

ECONOMIC REFORM AND THE MILITARY: CHINA, CUBA, AND SYRIA IN COMPARATIVE PERSPECTIVE

Frank O. Mora and Quintan Wiktorowicz*

ABSTRACT

This article examines the involvement of the military in the economy during processes of economic reform and liberalization in non-democratic systems. The hypothesis is that the nature of this involvement is guided by regime survival strategies. Specifically, under dire economic conditions that necessitate liberalization measures, regimes will attempt to promote military loyalty and political survival by minimizing or offsetting the negative effects of economic reform while maximizing positive dividends. The article examines military economic involvement in China, Cuba, and Syria, and emphasizes the need for more cross-regional studies.

Introduction

The collapse of the Soviet Union and the stagnation of ISI (import substitution industrialization) projects discredited state-led development schemes throughout the less developed world. For many countries, heavy state involvement in the economy produced inefficient bureaucracies and public enterprises riddled by corruption, inefficiencies, rent seeking, and nepotistic practices designed to bolster loyalty. The political imperatives of regime coalition management and survival took precedence over economic rationality, resulting in disastrous policies that failed to promote development. Trapped within a context of economic crisis, dwindling strategic rents in the post-Cold War era, and powerful networks of international neo-liberal lending institutions (e.g., IMF), many statist regimes have turned to economic liberalization and reform in an effort to stave off deepening economic collapse.

These reform efforts, however, often threaten the social contract that sustains regime coalitions. In non-democratic systems in particular, market distortions are frequently used to promote political support among key social and economic actors. Patronage is channeled through targeted subsidies, investment opportunities, public employment, currency manipulation, and other interventionist policies. Economic liberalization weakens the politicization of the economy by eliminating some of these distortions through privatization and structural adjustment. As a result, while economic reform is necessary to generate resources for coalition maintenance, regimes face considerable political costs since the changes directly threaten the interests of pro-regime forces, who may consider defection

* Department of International Studies, Rhodes College, 2000 North Parkway, Memphis, TN 38112, USA.

(Nelson 1989, 1990; Haggard and Kaufman 1992).

In many countries, the regime's political survival in the midst of economic reform is contingent upon the support of a seldom-recognized economic actor: the military. Militaries throughout the world have substantial stakes in the economy and as a result are important actors to consider. In Central America, for example, particularly Honduras and El Salvador, the military or its pension fund owns banks, insurance companies, telephone companies, shrimp businesses, hotels, and palm oil farms (Brenes and Casas 1998). In the Ukraine, the military charges wealthy customers to operate its equipment and weapons in what amounts to "military tourism" (Shields 2001). Through a complex web of charity organizations, foundations, holding companies, cooperatives, and criminal enterprises, the military in Indonesia operates business networks, in many cases creating self-financing territorial units in the provinces, districts, and sub-districts (McCulloch 2000). In 1990, the People's Army of Vietnam (PAVN) was given formal permission to participate in commercial activities. It now operates about 200 firms and is involved in 60 joint ventures. Business operations include clothing, manufacturing, air services, commercial fishing, and banking (Thayer 2000). And the Pakistani military has created a business empire through major foundations formed to protect the welfare of military personnel and their families (Siddiq-Agha 2000).

Military economic activities in non-democratic systems are not always institutional in nature. In a number of cases, senior military officers use their positions in the regime or relationships with decision makers to generate personal wealth. In Nigeria after the Indigenization Decree of 1972, which transferred control of multinational companies to local owners, military officers gained control of businesses through various fronts. Others generated personal income through key positions in procurement chains, boards of directors, government agencies charged with overseeing commercial activities, and financial/banking institutions. Prominent generals developed considerable business interests in shipping, oil, and the financial sector. Despite recent reforms, restructuring, and purges, the involvement of military officers in the economy remains entrenched in Nigeria (Fayemi 2000).

The end of the Cold War, in particular, was an important development that dramatically affected the role of the armed forces vis-à-vis the economy. Traditional security and defense issues became less important while issues related to socioeconomic development and economic reform climbed to the top of governmental agendas. As a result, armed forces faced severe budgetary shortfalls and cutbacks in personnel as governments redirected resources into non-military activities to support economic reform programs. In other cases, such as Vietnam and Cuba, military budgets experienced a dramatic shortfall as a result of the collapse of the Soviet Union and the end of subsidies and other important military assistance programs. Consequently, many armed forces shifted roles and began to participate in agriculture and other limited forms of economic subsistence opera-

tions to compensate for lost budgetary allocations and to support the welfare of serving and retired military personnel. Militaries with a history of involvement in economic and development activities, such as China, Cuba, Indonesia, Thailand, and Vietnam, have been pushed by their governments to become more commercially minded as they cope with dwindling defense budgets. In the aftermath of the Cold War, when many non-democratic regimes faced internal and external pressures, the military's participation in commercial activities became part of the regime's survival strategy to "purchase" military support as it sought to either overcome a crisis or implement a series of politically dangerous economic reforms. A number of these armies have built up deeply entrenched commercial interests in key sectors of the economy such as tourism, telecommunications, banking, and transportation, making them influential economic actors. Obvious pathologies have emerged as a result of this military entrepreneurialism (for instance, corruption and the breakdown of professionalism, cohesion, and discipline).

Yet, despite this widespread involvement and the ramifications for civil-military relations, research has virtually ignored the economic role of the military. As Peter Lock (2000) laments, "given the scale of the pervasive involvement of the armed forces around the world, particularly of their higher ranks, in economic activities outside what one would consider their ideal-type mandate, it is astounding how little systematically collected information is available" (p.2).

This study begins to address this lacuna by examining the involvement of the military in the economy during processes of economic reform and liberalization in non-democratic systems. We argue that the nature of this involvement is guided by regime survival strategies. Specifically, under dire economic conditions that necessitate liberalization measures, regimes will attempt to promote military loyalty and political survival by minimizing or offsetting the negative effects of economic reform while maximizing positive dividends. Although specific survival strategies differ according to context, strategies include fostering military controlled businesses to offset budgetary losses, harnessing the technical skills of the military to promote reform (thus giving the military a central stake in the success of the process), creating business opportunities for key officers to maintain loyalty, and using selective purges to ensure the ascendancy of pro-reform officers. Precise strategies depend upon the capacity of the military as well as its earlier role in economic activities. Strategic reversals or changes are possible where military involvement in the economy begins to threaten regime survival.

This paper examines China, Cuba, and Syria as comparative case studies to demonstrate the centrality of the "survival imperative" in shaping the dynamics of military involvement in the economy under conditions of economic liberalization and reform. Regimes in all three countries rely upon the support of the military for power, experienced a severe economic crisis that sparked some degree of liberalization and reform, and offered roles for the military in the economy. In each case, the regime attempted to shape the involvement of the military in the

reform process to minimize potential opposition and maximize support for economic change. Given the geographic and cultural differences of the cases, these commonalities highlight the importance of regime survival calculations in decisions about how to address the economic interests of the military in the context of crisis and change.

The PLA of China: From Peasant Army to *Bingshang*

The predecessor of the People's Liberation Army (PLA), the Red Army, came into being with the Nanchang uprising on 1 August 1927. On the basis of Mao Zedong's theory of "people's war," this revolutionary army was to have both a political and social role. In addition to political-organizational work, the Red Army was used as an economic resource as well. Red Army soldiers participated in food production (i.e., raising crops and livestock) to supplement reserves and feed the local population. Likewise, since its establishment in 1949, the People's Liberation Army (PLA) has been assigned number of social, political, and economic functions beyond its traditional mission of defending the Chinese Communist Revolution. In China, as in virtually all communist countries, the military plays a major political role. As a result, the Chinese leadership always considered the military's role as central to the regime's political and social campaigns deemed critical to the survival of the regime. During much of the Maoist period of revolutionary mobilization (1949 to 1976), when the regime, led by the Chinese Communist Party (CCP), relied on techniques of mass mobilization to purge real and imagined opponents of Mao Zedong, the military was often a leading socio-political actor helping the regime overcome the harmful economic and political effects of the Great Leap Forward and the Cultural Revolution. Though it was the CCP and not the PLA that possessed the power and capacity to provide guidance during the mobilization campaigns, the active participation of the PLA in non-military tasks, such as in production during Great Leap Forward, for example, positioned the military as an ideological vanguard and its soldiers as model workers (Adelman 1980:168-169). Though the CCP was always the premier institution, predating the PLA and its predecessor, the Chinese leadership always turned to the military to implement and ensure the success of Beijing's political, social, or economic goals, particularly those considered vital to its survival.

The early 1980s, after Deng Xiaoping had consolidated political control and embarked on a massive process of modernization and economic reform with the help of the PLA, was not the first time that the Chinese military had been called upon to play an important supporting role. The PLA has owned and operated enterprises since the late 1920s, but the roots of the Chinese military's role as an influential economic actor can be traced back nearly two thousand years (Hsiao 1978). During imperial times, militaries were expected to be partially, if not fully, self-supporting in order to relieve the central government of the burden of defense spending. Moreover, the military's economic activities, particularly in the area of

farming, had the added objective of helping peasants in distant regions feed themselves, which enhanced the prestige of the armed forces and central government. According to one analyst, the Imperial army's economic role was "an explicit model used by Mao and the Communist leadership to implement the PLA's enterprise system" (Bickford 1999: 37).

