Two Paths to Dominance: Military Businesses in Turkey and Egypt

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Introduction

In recent years, Turkish and Egyptian military institutions have followed divergent paths in their respective states. After many decades of full or partial control over the government, the Turkish military today is largely marginalized in politics. By contrast, after periods of exclusion from power, the Egyptian military is now in full control of the state. Despite these differences, both military institutions are powerful economic actors within their states. They have developed extensive civilian economic enterprises over the decades, dominating important sectors by capitalizing on their political influence, legal and regulatory privileges unique to their enterprises, and opportunities provided by market liberalization.

Turkey represents one of the earliest examples of direct military intervention in the civilian economy. Turkish military businesses began in the 1960s with the creation of a compulsory pension fund to provide capital for its large holding company, Ordu Yardımlaşma Kurumu (OYAK). Today, OYAK controls nearly $20 billion in assets and dozens of principal and subsidiary firms that invest in iron, steel, and cement, as well as in the automotive, finance, logistics, and energy sectors. Starting a bit later than in Turkey, the Egyptian military entered the civilian economy in the early 1980s and is now active in almost every economic sector in the country, including the iron, steel, cement, automotive, finance, logistics, construction, commercial farming, food processing, hotel management, home appliances, petroleum retail, information technology (IT), media, and private security sectors. Although both the Turkish and Egyptian economies are liberalized on paper, in practice their military businesses enjoy significant legal and financial advantages and engage in monopolistic or oligopolistic practices.

The root of this economic power lies in the formation of the Turkish and the Egyptian state, whose institutions were shaped by revolutionary postcolonial movements led by military officers. This influence in the early processes of state building created a legacy whereby the armed forces translated political influence into economic power. In Turkey, the military started to develop civilian business enterprises immediately after a successful coup in 1960. In Egypt, army demobilization after the 1979 peace treaty with Israel led then president Anwar Sadat to support the military’s venture into civilian business.

As a result, the evolution of military business in both Turkey and Egypt is inseparable from the political power wielded by their respective armed forces, albeit not fully dependent on it. The Turkish armed forces created OYAK in 1961, expanded it after the 1971 and 1980 coups, then did so again as they gained political influence in the 1990s. Despite two decades of rule by the Justice and Development Party (AKP), the Turkish military’s marginalization from politics has not negatively impacted OYAK. It remains one of the largest capital holding companies in the country. The Egyptian armed forces’ entry into the civilian economy began in the 1970s when Sadat prioritized private enterprise
over state-led development, marginalizing the armed forces. In the 1980s, the military’s role as an intermediary under then president Hosni Mubarak gave it a foothold throughout the economy, and President Abdel Fattah el-Sisi has expanded this role to give the military a dominant position in the Egyptian economy since 2013.

Both militaries benefited from market liberalization. The Turkish military used a nationalist narrative in the 1960s to situate itself as a key player in import substitution industrialization (ISI), but when Turkey transitioned toward a neoliberal economy in the 1980s, the military adjusted its rhetoric to capitalize on the sale of state assets and generate new sources of investment. OYAK became a key player in industry and finance. Similarly, the Egyptian military situated its business activities in the mixed economy of the 1980s and advanced a nationalist narrative about contributing to modernization and development. When Egypt began to sell public assets and remove trade and financial protections in the 1990s and 2000s, the military incorporated new private partners to maintain influence in newly liberalized sectors.

While the two cases share many similarities, they remain different in key respects, particularly in their relationship to the defense industry. In Turkey, OYAK is fully separate and independent from arms manufacturing and does not invest in defense production. But in Egypt, military enterprises first emerged from the domestic defense industry, and today, military industrial enterprises often support and supplement the military’s civilian commercial activities.

Another distinction lies in administration and labor. In Turkey, OYAK is a highly centralized and institutionalized holding company run by technocrats. Military officers are often board members, but they have little influence in the management of OYAK firms. In addition, all the workers and employees at OYAK manufacturing plants and service companies are civilians. While Turkey has a conscription system, soldiers do not work in OYAK-owned factories. In contrast, the Egyptian armed forces own and operate many conglomerates that lack mechanisms of centralized administration or basic coordination, resulting in duplication and in underutilizing assets. Active and retired officers comprise the senior management in these conglomerates, with civilian technocrats constituting the lower administrative strata. Furthermore, hundreds of thousands of Egyptian conscripts labor in military businesses.

These differences in management result in significant discrepancies in generating profit and acquiring investment capital, despite the privileges and benefits that both militaries enjoy. OYAK relies on compulsory pension deductions and predictable returns to facilitate long-term strategic planning, allowing it to grow into one of the largest conglomerates in the country. In contrast, the Egyptian military makes up revenue shortfalls by pressuring public banks to provide financing or by obliging domestic and foreign business partners to accept less-than-advantageous terms. That said, both
military economies are characterized by a general immunity from independent auditing or public accountability, although the Egyptian military industry’s opaque organizational structure and absence of professional managers make accountability doubly difficult there.

Despite these differences, military business strategies in Egypt and Turkey have yielded durable structures that reinforce the primacy of military politics in both states. This comparative brief examines eight aspects of the political economy of the military business enterprises in Turkey and Egypt: historical evolution; legal foundations and privileges; size and sectors of investment; structure, management, and labor; financing and distribution of profit; current political conditions; auditing and public oversight; and relationship to the defense industry. This comparison highlights how a history of political privilege and influence has translated into a military in both countries that took advantage of market liberalization to dominate the economy, albeit with centralized, technocratic management in Turkey and widespread, military-owned conglomerates in Egypt.

**Turkey**

**Historical Evolution**

OYAK was founded in 1961 as a pension fund for members of the armed forces. In the wake of the 1960 coup d’état, the military junta not only promulgated a new constitution and controlled parliamentary elections, but also attempted to improve the living conditions of military officers. The military had two goals in creating OYAK. The first had to do with the officer corps itself: ameliorating the socioeconomic conditions of the fund’s members after they deteriorated in the 1950s, in order to make members “able to live a life appropriate to their social status.” The second goal was connected to the national economy: providing capital for national development. Rhetorically, these two main goals have not changed since. The economic bureaucracy and the intelligentsia of the 1960s commended the creation of OYAK as a remedy to the problem of lacking enough capital to support officers. Subsequently, OYAK grew into one of the largest companies in the country. The business elite considered cooperation with OYAK a form of alliance between the bourgeoisie and the military and strove to benefit from the Turkish military’s direct integration into the economy.

Over the course of decades, OYAK’s investment interests changed with transformations in the Turkish economy, always benefitting from new economic policies. Its investment trajectories drove toward capital accumulation. Until 1980, OYAK assumed a significant role within the state’s relatively successful ISI strategy. These years witnessed OYAK’s first leap in asset growth, after which the company invested in sectors only accessible to large capital groups in the government’s economic
development strategy. OYAK adopted a nationalist and developmental rhetoric about its role, asserting that its industrial and economic activities were “consistent with the five-year development plan and the sectors defined in these plans.” Immediately after its creation, OYAK concentrated the huge fund’s investments mainly in the automotive and cement sectors, the two most dynamic sectors in Turkish ISI. OYAK also invested at an early stage in the agrochemical (Hektaş, 1963), insurance (Oyak Sigorta, 1967), and food (Tukaş, 1968) industries. In all these sectors, profit margins were high due to protectionist customs barriers, tax exemptions, credit facilitation, and other inducements extended by the state.

