Muslim Democratic Parties:
Economic Liberalization and Islamist Moderation in the Middle East

Dissertation

Presented in Partial Fulfillment of the Requirements for the Degree Doctor of Philosophy in the Graduate School of The Ohio State University

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The Ohio State University
2010

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Abstract

Islamist political parties – once marked by their uniformity across countries in their oppositional and non-democratic platforms, and the goal of Islamizing state and society – face challenges leading to the emergence of a qualitatively-different and more moderate kind of political party: the Muslim democratic party (MDP). My dissertation answers two interrelated questions on the rise of MDPs: What explains the emergence of Muslim Democratic Parties recently, and why have these parties been successful in some cases, but not others? I theorize that the way in which a country liberalizes its economy shapes the social foundations of Islamic party politics. MDPs emerge and find societal support when Islamic peripheral businesses find a chance to compete economically – a feature of competitive liberalization –, and peripheral masses experience an improved income. In contrast, when economic liberalization’s reach remains limited because of its uncompetitive character and the perpetuation of pre-liberalization economic structure, societal support for MDPs fails to materialize, leaving Islamist parties’ societal support intact. I call this process crony liberalization. I test my theory in a three-country, structured comparison of Egypt, Morocco and Turkey. These countries were selected in order to maximize the variance I observe on my key causal variables while holding other factors constant following the most similar systems design. In Egypt, I analyze the Muslim Brotherhood (Ikhwan al-Muslimin) and the Wasat Party as cases of Islamist and
Muslim democratic parties, respectively. In Morocco, the Party for Justice and Development represents the Muslim democratic platform whereas *Al-Adl wal-Ihsan* functions as the Islamist opposition party. Finally, in Turkey the Justice and Development Party is the Muslim democratic case compared with the National Outlook Movement’s current political representative, the Felicity Party.
For all the good people of Egypt, Morocco and Turkey.
Acknowledgments

This dissertation is the product of many years of study and research. However, it could not have been possible without the support and guidance of many individuals. During the six years I spent at the Ohio State University as a doctoral student, Sarah Brooks, Marcus Kurtz, Irfan Nooruddin, and Amaney Jamal have all been excellent mentors. Sarah, my advisor throughout my time at Ohio State, thoroughly engaged with my project during the many days she spent reviewing my work at different stages of the project. Her constructive criticism and guidance are a vital element in the completion of this dissertation. Sarah continually probed the causal mechanisms and the methodology, and, hence, was most helpful with her feedback. Most importantly, however, Sarah showed an unwavering support for me and the project throughout the entire process, thereby setting a great example on how to be an advisor. Marcus always challenged me with questions to probe further into my thinking in order to make deeper connections between various parts of the dissertation. He also underscored the importance of a comparative perspective in analyzing the politics of economic liberalization. Marcus' push for a comparative approach led my dissertation to be a contribution to the broader political science literature instead of being only an area study. Irfan emphasized the “big picture” and was consistent in pointing out the potential implications of distinct elements of the theory. By
questioning my assumptions, he pushed me to be more clear, concise and explicit about my theory. Last but not least, Amaney Jamal of Princeton University was a great resource for improving the substantive elements of the project as well as ensuring that the framework was commensurate with the scope of the research. If this project is a contribution to social scientific research, it is due to the privilege I enjoyed in working with my committee members. All of them are inspirational examples of truly great scholars. Sarah, Amaney, Marcus, and Irfan deserve all credit and praise for overseeing the materialization of this dissertation.

I am also indebted to many friends and colleagues who have contributed to the development of this project at different stages by reading, offering feedback and/or engaging in stimulating intellectual conversations. I am grateful to Azzedine Azzimani, Quintin Beazer, Eva Bellin, Nathan Brown, Soundarya Chidambaram, Dino Christenson, Vefa Erginbas, Andrea Haupt, Douglas Jones, Ramazan Kilinc, Ahmet Kuru, Jennifer Nowlin, Jennifer Regan, Yusuf Sarfati, Emily Secen and Sarah W. Sokhey.

Many individuals in Egypt, Morocco and Turkey were helpful in my field research. In Egypt, I received help from Durmus Dogan, Osama Farid, Ebtisam Hussein, Cumali Onal and Amal Wahab in establishing contacts; I also enjoyed our conversations on Egyptian political and social life. In Morocco, several individuals facilitated my fieldwork and put me in contact with officials and businessmen. For this, I thank Azzedine Azzimani, Driss Bouanou and Orhan Coskun for their help. The fieldwork in Turkey was efficient and effective due to MUSIAD officials in various cities who were kind enough to schedule
appointments with their member businessmen. I also thank the following individuals who made it possible for me to conduct interviews with politicians and businessmen: Kemal Baskaya, Ekrem Gurel and Serif Soydan.

The financial support I received from various institutions made the fieldwork and writing of this dissertation feasible. I thank the Department of Political Science at the Ohio State University for its support during my doctoral study there. The Department also offered research grants for fieldwork. The Graduate School, the Mershon Center, and the Office of International Affairs at Ohio State supported the project with various grants for fieldwork. I also acknowledge the Foreign Language Enhancement Program (FLEP) Fellowship for providing me with a chance to improve my Arabic.

The challenging years in grad school were made easier with the friendship and support of friends including Burcu Bayram, Quintin Beazer, Daniel Blake, Soundarya Chidambaram, Dino Christenson, Vefa Erginbas, Oguz Kurt, Yoon-ah Oh, Scott Powell, Yusuf Sarfati, Sarah W. Sokhey and Lorenzo Zambernardini.

Finally, I am grateful to my family members. My parents, Rasim and Behiye Yildirim, shaped their lives so that my brother and I could have a good education. This dissertation is the best gift I can give them. My wife, Hatice, showed wholehearted support through the completion of this project, at times of ebb and flow. Without her support, I could not be successful. And, my daughter, Emine Beyza, put up with a father who seemingly had endless studying to do. She is the joy of our lives.
Many other individuals in everyday life, including brief acquaintances, have showed their support for this project, and I thank them all for their support. Any mistakes are due to me.
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Table of Contents

Abstract ........................................................................................................................................ ii
Dedication ........................................... iv
Acknowledgments ...................................................... v
Vita............................................................................................................................... ix
List of Tables ...................................................................................................................... xi
List of Figures .................................................................................................................... xii
Abbreviations ...................................................................................................................... xiii
Introduction ......................................................................................................................... 1
Chapter 1: Social Theory of Muslim Democratic Parties ..................................................... 21
Chapter 2: Modeling Economic Liberalization in a Comparative Perspective ................... 57
Chapter 3: Turkey – From Periphery to the Center .............................................................. 108
Chapter 4: Egypt – Stuck in the Periphery ........................................................................ 192
Chapter 5: Morocco – Pathways from the Periphery .......................................................... 277
Conclusion: .......................................................................................................................... 359
References: ............................................................................................................................ 366
Appendix A: List of Interviews ............................................................................................. 384
List of Tables

Table 1. Typology of Islamic Groups and Parties. ...................................................7
Table 2. Country Scores on Key Variables..................................................................16
Table 3. Party Support Levels....................................................................................17
Table 4. Party Positions on Issues ..........................................................................53
Table 5. Competition Indicators ..............................................................................65
Table 6. Firms’ size distribution in manufacturing - Egypt.......................................68
Table 7. Firms’ size distribution in manufacturing - Morocco....................................68
Table 8. Firms’ size distribution in manufacturing - Turkey.......................................68
Table 9. Classification of Economic Liberalizations...............................................70
Table 10. Amount of Privatization ..........................................................................87
Table 11. Turkish Exports by Region .....................................................................179
Table 12. International Direct Investment Inflow by Region - Turkey .....................181
List of Figures

Figure 1. Causal Mechanism .................................................................56
Figure 2. Trade as % of GDP .................................................................60
Figure 3. Goods and Services Exports ...................................................60
Figure 4. Economic Freedom of the World Index ....................................61
Figure 5. Merchandise Exports ...............................................................61
Figure 6. FuelExports as Percentage of Merchandise Exports ..............63
Figure 7. Manufactures Exports as Percentage of Merchandise Exports ....63
Figure 8. Cost of Business Start-Up % of GNI per capita .......................64
Figure 9. Public Spending by Category in Turkey .....................................80
Figure 10. Trade between Turkey and the European Union ....................82
Figure 11. Number of Privatization Transactions .....................................87
Figure 12. Foreign Direct Investment Inflow ..........................................90
Figure 13. Foreign Direct Investment Stock ..........................................91
Figure 14. Investment Share in GDP .....................................................94
Figure 15. Government Consumption ..................................................97
Figure 16. Public Spending by Category in Egypt ...................................97
Figure 17. Public Spending by Category in Morocco .............................105
Figure 18. Foreign Direct Investment in Turkey in 2007 and 2008 ............151
Figure 19. Unemployment Insurance Payments, number of beneficiaries ....189
Figure 20. Unemployment Insurance Payments, actual payments made ....189
Abbreviations

EC – European Community
EU – European Union
FDI – Foreign Direct Investment
FTA – Free Trade Agreement
ISI – Import Substitution Industrialization
MDP – Muslim Democratic Party
SME – Small and Medium Enterprise
SOE – State-Owned Enterprise

Egypt
EBA – Egyptian Businessmen’s Association
ERSAP – Economic Reform and Structural Adjustment Program
LE – Egyptian Pound
MB – Muslim Brotherhood
NDP – National Democratic Party
WP – Wasat Party

Morocco
AMITH – Textile and Apparel Manufacturers’ Association
AWI – Al-Adl wal-Ihsan
MPDC – Mouvement Populaire Démocratique et Constitutionnel
MUR – Movement of Unity and Reform
ONA – Omnium Nord Africain
PJD – Party for Justice and Development
CGEM – Moroccan Confederation of Businesses
CMPE – Moroccan Export Promotion Center

**Turkey**

DP – Democrat Party
DTP – Demokratik Toplum Partisi
FP – Felicity Party
JDP – Justice and Development Party
MNP – National Order Party
MSP – National Salvation Party
MUSIAD – Independent Industrialists and Businessmen’s Association
NOM – National Outlook Movement
RPP – Republican People’s Party
TOBB – Turkish Union of Chambers and Stockmarkets
TUSIAD – Turkish Industrialists and Businessmen’s Association
VP – Virtue Party
WP – Welfare Party
Introduction – Muslim Democratic Parties

Islamist political parties – once marked by their uniformity across countries in their oppositional and non-democratic platforms, and the goal of Islamizing state and society – face challenges leading to the emergence of a qualitatively-different and more moderate kind of political party: the Muslim democratic party (MDP). Turkey’s Justice and Development Party (JDP), Morocco’s Party for Justice and Development (PJD) and Egypt’s Wasat Party (WP) are examples of this phenomenon. In many ways analogous to the rise of Christian democratic parties in the European context, Muslim democratic parties are marked by their adherence to a secular political regime, normative commitment to the rules of a democratic political system, and the democratic political representation of a religious identity. Importantly, while Islamist parties have existed in much of the Middle East for some time, MDPs have emerged more recently only in select countries and are viable competitors for political power in fewer still. In Egypt, for instance, the WP failed to achieve a robust presence vis-à-vis the Muslim Brotherhood, and remains largely marginal. Yet in Turkey, the JDP, more commonly known as AKP (Adalet ve Kalkınma Partisi), has managed to win landslide victories in the last two elections against both secular and Islamist parties. These trends beg two interrelated
questions: *What explains the emergence of Muslim Democratic Parties recently, and why have these parties been successful in some cases, but not others?*

I approach the question of how and when MDPs arise from a socioeconomic perspective, through which I theorize that changes in the preferences and strength of key constituents of Islamist parties, such as small and medium enterprise (SME) owners, underpin the emergence and success of MDPs as a viable political force. I emphasize the political aspect of economic liberalization to demonstrate how social cleavages interact with the liberalization process to create a cross-class coalition in support of MDPs in some countries, but not others. To this end, I distinguish two types of economic liberalization: competitive liberalization and crony liberalization. The rise of MDPs enters the realm of possibility when the implementation of economic liberalization brings the statist and authoritarian *status quo ante* to an end; the latter was a situation where the Islamic constituency – or, peripheral socioeconomic groups composed of peripheral businesses, i.e., SMEs, and peripheral masses – were excluded from meaningful participation in political and economic power.

In particular, I argue that *the way in which a country liberalizes its economy shapes the social foundations of Islamic party politics*. MDPs emerge and find societal support when Islamic peripheral businesses find a chance to compete economically – a feature of *competitive liberalization* –, and peripheral masses experience an improved income. In contrast, when economic liberalization’s reach remains limited because of its uncompetitive character and the perpetuation of pre-liberalization economic structure, societal support for MDPs fails to materialize, leaving Islamist parties’ societal support
intact. I call this process *crony liberalization*. Although it is often said that economic liberalization will “moderate” conservative Islamist parties, less is known about the mechanisms through which this moderation is achieved, or when such outcomes are likely. Indeed, the evidence is clear that it can also drive polarization.

Identifying the actors, preferences, and political contexts in which this effect is likely to come about will address a significant gap in the literature on democratization in the Middle East and broader Muslim world. Specifically, this dissertation offers one of the first systematic analyses of the development of political party systems in the Middle East by integrating social cleavages and the economic liberalization process into such an understanding.

The MDPs are important for theoretical and empirical reasons. First and foremost, the analysis here provides a socioeconomic basis for answering questions as to the compatibility of Islam and democracy; and, it gives an answer that relies not on cultural generalities. Rather, I emphasize its political-economic dynamics. This empirically testable model for the Islam-democracy relationship contrasts with the conventional essentialist arguments, \(^1\) and moreover, suggests that the democratic political incorporation of religion in the Muslim world may share important similarities with the incorporation of confessional politics in early 20\(^{th}\) century Europe.