Much like before, the impetus for the development of the PLA's economic activities was self-sufficiency and the need to support isolated communist forces and sympathizers suffering from military attacks and attendant dire economic circumstances. Meeting the guerrilla army's needs was paramount. Units were often cut off from external supply sources for clothing, food, and other essentials and, therefore, had to rely on their own efforts to meet their basic needs. Mao was the leading advocate of the military's involvement in production activities; he "regarded self-sufficiency as not only an essential means of survival for the Red Army but also politically virtuous as the military would not be a burden on the civilian population" (Cheung 2001:17). In addition to this critical political goal was a related effort to gain the goodwill of the people and ensure their cooperation, without which the Red Army could not survive. It is also important to note that military production helped local economies by providing employment as well as critical goods and services to peasants. Mao used the military as an engine of growth; he pointed out that the PLA was "an impetus to the great production campaign of the people" (Cheung 2001:20). The Red Army's economic activities included running small industries, raising crops and livestock, and building factories, hospitals, and repair workshops to meet the needs of soldiers and their dependants as well as the local population. By the late 1940s, the Red Army had over five hundred military supply factories, managed over a thousand farms throughout the liberated areas, and owned hundreds of industrial and commercial operations (Selden 1995, chap. 6).

During the 1949 to 1978 period of revolutionary mobilization, the PLA's military economy was not only retained, but was also expanded and institutionalized. The principal goal remained self-sufficiency. By the early 1950s, some units produced as much as 80 to 100 percent of their basic needs. The common form of production remained agriculture and agricultural products, but other areas, particularly infrastructure and consumer goods, became an increasing part of the military economy. The number of farms and factories grew exponentially as self-sufficiency and feeding and clothing the local population became of the utmost importance during the early years of Mao's revolutionary regime. The logistics apparatus of the PLA also played a very important role in rebuilding the infrastructure and economy. Large numbers of troops were employed to participate in construction projects and in operating strategic areas of the economy and infrastructure. Throughout the Maoist era, PLA enterprises grew in number, output, and diversity. Between 1953 and 1970, the number of supply factories increased by 30 percent, the amount of land under agricultural production nearly trebled with at least 7,400 farms under PLA control, and commercial ventures began to

grow, though still a limited part of the military's economic activities. At the end of the 1970s, the PLA were engaged in more than fifty different economic activities (Bickford 1999). During the Cultural Revolution, a period of great economic hardship, the PLA once again assumed a vital role, expanding its participation in key economic sectors such as agriculture and mining. As in the past, during moments of economic crisis and budgetary constraints, the PLA was the one trusted and skilled institution capable of self-sufficiency and alleviating the enormous material scarcity of the population. By the end of the Maoist period, the PLA enterprise system had become very well entrenched in the military's organization and was regarded as legitimate by both civilian and military cadres.

The chief architect of the Chinese military's role in the post-Mao economic reform and modernization program that led to the establishment of the military business complex was Deng Xiaoping. At the Third Plenum of the CCP's 11th Central Committee in December 1978, the Chinese leadership under Deng made the momentous decision to reform the Maoist economic system. What drove the leadership to take such a drastic step was apparently the grim reality that the system had failed to bring China rapidly out of poverty. The Cultural Revolution with its narrow focus on political ideology, mobilization, and egalitarianism devastated the productive capacity of the economy, particularly in the areas of agriculture and industrialization. According to one estimate, industrial and agricultural production declined by nearly 40 percent and 30 percent, respectively, between 1966 to 1976 (Lippit 1987:45). The structural and institutional characteristics of the command economy generated a number of inefficiencies that could only be overcome with a dramatic overhaul of the economic system in favor of liberalization. In the military, Deng pressed for a far-reaching overhaul and streamlining of what he described as a bloated and inefficient army. Military budgets had to be drastically reduced. Between 1979 and 1981, the military budget was cut by more than 24 percent and manpower was cut by nearly one million soldiers (Mulvenon 1999:6). As a way of compensating for this loss while exploiting the PLA's latent economic capacity (i.e., "fifty years of experience with various types of economic production, a well developed and exploitable military logistics infrastructure, ranging from transportation to factories and farms, and the deeply-ingrained socialization among the ranks and top officials that production was an acceptable military task" (p.6). Deng urged the armed forces to play a larger role in his massive campaign of economic reform and modernization, including taking part in commercial ventures. One of the key reasons provided as to why the armed forces should take part in business and assist the process of modernization was that "national wealth would be increased and the government's program of the Four Modernization would be boosted" (Cheung 2001:28). In short, declining budgets and personnel along with the need for the PLA's technical/logistical skills during this period were part of Deng's plan to save money, streamline inefficient industries and organizations, and gain political support for his reforms (Folta 1992).

As military budgets continued to decline after 1985, Deng issued direc-

tives allowing the army to organize commercial enterprises totally unrelated to military interests. These included real estate development, financial institutions, nightclubs, hotels, foodstuffs, textiles, pharmaceuticals, mining and transportation; all industries and conglomerates under the supervision of the PLA's General Logistics Department (GLD). In effect, Deng "bought off" the military by expanding the scope of its permissible economic activities, allowing the institution to gain a larger profile and stake in Deng's modernization efforts (Joffe 1987). Business opportunities offered the only meaningful way to boost living standards and maintain morale, according to Deng and his supporters.

In the beginning, military chiefs opposed having the military involved so massively in economic activities. They believed that Deng's market reforms and the PLA's growing business-oriented pursuits would undermine cohesion and combat readiness leading to corruption and disciplinary problems. However, once Deng had a firm hold over the military, he urged the chiefs to lead the economic charge pointing out that "engagement in business is an important mission for our army in the new historical era. Protecting the army's living standards and alleviating the state's burden is of important significance" (Cheung 2001:45). The generals, realizing the lucrative opportunities, promised that the PLA would be the "escort and protector" of Deng's economic reforms (Cheung 2001:48). As Chinese military analyst Tai Ming Cheung (2001) concludes, "by getting the PLA involved in business, Deng was able to ensure that the military's interests became closely intertwined with his own policy goals" (p.171). Military support, particularly in the early 1980s and 1990s, when his reforms were under intense criticism from conservative elements, was vital to inaugurating and reviving Deng's economic reform process.

By 1989 the number of military enterprises had grown to nearly 15,000 with yearly profits of between \$2 and 3 billion, and employed an estimated 700,000 full-time workers in 1990 (Ding 1993:88). At the height of military commercialism, PLA companies and conglomerates, such as the Poly Group (arms trading, free trade zones, and tourism-real estate), Xinxing Group (foreign trade activities), Songliao Group (automobiles), and Sanju Enterprise Group (pharmaceuticals, agriculture, tourism, and real estate), amounted to 20,000 enterprises exporting nearly \$4 billion of goods and generating profits of \$7 to 10 billion a year (Bickford 1990; Solomone 1995). The PLA's business operations contributed to the national economy in numerous ways; sharing profits with the national government and local populations, creating jobs, expanding the production of goods and services for the civilian economy while increasing the efficiency of distribution (Joffe 1995). It is estimated that PLA operations contributed more than half of its profits to the national government and civilian economy and provided 20 percent of good and services consumed by local populations. Despite these rewards to the national economy, certain drawbacks began to appear. What began as an attempt to increase revenue to compensate for reduced military appropriations turned into an opportunity for enrichment for the institution and its officers.

By the early 1990s, self-sufficiency and support for reform, initial motivations for the military's economic role, were replaced by the drive for profits.

The critical role played by PLA units in quashing the June 1989 demonstrations in Tiananmen Square made the leadership realize that corruption in the military was a much smaller price to pay than a disloyal army unwilling to protect the regime. In other words, the calamitous events of 1989 enhanced the political role and profile of the PLA making it a key institution of regime stability and survival (Gregor 1991; Lin 1992). Although Beijing restructured some PLA companies to clean up and halt freewheeling spending, there was no effort to divest the military from its business operations. In 1992, after a trip to Southern China, Deng announced an immediate return to rapid and bold economic reforms calling on the PLA to lead the campaign. As a result, profits from PLA operations increased nearly 20 percent in 1993 while the number of military enterprises expanded, according to some analyst, to more than 20,000 spreading across just about every major sector of the Chinese economy.