After the 1980 coup the state transitioned to a neoliberal economy, and OYAK shifted its investments to benefit from a more open market and to accelerate capital accumulation. It switched focus to export-oriented manufacturing by purchasing privatized public-sector enterprises and venturing into financial investments. In addition, it entered new sectors, such as construction, transportation, and tourism. OYAK's rhetoric then and through the 1990s replaced the nationalist, developmental discourse with an emphasis on globalization and free markets. Sometimes it resorted to nationalist rhetoric when purchasing major public-sector enterprises, as in its purchase of the rolled steel plant of Erdemir, where OYAK asserted that it represented “national capital.” Despite this rhetoric, OYAK’s mega industrial projects in the automotive and cement sectors, followed by iron and steel manufacturing in the 2000s, dominated its overall investment portfolio in the newly liberalized economy.

OYAK took full advantage of the privatization of the public sector in the 1990s. First, it increased its share of the cement sector when it purchased two privatized cement factories in 1992. In addition, OYAK Bank expanded in the financial sector when it acquired one of the largest public banks, Sümerbank, at a trifling price in 2002. According to the chair of OYAK’s board of directors at the time, former general Selçuk Saka, “OYAK paid only a symbolic amount for Sümerbank (TRY [Turkish lira] 50 billion), and after 4.5 months of operation, the profit that came from the bank was equal to or more than the profit coming from all other affiliated companies [of OYAK].” In 2005, OYAK ventured into the iron and steel sectors by acquiring the public giant of iron and steel production, Erdemir, the third most profitable industrial company in Turkey, at a price of $2.77 billion. OYAK instantly grew by 50 percent; its total net assets increased from $10.7 billion to $15.4 billion. Erdemir’s profit in 2003 was $610 million, which was equal to OYAK’s net profit from its 40 other affiliated companies.

Following the state’s 1989 decision to liberalize finance, OYAK came to perceive finance as an essential component of its capital accumulation strategy. It created a brokerage house in 1982, acquired a bank in 1996, and established an insurance company in partnership with the French
insurance giant AXA in 1999. OYAK also lent money at very high interest rates to the debt-ridden state. Throughout the 1990s, OYAK developed and increased its assets in the finance sector and its total net assets, using its resources’ high liquidity in financial investments to profit from the arbitrage between the U.S. dollar and the TRY. OYAK specifically concentrated investments in the financial sector during the harsh economic crisis of the early 2000s, specifically after the 2001 crisis. As a result, its profits from finance peaked during these years.

The autonomous political power of the military also influenced OYAK’s remarkable economic growth, allowing the Turkish military to convert political power into economic profit. For example, from its inception, OYAK enjoyed a wide range of tax exemptions, including exemptions on corporate taxes, value-added taxes on fund revenues, taxes on fees collected from and disbursements to OYAK members, the stamp tax on OYAK fund transactions, and income and inheritance taxes on donations to the fund. Still, OYAK’s companies pay regular taxes, although OYAK has taken advantage of the military’s political power to transfer bankrupt companies to public enterprises or to make the public sector a shareholder in these bankrupt companies, and of its power to establish partnerships with public enterprises to secure public procurement contracts. Another striking example of the military’s autonomous political power is the rescue of OYAK Bank during the global economic crisis in 2001 and the sale of a public bank to OYAK at a trivial price, after which OYAK Bank made its below market acquisition of Sümerbank.

The military has not only used political power to expand its economic activities. OYAK has also implemented capital accumulation strategies that ensure profit making and reinvestment in different economic environments, as realized after major episodes of military intervention in politics.

Legal Foundations and Privileges

OYAK enjoys significant legal advantages. OYAK’s founding law, Law No. 205 of January 1961, grants it a status that falls legally into a grey, intermediate area between both the public and private sectors, on the one hand, and between military and civilian establishments, on the other.

Law No. 205 allows OYAK to benefit from both private- and the public-sector laws. The fund is designed both as a military pension system that pays returns in the form of additional retirement and other benefits and as a holding company to run businesses to pay those returns and to reinvest in different sectors. According to Article 1 of Law No. 205, OYAK is an administratively and financially independent legal entity attached to the Ministry of National Defense. OYAK is subject to a special provision that governs its relationship with third parties and facilitates its pursuit of revenue-generating activities. Article 37 states that all assets, revenues, and claims of the organization are eligible for the rights and privileges attached to state property, meaning that OYAK’s assets cannot be seized.
In addition, Law No. 205 identifies the members and central administrative structure of OYAK but places it in a gray area between military and civilian institutions. In recent years, OYAK’s management has asserted the civilianization of the holding company, purportedly disassociating it from the military. However, a review of the fund’s membership and administrative structure reveals that the military is clearly in control. The fund’s permanent members are active officers and noncommissioned officers, and the majority of its Board of Directors are active or retired officers. Although the law states that only three members of the seven-member board should be military personnel, military members have occupied four seats and chaired the board since 1976. The current board contains five military members, two retired and three active-duty officers. Furthermore, all members of the Representative Assembly are high ranking officers, and the forty-seat General Assembly currently has only nine civilian members—some ministers or representatives of state economic institutions, semi-public business organizations, and the private sector. Even though retired military officers have served on the boards of OYAK companies in the past, these companies have mainly been managed by civilian professionals and managers.

Size and Sectors of Investment

Over six decades, OYAK has grown into one of the largest holding companies in Turkey in terms of both the number of affiliated firms and the scope of these firms’ investments. Currently, OYAK owns thirty-eight main companies and eighty-six subsidiary companies that dominate the mining and metallurgy (especially iron and steel), automotive, and cement sectors. OYAK is active in the agrochemicals, energy, logistics, finance, construction, tourism, security, and medical technology sectors, and in the past has also invested in the banking, insurance, tire manufacturing, petroleum products distribution, and food sectors.

OYAK is also one of the five biggest conglomerates in Turkey in terms of total assets, sales, and profitability. By the end of 2017, OYAK boasted assets of $19.6 billion, and even though there is no systematic, accurate data on sales and profits of other holding companies, available data suggest that in 2010 OYAK was the second largest holding company in total sales and the fifth most profitable holding company in Turkey.14 The majority of its affiliated companies are ranked among Turkey’s most profitable industrial enterprises. In 2013, the Istanbul Chamber of Industry’s Turkey’s Top 500 Industrial Corporations included ten OYAK companies based on manufacturing sales, and the Chamber’s Second Top 500 Industrial Corporations listed four others.15

OYAK companies are distributed across a wide range of sectors including mining and metallurgy (six companies); automotive and logistics (six); cement, concrete, and paper (ten); finance (five); energy (three); chemistry and agrochemicals (five); and services such as security, construction, tourism, and technology (three). While the automotive and cement sectors continue to be key sectors for OYAK,
in the 2000s it entered both the mining and metallurgy and the energy sector, which have become leading sectors as well. OYAK has continued to exploit privatization for capital accumulation, seen in its 2005 acquisition of the Erdemir iron and steel company, the third most profitable industrial company in Turkey. OYAK has also bought newly privatized cement, concrete, and paper factories. Similarly, even though it does not maintain a strong presence in the banking sector, which is now highly internationalized, it has restructured its intermediary financial institutions and uses financial investments as a means of capital accumulation.