Second, understanding the dynamics of economic liberalization in the Middle East is important for the future state of political and economic development in the region.

\(^1\) See Lewis 2002; Huntington 1993.
Whether Islamist parties or MDPs become the choice of the Islamic constituency is, essentially, a choice between ideological rigidity and pragmatism; this competition over the parameters of an Islamic doctrine can result in both higher levels of democracy and prosperity. Hence, it is crucial to understand the mechanisms that allow for pragmatism and moderation to come about.

Finally, MDPs may play a vital role in curbing the influence of anti-systemic Islamist parties in Muslim-majority countries, and in so doing, may stabilize democratic politics. Indeed, by addressing the legitimate economic and social demands of the Muslim electorate, MDPs may deal a serious blow to the hegemony of Islamist parties. Such a transformation in the political sphere could potentially reduce polarization and strengthen democracy in the Middle East.

**Muslim Democracy**

What sets Muslim democratic parties apart from Islamist parties? Muslim Democracy is a relatively new concept in the literature, and a clear consensus around its definition has not yet been established.² Vali Nasr’s attempt, based on the method used by MDPs and not their policy platforms, appears to be the most concise definition. Specifically, Nasr emphasizes the "democratic" aspect of this concept. Muslim democrats, for Nasr, commit to the democratic regime, and will not defect to an Islamic regime once they obtain power.

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² The absence of a consensus is most clearly demonstrated by the use of a multiplicity of terms to define these parties such as Islamist, Islamic, post-Islamist and Muslim reformist. The Justice and Development Party in Turkey, for example, does not accept the title “Muslim democratic party” partly due to the religious connotations of the name. Instead, the party calls itself a conservative democratic party. See Akdoğan 2004 for a detailed discussion.
through democratic means. For Nasr, the policy platforms of such parties do not carry much weight because they are pragmatic and will emphasize issues salient in the society at that particular point in time.\(^3\) Even though Nasr’s definition emphasizes a critical aspect of MDPs, i.e., their methodical adherence to democracy, he overlooks the relevance of the "Muslim" part, which implies having a “Muslim” political platform. Following Kalyvas’ definition of Christian Democratic parties, I argue that MDPs must be understood to have a clear idea as to what they would like to promote as their policy platforms, and they are not as malleable with respect to policy as Nasr claims. Three policy areas in particular stand out in party platforms reflecting the preferences of the peripheral groups in the society: Islam, a liberal economy, and social policies. See Table 1 for a typology of Islam in politics.

MDPs harness Islam most significantly for the “Muslim” content of their platforms. They promote conservative moral values consistent with their emphasis on Islam as the main social dynamic providing the value structure for society. Their focus on conservative social values goes hand-in-hand with their attachment to universal human rights and individual liberties. Without the latter emphasis, MDPs could not meaningfully distinguish themselves from the Islamist discourse. The use of “Muslim” instead of “Islam” in categorizing such parties is a clear indication of the absence of a claim to represent Islam as such, which political Islam conventionally does. Crucially, this social conceptualization of Islam, rather than a political one, conforms to the changing preferences of peripheral business groups.

\(^3\) Nasr 2005.
With respect to the economy, a liberal market economy with a regulatory role for the state marks the basic framework embraced by MDPs. Because their existence and the support they enjoy from their key constituencies depends on this liberal conceptualization of the economy, they endorse a free market economy with limited state intervention in economic relations.

Finally, MDPs opt for higher levels of spending on social policies such as health, education, and social protection, which go hand in hand with their emphasis on an open economy. On this score, they would be much closer to Social Democratic parties. MDPs’ emphasis on social safety nets, despite their liberal economic stance, stems from two main factors. First, the MDP platform addresses a cross-class coalition resting on both lower socioeconomic classes and peripheral businesses, i.e., SMEs. The emphasis on social safety nets provides an effective mechanism for MDPs to reconcile a potential conflict between the interests of these two key constituents. While liberal economic policies ensure the chance for small and medium businesses to compete in a free market, generous social policies address the potential discontentment with such liberal policies on the part of lower income citizens, and compensate for such market-induced dislocations. Second, Islam in politics has closely been associated with an emphasis on the poor; as such, MDPs emphasize redistributive social policies. 4 Essentially, running on an Islamic platform commits these parties to pro-poor social policies. This focus on social protection and redistribution is distinct from pursuing a strictly liberal economy. However, the former does not impede the latter. In this sense, MDPs’ position on the economy and

4 Clark 2004; Zubaida 2000.
social policy is very similar to Christian democracy.\textsuperscript{5} Briefly stated, MDPs differ from Islamist parties in the role ascribed to Islam, emphasis on a liberal economy and adherence to democratic ideals. Most critically, Islamization of state and society, which constitutes the key element of Islamist discourse, is absent in the platforms of the MDPs.

<table>
<thead>
<tr>
<th>Goal</th>
<th>Radical/Revolutionary</th>
<th>Reformist</th>
<th>Liberal/Moderate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Islamization of State</td>
<td>Political Islam</td>
<td>Political Islam</td>
<td>Social Islam</td>
</tr>
<tr>
<td>and Society</td>
<td></td>
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</tbody>
</table>

| Violence              | Permissible           | Non-Violent              | Non-Violent                |
|                       |                       |                          |                            |

| Democracy             | Opponent              | Instrumental             | Committed                  |
|                       |                       |                          |                            |

| Economy               | No Significant Position | Nationalist and Protectionist | Pro-Liberal Economy        |
|                       |                        |                          |                            |

| EXAMPLE               | \textit{Al-Gama’a Al-Islamiyya} | \textit{Muslim Brotherhood} | \textit{Party for Justice and Development} |
|                       |                                |                          |                            |

Table 1. Typology of Islamic Groups and Parties

Table 1 offers a brief summary of a Muslim democratic platform in comparison to political Islam. A Muslim democratic discourse differs from an Islamist ideology,\textsuperscript{5}

\textsuperscript{5} Even though the policy positions of MDPs seem in conflict with each other, there are two similar cases in Europe that might make this case of MDPs more conceivable. The first one is the Third Way of Tony Blair in Europe combining liberal and social economic ideas as well other cases of social market economies in Northern Europe. Second, Christian democratic parties in Europe have similar policy positions to those of MDPs as described above. For a detailed discussion, see Onis and Keyman 2003.
essentially, on four grounds. Muslim democracy does not advocate Islamization of state or society; instead, the goal in adhering to a social understanding of Islam is to promote Muslim values of the society. On democracy, Muslim democracy adheres to both procedural elements of democracy, i.e., elections and alternation of power, and democratic principles such as the protection of minority rights and individual liberties, unlike Islamists who are more reserved on the issue. Muslim democrats also endorse a liberal economic discourse endorsing integration into the global economy, whereas political Islam is usually characterized by its nationalist and state-centered economic discourse. With respect to violence, Muslim democracy differs only from the radical fringe of Islamism, which condones violence. Muslim democracy, like reformist Islamists, i.e., the Muslim Brotherhood of Egypt, do not endorse the use of violence.

Explaining the Rise of Muslim Democratic Parties

MDPs have arisen fairly recently; hence, the literature discussing these parties is limited overwhelmingly to single case studies analyzing the Justice and Development Party in Turkey, the Wasat Party in Egypt, or the Party of Justice and Development in Morocco. Such a narrow approach, however, constrains the ability to draw inferences based on comparisons across different cases. Although Islamist parties and MDPs have qualitatively distinct political platforms, the literature on the moderation of Islamist parties offers crucial insights into the dynamics of MDPs. Often, the leadership of MDPs

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7 Wickham 2004; Stacher 2002.
8 Willis 2004; Wegner and Pellicer 2009.
comes out of the ranks of Islamist parties, and the constituency largely corresponds to that of Islamist parties. In this regard, the emergence of MDPs in Muslim-majority countries largely begins with a process of moderation within Islamist parties and movements.

The extant literature offers several distinct explanations for Islamist moderation. State strategy is one of the most important explanations for why Islamist parties moderate. Specifically, the inclusion-moderation hypothesis maintains that more accommodating and inclusive state policies are more likely to find resonance among Islamists towards a more moderate discourse; conversely, more repressive and exclusionary policies tend to lead to increased radicalism on the part of Islamists. The analogy here is to the integration of European socialist and communist parties into democratic politics in the early 20th century and post-WWII period. Carrie Wickham, for example, applies this reasoning along with other factors to the emergence of Muslim democratic Wasat Party in Egypt (2004). Jillian Schwedler presents a variant of the inclusion-moderation hypothesis in her analysis of the Islamist parties in Jordan and Yemen (2006). While these studies have tremendously advanced our understanding of Islamist politics, they do not tell us why Islamist groups moderate when political institutions remain unchanged with respect to their levels of political liberalization. In other words, state strategies do not correspond to Islamist parties’ ideological moderation in many cases; in other cases, state strategies result in contradictory outcomes. A case in point is the emergence of the Justice and Development Party in Turkey in the face of increased exclusion.

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9 Chhibber 1996; Brooks 2002; Willis 2004; Somer 2007; Schwedler 2006; Wickham 2004; Cizre 2009.
The Turkish experience runs contrary to the inclusion-moderation hypothesis in a second way as well. The Islamist party – the Welfare Party (1983-1998) – faced severe constraints on participation in the democratic regime and several bans on the party over the course of a decade; this essentially equaled exclusion from the system. Nonetheless, we observed stability in the political discourse of the party instead of radicalization. Similarly, the Egyptian Muslim Brotherhood has maintained its political discourse over the last several decades, even though at times it faced severe state repression and persecution; we did not observe radicalization. The Wasat Party’s break from the Muslim Brotherhood seems irrelevant to the strategies pursued by the state.

The social learning hypothesis places the interaction of leaders of Islamist parties with people from “other” beliefs and ideologies at the center. As the level of interaction increases, which leads Islamist leaders to take more responsibility and serve “others,” Islamist leaders become more likely to be accommodative and tolerant of others, and eventually to moderate. Wickham explains how the leadership of the Wasat Party in Egypt has experienced the responsibility of serving members of professional associations during the 1990s regardless of their ideological commitment. According to Wickham, the middle-aged leadership of the Muslim Brotherhood during this period came to realize that political engagement required acceptance of the give-and-take nature of politics, and the central place of compromise. To this end, moderation on a number of policy positions was essential. Unable to find the environment for such a change within the Brotherhood, several individuals came to establish the Wasat Party. The leadership of the Wasat Party

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10 Cavatorta 2006; Wickham 2004.
was high-ranking officials from the Muslim Brotherhood, the dominant opposition political group in Egypt, prior to their departure from the party. And, according to Wickham’s account, they underwent a process of a social learning during their service in the professional associations in Egypt, major political outlets in the absence of democratic politics. The new and moderate Wasat Party’s establishment, however, did not resonate with the society, whereas the Muslim Brotherhood retained its popular support. Leaders of Islamist groups certainly matter for the moderation process, yet the role of the Islamic constituency has not been clarified. Even if the Islamist leaders moderate as a result of social learning, how do they convey the message of moderation to their societal base and make sure their constituents also embrace these shifts?

The closest the literature comes to a social account of Islamist moderation is what can be called the middle class hypothesis. Typically, the analogue to this hypothesis is Barrington Moore’s account of the origins of democracy in the Western world. The emphasis on the middle class as a social actor correlates with the moderation and democratic disposition of the country in general.

A major problem in the middle class hypothesis concerns the assumption about the homogeneity of interests and influence of the middle class. The middle class can largely be divided into two groups. The first of these two groups consists of professionals such as lawyers, teachers, academicians and doctors. By its very nature this group is not “anchored” in the capitalist relations of production; hence they do not have an intrinsic

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interest in a liberal system. The expansion of the middle class has, at best, a tangential relationship with moderation in respect to this first group because this group has only an ideological affinity to moderation, democracy and liberalization, but not a vested interest in these concepts denoting the absence of personal stake in openness.\textsuperscript{13} In other words, moderation, democracy and liberalization represent values they view as valuable to the welfare of the society in general without prioritizing their own self-interests. The second group is small and medium-sized business owners who potentially have a more personal relationship to a liberal order. As businessmen, economic liberalization, political stability and moderate political discourse relate closely to their political preferences. Stated differently, the second group of middle class has a vested interest on these issues. Hence, the connection of the middle class to the global economy is the critical criterion with which to evaluate the impact of middle class on moderation. The absence of a clear distinction between professionals and businessmen, as outlined above, will lead to an underspecified model of if, why, and how moderation will follow the middle class’ lead. As important as the middle class account may be, it falls short of disentangling heterogeneous components of the middle class, particularly by failing to explain how or why distinct elements of the middle class relate to moderation and a more democratic platform.

An alternative and more convincing explanation of the moderation of Islamist parties points to the consequences of economic liberalization.\textsuperscript{14} According to Zakaria, economic

\textsuperscript{13} Gulalp 2001; Langohr 2002.
\textsuperscript{14} Zakaria 2004; Ateş 2005.
liberalization should take priority in reform efforts in the Middle East due to its potential to create a business group with “a stake in openness, in rules, and in stability”. The new socioeconomic group has a vested interest in a liberal economic system due to its integration into the global economy. In a certain way, integration into the global economy will provide reformers with an anchor to ensure that no reversion occurs in liberalization. Although this line of reasoning is plausible in its general contours, I find it problematic in two interrelated respects, both of which are related to the character of the new business groups. First, the size and strength of the new business groups are critical for the success of the liberal model, yet these variables are not specified. The question is important because it defines the relationship between the new groups and the existing privileged business class, usually under the tutelage of the state in a sheltered economy. Second, the liberalization model is silent on the role of the Islamic constituency in this process of moderation, even though this is the largest social group in the region by most standards. The role of the Islamic constituency is critical to defining the shape of the social conflict between the old and the new business groups. This study will build upon the liberalization thesis by offering a causal mechanism to explain this link, and by analyzing this hypothesis empirically.