By the end of 1993 there was a serious concern within the PLA and CCP that the effort to make money was contributing to rampant corruption (specifically smuggling and speculation) and to undermining military cohesion and professionalism (Cheung 1994). Since the mid-1980s, PLA and CCP chiefs warned that the new military economy was severely compromising the ability of the armed forces to carry out its duties but political and economic priorities exceeded these warnings; however, the rapid expansion of the military's commercial ventures between 1991 and 1993, accelerated and deepened the institutional problems associated with *bingshang*—soldiers in business—to a degree judged by some in the Chinese leadership to be a threat to national security (Mora 2002a). The PLA had been a key bastion of ideological support to the communist regime, but its involvement in business led to the spread of corrosive political and social influences at all levels of the military hierarchy (Mulvenon 1998). The rampant growth of corruption in China was a by-product of market reforms that resulted in a dramatic change in culture from the ethos of discipline, asceticism, and Puritanism that characterized the Maoist era to one of materialism, individualism, and status (Kwong 1997). The Chinese military was particularly hard-hit by the vices triggered by its massive participation in Deng's economic reform and modernization policy (Goodman 1996). One of the biggest scandals (1993) involved the smuggling of South Korean luxury cars into Jinan province by senior officers from the eastern military region. There were also numerous cases of reselling and embezzlement of oil and technological equipment, and the selling of falsified papers by commanders of regional units in Liaoning and Guangdong provinces. Contrary to what some reformers argued in the early 1990s, by 1997 "military chiefs had come to the decision that the advantages of commercialism were now outweighed by negative consequences," some of which included the erosion of central military values, such as centralized command, hierarchy, discipline, intercommunication, and esprit de corps (Cheung 2001:58). Rectification campaigns had some success,

but deeply entrenched institutional and personal interest made it quite difficult for the leadership to sever the military's ties to its business complex. Unprecedented autonomy from civilian leadership due to reduced dependency on budgetary allocations from the government, and the potential outcome—refusal of the military leadership to follow government orders that may impinge on its economic interests—presented the CCP with a political challenge (Paltiel 1995).

In the mid-1990s several directives were issued to enhance transparency and accountability of PLA enterprises in effort to improve oversight and political control. These efforts had mixed results as some military chiefs resisted, arguing that curbing the military's economic operations would adversely affect the national economy and PLA financing. For the new post-Deng leadership, however, this situation was not acceptable. Early in his tenure, President Jiang Zemin strove to garner support by appointing top military officials to the highest offices of the CCP. Though the military's political influence increased under Jiang, the newly appointed generals and admirals were close allies of the president and agreed that the PLA needed to redirect its attention to national defense and modernization. After the 1992 removal of Generals Yang Baibing and Yang Shangkun, opponents of Jiang, a campaign of political indoctrination was inaugurated followed by several rectification campaigns to curb the PLA's economic influence. Purging the military of politically ambitious generals was a more effective method of dealing with the dangerous political consequences of the PLA's economic activities than was aggressively scaling back PLA Inc. By 1998, President Jiang (also serving as chairman of the powerful Central Military Commission—CMC) had consolidated control over the military enough to take the bold and risky measure of ordering the PLA to divest itself from a large number of its business operations. After several failed efforts to curb the military's profligate ways in the mid-1990s, Jiang's policy of divestiture succeeded for the following reasons: (1) the corruption and erosion of institutional cohesion and discipline caused by *bingshang* had gone too far in undermining the war-fighting capacity of the military at a time of growing tension with the United States and Taiwan; (2) consensus among high echelons of military and civilian leaderships that divestiture was a national security imperative; (3) willingness of civilian authorities to increase defense spending; and (4) strategy of *gradually* scaling back the PLA's business operations and political reassertion of civilian-party control to avoid a potential backlash from officers not willing to give up their privileges so abruptly.¹

Since before the triumph of the Chinese Revolution, the Chinese military has been asked to assume critically important economic roles considered by the leadership to be central to China's economic well being and regime survival. This was particularly true when the leadership faced crisis situations or decided to embark upon a major campaign or restructuring of the economy and society. In the 1980s, as the military's mission focused on supporting Deng's economic reform and modernization program, the PLA's political profile and economic stake increased considerably, but so did fears that *bingshang* was adversely affect-

ing national defense and the new leadership headed by Jiang Zemin. By the mid-1990s, regime stability and survival was no longer strictly defined in terms of economic reform and development, but with respect to strategic and political goals as articulated by the post-Deng leadership. Purging the military of its vices and refocusing its mission on military-security objectives meant divesting the PLA from its business operations and the strengthening of political control by the new civilian leadership.

The FAR of Cuba: From Civic to Entrepreneurial Soldier

The Cuban armed forces have been an important pillar of Fidel Castro's revolutionary struggle and regime since before he came to power in 1959. The institution embodied the historical myths and origins of the revolutionary struggle as well as the values, desires, and ideology of its foundational revolutionary leader, Fidel Castro; the FAR (Revolutionary Armed Forces) was the Revolution's vanguard, the preeminent institution in the early stages of the revolutionary process (Karol 1970; Judson 1984). Unlike the PRC and Soviet bloc communist regimes, the Revolutionary Armed Forces (FAR) predates the Cuban Communist Party (PCC), making it the principal institution of mobilization, control, and state building. The FAR was established in October 1959, while the PCC, after much restructuring and purges, did not come into being until 1965. The small guerrilla force that Fidel Castro created and commanded in the Sierras in the late 1950s, known as the Rebel Army, was the only revolutionary organization to survive and expand in its power and role long after the Revolution's triumph. For the regime, the FAR had the highest degree of legitimacy and reliability in terms of historical background, prestige, honesty, loyalty, and efficiency in meeting the complexities and challenges of the regime's projects. Time and again, the FAR has proven their loyalty to Cuba and Castro, making it the institution of choice for all social and political experiments of the regime since its inception. Whether in the tenuous early phases of consolidation, the 1969-1970 ten million ton sugar harvest, or the critically vital role it assumed during the Special Period of the 1990s (i.e., economic crisis and reform), the FAR was always there to help the regime weather the storm. Therefore, the military has always been the central pillar sustaining the communist regime of Fidel Castro.

Because of its revolutionary credentials and the lack of technical and organizational manpower (massive exodus of skilled labor), the FAR took political and administrative control of Cuba soon after the collapse of the Batista dictatorship. The armed forces played a central role in the creation of a new order, "assuming responsibility for the management, organization, and implementation of national social and economic programs" (Perez 1976:263). During the 1959 to 1961 period, military officers were frequently inserted into key posts in education, the judicial system, land reform, and police, exalting the institution's prominence in the Revolution. In addition to successful anti-guerrilla campaigns, particularly

in the Escambray and the Bay of Pigs invasion, the FAR's direct and dominant role in the literacy campaign, agriculture production, and a host of other social programs, such as delivering health care assistance to remote communities in Cuba, bolstered the institution's pride, respect, solidarity, and ideological commitment to the Revolution and its founder (Fernandez 1989). The crucial role played by the military in Cuba's bureaucracy and economy in the 1960s contributed to the fusion of military and non-military elite and missions, producing what Jorge Dominguez (1982) described as "civic-soldiers...men who govern large segments of both military and civilian life...bearers of the revolutionary tradition and ideology...who have dedicated themselves to become professional in political, economic, managerial, engineering and educational as well as military affairs" (p.45).

In the 1970s, the regime restructured the FAR into a more professional and strictly military institution. Sophisticated equipment and training was obtained from the Soviet Union and was used extensively in training and operational exercises. Many officers were trained in command and staff and general staff academies of the USSR. With the professional development of the FAR, its mission was changed from a strictly defensive posture to a more offensive and internationalist role, meaning that previous roles as a social and economic actor was left to other organizations, such as the PCC and the Youth Labor Army (EJT). During the period of professionalization, the military benefited from rigorous training, increasing budgets, and overseas military operations that made the Cuban armed forces one of the best trained and experienced forces in the world. From the mid-1970s until the late 1980s, the FAR was the principal instrument of the regime's foreign policy in Africa and the Middle East, projecting military power in the name of "proletarian internationalism," particularly in Angola and Ethiopia (Dominguez 1979). Overseas activism increased the prestige and self-confidence of the FAR adding to its influence at home and abroad.

By the mid-1980s, professionalism and proletarian internationalism began to have its costs as a new generation of officers became disgruntled with the conflict in Angola and by the unwillingness of the Cuban leadership to adopt some of the reforms that Mikhail Gorbachev was beginning to implement in the USSR. Fidel and his brother, Raul Castro, Minister of MINFAR and Second Secretary of the PPC, were concerned that as a result of more than a decade of modernization and close contact with Soviet *gorbachevists* officers, the FAR had grown estranged from the leadership, causing internal tensions and distrust between the generals and the Castro brothers. In other words, professionalism and internationalism weakened, over time, traditional forms of control, putting into question the FAR's loyalty to the Revolution. This led to important adjustments in civil-military relations that emphasized restoring any lost loyalty and control (Mora 1999).

In 1986 Fidel Castro announced the Rectification Process which was a defensive response to *perestroika* and *glasnost* in the USSR, reinforcing the military-mobilizational approach to a wide range of social, political, economic, and,

eventually, military challenges. In other words, the centrality of the charismatic-mobilizational authority of Fidel Castro was stressed as a means of recapturing the revolutionary spirit and enthusiasm that had been lost as a result of institutionalization, and, in the case of the military, professionalization (Perez-Stable 1999). From an economic standpoint, rectification attempted to concentrate economic decision-making in the hands of the state and did away with the few existing market-oriented mechanisms (such as farmer's markets), and used moral incentives to motivate workers. The goal of economic restructuring and "institutional rectification and purification" during this period of intense crisis and uncertainty, caused by reforms in the USSR and the winding down of the Cold War, was to secure the survival of the regime against any real or potential internal or external threat. The ideological and economic crisis of the late 1980s placed enormous pressure on the Castro regime leading to a series of dramatic events and changes in policies, particularly in the FAR.