OYAK has also attracted foreign and domestic capital to its enterprises. Over the decades, it has established partnerships and joint ventures with foreign capital groups such as AXA, Elf, Goodyear, Renault, and Steag. It has partnered with the largest holding groups in Turkey, such as Alarko, Cerrahoğulları, Eti, Gama, Koç, Kutlutaş, Nuh, Sabancı, and Yaşar, and collaborated with large state-owned enterprises, banks, and institutions such as Halk Bankası, the Institution of Social Securities, and Ziraat Bankası.

Structure, Management, and Labor

OYAK’s highly centralized system of management relies primarily on civilian technocratic expertise. Beyond the Board of Directors, General Assembly, and Representative Assembly, all of which military members dominate, OYAK managers are civilians with specialized expertise, and OYAK never draws administrators from active or retired officers. This similarly applies to skilled and unskilled workers at OYAK manufacturing plants. Although the Turkish Armed Forces recruits through universal male conscription, OYAK does not use conscripts in its economic activities, nor are active duty officers and soldiers involved in OYAK plants at either managerial or production levels.

Financing and Distribution of Profit

OYAK’s main source of financing is the compulsory membership dues paid by all commissioned and noncommissioned officers. Membership is optional for civil servants working in the military or the Ministry of National Defense and for civilians working in OYAK companies. According to OYAK’s founding law, 10 percent of permanent members’ salaries and 5 percent of temporary members’ salaries are automatically deducted for OYAK membership dues, making members’ contributions a cheap source of financial liquidity. By the end of 2017, OYAK had 322,412 members.

Another important source of OYAK financing is profit from its lucrative investments. OYAK is distinctive as a pension fund that can accumulate capital through profit-oriented commercial and financial economic activities as a mere holding company with an investment strategy aimed to dominate capital accumulation in the country, as discussed above.
The OYAK founding law formally and clearly establishes how to distribute profit from this pension fund: benefits to all members. Besides enjoying additional retirement, death, and disability benefits, OYAK members have access to cheap housing credit and consumer loans for below-market rates and for longer terms. In that sense, OYAK functions like an additional institution of social security. After ten years of paying dues, members can start to receive those benefits. The amount received as a retirement benefit varies based on the contribution cut from a member's salary, and thus it depends on the rank of the officer. In 2017, OYAK paid 9,955 members a total of $594 million (TRY 2.1 billion) in retirement benefits and distributed another $202 million (713 million lira) in consumer and housing loans.\textsuperscript{18}

Current Political Conditions

Under the AKP government since 2002, the military has struggled as its political power has been curbed. Still, OYAK has survived and maintained its economic enterprises.\textsuperscript{19} In the past two decades, increasing public criticism of the country's problematic civil-military relations and recurring coup attempts have not undermined the military's economic power. On the contrary, OYAK has continued its remarkable growth throughout the AKP period, and its net assets have jumped from $668 million in 2001 to $19.6 billion in 2017. In 2012, the AKP-dominated parliament briefly investigated OYAK and the role of the military in the economy as a whole, and the Commission for Investigating Military Interventions issued a report that included a special section entitled “The Economy and Coups” that covered OYAK.\textsuperscript{20} Nonetheless, the AKP government did not take any political or legal action based on the report's findings.

During the AKP’s long years in power, OYAK has reorganized its investments in response to global and domestic market realities rather than political pressure. It has reduced its presence in some sectors that have been fully internationalized and dominated by foreign capital, such as banking and insurance, as well as in sectors that it found less profitable, such as retail. It has also sold its shares in companies in which it was a small partner, such as tire production, petroleum products distribution, food, and some cement companies. Meanwhile, it has bought the shares of smaller partners in some cement, energy, and chemicals factories. In this period, OYAK has sought full ownership in its companies when possible, and it has continued or established equal partnerships with Renault in automobiles, Koç Holding in energy, Taiwan Cement Corporation in cement, Steag in thermal power production, and Linde in industrial gas production.

Under the AKP government, OYAK has fostered investments in the automotive, logistics, and cement sectors; entered the mining and metallurgy, energy, and technology sectors; and added minor investments in the IT sector. Its presence in construction continues to be considerably smaller than that in other sectors. While OYAK maintained a neoliberal narrative about its activities in the first years of AKP rule, during the 2010s OYAK made many fewer public statements.
The economic power of the military, which academic, public, and civil society debates neglected before the AKP’s rise to power, became a topic of discussion in the 2000s. It was also added to the agenda of European Union (EU) membership discussions. A report entitled “EU Turkey Relations with a View to the European Council of December 2004 Draft Opinion” by the joint Turkey-EU Economic and Social Committee—which is composed of 222 members representing social groups including businessmen, workers, farmers, and cooperatives—questioned and criticized the economic power of the military as reflected in OYAK, as well as military expenditures and extrabudgetary resources. The report also identified the military’s economic power as an area of reform necessary for potential EU membership. However, following lobbying pressure from OYAK and the head of the Istanbul Chamber of Industry, which also represented the Turkish side on the Turkey-EU Economic and Social Committee, the final draft of this report left out the OYAK issue. The report eventually decided that “OYAK is a secondary social security institution similar to those in the European Union; and besides forming its member base, OYAK has no business relationship or financial transfer with the state or the military, and it has no organic relationship with the military.”

Auditing and Public Oversight

The budget of the Ministry of National Defense, which is a part of the national budget, is in theory open to legal inspection and audit. However, in practice the AKP-dominated parliament and its relevant commissions are not able to supervise or determine the defense budget. Instead, the AKP prefers to work in harmony with the military rather than confront it. As for OYAK, a special supervisory board oversees its activities and it is composed of three individuals, one of which is a military officer. “The Supervisory Board is made up of three members: one member is elected by the General Assembly out of 5 [military] candidates nominated by the Ministry of National Defense; one member is elected by the head of the Public Oversight Delegation; one member is elected by the President of the Administrative Delegation of the Turkish Union of Banks.” In addition, since 2001 a private auditing firm has carried out an additional financial audit of OYAK activities.