Instead, I propose an alternative social theory to explain the rise and empowerment of Muslim democratic parties in the Middle East. My departure point is that Islamic political parties in Muslim-majority countries, as in any other modern political system, should reflect the preferences and interests of the constituency they aspire to represent. I argue

\[15\] Zakaria 2004, 16.
that MDPs are able to emerge and challenge the dominance of Islamist parties as a result of changes in the socioeconomic structure. Competitive economic liberalization facilitates the integration of peripheral groups into the global economy, which in turn leads to the transformation of their political and economic interests. MDPs, in this context, benefit from the change in the political interests of the periphery where Islamist parties’ platforms become incompatible with the changing economic and social structure. By contrast, the process of crony liberalization perpetuates the more archaic forms of state-business relations that reinforced the pre-liberalization social structure, leaving the peripheral groups at the margins of political and economic power. Hence, we do not observe changes in the interests of the periphery in the crony liberalization context that would facilitate the rise of MDPs. Islamist parties under these circumstances are better able to address the political interests of peripheral groups, and thus remain strong. Even if MDPs emerge in crony liberalization contexts, they face considerable obstacles to establishing themselves as a strong competitor vis-à-vis Islamist parties. The model I propose to explain this dynamic thus places its central focus on the distribution of socioeconomic power in Muslim-majority societies and its reflection in the political space.

With this analysis, my goal is not to compare mere levels of electoral support of Islamist and Muslim democratic parties. This would not only depend on core constituencies of such parties but also on contextual factors that directly influence electoral outcomes. Rather, the goal is to gauge relative societal support for MDPs and Islamist parties among the peripheral groups and to evaluate the extent of the social change as a result of
liberalization. Accordingly, I bring evidence to evaluate my theory by examining the relative electoral support for Islamist parties and MDPs. Because both types of parties speak to the same social groups, their relative strength should inform us of how the social base reacts to the distinct platforms of the two parties. To this end, I compare electoral support of Islamist and Muslim democratic parties in recent legislative elections.

**Research Methodology**

I test my theory in a three-country, structured comparison of Egypt, Morocco and Turkey. These countries were selected in order to maximize the variance I observe on my key causal variables while holding other factors constant following the *most similar systems* design. In Egypt, I analyze the Muslim Brotherhood (*Ikhwan al-Muslimin*) and the Wasat Party as cases of Islamist and Muslim democratic parties, respectively. In Morocco, the Party for Justice and Development represents the Muslim democratic platform whereas *Al-Adl wal-Ihsan* functions as the Islamist opposition party. Finally, in Turkey the Justice and Development Party is the Muslim democratic case compared with the National Outlook Movement’s current political representative, the Felicity Party.

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16 Przeworski and Teune 1970; Lijphart 1975.
On a broad level, the selection of these three countries ensures that similar social cleavages exist in all cases. From a historical perspective, all three countries underwent a similar process of secular-religious social conflict, and the growth of a big business class nurtured by the state as opposed to an impoverished rest of the society. A similar structure of social cleavages is critical to testing whether economic liberalization has a (dis)similar impact on Islamic constituency and Islamist parties.

In terms of the main variable of interest, i.e., economic liberalization, the three cases represent different categories in how they liberalized their economies. Turkey represents the competitive liberalization model, whereas Egypt is a case of a highly-politicized economy that is emblematic of crony liberalization. Morocco, a semi-competitive economy, represents a middle case with features from both competitive and crony models of liberalization.

With regard to the outcome of interest, the three cases also offer wide variation in the popular support that each party enjoys. The Turkish and Moroccan MDPs, the Justice and Development Party and Party for Justice and Development respectively, enjoy greater
societal support compared to their Islamist counterparts: the Felicity Party and Al-Adl Wal-Ihsan; by contrast, the Egyptian MDP, Wasat Party, remains largely marginalized relative to the Islamist Muslim Brotherhood. The Turkish and Egyptian cases also offer sufficient variation in the strength of their MDPs to allow me to draw inferences regarding the relationship between economic liberalization and the rise of MDPs in those nations.

<table>
<thead>
<tr>
<th></th>
<th>Islamist Party</th>
<th>MDP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Egypt</strong></td>
<td>Muslim Brotherhood</td>
<td>Wasat Party</td>
</tr>
<tr>
<td></td>
<td>20% of seats in parliament - 2005</td>
<td>No parliamentary representation</td>
</tr>
<tr>
<td></td>
<td>Main opposition group</td>
<td>Marginal in politics</td>
</tr>
<tr>
<td><strong>Morocco</strong></td>
<td>Justice and Charity</td>
<td>Party for Justice and Development</td>
</tr>
<tr>
<td></td>
<td>Does not compete in formal politics</td>
<td>13% of votes in 2002 – Third party in vote share</td>
</tr>
<tr>
<td></td>
<td>Strong popular support</td>
<td>11% of votes in 2007 – First party in vote share</td>
</tr>
<tr>
<td><strong>Turkey</strong></td>
<td>National Outlook Movement</td>
<td>Justice and Development Party</td>
</tr>
<tr>
<td></td>
<td>5% of votes in 2009</td>
<td>39% of votes in 2009 – First party in vote share</td>
</tr>
<tr>
<td></td>
<td>2.5% of votes in 2007</td>
<td>47% of votes in 2007 – First party in vote share</td>
</tr>
<tr>
<td></td>
<td>2.5% of votes in 2002</td>
<td>34% of votes in 2002 – First party in vote share</td>
</tr>
</tbody>
</table>

Table 3. Party Support Levels.

Despite the similarities in all three cases, one critical variable remains to be accounted for, level of democratic governance. Although Egypt and Turkey offer variation in both their dependent and independent variables, and allow me establish a causal relationship, the contrast between Turkey and Egypt in terms of popular support for MDPs may be said to result from their difference in the degree of democratic governance. The Moroccan case is instrumental in testing this alternative hypothesis, namely of the impact
of democracy on the rise of MDPs. Because Morocco and Egypt have a similar level of political openness, but varying levels of support for MDPs, Morocco provides an ideal case in which to assess the impact of the level of democratic governance as an alternative causal factor.

With respect to empirical analysis, I have conducted fieldwork in all three countries between August, 2008 and December, 2009. The fieldwork entailed open-ended interviews with politicians, businessmen, journalists and academicians. In total, I conducted more than one hundred face-to-face interviews in all three countries. In Egypt, I conducted interviews with officials from the Muslim Brotherhood, the Wasat Party and businessmen. In Morocco, I interviewed officials from the Party for Justice and Development, *Al-Adl wal-Ihsan*, and businessmen. Similarly, in Turkey I conducted interviews with politicians from the Justice and Development Party, the Felicity Party, and businessmen. With respect to politicians, I employed snowball sampling method. After I was able to establish initial contacts with politicians of different parties, I sought for other officials who could address questions on the party and its policies. In doing this, however, I paid particular attention to draw a wide range of representation from the party in terms of both level of representation within the party (members of parliament, party administration and local offices) and the personal backgrounds of party members (region, ideological orientation and gender).

As to the businessmen, in different countries the sampling was constrained by various factors. In Turkey, my goal was to conduct interviews with members of MUSIAD (Independent Industrialists’ and Businessmen’s Association), the business association
representing small and medium businesses in Turkey. Hence, I established contacts with local offices of MUSIAD in order to meet with their membership at the local level in various cities. In Egypt, the issue of meeting with businessmen was more intricate. In the first place, there are no business associations representing small and medium businesses in Egypt, which is the main focus in this project. Secondly, the level of sensitivity in discussing political issues is substantially high among businessmen, especially so among smaller businesses. Given these constraints, I was able to meet with small business owners through the contacts I established in the field. In addition, I conducted interviews with big businessmen from the *Egyptian Businessmen’s Association* (EBA) on the assumption that the differences in the preferences of small and big businessmen in Egypt should provide evidence on the benefits *and* drawbacks of the Egyptian liberalization process. If, indeed, crony liberalization favors a certain group of businessmen over the rest, then interviews should make such differences evident as losers and winners of the liberalization reforms would react to the reforms differently. In Morocco, the sample of businessmen was randomly established from AMITH (Textile and Apparel Manufacturers’ Association) and CGEM (Moroccan Confederation of Businesses) on one condition. I established contacts with only those businesses that were considered an SME.

**Organization**

The rest of the dissertation is organized in five chapters. Chapter One introduces the social theory of Muslim democratic parties and lays out the causal mechanisms that will be followed in the case studies. Chapter Two is an empirical analysis of economic liberalization experiences of each of the three cases – Egypt, Morocco and Turkey. The
main goal of the chapter is to categorize each case of liberalization based on the typology developed in Chapter One, crony vs. competitive liberalization. Chapters Three, Four and Five are qualitative case studies of each country. Chapter Three analyzes the case of a successful Muslim democratic party – the Justice and Development Party – with a case of competitive economic liberalization in Turkey. Chapter Four on Egypt is a direct contrast of the Turkish case. A case of crony liberalization in Egypt is accompanied by an unpopular Muslim democratic Wasat Party and a greatly popular Muslim Brotherhood. Chapter Five, which deals with the Moroccan case, offers a third case where the Muslim democratic Party for Justice and Development enjoys comparable popular support to that of Islamist *Al-Adl wal-Ihsan*. Semi-competitive economic liberalization is the key cause of this outcome.
Chapter 1

A Social Theory of Muslim Democratic Parties

This chapter introduces a socioeconomic theory of Muslim democratic parties (MDPs) upon which rests the empirical analysis in the remainder of this dissertation. As I have shown above, effective explication of the mechanisms by which economic liberalization leads to moderation of Islamist parties is virtually non-existent. Hence, I will identify the actors, preferences, and political contexts in which this moderation effect is likely to come about. I develop my socioeconomic theory of MDPs by building on social cleavages in the Middle East principally between the center – a cluster of secular groups with economic and political power at their disposal – and the periphery – the rest of the society with an Islamic identity but lacking the means to reach political and economic power. Even though social cleavages are an important factor in analyses of political parties, they are largely underutilized in Middle Eastern studies. To this end, I, first, identify the pre-liberalization interests and preferences of peripheral Islamic groups, which readily follows from the exclusion of these groups from the economy and politics. This is because Islamist discourse claims to represent the political preferences of peripheral groups.
In the second part of the chapter, I continue to discuss economic liberalization as a political process and the leverage that decisionmakers have in shaping the course of liberalization reforms. In this, I underscore the distinctive forms that economic liberalization may take, and discuss two ideal types of economic liberalization models: Competitive liberalization and crony liberalization. Competitive liberalization refers to the idea that liberalization reforms offer economic opportunities to those peripheral groups who were excluded from such opportunities in pre-liberalization period. Utilizing such opportunities, peripheral businesses (SMEs) find a chance to grow and enjoy economic benefits. In turn, peripheral businesses experience a transformation in their political preferences to reflect the new socioeconomic conditions offered by competitive economic liberalization. Crony liberalization, on the other hand, is the ideal type that enables members of the center (political and economic elite) to continue their dominance by choosing which elements of economic liberalization to implement. Such leverage over the course of economic reforms ensures the continuation pre-liberalization political economic structure.

The last part of the chapter identifies two categorical responses to impending liberalization reforms by Islamist parties contingent on the kind of liberalization. MDPs depend on the strength of the competitive model. Briefly stated, I test two sets of hypotheses. First, if there is competitive liberalization, then I expect to observe changes in the interests and preferences of SMEs toward a more democratic political system, liberal economy, and a social role for Islam. In this context, MDPs are more likely to rise and prosper electorally due to the match between peripheral preferences and their
discourse. Alternatively, if there is crony liberalization, then I expect to observe no change in the political and economic preferences of the periphery. In this case, I expect to see Islamist parties remaining the major political representative of the peripheral groups.

**Social Cleavages**

The literature on social cleavages is an important point of departure for analyses of how economic liberalization unfolds in a particular society. Devoid of a comprehensive understanding of social cleavages, including class conflict, we stand to miss the major dynamic of politics in the Middle East. Hence, in order to better understand the dynamics of Islamist politics and the evolution of MDPs over time, an introduction to social cleavages in the Middle East in general, and in the three cases in particular, is essential. This is crucial because social cleavages offer invaluable information on sources of social conflict within a society as well as the potential for the politicization of issues in the political sphere through political parties. Islamist parties and MDPs, by virtue of being political representatives of certain social groups, should be analyzed within this framework. Social cleavages are also important for another reason. They inform us of issues and actors within a given political context with which to understand and analyze dynamics of change in societies facing major transformations such as globalization. Dynamic nature of society and the actors therein require careful analysis of underlying cleavages in order to trace the origins and causes of change.

A social cleavage can be defined as a division in a society between two different groups that hold opposite views on a particular issue. This division is deemed both
fundamentally important to the way society is envisioned and critical for the interests of both groups. It may take the form of an identity conflict as in the case of secularism-religion divisions, or more of an economic shape such as the conflict between business and labor.

My goal by discussing social cleavages is not laying out a theory of social cleavages and party structure in the Middle East. Instead, by making use of social cleavage structure I try to account for the distinctive effects of economic liberalization on Islamist parties. Thereby, I aim to explain the emergence and strengthening of MDPs. Without recourse to social cleavages and socioeconomic conflicts in Middle Eastern societies, our understanding of the changes in the region would be limited at best. This is also in parallel with how democratic development in the West is usually conceived, i.e., via social dynamics. The parallel between the West and the Middle East in emphasizing social dynamics is critical in order to move away from essentialist and culturalist perspectives, which plagued research on the politics of the Middle East for a long time.