As Moscow decided to phase out all subsidies and aid to Cuba, amounting to about \$5 billion a year, and restructure its trade relationship with the island economy, Cuba's principal source of imports (technology, petroleum, spare parts) and markets for its exports suddenly disappeared. The shock to the economy was severe. Cuban GDP contracted by nearly 32 percent between 1989 and 1993. Merchandise exports shrank by 79 percent and imports by 77 percent. Production of almost all key agricultural and industrial products plummeted, causing sharp declines in consumption and the standard of living (Mesa-Lago 1993; Perez-Lopez 2001:46). In August 1990, as the Socialist bloc collapsed, Cuba entered what Fidel Castro characterized as a "special period in time of peace," a severe economic crisis triggered by disruptions in imports of oil and other raw materials. The government declared an austerity program that emphasized self-sufficiency, conservation, and political vigilance. During this period, the regime's political grip tightened over all institutions and society leading to a siege mentality that increased the level of state vigilance and repression.

With respect to the military, this period of economic and ideological crisis and uncertainty had two major consequences. The first was the arrest, show trial, and execution of General Arnaldo Ochoa, a decorated Hero of the Republic, in 1989 on charges of corruption (Oppenheimer 1992; Alonso 1995). This unprecedented event signaled a critical moment in the history of revolutionary Cuba and of the regime's relationship with its armed forces. The Ochoa trial offered an opportunity for the regime to reassert control and weaken the prestige and autonomy obtained by the institution after years of professionalization and internationalism. The execution of Ochoa and subsequent purges underscores the existence of tensions associated with the return of combat-weary and Soviet trained veterans from Angola. However, more importantly, the Ochoa case was "a convenient shorthand for a wider and much more complex official attempt to resolve several crises confronting the regime simultaneously," specifically in the area of civil-military relations (Baloyra 1989). As Juan Carlos Espinosa asserts,

“the case was the culmination of a string of dismissals and defections that began in 1986...[it] included the elimination of the *Sistema de Planificacion Economica* (SDPE) economic planning system and its czar Humberto Perez, the defenestration [sic] of Interior Minister Jose Abrantes, the arrest of former transport minister Diocles Torralba, the demotion of five FAR generals, and a wholesale purge of the Interior Ministry” (Espinosa 2001:21).

The second critical effect of the economic crisis on the military that led to its restructuring was the government’s decision to downsize the FAR’s budget and personnel to meet the requirements of the Special Period. The military implemented the so-called “zero-option,” which consisted of an “intensive effort undertaken for a wholly autarkic existence...conserving material and equipment, which, along with self sufficiency and readiness is one of the FAR’s three main goals” (Walker 1997:70). The military budget was slashed from \$2.2 billion in 1988 to \$1.35 billion in 1991 and \$720 million by 1997. Military expenditures as a percentage of GNP fell from 3.9 percent in 1987 to 3.3 percent in 1991 and 1.6 percent by 1995. Troop strength also declined dramatically, from a high of 297,000 in 1987 to 180,00 in 1990, 105,00 in 1995, and 85,000 in 1997 (Mora 2002a:198). As in China, the dramatic decline in budget, troops, and equipment in the early 1990s, a result of the disappearance of Soviet military aid and the crisis of the Cuban economy, forced the regime and the military to find a new mission and means to compensate for the loss of Soviet largesse while contributing to the national economy. Specifically, the FAR adopted a plan of self-sufficiency, particularly in the area of agriculture and production of consumer goods. By 1993, the FAR covered 50 percent of its expenditures with funds generated from its own units. In other words, the armed forces sought to generate foreign exchange so as to be able to sustain itself as a military force without being a load on the state or a burden on the rest of the economy. By the mid-1990s, the focus of the regime’s plan was to have the military contribute substantively to turning the economy around. In short, since the late 1980s, military goals have emphasized institutional self-sufficiency and help in producing and distributing much needed agricultural goods and services.

As a result of these material and political challenges to the military and society, the leadership turned, as it did in the early 1960s, to the armed forces in a campaign to protect the revolution by contributing its expertise and manpower to mending and restructuring the economy. When, in 1991, Castro stated that, “one of the tasks of the armed forces is to help the economy of the country during the Special Period,” and Raul Castro asserted in 1993, in reference to the military’s mission, “beans are more important than cannons,” it was clear that the future role of the post-internationalist FAR had been defined. Raul went on to say that, “the principal economic, political, ideological and military responsibility of the FAR is to continue enhancing the efficiency in production, particularly foodstuffs and sugar” (*Nuevo Herald* 1993:1). Once the FAR had been reorganized and control by the revolutionary leadership reasserted, the military once again became

the trusted institution and was given a decisive responsibility in helping the regime weather what was arguably the most difficult period since beginning of the Revolution. In other words, the technical capabilities of a “cleansed” and disciplined institution, under the authority of Raul Castro, contributed to the regime’s decision to rely on the FAR in implementing Raul’s proposal for economic modernization. The leadership had to rely on the FAR because all other institutions, the PCC above all, were failing to perform. The absence of a civil society and independent entrepreneurs placed the burden of the economy on the military. There was simply no societal alternative. As one Latin American diplomat based in Havana aptly described in 1995, “the reality of Cuba in 1995 is that the military is one of the few, if not the only, institutions that really and truly work. Revolutionary fervor has vanished, and with it the credibility of the party, leaving only the armed forces to fill the vacuum” (Rohter 1995:12).

Raul Castro played a central role in restructuring the economy and military, enhancing his profile and visibility (and that of the FAR) in an effort to secure the survival of the regime and his position as Fidel’s heir apparent. In the late 1980s, Raul initiated a program that saw a number of high-ranking FAR officers travel to Western Europe to study new business methods and practices that could be applied in military and civilian industries in Cuba. The model of the PLA’s participation in the economy was also studied. At the Third Party Congress (1986), the decision was made that the military should try to improve its efficiency and productivity, through what became known as the *sistema de perfeccionamiento empresarial* (SPE), or business improvement system. Since the late 1980s Raul Castro has been a key proponent of economic reform and has argued that the FAR is uniquely prepared to lead the process of economic reform and modernization because of its managerial skills, expertise, and knowledge of Western business techniques. He argued that the armed forces could provide its knowledge and logistical experience in the field of organization, rationing, and leadership to science, technology, and production (Amuchastegui 1999; Leon 1995). According to Cuban officials, SPE’s goal is to “increase maximum competition and efficiency of the base power, and establish the accounting and managerial principles, policies and procedures that propel the development of innovation, creativity and the responsibility of all managers and workers” (Mastrapa 2000: 5). In the end, the SPE had three main objectives; (1) to promote greater self-sufficiency in the FAR in light of the end of Soviet assistance; (2) increase efficiency and productivity in military factories producing uniforms, small arms and consumer goods; and (3) provide a model that could be adopted elsewhere in the economy (Latell 2003).² As a result of this new mission, the FAR increasingly perceives itself as the savior of Cuba, the “driving force that makes things work with paradigmatic self-reliance, and a record of fulfilling its commitments in the field of industry, agriculture and so on” (Leon 1995:25).

The first and most important military-run industrial complex chosen to undergo restructuring under SPE was the Industrial Military Union (UEM). The

230 factories and companies that make up the UEM, the Ernesto Che Guevara Enterprise being the most important, are involved in biotechnology, sugar mills, pharmaceuticals, and the production and repair of light armaments and consumer goods. Since 1996, the UEM has increased its participation in the civilian economy, manufacturing clothing, mechanical and consumer items for the civilian market, and, increasingly, for the export market. By one estimate, about a third of the FAR's production is destined for the island's civilian economic sectors, while more than 75 percent of all repairs and spare parts for civilian industries come from military enterprises (Eaton 1998). According to an estimate cited from Cuban sources, by 1999 military enterprises accounted for "89 percent of exports, 59 percent of tourism revenue, 24 percent of productive service income, 60 percent of hard currency wholesale transactions, 66 percent of hard currency retail sales, and employ 20 percent of state workers" (Espinosa and Harding 2000:23). As a result of SPE's success in enhancing the efficiency and productive capacity of military enterprises, in March 1998 Raul Castro announced that about 2,000 civilian-run enterprises would be required to adopt military management techniques over the next five years (Eaton 1998).

In 1992 to 1993, the military began to expand its control, applying SPE methods to industries and economic sectors involved in hard currency transactions. Many serving and retired officers are involved in a number of mixed enterprises and external sector ventures, including tourism, electronics, telecommunications, banking and finance, and import-export business. The best known and most profitable of these companies is the Gaviota Tourism Group. Along with another military-run enterprise, Cubanacan, Gaviota is involved in every aspect of tourism in Cuba, including luxury hotels, discotheques, restaurants, hunting preserves, marinas, spas, bus tours, shopping malls, sea excursions, and airplane flights. Along with other foreign exchange-earning enterprises where SPE methods have been applied, such as Etecsa (telecommunications), Cimex (import-export conglomerate), Omnivideo (film and video distribution), and Habanos S.A. (tobacco) to name just a few, Gaviota and Cubanacan have not only helped the regime weather the economic crisis of the early 1990s providing much needed foreign exchange, but their business practices and methods applied to state sector industries have also enhanced, if only slightly, the levels of production and efficiency of the civilian economy.