Relationship to the Defense Industry

Turkey’s civilian companies and the defense industry are completely separate, and OYAK has never invested revenues in the defense industry or procured arms. Turkey’s defense industry evolved separately, beginning in the late 1970s, many years after the creation of OYAK, and growing rapidly in the mid-1980s. The arms production sector is composed of military-owned firms, state-owned firms, and private firms. Military firms have been managed by the Türk Silahlı Kuvvetlerini Güçlendirme Vakfı (TSKGV, or Foundation for Strengthening Turkish Armed Forces), which was founded in 1987. Its stated goal is to invest and reinvest in arms manufacturing in order “to contribute to the increase of war capacity of Turkish Armed Forces by developing the national defense industry.” TSKGV’s board of directors is composed of the minister of National Defense, the vice
chief of the General Staff, the undersecretary of the Ministry of National Defense, and the undersecretary of Defense Industry. The military has controlled the board for many years. TSKGV is now known as the Turkish Armed Forces Foundation, and in December 2017, the Turkish president became a member and president of the board by emergency decree.

To sum up, the Turkish military’s OYAK is a holding company with some legal advantages and a highly centralized management structure. Although the Turkish military has been an active economic actor in the domestic market for the past six decades, OYAK’s business interests have changed along with fundamental changes in the Turkish economy. OYAK successfully situated itself within and profited from changing economic systems, from ISI in the 1960s to market liberalization and privatization in the 1990s and 2000s. It also adjusted its public rhetoric about the reasons for its involvement in the economy as time passed. While diversifying the sectors it engaged in and exploiting inherited privileges, OYAK has always followed efficient strategies of capital accumulation, partnered with foreign and local capital, and expanded its investments in Turkey’s open market. The autonomous political power of the military undoubtedly helped it to earn these privileges, but OYAK’s recent marginalization in politics under the AKP has not affected its economic activities. In recent years, OYAK has remained part of the old capitalist elite that competes with the AKP’s new Islamist capital and keeps its place within the neoliberal domestic market managed by the party. It maintains its internal auditing system away from the AKP-controlled parliament. Finally, OYAK has developed independently of the defense industry, which is a main area of difference between the Turkish military’s businesses and those of its Egyptian counterpart.

Egypt

Historical Evolution

Egypt’s first military president, Gamal Abdel Nasser, infused the state’s bureaucracy and public sector enterprises with active and retired military officers in the 1950s and 1960s. Operating on the ISI model, early military industrial activities relied on generous state funding drawn from both the nationalization of foreign companies and infrastructure, such as the Suez Canal, and aid from the Soviet Union and Gulf states. As Egypt endured prolonged national and regional wars, it was no exception to a common development pattern in developing countries of the time: the military was regarded as the only institution with the technical capacity and organizational wherewithal to drive development.25

Egypt invested heavily in domestic arms manufacture in the context of conflict with Israel, but defeat in the 1967 war dealt a blow to military prestige. Nasser’s successor, former president Anwar Sadat, himself a military officer, launched a surprise attack on Israeli forces in the Sinai in 1973 to help
restore this prestige. Instead, the war effort exhausted the state budget and precipitated economic hardship, so Sadat had little to spend on the defense industry or direct benefits and privileges for officers. After Sadat signed the Egypt-Israel Peace Treaty in 1979, the Ministry of Defense created the National Service Projects Organization (NSPO) in order to redirect the military’s activities toward civilian production.\

Although the peace accord reduced Egypt’s military to between 300,000 and 450,000 personnel, the NSPO still used military personnel to work in NSPO’s profit-generating projects. Besides NSPO, many military units, especially in technical or logistic fields, also ventured into civilian economic activities. These units sounded a common rhetorical refrain about these projects: they were meant to achieve self-sufficiency in military production, to relieve budget pressure, and to develop the national economy.

Throughout the 1980s, NSPO and other specialized military units profited from a quasi-liberal economy that preserved aspects of Nasser’s welfare state. In the 1970s, Sadat ended Nasser’s ambitious ISI plans and attempted to liberalize the postwar economy through his famous infitah (open-market) policies, but bread riots halted this attempt. Sadat’s successor, then president Hosni Mubarak, slowed down this economic liberalization and made the military a key supplier and distributor for key aspects of the welfare state, including subsidized bread and other food staples. Mubarak then tasked the military with major public construction projects. NSPO soon grew into a sprawling “parastatal” entity that assumed various government duties. Initially, NSPO focused on food production through the reclamation and commercial farming of hundreds of thousands of acres of land. Military businesses refined and processed agricultural goods, then sold them at subsidized outlets attached to military bases. Simultaneously, the Engineering Authority of the Armed Forces (EAAF) grew into one of the largest contractors for public construction projects such as airports, stadiums, roads, bridges, schools, hospitals, and social housing. Individual military units often took charge of activities related to their primary military responsibility, such as the Army Signal Corps, which extended telephone lines for the government.

In the 1990s, the Egyptian military expanded its civilian economic ventures, an effort made possible by economic liberalization and defense conversion schemes. In 1992, Mubarak adopted a reform plan from the International Monetary Fund (IMF) that entailed cuts to public spending, and Mubarak allowed the military to extend its business ventures to prevent potential officer mutiny. The state could no longer maintain a large arms industry without sustained capital investment and greater access to Western technology, so the military embarked on a defense conversion process, using factories and capital equipment previously dedicated to the production of weapons for civilian manufacturing instead. Military factories that were part of the Ministry of Military Production (MoMP) or the military-managed Arab Organization for Industrialization (AOI) partially converted military factories that used to produce ordnance, missiles, and basic aircraft to produce goods such as...
washing machines, refrigerators, televisions, kitchenware, fertilizers, pesticides, cars, and trucks. NSPO continued to expand its agribusiness through land grabs and reclamation during the same period.\textsuperscript{32}

The 2000s saw further expansion in the military’s business enterprises. Mubarak accelerated economic liberalization but also began to groom his civilian son, Gamal, to succeed him and become the first nonmilitary president since the 1950s. To appease military officers, Mubarak expanded officers’ economic privileges and positioned them to take advantage of the globalized market. Under Gamal’s influence, Egypt sold a number of public sector enterprises to local and foreign businesses. The military purchased or otherwise acquired some of these, evidently without any documented payments. For example, the Maritime Industries and Services Organization seized the Egyptian Company for Ship Repairs and Building, the Alexandria Shipyard, and the Nile Company for River Transport in 2003, 2007, and 2008, respectively.\textsuperscript{33} In 2004, AOI appropriated Egypt’s only railway wagon manufacturing plant, known as SEMAF.\textsuperscript{34} These acquisitions consolidated the military’s presence in maritime shipping and inland transportation. Generals managing new purchases and project openings reiterated a familiar rhetoric, asserting that their main purpose was to ensure self-sufficiency for the army, help with price controls, and defy private sector monopolies in the domestic market.\textsuperscript{35}