In their pioneering study on social cleavages, Lipset and Rokkan present a framework to analyze social cleavages in how cleavages come into existence, they are politicized, and projected on the political arena through political parties; why certain cleavages are politicized and others are not; and, which events transform the nature of cleavages once social cleavages are stabilized at some point in time. Lipset and Rokkan identify two

18 Lipset and Rokkan 1967.
distinct sources of cleavages, or “fundamental processes of change,” to use their terminology, each producing two different social conflicts. The National Revolution referring to the creation of nation-states results in 1) a conflict between dominant culture (“central nation-building culture”) and peripheral cultures, and 2) a conflict between central government and the church. The Industrial Revolution, on the other hand, leads to 1) the conflict between industrial entrepreneurs and landed elites, and 2) the conflict between owners and workers.

The edited volume by Lipset and Rokkan deals largely with the cleavages and party systems in the western hemisphere where the origins of cleavages and their politicization takes a dramatically different form than the one in the developing world. A major problem in a developing world context is the relative absence of “democratic” politics leading to questions about the viability of political parties as instruments of political representation. One way the absence of democracy might be an issue is the dominance of single-party regimes thwarting political alternatives. Also, if political parties do not necessarily serve as outlets of social conflict, how do people express their preferences, or is there social conflict at all?19

As important as these fundamental issues are, social cleavages are an important departure point to conceptualize the structure of politics in the Middle East; cleavages are real, and they do shape the political parties. So far social cleavages as an analytical tool have been

19 Randall 2001 presents a well-thought discussion of social cleavages in the developing world, and how the original framework presented by Lipset and Rokkan (1967) might be inadequate for accurate analyses in a developing world context.
rarely used in analyzing politics of the Middle East.\textsuperscript{20} In what follows, I identify political issues that are politicized, and processes of change leading to distinct social cleavages, and delineate which social conflicts emerge as a result. An extension of this analysis will illustrate the political representation of cleavages. To reiterate, my goal is not providing a detailed account of political party structure, but rather laying out the “overall makeup” of the emerging cleavages and party systems in the region, to use Herbert Kitschelt’s terms, in order to obtain a better understanding of the moderation of Islamist parties.\textsuperscript{21}

The history of the Middle East indicates one possible “fundamental process of change” creating social cleavages, and that is independence for the countries of the region in the 20\textsuperscript{th} century. Independence movements are important for two reasons. First, independence process helps crystallize the coalitions for the emerging nation. Independence movements bring certain issues to the forefront politicizing them; distinct groups build their coalitions with diverging interests around these issues leading to the crystallization of cleavages. Second, the moment of independence leads to the freezing of the political system due to the mostly authoritarian and military nature of the emerging regimes.\textsuperscript{22} Overall, independence is key to define the source, nature and consequences of the cleavages emerging among social groups with implications for the prospective Islamist transformation.

\textsuperscript{20} See Farah 2009 and Kuru 2007 for examples of analyses building on social cleavages to explain economic policies and secularism, respectively. Ergun Özbudun’s account of state-society relations highlights the most important legacy of the Ottoman Empire on post-Ottoman countries; see Özbudun 1996. Ali Çarkoğlu provides empirical evidence for the division between center and periphery based on survey data. See Çarkoğlu 2006.

\textsuperscript{21} Kitschelt 1992, 14.

\textsuperscript{22} Zielinski 2002.
The Ottoman Empire, the dominant political power in the region for several centuries until modern times, shaped the social structures and state-society relations to the extent that most post-Ottoman nations demonstrate similar social structures and cleavages on which post-independence politics are built. According to Ergun Ozbudun, the state-society relationship is the most important legacy of the shared Ottoman history for the regional countries. State autonomy, implying the state’s insulation from the pressure of social groups and societal interests, marks the most commonly identified characteristic of the Middle Eastern countries. In this regard, independence movements and the accompanying crystallization of societal cleavages cannot be evaluated separately from the Ottoman legacy of state autonomy. State autonomy entails a dual structure divided between military-bureaucratic elite along with their allies in the society, and the ruled, or the subjects. The latter consisted of heterogeneous societal elements such as rural population, small commercial interests and various ethnic groups. In this dual structure, there were no intermediary institutions for interest representation; in other words, the society was “unincorporated” to the state. This was reasonable because there were no powerful economic interests to represent. In Carter Findley’s terms, “Ottoman reformers did not doubt the desirability of maximizing state power” and had “faith in the rightfulness of the powerful state.”

The resemblance among post-Ottoman countries is striking despite the temporal difference in achieving independence across cases. The Turkish experience in political

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23 Ozbudun 1996, 134.
24 Unlike in the West, there was no industrial revolution and the associated economic structure nor landed elite until the late 19th and the early 20th century. See Ozbudun 1996, 137.
and economic modernization under Ataturk’s leadership throughout the 1920s and the 1930s was closely followed by Arab experiences such as Bourguiba and Nasser two decades later as Issawi notes: “In many respects, the Arab countries and Iran followed, one generation behind, in the footsteps of Turkey. Thus the policies of the 1950s and ‘60s in the Arab lands recall those of Turkey in the 1920s and ‘30s.”

Moreover such similitude between Turkey and Arab countries demonstrated striking similarity and continuity with the state-society relations in the Ottoman Empire rather than being completely new inventions: “Against the Ottoman backdrop, Ataturk’s widely emulated expansion of the state’s economic role was not as innovative as sometimes supposed. Nor were the Middle East’s most advanced assertions of the state’s economic role, as in Nasser’s Egypt, totally divorced from Ottoman antecedent…The distressing clarity with which continuities emerge in the economic history of the last two centuries – once changes in the terms for certain phenomena have been noted – spotlights how difficult it will be for most of the region to achieve high levels of economic development.”

The road to independence in many ways was a process both unifying and divisive at the same time. Independence was politically unifying because distinct social groups in an effort to establish a front against a common enemy, that is the occupying forces as in the case of Turkey or colonial powers as in the cases of Egypt and Morocco, downplayed their differences in background and ideology. The temporary unification enabled various factions to more forcefully confront colonial powers. However, factions were also clearly

separated from each other in critical ways. Most important among such differences were their vision of the character of the prospective nation-state and distribution of power and resources within this polity. While mostly secular military leadership were taken by the socialist-leftist ideas of their time such as Nasser and Ataturk, Islam constituted one of the main alternatives constraining ubiquitous reach of secular ideologies. Factions’ fundamental difference on ideology also extends to how they view the post-independence political regime and what modernization means. Especially crucial was the secular conceptualization of the modernity for the whole state and society as opposed to an Islamic one. This proto-cleavage on secularism-religion dimension broadly corresponds to the second dimension, which is the distribution of political-economic power and resources in the society. Though lines were less clearly articulated, still most secular-minded groups were closer to the epicenter of political and economic power and most Islamic groups were distant from such centers of power.

Political preferences of distinct social groups follow readily from their socioeconomic interests in the society. The more secular groups envision a future with an economic structure ensuring continuity in the existing system. Parties with a leftist and revolutionary tendency emphasizing strong state control over the economy overlap seamlessly with seculars. The Islamic constituency, in contrast, views parties with an Islamic undertone, Islamist or otherwise, more in line with their political interests.

Immediate aftermath of independence in almost all cases saw consolidation of two overlapping proto-cleavages. In most cases, groups with a more secular mindset with direct or indirect military affiliation assumed power in post-independence period. Their
leadership during the independence movement certainly facilitated post-independence ascendance to power. Throughout this period secular groups were able to utilize their proximity to economic and political power to effectively marginalize and exclude other groups from decisionmaking mechanisms. The control over political power facilitated the control over economic power and helped in “creating a national bourgeoisie which would support the state.”\footnote{Chaudry 1994, 6.} The social groups that associate themselves more with Islam and less with secularism are also the groups that saw themselves being excluded from obtaining real social, economic and political power.

One of the best studies on the evolution of social cleavages in the Middle East is that of Serif Mardin.\footnote{Mardin 1973.} The model Mardin offers deals in essence with the distribution of socioeconomic power in Turkish state and society in a historical perspective from 19th century into the 21st century, and its reflection on the political space. Throughout the modern era, sociopolitical conflict in the Ottoman Empire and the new Turkish state is shaped along the competition between two broad groups, according to Mardin: Center and periphery. Even though the conceptualization was introduced to analyze Turkish politics, I find it useful for the broader set of Muslim-majority countries in the Middle East as we observe state-society relations and social cleavages being structured along the same lines in other countries as well.

According to this framework, the center of the society is composed of the secular elite commanding the political system and economic power, and it portrays itself as the sole
representative of modernization in the country. The center, in this formulation, represents the secular elite dominating political and economic centers of power. In a stylized reading of pre-reform political economy, the center is composed of various social elements such as the political elite, bureaucracy, military, big business, and urban middle and upper classes. Secularism has been the identifying characteristic of the center, and members of the center make up the relative minority in the society. The periphery, on the other hand, is not a homogenous bloc. Peripheral groups, by contrast, are identified by their marginalization and exclusion from political and economic power. Islam, regardless of cultural, ethnic or socioeconomic status, defines the contours of the “peripheral” identity. The periphery is left out of the political decisionmaking mechanism, economic suzerainty of the state, and is on the recipient end of the modernization project living mostly in the suburbs of major cities and rural areas. Small and medium enterprise owners (SMEs), who survive outside the network of state protection and promotion, constitute an important element of the periphery as well. The cleavage between center and periphery, in this regard, revolves around two dimensions: secularism-religion and socioeconomic power. Even though the two dimensions are analytically distinct, when projected onto the political space, they create a “unidimensional competitive space” as a result of “elective affinities” afforded by the overlap between the two dimensions.

The unique and close relationship between the state and big business in the Middle East – an important relationship for analytical purposes in this study – resembles the model laid

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30 The use of “center” and “periphery” as concepts in socio-political analysis can also be found in Mardin 1989 and 2006, and Yavuz 2003. Ali Carkoglu provides empirical evidence for the division between center and periphery based on survey data. See Carkoglu 2006.

out by Peter Evans as “embedded autonomy.”

Embedded autonomy, which Evans sees critical to the development prospects in the developing world, aims to limit the undue influence state officials and business might have on each other. The state does have a certain level of independence from business interests ensuring the observance of development goals, whereas state bureaucracy is “embedded” in the surrounding “social structure,” i.e., incorporating the preferences of businesses. However, the business under the state autonomy framework presented in this study is subservient to the authority and subvention of the state, and not independent. The relationship between the state and business is built on the preeminence of a political rather than an economic goal; the relationship guarantees the continued dominance of the center in the first place, while other objectives such as economic development are only secondary.

The cleavage between the center and the periphery is translated onto the political sphere as well. Secular and mostly leftist political parties claim to be representatives of the center benefiting greatly from the existing political-economic system in place. Such parties as the Republican People’s Party in Turkey and Istiqlal Party in Morocco identified with the independence movements, in a certain way, have been an effective mechanism for the center to shape the political arena in their respective societies. The periphery, depending on the political context, shied away from supporting parties of the center; often times, Islamist parties proved to be the most serious alternative to the pro-status quo stance of the center parties. Anti-systemic discourse of Islamist parties placed them clearly within the political, social and economic alley of the peripheral groups.

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Politically, Islam features prominently in the discourse of Islamist parties; Islamization of the state and society, albeit to differing levels, elevates these parties to a position in the society such that they claim to speak on behalf of Islam. The uncompromising stance of Islamist parties leads, rightly, to the perception that far-reaching changes will take place once Islamists take power. Also, the perception that Islamists endorse democracy only with respect to its instrumental value in reaching to the envisioned Islamic system gained much currency among seculars more recently. Economically, redistribution of resources and emphasis on SMEs, seen as empowering the periphery and countering the dominance of big business, features prominently in Islamist discourse. In line with the nationalist and protectionist economic discourse, Islamist parties do not have a preference for a liberal market economy; in contrast, state’s active role in the economy with protective and subsidizing measures are viewed critical to the interests of peripheral business groups. Islamist political platform, when seen from this perspective, reflects the preferences of an excluded and marginalized periphery.

The center-periphery framework as a model of social cleavages in the Middle East maps the secularism-religion and socioeconomic cleavages succinctly. Building on the center-periphery framework, I now turn to a thorough discussion of a model of economic liberalization to conceptualize the contemporary political-economic conflict in the Middle East as it pertains to the moderation of political Islam.
Economic Liberalization

The initiation of economic liberalization, defined as the minimization of government involvement in the economy in favor of greater private enterprise through privatization and free movement of capital and goods across borders, brings to an end the longstanding policies of state intervention that favored big businesses. In particular, I argue that the way in which a country liberalizes its economy shapes the form of social cleavages that emerge, and the social foundations of Islamist politics. Hence, modeling the relationship between economic liberalization and social cleavages becomes essential for teasing out its impact on Islamist politics.

The literature on economic liberalization offers limited help in modeling the effects of liberalization on social cleavages. The overwhelming majority of this literature focuses on liberalization’s impact on distinct sectors and industries. Concomitantly, the emphasis is on the attainment of strictly economic interests as it pertains to individual industries and sectors without examining the wider implications for social cleavages and politics in general.33 A related problem surfaces in the form of regional focus of such studies. Studies on the effects of liberalization engage either in global cross-national analyses,34 or on a subset of developing countries with levels of economic development and social structures considerably different from what we observe in the Middle East.35 A similar trend in the literature on economic liberalization is the focus on levels of liberalization

34 Adsera and Boix 2002; Milner and Kubota 2005; Reuveny and Li 2003.
and its impact on various dependent variables such as democratization, government spending, partisan politics and social policies.\textsuperscript{36} Here, the level of economic liberalization is usually operationalized as the ratio of imports and exports over GDP. Such models, by focusing on “how much” a country liberalizes, fail to integrate specific circumstances of different countries, and critically, they ignore the question of “how” a country liberalizes. Economic liberalization, rather than being a uniform process exposing sheltered domestic economic structures and agents to common market-based constraints and changes, in fact demonstrates great variance across countries in respect to its application and effects. In general, the state’s potential to shape allocative decisions may tilt the balance in favor of one particular economic group as opposed to others;\textsuperscript{37} the process of economic liberalization is no exception. The realization of the state’s potential to shape allocative decisions undermines the impact of economic liberalization on domestic competition. The “how” question, in this regard, carries major implications for conceptualizing the impact of liberalization on Islamist politics.\textsuperscript{38} Whether economic liberalization perpetuates pre-liberalization state-business relations or engenders competition on a broader scale is a crucial indicator of the “how” question. In particular, it lays bare a new economic cleavage arising between traditional beneficiaries of state protection and new economic actors able to compete in liberal market contexts.


