that time to satisfy its basic needs. This rationale was especially emphasized by the so-called returnees from West Pakistan who were deeply influenced by the conviction of military morale and organizational superiority and the perception of civilian weaknesses in running the state of affairs.

Second, this attitude became aggravated by an ideological stream of leftist thinking, which advocated the notion of transforming the conventional armed forces into a kind of “production oriented army” on the model of the Chinese People’s Army. In other words, the armed forces had to be an inseparable part of the country’s production system. Although these leftist elements were literally eliminate in the Bangladesh military one should not underestimate the resilience of this ideological dimension.

Third, there is an “inherited-organizational-aspect” regarding military business. Influenced by the internalized structural design of the Pakistan Army it was decided to establish the Sena Kalyan Sangstha (SKS) as a successor of the Pakistan Fauji Foundation. Having this in mind, military business in Bangladesh started as in many other countries (e.g. Turkey, Pakistan, Indonesia), through military-owned foundations with the intention to provide social services, such as pensions, societal reintegration of retired personal, education, housing and medical treatments, for the troops and their families. Contemporary critics claim that this expanded widely, ostensibly not only to pay for their welfare measures but also to generate funds which were used for activities beyond the original charitable purpose. However, the welfare-oriented business model led to the establishment of more enterprises and today military business is represented in almost all key sectors of Bangladesh’s economy.

Here lies the crux of the current debate. Based on the observation that military business is expanding it appears obvious to some political observers that there are similarities regarding the economic activities of the armed forces in Pakistan and Turkey, especially in terms of claimed negative concomitants, like corruption, unfair use of advantages, breakdown off military norms and structures. Here some notes should be added.

1) The fact that the military foundations like the Sena Kalyan Sangstha are involved in various types of manufacturing and services must be first and foremost interpreted as a rational managerial decision to diversify its own business portfolio. As such it is a common entrepreneurial strategy to reduce economic risks which one can find among welfare-orientated as well as purely profit-orientated entities worldwide. Consequently this means not necessarily the creation of an “*economic leviathan*” aiming to dominate all other spheres of national life or gain financial autonomy to be able to undermine civilian control efforts. Regarding the principle of transparency it seems that Bangladesh’s armed forces makes no secret out of the legal, institutionalized business activities.

2) As far as these business activities are concerned there is mostly a clear separation between ownership and management, e.g. in the case of the Dhaka Radisson Hotel. In other words, the Bangladesh military tries to avoid a direct involvement of active soldiers in business activities. As such the threat that the military institution by running economic enterprises is *a priori* distracted from its original mission to defend the country will be hard to identify at the moment. However, various retired top-ranking officers expressed their unease about business activities. But this cannot be interpreted as an indication of a decline in the cohesion of the military or other internal disturbances.

3) One has be also aware that the Bangladesh military is, like in most countries (due to its nature) an economic (f)actor, by virtue of its size as well as the relatively large portion of national resources consumed by the defense forces. Therefore, attempts to eliminate military business out of the civil-military equation seem to be impossible.

4) However, despite the fact that Bangladesh’s armed forces are increasing their entrepreneurial activities in quantitative as well as qualitative terms, their commercial conglomerate still seems far away from becoming the military business empires of Pakistan, Turkey or China and Indonesia before their latest reform attempts. Therefore, each comparison with one of these countries is lacking in substance, regarding the current state of affairs. Furthermore, it is misleading and narrows down the debate on certain aspects of and/or becomes a “blistering critique” on the Bangladesh military. In this context, one can state that there is no “Military-Business-Complex”, “Military-Industrial-Complex” or

“MILBUS” (Military & Business, see Ayesha Siddiqa’s works) which is threatening the socio-economy and the democratic development of Bangladesh. In other words, from an international point of view, the “official” business activities of the military are still on a moderate level, at least for the time being.

Conclusion – Betwixt and Between:

Today in many countries, the processes of “de-militarization” of the economies are discussed and various measures to separate soldiers from business activities are appear to be proceeding. Unfortunately, such efforts have remained insubstantial due to the subject’s political delicacy and restrictions. Regarding Bangladesh, until more substantial research is carried out, only tentative and general observations are possible. Nevertheless, from an international comparative perspective some contributions to enrich the discussion can be made.

First of all, a discourse on military business must include a neutral evaluation of the legitimate right and need for the armed forces to generate commercial interests and consequently to enter the economic sphere. In this context one has also to address the question “*what are the real welfare needs of troops?*” Since this is a main justification for the existence of military enterprises, some clarification is needed to consolidate the discussion. Here one has to point out that only a naive observer would describe the realization of entrepreneurial interests by any armed force as a purely philanthropic exercise. Nevertheless, even if military business in Bangladesh remains legal and accommodates good business practice, they are still “off-budget” and have to be transparently reported and publicly accountable. To avoid any confusions and obstacles towards democracy and good governance, military self-financing has to be made compatible with the concept of civilian control. Therefore, overall assessments of the already-existing control strategies and instruments as well as the introduction of a clear legal framework to monitor the additional channels for the military to generate funds are needed. To avoid a judicial vacuum and loopholes, which might lead to serious tensions within civil-military relations, the specification of law enforcement mechanisms must be *sine qua non*. To implement these conditions, a defense policy and higher defense organization have to be formulated and/or finally decided; a functioning (complete) parliament must be on the spot, an effective parliamentary committee system with sufficient authority and resources has to be set up (especially without interference from the executive

branch of government).

In this direction, stronger participation of the civil society must be expected. Here one might refer to the famous speech by then United States President Dwight Eisenhower in 1961 who stated “that only an *engaged citizenry* offered the only effective defense against the misplaced power...”. Here an active society can serve as a valuable source of strength for the (civilian) elected representatives to entrench control over all kind of military activities including business. Here, in the aftermath of the landslide victory of the Awami League as well as taking into account the consequences of the last caretaker government (2007/08) and the Bangladesh Border Rifles uprising (2009), there is a opportunity and an urgent need to reform or streamline the rules and procedures of military business activities.

After all, one has to raise the question what is the actual aim of Kamal Azad’s documentary and the subsequent discussion - the ban on all business activities of the military or an initiation of a certain political-economic reform program? Here some more detailed elaboration of the producer of “Fauji Baniija” with detailed suggestions will have an enlightening impact. However, each participant in this debate should know that questioning military business in Bangladesh is like “opening the Box of Pandora”. It definitely, conscious or unconscious, is touching Bangladesh’s most significant social and political flashpoints, e.g. lack of democratic political culture, poor performance of political institutions, tense civil-military relations, and weak civilian control. Therefore, the debate on military business is extraordinarily important and should be encouraged, but also provided with some structure.

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