\section*{Legal Foundations and Privileges}

No single law establishes a foundation or regulatory structure to govern the economic enterprises of the Egyptian military. Rather, each entity or group of entities traces its creation to a separate law or decree issued by the president, minister of defense, or minister of military production. Presidential Decree No. 32 of 1979, for example, established NSPO as a corporation with its own legal personality and with the goal to help build the national economy. Another presidential decree, No. 583 of 1980, authorized NSPO to collaborate with both local private capital and foreign capital.\textsuperscript{36} Before transitioning into civilian manufacture, AOI was created as an international organization in 1975 to establish an arms manufacturing partnership between Egypt and oil-producing Gulf states. When Gulf partners withdrew in 1979 in the wake of Egypt’s peace accord with Israel, AOI became only a notional group of factories but maintained all the legal immunities and exemptions of an international conglomerate through Law No. 30 of 1979. AOI factories maintained these privileges with their partial conversion to civilian manufacturing in the early 1990s. Corps of the armed forces also created firms and subsidiaries according to presidential or ministerial decree; for example, the Maritime Industries and Services Organization was created by Presidential Decree No. 204 of 2003.
Over the decades, the state has continued to extend other extralegal advantages and fiscal subsidies to the military's business enterprises. In the 1980s, the military established legal rights over the large plots of land that were used as military bases during wartime as well as over other urban areas. The military either used this land for its own construction projects or sold it to developers.37 In the same decade, a series of laws exempted the imports and exports of MoD, MoMP, and NSPO from customs and a range of taxes and fees. The law establishing AOI as an international entity had already exempted it from all manner of taxes, fees, and customs on all imports and exports,38 and in 1991, Article No. 29 in Law No. 11 exempted military commodities and services sold domestically from sales tax.39 The Ministry of Finance's statute attached to this law made this article applicable to the products of all MoD departments and organizations, MoMP, and AOI.40 Moreover, Law No. 91 of 2005 exempted NSPO's annual profits from income tax and other state fees. Egypt's military businesses thus enjoy financial privileges compared to the regulations that govern the private and the nonmilitary public sector.41

Size and Sectors of Investment

By the end of the 2000s, the military's civilian enterprises had grown beyond the ability of observers to measure. At the start of the 2011 uprisings, these military businesses fell under the umbrella of eight conglomerates and organizations. The first was the original NSPO, comprising thirty-two firms with subsidiaries operating in a number of sectors. The second was the MoMP, by then a conglomerate of twenty factories and companies engaged in both civilian and defense manufacturing. The third was the AOI, a conglomerate of eleven factories also engaged in both civilian and defense production. The fourth was the military engineers' EAAF, functioning as a parastatal contractor for large government construction projects. The fifth was the Maritime Industries and Services Organization, which operated four companies for shipbuilding and river transport. The sixth was the Department of Social Clubs and Hotels, which managed luxury hotels, wedding halls, restaurants, and cafes. The seventh was the Department of Medical Services of the Armed Forces, which built and managed military hospitals that provided fee-based medical services to civilians. The eighth was the Armed Forces' Land Projects Organization, which managed the sale and development of military-owned land, including granting licenses and approvals for resource extraction like mining. The military also granted approval to private investors to use land and informally controlled mineral quarries.42

By the time Sisi came to power in 2013, the Egyptian armed forces owned companies in almost every sector in the domestic economy. Like its Turkish counterpart, the Egyptian military owned manufacturing facilities to produce cement, steel, vehicles (passenger cars, subway cars, rail wagons,
and tractors), agrochemicals (especially fertilizers), and energy (petroleum retail); it also provided services in public construction (including desalination plants), mining, logistics, and retail. In addition, it owned factories manufacturing pharmaceuticals, processed and refined foods, home appliances, kitchenware, computers, and optical equipment. It reclaimed hundreds of thousands of acres of desert land and constructed bridges, hotels with lucrative special event venues, seaside resorts with luxury summerhouses, apartment buildings, and lavish villas. It ran gas stations, shipping firms, domestic cleaning companies, and parking lots. The state allocated thousands of miles of land to the army to construct toll highways and collect usage fees. As the sections below detail, these companies entered important new sectors under the current administration.

It is almost impossible to count the precise number and estimate the annual profit of Egypt’s military enterprises because they are untaxed, not subject to official auditing, and not listed on the stock market. Robert Springborg estimates their size anywhere between five and forty percent of the country’s national economy and asserts that they make billions of dollars.43 Economist Ahmed al-Naggar calculated them at only 1.8 percent in 2013.44 The Egyptian president also presented an estimate, asserting that the military made up only 2 percent of Egypt’s gross domestic product in 2014.45 Yezid Sayigh asserts that Sisi’s figure might be more accurate than others, explaining that “despite its visibility and much self-promotion, the military economy does considerably less than either its representatives or its detractors claim . . . inflated estimates confuse ownership, control, and influence.”46

Structure, Management, and Labor

Compared to their Turkish counterparts, Egypt’s military enterprises lack both a centralized administrative structure and teams of professional civilian managers to design and implement strategic planning. Egypt does not have a single entity to coordinate military investments, and military firms and subsidiaries are scattered across NSPO, AOI, MoD, MoMP, and EAAF. Often their areas of investment overlap and even compete in the domestic market. For instance, NSPO owns commercial farms and invests in processed food, and so do many other units in the army. NSPO runs a large chemicals complex geared towards civilian production, but MoMP has also developed three chemical factories that produce similar goods. The Chemical Warfare Department produces pesticides, drugs, detergents, and vinegar, and it supplies some of the same goods as NSPO’s chemicals complex. Many plants that went through defense conversion at MoMP and AOI now overlap in the production of items like passenger vehicles, trucks, kitchenware, home appliances, TVs, personal computers, and irrigation equipment.47

Aside from an absence of coordinated administration, Egypt’s military businesses lack technocratic management. They only recruit professional expertise at middle administrative ranks—the top managers of the military’s economic enterprises are either active or retired officers. For example, the
most recent former chief of staff is always appointed as head of AOI’s eleven manufacturing plants regardless of whether he has expertise with manufacturing or business management. While NSPO hires civilian engineers, mechanics, accountants, and doctors, the top management of its firms and subsidiaries are always generals or colonels who, by definition, have spent their entire professional lives in the military. The EAAF’s public construction projects are managed by the chief of military engineers, whose experience with military logistics may have no relevance to projects like constructing large hotels or national toll highways. Further, all the top administrators at MoMP plants are generals. Egyptian military businesses thus rely on military officers across the top level of management.

Military projects rely on two types of workers: conscripts that function as either free or poorly paid laborers and skilled workers. Conscription laws and decrees, especially Law No. 127 of 1980, allow the military to force hundreds of thousands of young males every year to serve for a period of between one and three years, mostly laboring in the military’s commercial farms, gas stations, food outlets, construction sites, and building management companies. In 2018, conscripts accounted for 320,000 draftees out of the total 438,500 military personnel, earning a monthly stipend of only about $35. For military laborers, work stoppages and strikes, as well as workplace mistakes or accidents, are treated as violations of national security law, routinely resulting in prosecution and harsh sentencing in military courts. In violation of Egypt’s national trade union laws, workers at military enterprises are not allowed to unionize. Civilian laborers, by contrast, enjoy higher wages, access to social housing, and health care benefits.