As with the PLA, the FAR's economic role is fraught with potential dangers. As Paul Buchanan (1995) warns, business activities bring with them risks "that many officers will become less wedded to socialism and develop and independent entrepreneurial spirit. As a result, this might cause an ideological schism within the ranks" (pp.3-4), and weaken the cohesion, combat preparedness, and orientation of officers. Military data is hard to come by. The duration, depth, and breadth of economic reforms and military involvement, though clearly growing, is such that the consequences of the FAR's commercial activities have yet to fully develop, despite some anecdotal evidence that indicates that with relatively easy

access to dollars, fuel, food, and vehicles, corruption is increasing (Mora 2002b).³ The truth is, at this time, we do not know the full effect of the FAR's involvement. As Espinosa and Harding (2000) have suggested, it could go either way, "the question remains whether these economic activities increase loyalty and cohesion of the FAR and the regime, or whether it promotes individualism, capitalist ambitions, and regime disloyalty" (p.26). One thing is clear; by running its own enterprises, the FAR contributes to the national economy, ensures its own budget, and maintains a decent standard of living for its officers—always a key to military loyalty. The top brass is solidly behind the new economic role and the lower-ranking officers are gradually benefiting from the FAR's new direction. As Juan del Aguila (1998) indicates, "a new class of military entrepreneurs has emerged. Their increasing dependence and focus on these ventures... is raising the military's stake in the regime's survival" (p.675). Finally, the FAR's enhanced economic influence and profile has translated into some political power. Its overwhelming centrality in key areas of policymaking, particularly those deemed by the regime leadership to be pivotal to its survival (i.e., economy and security), and benefits accrued from its commercial activities, has increased its standing and stake in the regime since the traumatic events surrounding the end of the Cold War and the Ochoa affair. As in the 1960s, the expansion of the military's responsibilities has placed the FAR, once again, as the central pillar of regime survival.

The Syrian Military: Personalism and the Politics of Reform

In 1963, Ba'athist military officers seized power in Syria and established a populist-authoritarian state that privileged rural peasants, urban public workers, and minorities at the expense of the traditional land owning class and the Sunni bourgeoisie. Most of the military officers who led the coup came from Alawi clans, a historically underprivileged and oppressed rural community from a minority Shi'i sect. Although Alawis are only 12 percent of the population, they constitute the core of the regime and dominate positions of power in Syrian politics, including the offices of the president and vice-president, key military posts and units, and the various agencies of the *mukhabarat* (security apparatus). Appointments follow the logic of neo-patrimonial politics—loyalty and *wasta* (personal connections) are paramount considerations and are intended to perpetuate regime survival and the interests of its Alawite core.

The centrality of the military as a key component of Alawi political power has historically translated into considerable patronage and resources. The regime has lavished spending on the military, though it has not been involved in major combat operations since 1973. From 1977 to 1988, military spending (including Soviet arms transfers) was estimated at 30 percent of GDP, and the army (including reserves) employed 21 percent of the male labor force (Hinnebusch 1998:227). The high levels of spending attracted strategic rents from regional sponsors who sought to support Syria as a frontline state in the Arab-Israeli con-

flict. Other Arab governments helped finance the Syrian military “because of Syria’s strategic position and its military credibility, that is, its constant preparation for war” (Perthes 2000:158). The war preparation dividend in the 1980s and 1990s is estimated at \$12 to 13 million, or 5 to 6 percent of GDP (Perthes 2000:158).

Over time, the military developed business interests and activities as a result of its political influence and control of economic resources. This included Mu’assasat al-Iskan al-‘Askari (Milihouse), the Constructions Organization (MATA), the Medical Industries Organization, the Military Social Organization, and the Military Housing Organization, all affiliated with the Ministry of Defense (Ayubi 1995:276, 288 fn. 2; Richards and Waterbury 1997:341). Through these and other organizations, the military gained control of important economic sectors and industries related to “public works, construction, basic industry, farm production, and the manufacture of batteries, bottled mineral water, and furniture” (Richards and Waterbury 1997:341). The political importance of the military generated preferential treatment and quasi-monopolies in business.

But unlike China and Cuba, most military involvement in economic activities was at the level of *individuals* rather than institutions. President Hafez al-Assad (d. 2000), who seized power in 1970, did not treat the military as a trusted vanguard of revolutionary change; it was instead seen as an instrument for the consolidation of Alawi power and regime survival. Close relatives and friends of the Assad family occupied key positions to maximize loyalty and trust, reproducing kinship networks through an institutional matrix of security agencies. Several hundred officers with personal connections to the regime used their relationships to evade regulations, garner favors, and generate vast personal wealth.

Much of this wealth was produced as a result of political privileges rather than productive activities, and a number of examples highlight the ability of officers to translate coercive power into individual wealth. First, key military officers benefited from currency manipulations. The regime pegged the lira to different exchange rates and banned foreign currency, but connected individuals could purchase dollars at the official exchange rate and sell them for profit at the open-market rate (Robinson 1998:163; Gambill 2001). Second, officers benefited from favorable taxation practices. In particular, corrupt custom regulations provided opportunities for regime loyalists to skim off taxes. The result is that although the custom rate is exceedingly high, much of it (approximately \$1 billion a year) is siphoned before it reaches the treasury (Gambill 2001). Third, officers were given generous subsidies for housing and consumer goods and received preferential treatment from the bureaucracy, which can either facilitate or delay permits for economic activities (Gambill 2000a). And fourth, the government monopoly in the banking sector created opportunities for politically inspired loans and interest rates that was to the benefit of individuals with ties to the regime (Gambill 2001). Many of these privileges still continue today.

Aside from this preferential access to government favoritism, loyal mili-

tary officers have also benefited enormously from Syria's presence in Lebanon, which allows loyalists to use their military posting as an opportunity to engage in a variety of illicit economic activities. A number of generals have used their control of customs and the flow of goods in Lebanon to directly or indirectly facilitate smuggling operations (Robinson 1998:171-72; Quinlivan 1999:154; Gambill 2001), including generals such as Ghazi Kan'an and Shafiq Fayyad, who "have literally created islands of wealth and power as a result of Syria's involvement in Lebanon and of their commanding army and intelligence positions there" (Haddad 2002:225, fn. 256). The 569th army division, in particular, has used its vehicles to smuggle drugs and luxury cars (*L'Envenement* 11-17 March 1993, as cited in Haddad 2002:241, fn. 284). These activities are recognized by the regime, which uses access to Lebanon as a reward to loyal military officers. In a number of cases, the regime has actively assisted the generals by selectively applying custom regulations to ensure high prices and monopolies for smuggled goods. The regime, for example, banned the import of tobacco products to protect tobacco smuggling (Gambill 2001). These ventures have become so lucrative that changes in postings engender some of the most severe administrative struggles within the military as officers compete for assignments and control in Lebanon (Haddad 2002:224, fn. 255).

Members of the military have also offered themselves as "protectors" for businesses. The absence of a legal rational system (prior to economic liberalization), including banking laws, left business owners vulnerable to the fickleness and capriciousness of the regime. As a result, business owners or members of the state bourgeoisie that controlled public assets often turned to influential military officers as a means of protection (Haddad 2002:232-233), creating a relationship between what Syrian economists refer to as "sharks and dinosaurs"—well connected business tycoons and their government protectors (Haddad 1999:25). Of course, this connection did not always ensure protection, but it facilitated business in an environment of uncertainty and vulnerability and provided another source of wealth for well-positioned members of the military.

The ability of the regime to fund the military and direct patronage to the Alawite officer corps, however, was threatened by a severe economic crisis in the 1980s. A decline in oil prices and foreign assistance from oil-producing countries in the region prompted a precipitous drop in levels of aid. Arab transfers fell by two-thirds, and a host of economic problems led to a severe foreign exchange crisis and left the government in near bankruptcy. At the end of 1986, there was only \$144 million in the treasury. In 1988, debt repayments exceeded foreign aid, and Syria's overdue debt of \$210 million to the World Bank prompted the bank to cut off further assistance. At the same time, the Soviet Union, which provided aid to Syria, called in its debts, forcing the Syrians to export goods for repayment. The government accumulated a \$15 billion military debt; and although the government spent 50 percent of the budget on defense, spending on the army after inflation dropped dramatically between 1984 and 1987, leading to the demobilization

of reserves and the erosion of real income for military personnel. Austerity measures, inflation, real wage declines, and a scarcity of goods all signaled the severity of the crisis and the necessity of new policies (Hinnebusch 1995:312).

In 1991, Hafez al-Assad launched an economic liberalization program to pull the country out of the economic crisis.⁴ The cornerstone of the reforms was the new Investment Law, which was intended to encourage international investment and the repatriation of \$60 billion held by Syrians abroad (see Pölling 1994). Implementation was uneven, and at the end of the 1990s Nestlé was the only multi-national to invest in the country (Robinson 1998:162). The regime, however, signaled a desire to expand reforms to other areas of economic activity, including banking and currency exchange.