\textsuperscript{37} See Bates 1981.

\textsuperscript{38} Erik Wibbels’ discussion of “patterns of integration to the global markets” deals with the distinction mainly between developed and developing countries with respect to access to capital markets. See Wibbels 2006. Ben Ross Schneider’s conceptual distinction between different elements of economic reform seems a step in the right direction, yet Schneider falls short of detailing his approach and its implications. See Schneider 2004A.
The partial reform equilibrium model, originally formulated by Joel Hellman to account for the stalled-liberalization efforts in post-communist countries, highlights differences in the pace of economic reforms.\(^{39}\) Though helpful in outlining the role of “winners” in liberalization process and how they are able to prevent any and all unwanted reform initiatives, the partial reform equilibrium model fails to incorporate other actors and political considerations into the framework; the “winners” are capable of singularly imposing their preferences on others. Pre-existing cleavages were assumed to be non-existent.

In a critical analysis, Kiren Aziz Chaudry addresses the “how” question in her study of Saudi and Iraqi economic liberalization reforms in 1980s. In contrast to Hellman’s partial reform model highlighting the role of “winners” in liberalization without extensive discussion of other actors in the process, Chaudry argues that distinct paths of reform pursued by Iraq and Saudi Arabia highlight the significance of “historical contingencies in determining social responses to economic liberalization.”\(^{40}\) Diverse patterns of business-state relations in these two cases and the extent of state involvement in the economy determine the future course of liberalization. Lengthy periods of \textit{étatisme} in the region underscore the need for incorporating the “historically constituted institutional, political, and economic relationships” into the analysis in order to model liberalization and its impact on society in general. Chaudry criticizes purely economic perspectives in favor of a politicized approach to liberalization: “[the assumptions embraced] kept them

\(^{39}\) Hellman 1998.  
\(^{40}\) Chaudry 1994.
from appreciating the interest political and economic elites may have in forestalling the creation of functioning national markets. Creating markets is politically dangerous. Functioning markets provide opportunities for mobility that undercut lineage and traditional rights of privilege, thus threatening the status quo. Markets create inequalities in wealth that may not match existing patterns of income distribution, status, power, and entitlements; they dislocate groups in both the political and economic realms."41 The dirigisme prevalent in the Middle East brings the validity of economic perspectives in conceptualizing the liberalization process into question. The role of the political elite in economic liberalization necessitates an alternative approach. Specifically, I emphasize the political aspect of economic liberalization to demonstrate how the center-periphery cleavage interacts with the liberalization process to create a cross-class coalition in support of MDPs in some countries, but not others. To this end, I distinguish between two types of economic liberalization: competitive liberalization and crony liberalization.

1 – Competitive Liberalization

This form of liberalization is characterized by the chance it offers for competition in the economy to SMEs, which were previously excluded. The more that barriers to market participation are minimized, the more peripheral groups can participate in the liberalized economy and the more they can potentially benefit. The new shape of the economy thus will be more inclusionary and broad-based in terms of participation. Competitive liberalization also entails extensive changes in the distribution of economic power in the

41 Chaudry 1994, 4.
society from formerly-protected and large businesses to small and medium enterprises. This is partly because liberalization permits the emergence of greater participation by peripheral economic actors, i.e., small and medium enterprise (SME) owners, in the economy. Such peripheral businesses groups are able to compete in the global economy as the political and economic barriers to entry that were reminiscent of the closed economy are removed.\cite{Gülalp2001} The pre-liberalization socioeconomic status quo undergoes significant changes as a result of the rise of SMEs. For example, the level of competition in most industries increases considerably with liberalization, and level of monopolization decreases economy-wide. Once constrained either by law or by prohibitive costs associated with limited credit and market access, peripheral economic groups are able to more actively participate in the economy and challenge the dominance of traditional big business. Hence, monopolization decreases over time to allow greater market access for peripheral groups. Decrease in monopolization may follow privatization of state economic enterprises and effective ending of state monopolies.

2 – Crony Liberalization

Crony liberalization refers to a situation in which the economic elite that was traditionally well-connected to the political elite in a closed economy is able to maintain their privileged access to the decisionmaking mechanisms in the post-liberalization period. The close relationship with the political elite ensures that big businesses continue

\cite{Gülalp2001} One factor facilitating the survival of peripheral SMEs in the open economy is their focus on the exports sector rather than the domestic market initially. Through subcontracting and other subsidiary mechanisms, peripheral businesses were able to remain in the market despite the threat of cheaper imports. See Gülalp 2001.
benefitting disproportionately from economic resources and opportunities in the post-liberalization period. Latin American experience with “embedded neoliberalism,” in this regard, is an analogous process to crony liberalization, though with fundamental differences. The two are most comparable in the way the big businesses retain their regressive privileges in the post-liberalization period.

Crony liberalization is distinct from competitive liberalization in two important ways. First, the range of beneficiaries under crony liberalization is much more limited than under competitive liberalization. Political considerations, i.e., sustaining the privileged relationship of ruling and business elites, supersede economic considerations. An essential element of an open economy is the existence of competition in the economy.

By maintaining the traditional state-business relationship structure, however, competition is effectively minimized under crony liberalization. Instead, monopolies define the structure of the economy, as they are granted either in the form of protection for national industries, or by allowing privatized state companies to dominate a given industry.

Second, this particular type of economic liberalization fails to create a support base in the society that is distinct from big business. Economic liberalization in this particular formulation is perceived likely to benefit a small group of cronies, with relatively less

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43 The concept of crony liberalization is based on the more familiar term crony capitalism usually applied within the context of East Asian economies in the post-1997 Asian crisis analyses. For detailed discussion of crony capitalism, see Enderwick 2005; Haber, ed. 2002. A more recent analysis by Amr Ismail Adly applies the concept of cronyism in a liberal economy context as “politically-embedded cronyism.” See Adly 2009 for a detailed discussion.

44 Some of the differences between the two models include the level of export-orientation in the economy, depth of Import Substitution Industrialization (ISI) policies, and the role of partisan politics. See Kurtz and Brooks 2008 for a detailed discussion of “embedded neoliberalism.”

gained by society in general. Crucially, perception of this imbalance is particularly acute among members of peripheral groups. Crony liberalization in this formulation is distinct from corruption. The goal with crony liberalization is not to attain petty favors and benefits; instead it is a systematic way of tilting the socioeconomic balance to favor a certain group of political and economic elite to the detriment of the population at large.

Two conflicting goals set the stage for the introduction of crony liberalization. Policymakers, facing low levels of economic growth, want to spur economic activity by encouraging integration to the global economy and by luring foreign investment. At the same time, the ruling elite wants to maintain the mutually-beneficial relationship for both politicians and crony businessmen.\(^46\) As Tarik Yousef argues, the goal is to preserve control over economic and political power: “Many governments of the Middle East had only been reluctant reformers to begin with, and when confronted by political opposition, they adopted policies that weakened the link between economic restructuring and political reform.”\(^47\) Wary of the political implications of economic liberalization, many governments opted for a gradual pace and strict control over the liberalization reforms.

Crony liberalization limits competition in an economy by disproportionately favoring the traditional big business elite. Among the tools utilized to this end are politically-manipulated privatization of state economic enterprises, protection of selected industries dominated by big businesses, and favoritism in handing government contracts. Peripheral businesses under crony liberalization largely remain underdeveloped, limited in size, and

\(^{46}\) Enderwick 2005.
\(^{47}\) Yousef 2004, 111.
critical of the liberalization process. In contrast, competitive liberalization levels the playing field for SMEs and big business to compete, and redefines the interests of the actors. The level of competition thus is the most critical outcome of the nature of liberalization shaping the post-liberalization era society and politics. The result of this leveling of the playing field is the emergence of interests vested in the continuance of openness in politics and economy, where the interest in the former rises due to its potential to contribute to the continuation of the latter by way of increasing rule of law, transparency, and secure property rights.

As a point of clarification, I do not theorize about the causes of distinct forms of economic liberalization, i.e., competitive vs. crony. I treat economic liberalization as an exogenous factor, and focus on its impact over Islamist moderation and empowerment. Nonetheless, we observe the following empirical regularity in the region. Decisionmakers when faced with acute economic conditions such as a balance of payment crisis demanding immediate action tend to have a smaller set of policy options to choose from. Crisis conditions prompt policymakers to undertake comprehensive liberalization reforms removing most constraints in front of liberalization. In the absence of such crisis conditions, gradual reform programs better serve to ensure a particular form of post-liberalization political-economic structure that is commensurate with the preferences of decisionmakers and their supporters. Hence, in general political elite’s ability to cherry-pick reforms best suited to their interests negatively correlates with the severity of the economic conditions they face. Finally, competitive and crony liberalizations represent ideal types; most cases will fall somewhere in between the two ideal states.
Theory

Before liberalization reforms are initiated, Islamist parties are the main representatives of peripheral Islamic groups in politics. MDPs’ emergence is conditional on the initiation of liberalization reforms. In this context, how does crony liberalization relate to MDPs? The distinction I draw between center and periphery in the previous section becomes critical because it will allow me to model the way distinct social groups are affected by distinct paths of economic liberalization. In what follows I offer a model to explain the emergence and strengthening of MDPs in their respective societies. Briefly stated, MDPs with a distinct political platform are able to emerge and challenge the dominance of Islamist parties as a result of changes in the social structure. Competitive economic liberalization facilitates the integration of peripheral groups to the global economy, which in turn leads to the transformation of their political preferences. MDPs, in this context, reflect the change in the preferences of the periphery with which Islamist parties now have incompatible platforms. Crony liberalization, however, perpetuates archaic forms of state-business relationship reinforcing preliberalization social structure leaving peripheral groups excluded; hence, we do not observe a significant change in the political preferences of the periphery. Islamist parties under these circumstances continue addressing the preferences of peripheral groups. MDPs, even if they emerge, face considerable obstacles in establishing themselves as a strong competitor for power. The model I propose deals with the distribution of socioeconomic power in Muslim-majority societies and its reflection on the political space.
Competitive Liberalization and the Transformation of the Periphery

If peripheral groups, i.e., SMEs and masses, indeed, benefit from a competitive economic liberalization, then the question becomes is, how are the periphery’s political preferences are affected by the new economic conditions? For peripheral businesses, it is possible to identify three principal policy areas where we should see a preference change: Economy, democracy and the role of Islam. With respect to the economy, the disruption of economic openness would have two consequences for peripheral economic actors. First, it would be harmful for their economic activities, both domestically and internationally. Hence, continuation of economic openness becomes a principal policy preference for SMEs. Second, their very existence as political and economic actors in the country depends on this new liberal policy equilibrium. If a return to the illiberal economic system becomes a reality, the fear is that the center would be antagonized to threaten their property. Essentially, peripheral businesses develop a vested interest in the new, liberal economic order.

As part of a growing business class, liberalization means more than economic openness for peripheral businesses. Theoretically, it is the risk associated with a non-transparent regime that should lead peripheral businesses to support more democratic forms of governance. This is because peripheral businesses perceive democracy in this peculiar political and economic context as furthering their material interests by ensuring the rule of law, fair business opportunities, and secure property rights. Accordingly, SMEs should develop a strong preference for democracy. Commitment to an open political and economic regime, in this context, draws from the risk of loss that peripheral businesses
confront in an illiberal order. The greater the risk they face, the greater their inclination to avoid radical political discourse, and to support instead more moderate and transparent political platforms. In other words, the distinctive support for a democratic regime on the part of peripheral businesses should stem not from a newly-evolved understanding of the inherent value of democracy as a political regime, but instead should arise strictly from economic self-interest. To use Eva Bellin’s terms, peripheral groups choose to become “contingent democrats.” Similar to the liberal economy thus engenders an interest in transparency and political stability in the form of a democratic preference. Similarly, peripheral businessmen’s interest in political – and, economic – stability leads them to change their preference on the role of Islam. Islam featured prominently in their political agenda prior to economic liberalization with a holistic approach to the economy, politics and society eying a comprehensive transformation of the state and society. The straightforward implication of this is that any such change is likely to bring polarization, instability and uncertainty. Hence, peripheral businesses prefer a non-politicized role for Islam, an emphasis on Islamic values but not a wholesale transformation of the state and society.

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For Bellin, the level of support that different social groups such as capitalists and labor give to democracy is contingent upon several factors such as state dependency, fear and aristocratic position. Though my analysis differs from Bellin’s on the role of such factors, the basic intuition that material interest drives the preference on democracy is the same. See Bellin 2000. Also see Amaney Jamal 2007 for discussion of how distinct political settings interact differently with social capital to result in varying preferences for democracy. The argument I develop here does not envision fixed regime preferences for businessmen. Rather, businessmen’s preference for a regime type will largely depend on the socioeconomic conditions they face in their own society. For a similar analysis of regime preference of business, see Schneider 2004B on business-state relations in Latin America.
If SMEs do in fact benefit from such competitive liberalization and experience a transformation in their political preferences, what would be the mechanism peripheral SMEs voice their new policy preferences and make them known in political arena? Ideally, formation of a business association would be the best means to undertake collective action in order to carry out their objectives.\textsuperscript{50} If SMEs prosper from economic liberalization, and become stronger over time, then instead of remaining isolated and ineffective actors in the political and economic arena we would expect them to organize in order to promote their common goals. Organizing around a business association offers key benefits.\textsuperscript{51} Firstly, members of the burgeoning socioeconomic group would form distinct policy positions on specific issues to make recommendations to policymakers. This is a nontrivial advantage for members of this collective action group in promoting their policy preferences especially when compared to no organization. Secondly, collective action in such proportions conveys a strong message to policymakers about the size and strength of the group. This perception of a powerful business association would enable SMEs to establish themselves as pivotal actors in politics, and challenge other groups.