Financing and Distribution of Profit

The Egyptian military’s investments depend on state resources for capital. Despite budget cuts as a result of economic reform policies, the Egyptian military continues to have access to considerable capital through government allocations. In 2010, the military’s budget constituted 6.1 percent of Mubarak’s last national budget. Although this decreased to 4.9 percent of government spending in fiscal year 2015–2016, the actual amount of money the military received from the public budget noticeably increased from that year onward. While it received $4.4 billion in fiscal year 2010–11, the military received $5.6 billion in 2015–2016. Furthermore, policies initiated in the 1980s continue to generate substantial capital for the military. One is the right to sell land, including the sites of military bases vacated after the 1973 War. Another is Presidential Decree No. 253 of 1985, which allocates $10 million monthly from the country’s oil production revenue to finance government contracts with the armed forces. As the dominant contractor for public construction projects, the military generates additional income from the budgets of civilian ministries that allocate public construction projects to the EAAF. Finally, organizations and firms collect daily fees worth millions of Egyptian pounds from running toll highways; managing hotels; providing licenses; leasing billboards; and renting football stadiums, wedding halls, and other event venues.
Due to a lack of public accountability and transparency, it is almost impossible to estimate how much profit Egyptian military businesses make annually, how much capital they accumulate, or whether this capital is reinvested in the same or other projects. Managing officers or retired officers in military businesses often give statements to national newspapers about exaggerated profits, but it is difficult to verify these claims. For example, the minister of military production announced that the twenty companies within his conglomerate generated a net income of $680 million in 2018 and $525 million in the previous year, and the retired chief of staff who currently heads AOI recently stated that his eleven enterprises achieve “good profit and no losses,” without specifying figures. The validity of these claims cannot be checked, but Sayigh expresses serious doubts about the profitability of military projects. Sisi has discussed publicly listing military enterprises on the stock market, which might mean that they are in need of private capital. When he put EAAF in charge of the New Suez Canal project in 2015, it drew new bank loans and public contributions rather than depending solely on capital already available to the military.

Military businesses often seek foreign partnerships to obtain new investment and access to technology. Capital from the Gulf has been the easiest to secure. In recent years, Emirati and Saudi firms have invested heavily in mega construction projects led by the EAAF, such as Sisi’s New Administrative Capital project and his social housing projects. The military also partners with European and Chinese companies who provide mainly technological inputs, licenses and certifications, and sometimes loans. When EAAF took over the state-owned Egyptian Electricity Holding Company’s major projects to construct new electricity substations, it partnered with the German company Siemens and took loans from German banks. MoMP constructed a large steel plant in collaboration with another German company, SMS Siemag, as well as other multinational steel companies. The Maritime Industries and Services Organization has fostered good ties with Chinese, Eastern European, and French firms for its projects, while NSPO’s newly formed National Company for Protected Agriculture is working with Spanish and Chinese companies to construct greenhouses.

Unlike the Turkish case, in Egypt there is no broad distribution of profits to all members of the armed forces from the revenues generated by military firms. The main beneficiaries are instead high-ranking officers who occupy top managerial and executive positions in military enterprises, primarily generals and colonels. Only the most loyal and highest-ranking officers are assigned such advantageous positions, which supplement their monthly income. Lower-ranking officers benefit from the enterprises with perks rather than distributed profits, enjoying access to affordable housing and services at military-owned hospitals, hotels, clubs, supermarkets, and gas stations.
Current Political Conditions

While Mubarak began hiring large numbers of retired officers for key government positions to control his liberalized economy throughout the 1990s and 2000s, Sisi hired retired officers on an even greater scale. Over the past six years, Sisi has consolidated a new military regime and appointed an unprecedented number of retired officers to top bureaucratic positions in the state, from ministers, vice ministers, and provincial governors to chairs of key government authorities and state-owned holding companies. Such political power has further advanced the military’s economic interests and helped with a similarly unprecedented expansion of its civilian enterprises. In addition, Sisi has continued neoliberal reforms, devised and supported by a large IMF loan.

Since the consolidation of military power under the Sisi administration, the economic dominance of the military’s enterprises has been conspicuous. The military continues to expand its agribusinesses by adding hundreds of thousands of acres of land through reclamation schemes besides continuing to dominate the manufacture of cement and steel, the construction and management of luxury hotels, the manufacture of and trade in pharmaceuticals, the takeover of existing fisheries, and the expansion of gas station chains. MoMP’s pharmaceutical firm controls supplies of drugs and baby formula to the Ministry of Health, and NSPO has seized thousands of miles along Egypt’s northern coast for aquaculture projects. More important, EAAF has become nearly the only contractor for public construction, although it hires civilian subcontractors. It took charge of the New Suez Canal and the New Administrative Capital while also constructing affordable housing, bridges, roads, highways, public schools, and public hospitals. Other military entities without previous experience in public construction now have entered into the same sector in order to benefit from this status, such as MoMP’s recently established contracting and engineering consulting firm and NSPO’s Arab International Optronics. Whereas in Turkey OYAK’s investments in construction are considerably minor in comparison to its focus on other sectors, the Egyptian military has lately concentrated much of its activities in this particular sector.

Above all this, Egyptian military businesses have swept new sectors to secure a grip over the now politically fluid post-uprising society. The military controls media production companies used for propaganda by funding satellite TV channels, online news websites, and cinema companies such as Eagle Capital–Egyptian Media Group; manages private security firms used to ensure surveillance over university campuses and other public spaces through Falcon Group International; and owns shares in or controls IT firms providing wireless telecommunication and Internet services used for
cyber surveillance through Telecom Egypt and its subsidiary mobile service provider WE, whose board members always include the sitting chief of staff of the Signals Corps. The Sisi government also recently authorized NSPO to create a new satellite and wireless communications company.

Military officers have also ventured into the financial sector for the first time, albeit not by owning their own bank like their Turkish counterparts do. For example, the Egyptian general intelligence apparatus, staffed by army officers, controls a new investment firm called Eagle Capital for Financial Investments, and Sisi’s Tahya Misr Fund has created the Tahya Misr Holding Company for Investment and Development, which established a joint venture with a national bank. The military-controlled Sarwa Capital Holding for Financial Investments has also established a subsidiary for real estate mortgage (called Contact) and another for insurance (called Contact Insurance).

Despite Sisi’s central role in the growth and spread of the military economy, military conglomerates remain decentralized and function without coordination from the presidency. Although the ultimate authority to determine access to the economy and state spending is concentrated in Sisi as President and Supreme Commander of the Armed Forces, the lack of central coordination allows individual military entities to obtain access to autonomous profit, sometimes in competition with other military entities. This access is most visible in a spate of new laws that facilitate the military’s domination over government contracts for public work. For example, in 2016 the parliament, whose members are handpicked by Sisi’s security apparatus, amended the public tenders and auctions law, Law No. 89 of 1998, in order to allow civilian ministers to assign public construction to military contractors and supply projects without going through a fair and transparent bidding process. Through this system of isnad mubashir (direct allocation), EAAF has obtained the contracts for its above-mentioned mega projects, sometimes funded by Emirati capital.