The direction of reforms challenged the economic interests of the old guard in the military, who depended upon favoritism, the political control of resources, and a non-competitive economic environment. Officers associated with the early days of the regime, in particular, had produced their wealth through patronage rather than business operations. As a result, liberalization threatened their ability to accumulate wealth through non-productive economic activities, such as currency manipulation. Although intra-regime politicking is often opaque, it is generally recognized in Syria that this old guard is spearheading opposition to economic reform. The regime has thus found itself in a political bind: its survival depends upon the continued loyalty of the military officer corps, yet its ability to provide the necessary patronage to sustain this loyalty requires economic reforms that are antithetical to the interests of many key officers.

The regime responded to the dilemma by marginalizing elements of the military opposed to reform. President Bashar al-Assad has purged key players from the old guard, many of them holdovers from Hafez al-Assad's inner circle. The purges have generally taken the form of anti-corruption campaigns and military-intelligence shake-ups, leading to the marginalization of a number of influential figures. Bashar has asserted his control of appointments to lay the foundations for deeper reforms, though he has been careful to limit the breadth of the purges to avoid inciting organized opposition from disaffected officers (Gambill 2002).

But not all officers are opposed to economic liberalization and there are significant elements in the military that are positioned to take advantage of reforms. Throughout the 1980s and 1990s, the relationship between the military protectors and private entrepreneurs produced a "military-merchant complex"—an assortment of businesses with a private face and military backing (often solidified through marriages) that came to dominate important private sector industries, including real estate, transportation, and tourism. The complex reflects hierarchically structured economic networks in which the military officers ultimately control the businesses, even if they do not actively manage business activities. These enterprises are already established and situated to dominate in a new competitive environment, especially since they still retain important political influ-

ence and access. Several military officers have also formed “partnerships” with their children. The offspring serve as the private business owners while the fathers facilitate market access, favorable treatment, and profits (Haddad 2002:225). And there are a number of active duty officers directly involved in running business enterprises, including Manaf Tlas, the son of the Minister of Defense (Haddad 2002:243, fn. 285).

In addition, a few businesses affiliated with the Ministry of Defense are positioned to take advantage of economic reforms. In particular, the continuing ability of the military to gain access to low cost inputs allows its businesses to underbid other companies in a liberalized economy. It is rumored, for example, that Milihouse secured a major contract from an American based hotel chain because of its special access to cheap building materials, which allowed it to significantly underbid its competitors.⁵ Such advantages could place military businesses at the cutting edge of liberalization.

The regime has attempted to empower these elements of the military by selectively liberalizing particular areas of the country and economy to benefit pro-reform officers and businesses. As Hector Schamis (1999) argues, leaders can overcome the political obstacles to economic reform by forming alliances with pro-reform groups, reshaping regime coalition interests through selective rent-seeking opportunities, and generally empowering the winners of the reform process (also see Etchemendy 2001). This seems to be Bashar’s strategy. The import of particular products, for example, is banned outside a “free zone” that is controlled by Bashar’s cousins (Gambill 2001:4). In a political move to shore up support from the traditional Alawi strongholds, the regime has also targeted the tourism industry as an engine of liberalized growth (see Hopfinger and Khadour 1999). The primary tourism investments are in Latakia province, which is dominated by Alawites. In July 2000, a consortium of Saudi and Syrian investors announced a plan to build a \$40 million five-star hotel (Gambill 2000b). The Syrian Ministry of Tourism itself has spent \$100 million building a base for tourism in Latakia (Gambill 2001). These investments will create infrastructure, provide jobs, and raise real estate values to the benefit of Alawite business owners and traditional regime loyalists. Wealthy military officers (almost all Alawis) are well situated to take advantage of any growth in tourism.

In addition, although the regime recently issued a decree in January 2001 that allows foreign banks to operate in the country, regulations provide restrictions that advantage regime allies. In particular, at least 51 percent of all banks must be owned by Syrian nationals or companies, and 25 percent of all shares must be controlled by Syrians. Syrian shares and control will most likely be granted according to political loyalty, rather than competitive market pressures. In many areas of liberalization such as these, cronyism will benefit loyal military officers through selective reforms (see Haddad 1999:26).

At the same time, however, the regime is not relying exclusively on a narrow alliance with pro-reform military elements. Bashar has instead opted to

broaden his coalition by incorporating other winners of the reform process. Specifically, the regime has moved to offset resistance from anti-reform members of its coalition by granting business actors greater access and influence in policy making. As Hinnebusch (2000) observes, “if military or bureaucratic interests or the ruling party resist economic liberalization, an opening to the bourgeoisie allows the elite to co-opt and channel their countervailing influence on behalf of postpopulist strategies; diversifying their coalitions enables elites to balance above these competing interests and to steer a course that suits them” (p.137).

This opening has provided new opportunities for bourgeoisie political influence. In the 1990 parliamentary elections, two members of the Damascus Chamber of Commerce and one from the Aleppo chamber were elected, the first representatives of the business community since 1963 (Heydemann 1993:93). The parliament eventually included ten millionaires and a bloc of independent merchants and industrialists (Hinnebusch 1998:235). The Chambers of Commerce became increasingly powerful institutions and gained access to cabinet decision-making. In October 2000, the *détente* was symbolized by an Investors’ Conference jointly organized by the Ministry of the Economy and the Chambers of Commerce. Around the same time, Hassan al-Nouri became a junior minister in charge of administrative reform and the first appointment from the business community in more than thirty years (Perthes 2001:146, 154, fn. 13). And business owners and intellectuals were allowed to form Committees for the Revival of Civil Society to express new ideas about economic and political issues in a sign of political liberalization (Gambill 2001:5), though a crackdown limited their impact (see various reports on Syria by Human Rights Watch).

While the bourgeoisie is experiencing new political power, this does not mean the complete erosion of Alawi military influence. The opening should instead be seen as the result of a conjuncture of interests between private business and the “military in business” based upon the rational interests of those set to benefit the most from economic reform. This is not a partnership of equals; the military still dominates the inner circle and the bourgeoisie is a fledgling junior member of the coalition. Just as importantly for the continued preeminence of the military officer corps, the business class appears content to support the role of the military to prevent populist forces from blocking deeper reforms. As Kienle (1994) notes:

Even if they [the bourgeoisie] act collectively as a group or class and succeed in rewriting the rules of political participation in their own favor, they could only lose under present conditions if suffrage was generalized and society enfranchised as a whole. Thus, there is no contradiction between their constituting themselves as a class in themselves and yet welcoming the state’s attempt to establish a privileged partnership against challengers from elsewhere in society. (P.9)

Ratib Challah, the president of the Damascus Chamber of Commerce put it succinctly: “Isn’t gradual change much better and more controllable? [It offers] an excellent safety valve to make sure we do not fall into the trap of social upheaval and dislocation” (quoted in Melhem 1997:4). Continued military influence helps guarantee this stability.

Unlike in China and Cuba, the Syrian military as an institution has not developed a new mission in the context of economic reform. It is not an engine of liberalization or a revolutionary vanguard. Instead, the regime has concerned itself with managing competing elements of the military in such a way as to marginalize losers and empower winners of the reform process. As a result, particular groups of officers with business interests are generating wealth from the new economic opportunities. These dynamics reflect the role of the military in the economy prior to liberalization when individual officers developed business interests and economic networks that are now positioned to effectively compete in industries and sectors of the liberalized economy.

Conclusion

In each of the cases, the military’s role in non-defense missions was, to one degree or another, enhanced during a period of economic crisis and readjustment caused by the end of the Cold War, the loss of Soviet assistance, declining oil prices, and/or the pressures of globalization. Given the centrality of the military to regime survival, responses to the crisis necessitated including the military in economic reform. In China and Cuba, the military has a long tradition of involvement in social and economic missions and a reputation as a loyal and technically capable institution. As a result, the leadership viewed it as the only entity capable of implementing key economic reforms. In addition, the regime in both countries trusted that the military could help overcome the immense challenges associated with external and internal crises and the attendant domestic consequences resulting from economic reform and regime adjustment. In Syria, the military was not so much a vehicle of reform as a potential obstacle to liberalization that could threaten the reform process. As a result, the regime fostered pro-reform elements in the military while marginalizing reform opponents. Although the cases vary in terms of the pace and depth of economic reform (China being the most profound, followed by Cuba and then Syria) and the nature of military involvement (institutional in China and Cuba and more individual and clientelistic in Syria), in all three cases the military is an important pillar of the regime’s new coalition and policy (i.e., economic reform) for survival.

In China, in the early 1980s as Deng Xiaoping sought to address the country’s desperate social and economic conditions through economic reform and modernization, the leadership turned to the military as an institution capable of serving the new policy goal through downsizing and mission change. Until the late 1990s, the military’s role and contribution to the economy and its profile and

stake in Deng's economic reforms grew dramatically. As a result, the PLA's commercial enterprises became some of the most efficient and profitable industries in China. By the mid 1990s, the military had effectively fulfilled the mission given by Deng in the early 1980s—it had helped ensure the regime's survival by devoting much of its expertise, talent, and resources to economic reform. In the late 1990s, however, the new leadership under President Jiang Zemin became concerned that the military's business complex was too extensive and threatened the institution's professionalism, discipline, and war-fighting capacity. As a result, he began divesting the military from its business interests.