Peripheral masses also benefit from liberalization in two important ways. On the one hand, the economy-wide rise in prosperity potentially affords the masses a chance to enjoy increased incomes. Indeed, the growth of SMEs enables the peripheral masses to find employment in the labor-intensive part of the economy. On the other hand, these

\textsuperscript{50} Olson 1971.
\textsuperscript{51} See Kenneth Shadlen’s (1999 and 2002) discussions of small industries in Latin America and Mexico. Shadlen conducts a thorough analysis of how, when and why SMEs organize.
workers face new risks associated with loss of income in the market economy and thus are also confronted with rising insecurity in liberal market economies. Accordingly, parties that offer a policy platform based on social programs and redistribution along with economic liberalization will be appealing.

**Crony Liberalization and the “Same Old, Same Old” Periphery**

Prior to economic liberalization, big business dominates the economic arena by its sheer size and historically “good” relationship with the ruling elite.\(^{52}\) State economic policies pursued for decades in the Middle East not only reinforce the mutually-beneficial relationship between the state and big business, but also ensure the survival of the big business as its chief client. Crony liberalization, as discussed above, limits competition in a nominally open economy by disproportionately favoring the traditional big business. Since competition is the major dynamic behind socioeconomic change, the chances of a major transformation in the interests and preferences of relevant actors in such an uncompetitive context seem fairly low. Under crony liberalization, big business continues to enjoy privileges in terms of credit allocation, market access, and contract awards, which largely leaves the pre-liberalization socioeconomic power structure intact.\(^{53}\) Maintaining the dynamics of the statist *status quo ante* thus is critical to the continued benefit of big business in this relationship. Under crony liberalization, SMEs largely remain underdeveloped, limited in size, and critical of the liberalization process as it benefits only a certain group of individuals, who are politically well-connected. At this

\(^{52}\) Waterbury 1993.

stage, due to their effective exclusion from the political and economic system, their interest – along with the dissatisfaction of peripheral masses – lies in a sweeping transformation of the political and economic structure toward a more favorable socioeconomic distribution as envisioned by Islamist political parties. Economically, peripheral groups remain aloof from economic liberalization. A liberal economy, which refers to a crony model as applied in the current context, is only detrimental to the interests of peripheral groups. Politically, an Islamic system emphasizing redistribution, equality and dominance of an Islamic identity appears to be the appropriate redress of the periphery’s political and economic marginalization.

**Political Implications**

Politically, parties in any modern political system should reflect the preferences and interests of the constituency they aspire to represent. Islamic parties are no exception to this general conceptualization. In this regard, I expect Islamist parties and Muslim democratic parties to respond to their perceived constituency’s political preferences. The evolution of an Islamist platform toward a moderate Muslim democratic discourse depends largely on the periphery’s response to the form that economic liberalization has taken throughout 1970s and 1980s. In this regard, an analysis of the winners and losers of the liberalization process is instrumental to understand relative success of MDPs and Islamist parties.

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54 Schmitter 1992; Strom 1990.
Under a competitive model of liberalization, political Islam as a broad political discourse no longer serves the interests of peripheral groups. Political Islam, by being a reactionary response to the marginalization of peripheral groups, envisions far-reaching restructuring of the political and economic system that is aimed at securing the integration of the periphery to the center. In this regard, when peripheral groups lack the means and resources to overcome their exclusion from the system despite the fact that they would like to, an Islamist platform fits squarely with the preferences of the periphery before liberalization sets in. When, however, competitive liberalization enables peripheral businesses to benefit from the new system as winners, the anti-systemic discourse of Islamist parties, which imagines sweeping changes in the state and society, would be likely to threaten both political and economic stability. As discussed above, stability is a central pillar of conducting business for businessmen, especially so if these businessmen are integrated to the global economy through economic liberalization. Hence, the more moderate discourse of a Muslim democratic party emphasizing Islamic values, liberal economy, and democracy meets the political preferences of peripheral businesses. Combined with the Islamic undertone and social policy focus, MDPs’ endorsement of liberal economy, thus, speaks to the potential losers, i.e., peripheral masses, as well. Accordingly, competitive liberalization processes create a new cross-class coalition of peripheral groups to whom the MDPs’ moderate platform of social policy, Islamic values, democracy and economic liberalization will appeal. Islamist parties’ relatively radical

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55 The interest in stability depends on changing stakes for all actors. Stability in a closed economy, by the very fact that it perpetuates current socioeconomic relations, conflicts with the interests of peripheral groups, whereas stability in a competitive liberal economy enables the same group to utilize the resources openness affords in order to protect its interests.
platform is inconsistent with the new political preferences of peripheral groups in a competitive environment. MDPs' rise against the backdrop of political Islam is a clear indication to this effect.

Islamist parties prosper more under crony liberalization as compared to competitively liberal economies. Persistence of archaic state-business relations and continued marginalization of peripheral groups justify the non-moderate political preferences of the periphery. Crony liberalization distorts competition by severely limiting the potential winners from liberalization. Unless one of the chief benefits of liberalization, that is, fair competition in the economy, accrues, it is hard to imagine how liberalization in this peculiar formation will lead to moderation at any point. Moderation essentially owes its existence to the leveling of socioeconomic competition. As long as severe inequalities in opportunities for competition persist, moderation is unlikely to be forthcoming. Continuation of pre-liberalization state-big business economic relationships as a result of crony liberalization leaves the periphery’s preferences on politics and the economy intact. SMEs and other peripheral groups are effectively denied benefits from liberalization. In regards to SMEs, the domestic market is parceled among cronies by creating monopolies; subsidies and incentives are directed based on political connections. Economically, Islamist parties have strong reservation against liberalization, particularly to the way it is currently applied. A closed or an open economy such as the crony liberalization does not make a difference for the peripheral groups. Hence, crony liberalization leaves Islamist parties’ nationalistic and redistributive platform intact and fits well the preferences of the periphery. Politically, reactionary discourse with a strong Islamist undertone continues to
pervade the Islamist platform. Socially, the Islamist platform is conservative and envisions the Islamization of the state and society, which eventually would ensure equitable and fair distribution of resources as well as “proper” social order.

Distinct from its impact on peripheral businesses, crony liberalization also shapes the preferences of the peripheral masses. Under this system, political elite depends on the big business to reap the benefits of the new “liberal” economy. There are two ways such benefits might accrue. First, economic growth rests on the performance of the big business. If the big businesses perform well, their performance will have spin-off effects on the rest of the population. A larger economy translates into higher income and increased job opportunities for the population at large, that is, mostly the periphery. Unless the economy grows exponentially, however, the masses will not experience a significant improvement in their wellbeing, particularly in view of high population growth rates in the region. Secondly, emphasis on export-oriented growth strategy is a key element of liberalization among developing countries. Exports ensure a steady source of income for imports, if not more. In a liberal developing economy export promotion is likely to minimize current account imbalances. The combined impact of crony liberalization, from this perspective, is depressed consumer demand sharpening the negative attitude of peripheral masses against crony liberalization. This is in line with the literature emphasizing increased purchasing power as the key cause of popular support for trade liberalization. For example, Milner and Kubota state that, trade openness “results in a gain in income for, and a reduction in the prices of imported goods bought

by, those well endowed with relatively abundant factor – that is, labor – in these economies.” If economic liberalization does not improve the livelihood of the masses and moreover viewed as beneficial for only a select few, public opinion will be against economic liberalization. Overall, Islamist parties with their platforms provide the perfect fit for the political preferences and demands of the peripheral groups under crony liberalization. The periphery’s interest in a substantial change in economic policies for more redistribution finds resonance in the relatively sharp and intransigent discourse of Islamist parties. Complementing the economic position of Islamist parties is the political understanding of Islam.

A potential explanation for the continued strength of Islamist parties would be the state response. Ranging from complete exclusion from the system to inclusion in formal politics, state response to Islamist politics depends on the specific nature of the Islamic constituency and Islamist parties. State repression does not always lead to radicalism nor subservience and moderation on the part of Islamist parties. In this regard, state response to the Islamist party’s radicalism is important but not determinant. Both in Turkey and Algeria, for example, during the 1990s we observe the military and the secularist ruling elite strongly opposing the electoral victories of the Islamist parties. In the latter case, a civil war broke out with Islamists’ response to the military’s reaction; in the former case, however, instead of escalating the political conflict the party accepted the retreat, and shortly thereafter we witnessed the dramatic transformation in the platform of Islamism. The difference between the two cases is their reliance on distinct socioeconomic bases in

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the society. In Algeria, the peripheral groups supporting the Islamist party did not have much to lose in their resistance to the secular center; they were able to take greater risks.\textsuperscript{58} In the Turkish case, a growing bourgeoisie and improving socioeconomic conditions of the peripheral groups prevented the party from sharpening its opposition. Instead, in a matter of four years a substantial change in party ideology has occurred leading to the establishment of the Justice and Development Party. Hence, state response to the Islamist parties remains far from explaining the transformation we observe.

**Summary**

Table 4 summarizes the positions of Islamist and Muslim democratic parties on the two social cleavages in the Middle East, i.e., the secular-Islamic and socioeconomic dimensions, before and after economic liberalization. In a closed economy, Islamist parties position themselves to reflect the policies preferred by the peripheral groups. On the one hand, they have an Islamist discourse on the secular-Islamic dimension, whereas on the other hand they opt for redistribution in a closed economy dominated by big business. Following economic liberalization, MDPs also position themselves along these dimensions. In the secular-Islamic dimension, they unequivocally fall closer to the Islamic dimension albeit with a distinct role for Islam in their platforms. The socioeconomic dimension, however, proves to be the critical dimension. In the liberalized economy, the socioeconomic dimension is represented by a choice along the statism-liberalism continuum. Islamist parties envisage an extensive role for the state in the

\textsuperscript{58} Chhibber 1996.
economy as it was prior to liberalization, whereas MDPs prefer a liberal economy. The post-liberalization picture remains the same for both crony and competitive liberalizations. This is the very reason why MDPs prosper in certain contexts but not others. Under crony liberalization, MDPs fail to make an impact because their position on the socioeconomic dimension does not reflect the realities of the periphery. In cases where competitive liberalization reigns, MDPs speak directly to their constituencies’ interests.

Table 4. Party Positions on Issues.

The premise of this argument is that Islamic political parties in Muslim-majority countries, as in any other modern political system, should reflect the preferences and interests of the constituency they aspire to represent. Briefly stated, I argue that MDPs

59 Schmitter 1992; Strom 1990.
are able to emerge and challenge the dominance of Islamist parties as a result of changes in the socioeconomic structure. Competitive economic liberalization facilitates the integration of peripheral groups into the global economy, which in turn leads to the transformation of their political and economic interests. MDPs, in this context, benefit from the change in the political interests of the periphery where Islamist parties’ platforms become incompatible with the changing economic and social structure. By contrast, the process of crony liberalization perpetuates the more archaic forms of state-business relations that reinforced the pre-liberalization social structure, leaving the peripheral groups at the margins of political and economic power. Hence, we do not observe changes in the interests of the periphery in the crony liberalization context that would facilitate the rise of MDPs. Islamist parties under these circumstances are better able to address the political interests of peripheral groups, and thus remain strong. Even if MDPs emerge in crony liberalization contexts, they face considerable obstacles to establishing themselves as a strong competitor vis-à-vis Islamist parties. The model I propose to explain this dynamic thus places its central focus on the distribution of socioeconomic power in Muslim-majority societies and its reflection in the political space.

Specifically, then, I advance two sets of hypotheses. First, if there is competitive liberalization, then I expect to observe changes in the electoral support of SMEs for a more democratic political system, liberal economy, and a social role for Islam instead of a political one. In this context MDPs are more likely to rise and prosper electorally. Alternatively, if there is crony liberalization, I expect to see Islamist parties remaining the
major political representative of the peripheral groups with their emphasis on nationalist and protectionist economic policies and political Islamic discourse vis-à-vis MDPs (see Figure 1 for the causal mechanism).

With this analysis, my goal is not to compare mere levels of electoral support of Islamist and Muslim Democratic parties. This would not only depend on core constituencies of such parties but also on contextual factors that directly influence electoral outcomes. Rather, the goal is to gauge relative societal support for MDPs and Islamist parties among the peripheral groups and to evaluate the extent of the social change as a result of liberalization. Accordingly, I bring evidence to evaluate my theory by examining the relative electoral support for Islamist parties and MDPs. Because both types of parties speak to the same social groups, their relative strength should inform us of how the social base reacts to the distinct platforms of the two parties. To this end, I will compare electoral support of Islamist and Muslim democratic parties in recent legislative elections.
Figure 1. Causal Mechanism.
Chapter 2

Modeling Economic Liberalization in a Comparative Perspective

Modeling economic liberalization in a developing country framework is imperative in order to make sense of highly politicized liberalization reforms and their impact on political and social processes. Building upon the typology created in Chapter One, i.e., competitive and crony liberalizations, I analyze each country’s economic liberalization process from the 1980s in order to categorize them accordingly. In doing this, I first analyze the level of competition in each economy. This analysis is crucial in order to see the economy-wide implications of peripheral businesses’ size and power, which constitute the backbone of my theory in explaining Muslim democratic parties’ rise and success. I focus on two concepts to define crony versus competitive liberalization: 1) integration into the global economy, i.e., level of effective protection, and 2) level of competition and business concentration. Secondly, I present a thorough discussion of economic liberalization processes in Turkey, Egypt, and Morocco, respectively. More specifically, I discuss the state’s role in the economy, trade liberalization, financial liberalization, and privatization in each case. The qualitative discussion reinforces the conclusions drawn in the first part of the chapter. The analysis in this chapter makes it
clear that Turkish economic liberalization – a case of competitive liberalization – offered greater opportunities for small and medium enterprises (SMEs) to integrate to the global economy, whereas the Egyptian economic liberalization – crony liberalization – prevented potential participation of SMEs in the liberalizing economy. The Moroccan case – semi-competitive liberalization – falls between Turkey and Egypt; some aspects of the economy are competitive and open to the global economy, whereas other sectors of the economy remained fairly restricted to competition.