**Auditing and Public Oversight**

Under multiple presidents, the Egyptian military’s economic enterprises have been above public accountability and auditing, enjoying full financial autonomy within the state according to two constitutions promulgated after 2011. In Sisi’s constitution of 2014, Article 203 states that the military budget should not be itemized in the state budget to keep it classified and should be discussed only among the National Defense Council, whose members are mostly officers. The same council is consulted on the drafting of laws related to the armed forces. Article 201 states that the minister of defense must be an officer. In other words, no civilian could occupy this position. Article 204 implies that civilians who commit violent acts against military enterprises or their employees could be tried in military courts. Outside the military, Sisi’s Tahya Misr Fund and its holding company, with capital of several billion Egyptian pounds, is likewise not subject to an independent monitoring or auditing authority and has financed many projects employing military firms as contractors or suppliers.
The Administrative Monitoring Authority is in charge of auditing public spending and inspects the accounts of public sector projects, but it does not exercise this power over military enterprises. The former chief of this authority, Hisham Geneina, published a controversial official report about major corruption in public spending in 2016, with references to the military’s involvement. Subsequently, Geneina was removed from office, arrested, and tried in a military court. Since then, Sisi’s son has been the second in charge at the AMA, which is heavily staffed by active and retired officers.

**Relationship to the Defense Industry**

Egyptian military businesses have grown far beyond their roots in the defense industry of the 1950s and 1960s, and they have faced public criticism as a result. For many decades, media and civil society organizations have been legally prohibited from discussing military affairs, including their business activities. However, civilian criticism appeared and intensified for a very brief period in the wake of the 2011 uprisings. Between 2011 and 2012, civil society organizations and informal groups of activists spoke up against the military’s economic domination and alleged corruption, to the displeasure of the transitional regime managed by the Supreme Council of Armed Forces (SCAF). For instance, a youth campaign emerged at the time calling for a boycott of the military’s consumer products. On its “Boycott SCAF Products” Facebook page, it posted images of the military’s various brands of cars, canned food, pesticides, home appliances, and pasta, urging citizens not to buy them. Another popular street campaign, titled “The Military are Liars” (‘askar kadhibun), screened videos of the army’s brutal suppression of protesters along with data on the military’s civilian products. In parallel to this, workers and employees in military enterprises held strikes and sit-ins and used social media to highlight the corruption of their officer-managers and to demand fair wages and humane treatment. Military police intervened swiftly to disperse worker sit-ins, and SCAF issued a law prohibiting labor strikes and tried violators in military courts.

This rare moment of openness for civilian activism vanished with Sisi’s ascent to power, although individual activists voiced criticism from exile. In September 2019, an Egyptian businessman named Mohammed Ali, who had done extensive business with military firms in the past, published a series of videos on social media detailing widespread corruption in EAAF and other military-owned firms. Despite making hundreds of millions of pounds in allegedly corrupt deals with the military, his videos and his call to overthrow Sisi’s military regime went viral. Thousands of protesters flooded Tahrir Square, but the security apparatus squelched the protests and doubled down on its extensive system of cyber surveillance of activists and protestors. So far, the international community has turned a blind eye to the Egyptian military’s businesses and its economic control over the country in general. Lucrative arms sales and strategic collaboration in counterterrorism efforts continue, and powers such as France, Germany, the United Kingdom, and the United States remain silent on the issue.
In summary, the Egyptian military’s civilian enterprises emerged from a declining defense industry, but they have expanded into a business empire that now dominates the economy. Born from the army’s political marginalization in the 1970s and 1980s, the ever-growing political power of the military in the decades that followed turned them into conglomerates that have taken advantage of a changing economic system while enjoying a host of legal advantages and pride of place in both the private and the public sectors. In the process of liberalization, the military has adapted its public rhetoric to justify its steadily strengthening economic position. Lacking centralized and technocratic management, military business enterprises are fragmented among competing organizations and units, and their ability to generate profit and reinvest capital seems limited despite access to cheap labor, free state-owned land, public support, and tax breaks. Although most of these enterprises are officially part of the public sector, because they are owned by the Ministries of Defense or Military Production, they are completely autonomous and above public auditing. Under the Sisi administration, they have ventured into new sectors in order to foster the growth of a militarized economy.

Comparative Conclusion and Policy Recommendations

Over the course of decades, Turkish and Egyptian military institutions have developed dominant civilian economic enterprises in key sectors. In Turkey, OYAK has grown from a pension fund to one of the largest and most profitable holding companies in the country. In Egypt, military-owned conglomerates have ventured into or established dominance in many civilian business areas. In both countries, these enterprises have mostly evolved in a political environment in which the military was either in full control of the government or intervened intensively in politics and in an economic environment transitioning from ISI and centralized planning to market liberalization.

The similarities between the two military business enterprises is striking. They both invest in heavy manufacturing sectors, and both own plants in steel, cement, and automotive production. They are both involved in the energy sector, whether electrical energy in the Turkish case or petroleum retail in the Egyptian one. Turkey’s OYAK started investing in the financial sector in the 1980s, while the Egyptian military entered this field in the 2010s. In addition, the civilian businesses of both militaries enjoy legal privileges and tax breaks that have allowed them to benefit from both protectionist and liberal economic environments. When Turkey and Egypt liberalized their economies, military institutions took advantage of privatization to acquire public-sector enterprises for free or at rock-bottom prices. The political power that the armed forces have enjoyed in both countries has certainly helped them to gain these business privileges, but the Turkish military has been able to maintain them even after political marginalization under the AKP government. Both the Turkish and
the Egyptian militaries dominate public and private business in the domestic market, but OYAK prefers mainly oligopolistic practices, such as in the field of cement and steel, while the Egyptian military seeks to monopolize select sectors, especially public construction and agribusiness.

While the Turkish and Egyptian militaries share similarities as dominant economic players, they differ on many levels. One main difference is that OYAK enjoys a highly centralized, institutionalized, and legally well-defined administrative system with technocratic managers and a skilled labor force. This allows it to be professionally and efficiently run and follow its strategies of capital accumulation and reinvestment of profit. On the contrary, the administration of Egyptian military enterprises is highly fragmented, managed by officers without technical expertise, often with conscripts as unskilled, poorly paid labor. The lack of centralized coordination and alleged corruption hinder Egyptian military businesses’ profitability, and they depend on state or foreign funding to sustain operations. While OYAK’s investments in the construction sector are small, the Egyptian military has generated much of its profit lately from monopolizing this sector, especially public construction.

Another area of difference regards the relationship between civilian manufacturing and arms production. Turkey’s OYAK was established before the country’s arms industry and functions independently of it, while in Egypt the military converted considerable portions of its declining defense industry into civilian production and continues to use arms manufacturing facilities and labor to produce consumer goods.