The Cuban military was always the most important institution in Revolutionary Cuba. Regardless of the task, the FAR was the institution of choice for the regime's social and political experiments because of its revolutionary credentials and technical and organizational capacity. At a critical moment after the end of the Cold War and Soviet economic assistance, it was, therefore, not a surprise that the regime asked the military to assume a leadership role in economic reform. Not since the early 1960s, when the Cuban civic-soldier took on key administrative and social roles, had the FAR's role in regime survival been so critical. As the sole guarantor of the reform's success (and thus the regime's survival), the military's profile and stake in the economy was heightened. The military's predominant presence in Cuba's most important and dynamic economic sector—tourism—placed the institution at the center of Fidel Castro's regime in the post-Cold War period.

In Syria, prior to economic liberalization in the early 1990s, individual officers used their personal connections to the Assad regime to generate wealth through non-productive (and often illegal) activities. Because regime survival was contingent upon neo-patrimonial networks and the loyalty of the officer corps, economic pay-offs that targeted key military personalities and agencies helped solidify allegiances and critical support. While some officers continued to rely upon non-productive enrichment, others sought private partners in the business community to develop new investment opportunities. This latter officer group used its connections to guarantee preferential access to resources and markets, thereby positioning itself to dominate competition in newly liberalized sectors of the economy. Pressed by a dramatic economic crisis that necessitated reforms, the Syrian regime facilitated the economic interests of these officers while concomitantly marginalizing elements of the old guard who were opposed to liberalization.

In all three cases, regimes selectively encouraged (or discouraged) military involvement in the economy and economic reform to foster continued regime survival, although the specific dynamics of this involvement differ according to the local context and consequent survival calculus. This paper suggests some variables to explain this variance, which could be used to examine other cases: (1) patterns of military economic activity prior to liberalization; (2) the type of regime (communist versus neo-patrimonial, for example); (3) the unity of economic interests within the officer corps; and (4) the nature and depth of the economic

crisis. These are intended only as a starting point for broader comparative analysis, but they suggest important concepts and causal mechanisms that could be used to explore hypotheses and organize new empirical research.

NOTES

- 1 Some reports published in the early phases of the campaign noted that divestiture was not only moving slowly, but was straining relations between civilian and party leaders (Chu 1998; Lawrence and Gilley 1999); however, Cheung (2001) argues that Jiang's policy has been largely successful.
- 2 For an explanation of SPE provided by two key FAR officers in charge of the military's role in economic reform, see Perez Betancourt and Gonzalez Sanchez (1991) and Casas Reguero (1990).
- 3 For speculative analysis on the potential negative consequences and fault-lines caused by the FAR's commercial involvement, see Espinosa (2001); Mora (2002b); Latell (2003).
- 4 For background on the process of economic liberalization in Syria, see Heydemann (1992, 1993); Lawson (1992, 1997); Hinnebusch (1993, 1995); Kienle (1994); Melham (1997); Perthes (1995); Robinson (1998); Zissler (2001).
- 5 Quintan Wiktorowicz, conversation with Fred Lawson, March 2003.

REFERENCES

- Adelman, Jonathan.
1980. *The Revolutionary Armies: Historical Development of the Soviet and Chinese People's Liberation Armies*. Westport: Greenwood.
- Alonso, Jose.
1995. "The Ochoa Affair and Its Aftermath." In *Cuban Communism*. 8th ed., edited by Irving Louis Horowitz. New Brunswick: Transaction.
- Amuchastegui, Domingo.
1999. "Cuba's Armed Forces: Power and Reforms." *Cuba in Transition* 9:89-98.
- Ayubi, Nizih N.
1995. *Over-Stating the Arab State: Politics and Society in the Middle East*. London: I.B. Tauris Publishers.
- Baloyra, Enrique.
1989. "The End of the Pajama Game? The Execution of General Ochoa." Revised version of paper presented at the conference *Thirty Years of the Cuban Revolution*, November 1-4, Halifax, Nova Scotia.
- Bickford, Thomas.

1999. "Sunrise or Sunset for the Chinese Military? The Business Operations of the Chinese People's Liberation Army." *Problems of Post-Communism* 46(6):35-46.
- _____. 1994. "The Chinese Military and Its Business Operations: The PLA as Entrepreneur." *Asian Survey* 34(5):460-474.
- Brenes, Arnoldo and Kevin Casas, eds.
1998. *Soldados como empresarios: los negocios de los militares en Centroamerica*. San Jose: Fundacion Arias para la Paz y el Progreso.
- Buchanon, Paul 1995. "The Mission and Objectives of the Cuban Revolutionary Armed Forces in the Transitional Period." In *Military and Transition in Cuba*, edited by International Research 2000. Unpublished manuscript.
- Casas Reguiero, Julio, ed.
1990. *A problemas viejos, soluciones nuevas: el Perfeccionamiento empresarial en el MINFAR*. La Habana: Editora Politica.
- Cheung, Tai Ming.
2001. *China's Entrepreneurial Army*. New York: Oxford University.
- _____. 1994. "Profits Over Professionalism: The PLA's Economic Activities and the Impact on Military Unity." In *Chinese Regionalism: The Security Dimension*, edited by Richard Yang, Jason Hu, Peter Yu, and Andrew Yang. Boulder: Westview Press.
- Chu, Henry.
1998. "Military Has Given Up Business, China Says: Experts Call Move Superficial." *Los Angeles Times* 16 December: A4.
- Del Aguila, Juan.
1998. "The Cuban Armed Forces: Changing Roles, Continued Loyalties." In *Cuban Communism* 9th edition, edited by Irving Louis Horowitz and Jaime Suchlicki. New Brunswick: Transaction.
- Ding, Arthur.
1993. "The Nature and Impact of the PLA's Business Activities." *Issues and Studies* 29:22-34.
- Dominguez, Jorge.
1982. "The Cuban Army." In *Communist Armies in Politics*, edited by Jonathan Adelman. Boulder: Westview Press.
- _____. 1979. "The Armed Forces and Foreign Relations." In *Cuba in the World*, edited by Cole Blasier and Carmelo Mesa-Lago. Pittsburgh: University of Pittsburgh Press.
- Easton, Tracy.
1998. "New Marching Orders: Cuba's Military Maneuvering Into Business Ventures." *Dallas Morning News* 21 April:1A.
- Espinosa, Juan Carlos.
2001. "Vanguard of the State: The Cuban Armed Forces in Transition." *Problems of Post-Communism* 48(6):19-30.
- Espinosa, Juan Carlos and Robert Harding.

2000. "Olive Green Parachutes and Slow Motion Pinatas: The Cuban Armed Forces in Comparative Perspective." Paper presented at the conference *The Politics of Military Extrication in Comparative Perspective: Lessons for Cuba*, September 21-22, Arrabida, Portugal.
- Etchemendy, Sebastián.
2001. "Constructing Reform Coalitions: The Politics of Compensations in Argentina's Economic Liberalization." *Latin American Politics and Society* 43(3):1-35.
- Fayemi, J, Kayode.
2000. "Soldiers in Bunsiness: Entrenched Military Interests and Nigeria's Political Economy." Presented at International Conference on Soldiers in Business: Military as an Economic Actor, October 17-29, Jakarta.
- Fernandez, Damian.
1989. "Historical Background: Achievements, Failures and Prospects." In *The Cuban Military Under Castro*, edited by Jaime Suchlicki. Coral Gables: Research Institute for Cuban Studies, University of Miami.
- Folta, Paul.
1992. *Swords into Plowshares? Defense Industry Reform in the PRC*. Boulder: Westview Press.
- Gambill, Gary C.
2000a. "Bashar's Two Major Challenges." *Middle East Intelligence Bulletin* 2(6)(August). See www.meib.org.
_____. 2000b. "Bashar's Path to Political and Economic Reforms." *Middle East Intelligence Bulletin* 2(7)(August). See www.meib.org.
_____. 2001. "The Political Obstacles to Economic Reform in Syria." *Middle East Intelligence Bulletin* 3(7)(July). See www.meib.org.
_____. 2002. "The Military-Intelligence Shakeup in Syria." *Middle East Intelligence Bulletin* 4(2)(February). See www.meib.org.
- Goodman, David.
1996. "Corruption in the PLA." In *Chinese Economic Reform: The Impact on Security*, edited by Gerald Segal and Richard Yang. London: Routledge.
- Gregor, James.
1991. "The People's Liberation Army and China's Crisis" *Armed Forces and Society* 18(1):7-25.
- Haddad, Bassam.
1999. "Change and Stasis in Syria: One Step Forward." *Middle East Report* 213:23-27.
_____. 2002. "The Economic Price of Regime Security: Mistrust, State-Business Networks, and Economic Stagnation in Syria, 1986-2000." Ph.D. dissertation, Department of Government, Georgetown University.
- Haggard, Stephen, and Robert R. Kaufman.
1992. *The Politics of Economic Adjustment*. Princeton: Princeton University Press.

Heydemann, Steven.

1992. "The Political Logic of Economic Rationality: Selective Stabilization in Syria." In *The Politics of Economic Reform in the Middle East*, edited by Henri Barkey. New York: St. Martin's Press.