**Evaluating Economic Liberalizations**

In this final part of the chapter, I rely on the following two concepts to measure crony versus competitive liberalization to categorize each case: 1) Integration into the global economy, i.e., level of effective protection; 2) level of competition and business concentration. A crucial observable implication of this difference between crony vs. competitive liberalization is the level of SME growth in a country. If SMEs are, indeed, empowered by the process of economic liberalization, collectively they should be able to control a larger share of the domestic market as compared to their role in the pre-liberalization period. By contrast, where the structure of the economy resembles that of the pre-liberalization era, that is, dominated by big businesses and marked by lower levels of competition, SMEs should play a smaller role in domestic activity. Collectively, these two indicators help me determine which ideal type of economic liberalization each case lies closer to.
Comprehensive indicators of liberalization suggest that the three countries have similar levels of openness in the last three decades, albeit with periodic ups and downs. For example, trade as a percentage of GDP shows that Turkey appears to be the least liberal among the three with trade comprising less than 50% of the GDP, despite increased trade levels in the last decade or so (Figure 2). Morocco has consistently exceeded the 50% benchmark. Similarly, Egypt, despite showing the highest level of volatility, fares closer to Morocco with trade exposure above 50% of the GDP most of the time. Exports of goods and services depict a similar trend for all three countries ranging between 15% and 30% of the GDP (Figure 3). The more qualitative indicators of openness, such as the one by the Heritage Foundation, indicate a similar picture, namely that all three countries have similar levels of openness (Figure 4). Yet, it is not the level of openness, but the quality of openness that matters for MDP development. In other words, it is the changes in the structure of the economy that affect the fundamental distribution of benefits in the economy; who benefits from the new economy and in which ways? So long as economic liberalization does not change the economic structure in a way that alters the list of beneficiaries, economic liberalization neither affects Islamist politics fundamentally nor enables MDPs to be successful electorally. Hence, I focus here on three aspects of economic liberalization to classify each case as either competitive or crony liberalization.

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60 See the Heritage Foundation’s annual reports published on economic freedom.
Figure 2. Trade as % of GDP, Source: World Development Indicators.

Figure 3. Goods and Services Exports (current US$), Source: World Development Indicators.
Figure 4. Economic Freedom of the World Index – Source: Heritage Foundation.

Figure 5. Merchandise Exports (current US$), Source: World Development Indicators.
Indeed, more specific components of openness such as merchandise and manufacturing exports convey a different message. These two measures are important because they directly affect the integration of domestic businesses into global markets through production. Unlike the overall measure of exports or trade, manufacturing and merchandise components of exports point to the productive and competitive elements of an economy. Morocco, despite a smaller GDP size, exports more merchandise than Egypt at around $10 billion for most of the 1990s, whereas Turkey, for the same period, has higher figures compared to both Egypt and Morocco (Figure 5). In addition, Egyptian merchandise exports include a substantial amount of fuel exports, decreasing its net merchandise exports further still (Figure 6). More specifically, manufacturing figures show that only 30% of Egyptian merchandise exports are manufactures exports whereas the same figure for Turkey and Morocco stands at around 70% and 50%, respectively (Figure 7). When the sizes of their economies are considered, the poor performance of Egypt becomes clearer; the Egyptian economy is more than double the size of the Moroccan economy for most of the period since 1980, yet the figures for manufacturing exports are heavily tilted towards Morocco. Merchandise and manufacturing export figures show a clear trend in favor of Turkish and Moroccan cases. Empirical evidence on firm sizes to be discussed in the next section will help to evaluate the significance of peripheral businesses in the two types of liberalization contexts.

61 Dillman argues that petroleum-related industries make up about 35% of the industrial production. See Dillman 2001.
Figure 6. Fuel Exports as % of Merchandise Exports, Source: World Development Indicators.

Figure 7. Manufactures Exports as % of Merchandise Exports, Source: World Development Indicators.
Figure 8. Cost of Business Start-Up % of GNI pc, Source: World Development Indicators.

Tariff rates as a measure of effective protection point in the same direction (Table 5). Instead of average tariff rates, where the figures show a tendency to underestimate the level of actual protection in the economy, I choose to use trade-weighted tariff rates. Average tariff rates may be deceiving because a country may have most of its imports in high tariff goods while most other import categories have lower tariff rates without high levels of trade in these sectors. By contrast, trade-weighted tariff levels offer a way to avoid this problem.\textsuperscript{62} According to weighted tariff levels, Egypt had an average tariff rate of 21.8\% in 2008. The same rate for Morocco is 12.7\%, and 4.0\% for Turkey. The tariff rates indicate a higher level of competition in Turkey than either Morocco or Egypt

\textsuperscript{62} For a thorough discussion of the use of trade-weighted tariff rates in comparison to other methods, see Pritchett and Sethi 1994; Anderson and Neary 1994.
simply because domestic firms need to be as competitive as international manufacturers; otherwise they will be driven out of the market. Part of the explanation of how Turkey and Morocco were able to decrease their tariffs substantially could be the fact that both countries associated with the EU in a form of economic integration. As discussed above, Turkey has a customs union with the EU since 1995, and Morocco will have a fully-implemented free trade agreement with the EU in 2010. Egypt, however, does not have a similar agreement with an important trade partner of its own at this time, which greatly limits its global integration relative to the other cases.

<table>
<thead>
<tr>
<th>Competition (overall)</th>
<th>Egypt</th>
<th>Morocco</th>
<th>Turkey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intensity of local competition</td>
<td>4.57</td>
<td>4.61</td>
<td>5.31</td>
</tr>
<tr>
<td>Extent of market dominance</td>
<td>3.41</td>
<td>3.88</td>
<td>4.04</td>
</tr>
<tr>
<td>Effectiveness of anti-monopoly policy</td>
<td>3.31</td>
<td>4.24</td>
<td>4.34</td>
</tr>
<tr>
<td>Prevalence of trade barriers</td>
<td>3.87</td>
<td>4.17</td>
<td>4.91</td>
</tr>
<tr>
<td>Ease of Access to loans</td>
<td>3.08</td>
<td>3.35</td>
<td>3.26</td>
</tr>
<tr>
<td>Trade-weighted tariff rate</td>
<td>21.83</td>
<td>12.70</td>
<td>4.00</td>
</tr>
</tbody>
</table>


On a similar note, the cost of starting a business as a percentage of GNI per capita puts Egyptian entrepreneurs at a disadvantage as compared to Turkey and Morocco, and thus is an important indicator for small business ventures (Figure 8). In sum, Egypt demonstrates a high level of effective protection of domestic businesses, implying less efficiency vis-à-vis international firms as they can rely on state protection. These
statistics show that the three cases differ in the extent of effective openness, an important indicator of the competitiveness of the liberalization process and the domestic economy. Egypt, with higher protection and narrower integration into the global economy, provides an environment advantageous for traditional big businesses and hostile to the growth of new and smaller businesses. Overall, Egypt is closer to the ideal type of crony liberalization in this particular aspect of economic liberalization, whereas Morocco and Turkey fall much closer to the competitive liberalization model with a more hospitable economic milieu for the growth of SMEs in a competitive market.

2 – Concentration & Competition

Firms’ size distribution in the economy is a good indicator of the level of concentration in an economy. A higher percentage of bigger firms in an economy implies a more concentrated market structure. Such a market structure is unfavorable to smaller and newer companies for two reasons. First, the cost of business would be disproportionately high for smaller and newer firms as the more established and bigger firms have access to an overwhelming share of the market, which enables them to utilize economies of scale against potential challengers. Second, bigger companies in a concentrated market are also more likely to possess a disproportionate influence in decisionmaking mechanisms, minimizing the economic and political power of their competitors. Higher concentration in a liberalizing economy also implies the absence of competition.

The figures on the manufacturing sector over time and across cases are presented below. In Egypt, big businesses make up a disproportionate share of the economy (Table 6). In
particular, the dominance of companies with more than 500 employees is striking. The share of companies with 500 or more employees varies between 4.3% and 9.2% across different sectors of the economy. From the 1980s until 2000, the dominance of big firms over SMEs shows no sign of decrease, though with some variance. Egypt also stands in sharp contrast to international averages. Statistics indicate that SMEs generally comprise 95% of the firms in the OECD countries.  

Morocco displays a more favorable picture for SMEs. Big businesses’ share among all firms varies between 1.2% and 1.9% throughout the 1990s and the early 2000s (Table 7). In addition, the share of small-sized firms is markedly high. The data on Turkish firms lump all firms with more than 250 employees together, hence it is qualitatively different from the other two cases. Nonetheless, it does not invalidate the conclusions I reach (Table 8). The data suggest that on average, less than 2% of the firms have 50 employees or more. From 1992 until 2000 the percentage improves slightly in favor of big firms, but the change is negligible. The share of firms with 250 employees or more stands at a mere 0.4%. The statistics on the distribution of firm sizes in all three cases has a clear implication. Turkish SMEs claim a larger share of the economic production as compared to both Egypt and Morocco. Morocco, with a slightly higher percentage of big companies, also offers an SME-friendly economic environment, whereas in Egypt big businesses unequivocally dominate the economy. Although the differences between cases seem to be only a couple of percentage points, its effect on the size of production is much

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higher simply because of the huge difference in company sizes and the potential to utilize economies of scale.

<table>
<thead>
<tr>
<th>Years</th>
<th>&lt;10</th>
<th>10-</th>
<th>25-</th>
<th>50-</th>
<th>100-</th>
<th>500-</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980s</td>
<td>0.4</td>
<td>59.4</td>
<td>16.8</td>
<td>8.4</td>
<td>10.0</td>
<td>5.0</td>
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</tr>
<tr>
<td>1990-1994</td>
<td>1.4</td>
<td>51.2</td>
<td>12.4</td>
<td>9.5</td>
<td>16.3</td>
<td>9.2</td>
<td>100.0</td>
</tr>
<tr>
<td>1995-2000</td>
<td>0.4</td>
<td>65.4</td>
<td>13.3</td>
<td>7.2</td>
<td>9.3</td>
<td>4.3</td>
<td>100.0</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Years</th>
<th>&lt;10</th>
<th>11-</th>
<th>51-</th>
<th>101-</th>
<th>201-</th>
<th>500-</th>
<th>Total</th>
</tr>
</thead>
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<tr>
<td>1990</td>
<td>30.7</td>
<td>42.9</td>
<td>12.3</td>
<td>7.6</td>
<td>5.0</td>
<td>1.5</td>
<td>100.0</td>
</tr>
<tr>
<td>1991</td>
<td>31.1</td>
<td>42.5</td>
<td>12.1</td>
<td>7.7</td>
<td>5.2</td>
<td>1.4</td>
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</tr>
<tr>
<td>1992</td>
<td>30.5</td>
<td>42.5</td>
<td>11.9</td>
<td>8.2</td>
<td>5.4</td>
<td>1.4</td>
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</tr>
<tr>
<td>1993</td>
<td>28.3</td>
<td>44.5</td>
<td>12.3</td>
<td>8.0</td>
<td>5.3</td>
<td>1.5</td>
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<tr>
<td>1996</td>
<td>33.2</td>
<td>39.9</td>
<td>11.6</td>
<td>8.4</td>
<td>5.7</td>
<td>1.2</td>
<td>100.0</td>
</tr>
<tr>
<td>1997</td>
<td>34.2</td>
<td>39.8</td>
<td>10.7</td>
<td>8.0</td>
<td>5.8</td>
<td>1.5</td>
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<tr>
<td>1998</td>
<td>25.6</td>
<td>38.9</td>
<td>10.5</td>
<td>7.7</td>
<td>5.8</td>
<td>1.6</td>
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<tr>
<td>1999</td>
<td>36.0</td>
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<td>10.6</td>
<td>7.5</td>
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<tr>
<td>2000</td>
<td>38.0</td>
<td>37.8</td>
<td>9.9</td>
<td>7.3</td>
<td>5.2</td>
<td>1.8</td>
<td>100.0</td>
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<td>2001</td>
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<td>9.7</td>
<td>7.0</td>
<td>5.2</td>
<td>1.8</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 7. Morocco – Firms’ size distribution in manufacturing (%), Source: Annuaire Statistique du Maroc, various years.

<table>
<thead>
<tr>
<th>Years</th>
<th>&lt;10</th>
<th>10-50</th>
<th>50-250</th>
<th>250-</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>94.3</td>
<td>4.0</td>
<td>1.2</td>
<td>0.4</td>
<td>100.0</td>
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<td>2001</td>
<td>94.6</td>
<td>3.5</td>
<td>1.5</td>
<td>0.4</td>
<td>100.0</td>
</tr>
<tr>
<td>2003</td>
<td>94.1</td>
<td>3.5</td>
<td>2.0</td>
<td>0.5</td>
<td>100.0</td>
</tr>
<tr>
<td>2004</td>
<td>94.1</td>
<td>3.6</td>
<td>1.8</td>
<td>0.4</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 8. Turkey – Firms’ size distribution in manufacturing (%), Source: Turkish Statistical Institute.
Data on competition levels present a similar trend. The World Economic Forum (WEF) identifies several indicators to assess the level of competition in an economy, such as the intensity of local competition, extent of market dominance, effectiveness of anti-monopoly policy, and ease of access to loans (Table 5). According to the WEF’s qualitative evaluation of economies worldwide, the Egyptian economy is identified with less competition and the prevalence of market dominance by larger firms, whereas Turkey fares better in terms of the prevalence of competition. Morocco lies somewhere in the middle, but closer to Turkey on this spectrum of competition.