Within the past few years, political conditions in Turkey and Egypt have affected military business enterprises in different ways. In Turkey, the military endures political marginalization. But OYAK, which has an independent auditing system, has maintained its autonomy from the AKP-dominated parliament’s supervision. In Egypt, the military’s political power has reached its peak under Sisi, who has appointed an unprecedented number of retired officers to top positions in the government. As a result, the military’s economic power is also at an all-time high, bringing with it legal privileges, economic dominance, and alleged corruption. Sisi’s rule, along with a massive influx of financial support from the Gulf, has allowed the military to move into sectors used primarily for public surveillance and cyber security, including private security, wireless telecommunication, and media—areas in which OYAK is not interested.

In both cases, civil society attempts in Turkey and Egypt to raise local or international criticism of the military’s economic activities have not yielded results, suggesting policy recommendations for reform in each case.
Policy Recommendations for Turkey

Short Term

- Remove legal privileges from OYAK, with implied legal arrangements.
- Remove tax exemptions from OYAK.
- Remove the classification of OYAK assets as state property, with its associated privileges.
- Rescind compulsory membership to additional social security organizations, which violates constitutional freedoms.
- Terminate the compulsory deduction of dues from the salaries of noncommissioned officers.
- Resolve judicial disputes between OYAK and its members in civilian courts.

Long Term

- Disband OYAK, ending the military’s existence as an economic actor. Plan this process well in advance and execute it through a commission of legal and financial experts who represent OYAK stakeholders and former OYAK contributors.
- Reinforce the equal rights of all past and current members over OYAK property. Introduce new regulations to facilitate the transition and take this matter into consideration during the process of disbanding OYAK.

Policy Recommendations for Egypt

Short Term

- Apply national minimum wage laws to conscripts working at military-owned enterprises during their period of military service.
- Legalize the unionization of civilian workers and employees at military-owned enterprises.
- Stop using military courts to try civilian workers and employees or conscripts who work at military-owned enterprises.
- List all military-owned firms in the local stock exchange.
• Grant the Accountability State Authority office full access to military business accounts, ensuring and defending the independence and safety of government auditors.

• Hire civilian, independent auditors to monitor military profit.

• Abolish all legal advantages and tax breaks extended to military businesses so they pay taxes, customs, and tariffs in accordance with the laws that apply to the public sector.

• Revoke Law No. 89 of 1998 and the practice of isnad mubashir in tenders for public construction projects.

• Revoke Law No. 143 of 1981 and Ministerial Decree No. 367 of 1986, both of which legalize the armed forces’ control over state land.

**Long Term**

• Divest the military fully from the civilian economy, returning the armed forces’ civilian businesses to the state and mandating that the armed forces invest only in the defense industry.

• End compulsory conscription and change Law No. 127 of 1980 accordingly.

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Notes

1 Yurdakuler Muzaffer ve Kaplan Kadri’nin, Ordu Yardımlaşma Kurumu kanunu teklifi ve Güvenlik ve İktisat komisyonları raporları (2/85), S. Sayısı: 202, 1.

2 Milli Birlik Komitesi Genel Kurul Toplantısı [The National Unity Committee General Assembly records], Vol. 5 (B): 67–71.


5 Akça, Militarism, Capitalism and the State in Turkey, 336.

6 İsmet Akça, “The Conglomerate of the Turkish Military (OYAK),” in Businessmen in Arms: How the Military and Other Armed Groups Profit in the MENA Region, ed. Zeinab Abul-Magd and Elke Grawert (Lanham, MD: Rowman & Littlefield), 79. In his message to members, the general manager said that “to transform OYAK into a globalized and internationally-reputed institution is among our purposes.”


10 The growth rates of OYAK’s total net assets in Turkish lira between 1989 and 2001 were 123, 88, 98, 315, 155, 102, 87, 330, 213, and 75 percent in successive years. See the figures in Akça, Militarism, Capitalism and the State in Turkey, 336.

11 See the speech of the president of the board of directors, retired Lieutenant-General Yıldırım Türker in “Oyak İş Ortakları Toplantısı,” Antalya, September 7, 2005.

12 For empirical evidence of these privileges see Akça, Militarism, Capitalism and the State in Turkey, 337-340; and İsmet Akça, Military-Economic Structure in Turkey: Present Situation, Problems and Solutions (İstanbul: TESEV Publications, 2010), 11–12.


15 Reserve officers in active military service are defined as temporary members. Conscripts cannot become OYAK members. Temporary members are not entitled to returns on their savings.

16 Until the mid-1990s, the interest rate paid to these contributions has been below the rate of inflation every year without exception. See the table in Akça, Militarism, Capitalism and the State in Turkey, 327.


22 Law No. 205, Article 6.

23 The announcement of the Armed Forces Modernization Project and the foundation of the Defense Industry Support Fund and Directorate of Defense Industry (which was known after 1989 as the Undersecretariat of Defense Industry) in 1985 was critical in that sense. The Fund and the Undersecretariat were for years managed by the Defense Industry Executive Committee, composed of the prime minister, the chief of general staff, and the minister of national defense.


27 Al-Ahram Microfilm Center, [The Documentary Dossier of Field Marshal Abd al-Halim Abu Ghazala, 1981–89], n.d. (Cairo: Egypt).


30 Al-Ahram Microfilm Center, [Dossier of Abu Ghazala], 421–438, 456.

31 For military budgets in the 1990s and 2000s, see Abul-Magd, Militarizing the Nation, 251–252.

32 Ibid., 117–125.


35 For the period before 2011, see Abul-Magd, Militarizing the Nation, 126–136.

37 Abul-Magd, *Militarizing the Nation*, 101–103. The state issued additional laws to enable the military to control state-owned land in the desert, such as Law No. 143 of 1981 and Ministerial Decree No. 367 of 1986.


41 **Official Gazette**, “قانون الضريبة على الدخل الصادر بقانون رقم ١٩ لسنة ٥٠٠٢” [Law No. 91 of 2005 for income tax], no. 23 (followed), June 9, 2009.

42 For desert land laws, see Abul-Magd, *Militarizing the Nation*, 135–146.


50 Al-Ahram Microfilm Center, “المالف أبو غزالة” [Dossier of Abu Ghazala], 435, 466.


52 For recent information about the Sisi period, see Sayigh, *Owners of the Republic*.

53 Ministry of Military Production, “السيسي: طرح الشركات التابعة للجيش في البورصة” [Chair of the Arab Organization for Industrialization: The Organization Makes a Profit...And Our Production is of the Highest Quality], *al-Watan*, December 1, 2018.

54 Rami Mustafa, “رئيس العربية للتصنيع: الهيئة تحقق أرباح...وتوفر منتجات بأعلى جودة” [Chair of the Arab Organization for Industrialization: The Organization Makes a Profit...And Our Production is of the Highest Quality], *al-Watan*, December 1, 2018.


60 Mahmoud Rida Murad, “al-Sisi Ya’id al-Misriyyan bi-Tanawul Ta’am Ogranic” [Sisi promises to provide Egyptians organic food], *Reuters*, December 22, 2018.