_____. 1993. "Taxation without Representation: Authoritarianism and Economic Liberalization in Syria." In *Rules and Rights in the Middle East: Democracy, Law, and Society*, edited by Ellis Goldberg, Resat Kasaba, and Joel Migdal. Seattle: University of Washington Press.

Hinnebusch, Raymond A.

1993. "Syria." In *Economic and Political Liberalization in the Middle East*, edited by Tim Niblock and Emma Murphy. London: British Academic Press.

_____. 1995. "The Political Economy of Economic Liberalization in Syria." *International Journal of Middle East Studies* 27:305-20.

_____. 1998. "Calculated Decompression as a Substitute for Democratization: Syria." In *Political Liberalization & Democratization in the Arab World*. Vol. 2, *Comparative Experiences*, edited by Baghat Korany, Rex Brynen, and Paul Noble. Boulder: Lynne Rienner Publishers.

_____. 2000. "Liberalization without Democratization in 'Post-populist' Authoritarian States: Evidence from Syria and Egypt." In *Citizenship and the State in the Middle East: Approaches and Applications*, edited by Nils A. Buttenschon, Uri Davis, and Manuel Hassassian. Syracuse: Syracuse University Press.

Hopfinger, Hans and Raslan Khadour.

1999. "The Development of the Transportation Sector in Syria and the Actual Investment Policy." *Middle Eastern Studies* 35(3):64-71.

Hsiao, Tai Ching.

1978. *The Military Establishment of the Yuan Dynasty*. Cambridge: Harvard University Press.

Joffe, Ellis.

1995. "The PLA and the Chinese Economy: The Effect of Involvement." *Survival* 37:24-43.

_____. 1987. *The Chinese Army after Mao*. London: Weidenfeld and Nicolson.

Judson, C. Fred.

1984. *Cuba and the Revolutionary Myth: The Political Education of the Cuban Rebel Army*. Boulder: Westview Press.

Karol, K.S.

1970. *Guerrillas in Power: The Course of the Cuban Revolution*. New York: Hill and Wang.

Kienle, Eberhard.

1994. "Introduction: Liberalization between Cold War and Cold Peace." In *Contemporary Syria: Liberalization between Cold War and Cold Peace*, edited by Eberhard Kienle. London: British Academic Press.

Kwong, Julia.

1997. *The Political Economy of Corruption in China*. Armonk: M. E. Sharpe.

Latell, Brian.

2003. *The Military in Cuba's Transition*. Cuba Transition Project, Institute for Cuban and Cuban-American Studies, University of Miami.

Lawrence, Susan V. and Bruce Gilley.

1999. "Bitter Harvest." *Far Eastern Economic Review* 162(17):22-27.

Lawson, Fred H.

1992. "Divergent Modes of Economic Liberalization in Syria and Iraq." In *Privatization and Liberalization in the Middle East*, edited by Iliya Harik and Denis J. Sullivan. Bloomington: Indiana University Press.

_____. 1997. "Private Capital and the State in Contemporary Syria." *Middle East Report* 203:8-13, 30.

Leon, Humberto.

1995. "Impact of the Economic Crisis on the Cuban Revolutionary Armed Forces." In *The Military and Transition in Cuba*, edited by International Research 2000. Unpublished manuscript.

Lin, Chong-Pin.

1992. "The Extra-Military Roles of the People's Liberation Army in Modernization: Limits of Professionalism." *Security Studies* 1:659-689.

Lippit, Victor.

1987. *The Economic Development of China*. Armonk: M. E. Sharpe.

Lock, Peter.

2000. "Exploring the Changing Role of the Military in the Economy." Paper presented at the *International Conference on Soldiers in Business: Military as an Economic Actor*, October 17-19, Jakarta, Indonesia.

Mastrapa, Armando.

2000. "Soldiers and Businessmen: The FAR During the Special Period." Paper presented at the 10th Annual Meeting of the Association for the Study of the Cuban Economy, August 5. Coral Gables, FL.

McCulloch, Lesley.

2000. "Trifungsi: The Role of the Indonesian Military in Business." Paper presented at the *International Conference on Soldiers in Business: Military as an Economic Actor*, October 17-19, Jakarta, Indonesia.

Melhem, Hisham.

1997. "Syria between Two Transitions." *Middle East Report* 203:2-7.

Mesa-Lago, Carmelo.

1993. "The Economic Effects on Cuba of the Downfall of Socialism in the USSR and Eastern Europe." In *Cuba After the Cold War*, edited by Carmelo Mesa-Lago. Pittsburgh: University of Pittsburgh Press.

Mora, Frank O.

2002a. "A Comparative Study of Civil-Military Relations in Cuba and China: The Effects of Bingshang." *Armed Forces and Society* 28(2):185-210.

_____. 2002b. "Raul Castro and the FAR: Potential Future Roles in a Post-Fidel Cuba." Paper presented at the conference *Cuba: Integration into the International*

- System: A Multinational Perspective*, March 22-24, Pell Center for International Relations and Public Policy, Salve Regina University; Newport, RI.
- _____. 1999. "From Fidelismo to Raulismo: Civilian Control of the Military in Cuba." *Problems of Post-Communism* 46(2):25-38.
- Mulvenon, James.
 1999. "Soldiers of Fortune: The Rise and Fall of the Chinese Military-Business Complex, 1978-1999." Bonn Center for Conversion, Paper 15. Jakarta, Indonesia.
- _____. 1998. "Military Corruption in China: A Conceptual Examination." *Problems of Post-Communism* 45:12-21.
- Nelson, Joan, ed.
 1989. *Fragile Coalitions: The Politics of Economic Adjustment*. Washington, D.C.: Overseas Development Council.
- _____. 1990. *Economic Crises and Policy Choice: The Politics of Economic Adjustment*. Princeton: Princeton University Press.
- Nuevo Herald*.
 1993. "Raul Castro: la URSS decidio en 1980 no defender a Cuba." April 23, 1.
- Oppenheimer, Andres.
 1992. *Castro's Final Hour*. New York: Simon and Shuster.
- Paltiel, Jeremy.
 1995. "PLA Allegiance on Parade: Civil-Military Relations in Transition." *China Quarterly* 143(September):784-800.
- Perez, Louis.
 1976. "Army Politics in Socialist Cuba." *Journal of Latin American Studies* 8(2):251-271.
- Perez Betancourt, Pedro and Berto Gonzalez Sanchez.
 1991. *La organizacion de la Produccion en el perfeccionamiento empresarial de las FAR*. La Habana: Comité Central del Partido Comunista de Cuba.
- Perez-Lopez, Jorge.
 2001. "Waiting for Godot: Cuba's Stalled Reforms and Continuing Economic Crisis." *Problems of Post-Communism* 48(6):43-55.
- Perez-Stable, Marifeli.
 1999. "Caught in a Contradiction: Cuban Socialism Between Mobilization and Normalization." *Comparative Politics* 32(1):44-75.
- Perthes, Volker.
 1995. *The Political Economy of Syria under Asad*. London: I. B. Tauris.
- _____. 2000. "Si Vis Stabilitatem, Para Bellum: State Building, National Security, and War Preparation in Syria." In *War, Institutions, and Social Change in the Middle East*, edited by Steven Heydemann. Berkeley: University of California Press.
- _____. 2001. "The Political Economy of the Syrian Succession." *Survival* 43(1):143-154.
- Pölling, Sylvia.
 1994. "Investment Law No. 10: Which Future for the Private Sector?" In *Contemporary Syria: Liberalization between Cold War and Cold Peace*, edited

- by Eberhard Kienle. London: British Academic Press.
- Quinlivan, James T.
1999. "Coup-Proofing: Its Practices and Consequences in the Middle East." *International Security* 24(2):131-165.
- Richards, Alan and John Waterbury.
1997. *A Political Economy of the Middle East*. 2d ed. Boulder: Westview Press.
- Robinson, Glenn E.
1998. "Elite Cohesion, Regime Succession and Political Instability in Syria." *Middle East Policy* 5(4):159-79.
- Rohter, Larry.
1995. "In Cuba, Army Takes on Party Jobs, and May Be the Only Thing That Works." *New York Times*, June 8, 12.
- Schamis, Hector E.
1999. "Distributional Coalitions and the Politics of Economic Reform in Latin America." *World Politics* 51(2):236-68.
- Selden, Mark.
1995. *China in Revolution: The Yenan Way Revisited*. Armonk: M.E. Sharpe.
- Shields, Patricia M.
2001. "Faces of Military Privatization." ASPA Publications. Article available at <http://www.aspanet.org/publications/COLUMNS/archives/2001/Oct/shields1005.html>.
- Siddiq-Agha, Ayesha.
2000. "Power, Perks and Privileges: Military's Economic Activities in Pakistan." Presented at *International Conference on Soldiers in Business: Military as an Economic Actor*, October 17-29, Jakarta, Indonesia.
- Solomone, Stacey.
1995. "The PLA's Commercial Activities in the Economy: Effects and Consequences." *Issues and Studies* 31:20-44.
- Walker, Phyllis Greene.
1997. "Cuba's Revolutionary Armed Forces: Adapting in the New Environment." *Cuban Studies* 26:61-74.
- Zissler, Eyal.
2001. *Asad's Legacy: Syria in Transition*. New York: New York University Press.