With respect to the level of overall competition in the economy, Turkey is about a half point above Egypt, and a quarter point above Morocco. With respect to other indicators of competition such as intensity of local competition, market dominance and anti-monopoly policy, Turkey’s performance is markedly higher than that of Egypt up to a whole point. Moroccan economy wavers between Turkey and Morocco on different indicators. For example, on intensity of local competition, Morocco’s score is almost identical with Egypt, whereas on market dominance and anti-monopoly policy Morocco is placed much closer to Turkey. Hence, overall the Turkish economy seems to be the most competitive among the three, followed by Morocco’s middling competitiveness and an uncompetitive Egyptian economy.

64 The WEF’s competitiveness index is created based on two principal sources. On the one hand, two thirds of the indicators in the index are based on expert opinions through the Executive Opinion Survey the Forum conducts on a regular basis with more than 10,000 respondents in more than 100 countries worldwide. The remaining one third rests on publicly available data sources. The survey responses range between a low of 1 and a high of 7.
Crony vs. Competitive Liberalization

The empirical evidence so far suggests that each case is qualitatively distinct in terms of the form that economic liberalization has taken. Based on the discussion above, I categorize each country according to each of the three components of economic liberalization below in Table 9.

<table>
<thead>
<tr>
<th></th>
<th>Egypt</th>
<th>Morocco</th>
<th>Turkey</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Integration &amp; Protection</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufactures exports</td>
<td>low</td>
<td>high</td>
<td>high</td>
</tr>
<tr>
<td>Tariff rates</td>
<td>high</td>
<td>medium</td>
<td>low</td>
</tr>
<tr>
<td><strong>Domestic Competition</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concentration</td>
<td>high</td>
<td>medium</td>
<td>low</td>
</tr>
<tr>
<td>Competition</td>
<td>low</td>
<td>medium</td>
<td>high</td>
</tr>
<tr>
<td><strong>Overall Categorization</strong></td>
<td>Crony Liberalization</td>
<td>Semi-Competitive Liberalization</td>
<td>Competitive Liberalization</td>
</tr>
</tbody>
</table>

Table 9. Classification of Economic Liberalizations.

The Egyptian economy more closely resembles crony liberalization than it does competitive liberalization with features like lower levels of competition, dominance of big firms in the economy, high levels of effective protection and weak integration with the global economy. The most recent example of such crony relationships is the privatization of public enterprises to investors on loans provided by state banks and the continuation of “protective policies” effectively maintaining the monopolistic structure of
an industry. Among such privatizations are al-Nasr Boilers, al-Ahram Beverages, Asyut Cement and the Egyptian Pepsi Cola Company.\textsuperscript{65} Turkey stands at the other end of the economic liberalization spectrum with opposite characteristics. SMEs have become the engine of the economy both in production and employment in Turkey since the liberalization process was undertaken. Protection for domestic firms has been low since the beginning of liberalization; and, economic integration with the EU has only reinforced this trend. Similarly, manufacturing exports and competition are significantly higher compared to other cases, placing the Turkish case closer to the competitive liberalization archetype. Morocco also performs better than Egypt in most indicators of economic competitiveness. Liberalization has taken a broader form with higher levels of competition and manufacturing exports, and with a larger role for SMEs to play in the economy; yet, Morocco does not conform to either of the ideal types. Its performance is below Turkey on most indicators. Nevertheless, it stands closer to Turkey and competitive liberalization than it does to Egypt and crony liberalization; hence, I categorize Morocco as a case of semi-competitive liberalization.

\textbf{Economic Liberalizations}

\textit{A) Turkey} – The Turkish economy, since the inception of the republican regime in 1923, was a statist one until the initiation of the economic liberalization process in 1980. The early period until the late 1950s was marked by the overwhelming dominance of the state as an economic actor throughout the economy. The private sector, whatever of it existed

\textsuperscript{65} Farah 2009, 81.
during this period, was subservient to the demands of the state. Starting with the late 1950s, the emphasis in Turkish economic policy was transformed into one creating a local, big entrepreneurial class that would, in principle, be able to compete in the global market after successfully completing the infant industry stage, a policy more concisely known as Import-Substitution-Industrialization (ISI) throughout the developing world after the late 1950s. At first, the new policy of creating an indigenous business class proved on target, especially when growth rates soared and state protection helped the newly-emerging industrial sector that targeted solely domestic market as part of the ISI policy. However, in the medium-to-long term the policy’s problems started to become visible.66

Self-sufficiency is a key goal in the initial stages of an ISI policy. Imports should, in principle, be substituted by domestic production, thereby lowering the payment made for imports. Building on the development of domestic industries, in the long term, these domestic businesses were expected to start exporting. Three structural problems of the ISI policy brewed throughout the 1970s. These problems were: 1) Failure to develop intermediate and capital goods industries, 2) the need for the importation of the technological foundation to develop industries beyond basic consumer goods production, and 3) the extraordinarily high levels of profits and protection enjoyed by the new industrial bourgeoisie.67

A foreign exchange emergency seemed to be the primary concern as Turkey approached the late 1970s thanks to an ISI economy with little to export and much to import. The income from exports was not sufficient to pay for imports, especially after the increase in oil prices. Domestically, the favorable captive market enjoyed by the big industrial bourgeoisie led this economic group to be resistant to change for a long time. The main determinant of the change in Turkish economic policy after 1980 was the imbalance created by structural deficiencies of the ISI policy leading to a balance of payments crisis.

The Turkish experience with economic liberalization was abrupt and did not allow for much of an adaptation period on the part of the economic actors. The process began with dual crises at the end of the 1970s and the early 1980s. Politically, unstable coalition governments and increased violence between rightist and leftist groups brought political chaos since the mid-1970s. Economically, economic chaos that the balance of payment crisis brought and the end of ISI era constrained options of decisionmakers to address the economic problems. Radical reforms were undertaken in order to stabilize the economy. The 24th of January, 1980 marked the official beginning of the economic liberalization era in Turkey. The Turkish government headed by Suleyman Demirel introduced a stabilization program under the auspices of the IMF alongside a whole array of economic policies devised to liberalize the economy. Turgut Ozal was charged with the responsibility of overseeing the implementation of the program. Nonetheless, the political will behind such a radical reform initiative was lacking. Hence, when the military took

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69 Cecen, Dogruel, and Dogruel 1994, 44.
over the control of the country in September of 1980 after a coup in the face of increased political and economic instability, it proved to be an important milestone in entrenching the drastic economic reform package initiated months ago. The military was convinced – due in large part to the leading role of the future prime minister Turgut Ozal in implementing the liberalization reforms – that economic reform was necessary and a disciplined following of the program was in the interest of the country.

When Turkey resorted to international borrowing to alleviate the current account deficit, such borrowing came with unambiguous conditions. In particular, the loans from the International Monetary Fund (IMF) came with a specific prescription as to which route the state should pursue in order to sustain the economy on less fragile grounds. A structural adjustment program was soon in place under the direction of the World Bank to ensure the transformation from a closed and ISI economy to an open and export-oriented economy. The programs in their entirety are called the Stabilization and Structural Adjustment Program.\textsuperscript{70} In essence, the measures demanded by the IMF and the World Bank would lead to deep economic liberalization. In the long run, the aim was the integration of the Turkish economy to the global economy through free trade, and free capital movement. In Waterbury’s terms, the new focus of economic policy was to create an “export-led” economy.\textsuperscript{71} Hence, the beginning of Turkey’s experience with liberalization was also the end of the ISI economy.\textsuperscript{72}

\textsuperscript{70} Senses 1991.
\textsuperscript{71} Waterbury 1992.
\textsuperscript{72} See Rodrik 1990 for a critique of the economic programs implemented during the period.
In less than a decade, drastic reforms in the trade and financial sectors were undertaken. The changes can be categorized under four broad headings: 1) Liberalization of domestic pricing mechanisms, 2) trade liberalization: governmental support for exports, and gradual reduction of quantitative import restrictions and tariffs, 3) financial liberalization: free movement of capital and liberalization of bank time deposit interest rates, and 4) floating exchange rates.\(^3\) Such a shift in the Turkish economy from ISI to a more open economy was in fact even late mainly because the bourgeoisie that developed during this ISI period was opposed to this transformation, although benefits from such an outward orientation was obvious to the state. However, in a process similar to what Putnam calls two-level game, Turgut Ozal, the leading figure in the economy who was also the Prime Minister in the aftermath of the 1980 coup, overcame domestic resistance by recourse to international constraints. A die-hard proponent of liberal market economy and a former WB economist, Ozal utilized international pressure from the IMF and the World Bank in order to proceed with economic reforms and overcome domestic resistance from the bourgeoisie.\(^4\) These economic reforms had an unintended outcome. What Buğra calls “the owners of regionally located smaller enterprises,” that is SMEs throughout Turkey, made the best of this liberalization period.\(^5\) During the 1980s and the 1990s, SMEs grew dramatically in Turkey.

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\(^3\) Cecen, Dogruel, and Dogruel 1994, 45; Togan 1996; Taşkin and Yeldan 1996; Snowden 1996; Buğra 2002.
\(^5\) Buğra 2002, 119.
SMEs successfully utilized the opportunities that the now-liberal economy afforded them.\textsuperscript{76} In their utilization, they were also aided by another aspect of the new trade policy – support given to the exporting sectors.\textsuperscript{77} These sectors included some big companies, but it was mostly smaller firms in the economy that had an advantage in flexible production and subcontracting. The exporters in the initial stages of the liberalization process were supported by export subsidies, tax breaks, and devaluation of the currency.\textsuperscript{78} In addition, the tariff rates were gradually cut in an effort to increase competitiveness of domestic firms. The rationale was that as domestic firms faced increasing international competition, they would be forced to keep up with foreign firms. The average tariff rate for manufactured goods was 11\%, while manufactured consumer goods had a 17\% tariff during the first decade of liberalization by the end of the 1980s.\textsuperscript{79} Export figures show a corresponding increase (Figure 3).

The change that economic liberalization introduced became clear-cut in three statistics. Indeed, these statistics are pointed out as a “challenge” by the peripheral economic actors to the dominance of traditional big business. First, businesses with greater than 500 employees dominated the value added in production prior to liberalization and immediately after liberalization. Yet, over the course of the 1980s and the 1990s, they progressively lost their dominance. In 1985, their share in value added was 66.1\%, in

\begin{itemize}
\item \textsuperscript{76} TR-1-B, interview, September 4, 2008, Kayseri.
\item \textsuperscript{77} Note that the exporting sector does not necessarily include the entire bourgeoisie and business class before 1980. In this era, we observe the emergence of a new group of entrepreneurs who find opportunities in the export sector. See Hansen 1991 for a detailed discussion of the policy export promotion in Turkey during that period.
\item \textsuperscript{78} Buğra 2002, 119.
\item \textsuperscript{79} Richards and Waterbury 1996, 245.
\end{itemize}
1993 58.5%, in 2001 56.9%, and in 2004 49%. Second, the highest increase in energy consumption was recorded in different parts of Anatolia such as Ankara, Kayseri, Gaziantep and Sivas rather than Istanbul-based big businesses. The increase was particularly sharp for the period between 2002 and 2006. Finally, the biggest jump in bank credits is, again, recorded in different parts of Anatolia such as Southeast and Eastern Turkey for the same period. Collectively, these statistics imply an important change in the dynamics of the Turkish economy. This meant a shift in the centrality of economic production from Istanbul-based big business to the politically and geographically peripheral parts of Turkey. It was a change in the economic center of gravity that foreshadowed a political shift as well with the later rise of the Muslim periphery in politics.

Financial liberalization was the last element of liberalization to be entrenched in the Turkish economy. Following what some called as the first phase of liberalization between 1980 and 1989, the Ozal government undertook a series of reforms to complete the financial liberalization phase. In August of 1989, Decree 32 ensured the liberalization of foreign exchange, and by April of 1990, Turkey informed the IMF of the full convertibility of the Turkish Lira. The financial liberalization meant that those businesses engaged in international trade would have less complications and trouble in their businesses.

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Politically, the extent of the reforms was untenable in the face of their potential costs to society. Surely, traditional big businesses of the ISI period stood to lose from the liberalized economy. Nonetheless, governmental policies and the peculiar circumstances in Turkey at the time ensured minimal resistance to the reforms. The military coup in 1980, indeed, proved to be extremely useful for the center-right Ozal government in this period. The military was convinced of the necessity of the economic reforms. Generals also held that interest groups and leftists were responsible for the political chaos and the consequent violence throughout the late 1970s. Trade unions, alongside business associations, suitably footed the bill of responsibility with the help of heavy-handed measures taken by military rule early on. As for the masses, the major setback was the decreasing real income. The inflation rate was constantly high since the late 1970s at 60-70% range. In addition, nominal incomes could not keep up with the increase in consumer prices. Throughout the 1980s, Ozal governments tried to cushion the negative effects of liberalization reforms by way of high public spending to make sure they had the masses’ support.\textsuperscript{83} The masses also benefited from cheaper consumer goods. This sector of the society, comprising the bulk of losers in this period, offered Ozal their support by successive electoral victories in 1983 and 1987 following the return to civilian rule in 1983.\textsuperscript{84}

Figure 9 shows government spending on various components such as wages, education and interest payments. Throughout the first years of the liberalization reforms, spending

\footnotesize\textsuperscript{83} Richards and Waterbury 1996, 247.  
\footnotesize\textsuperscript{84} Waterbury 1992.
on wages and education declined whereas health and social protection spending remained constant at already low levels. However, beginning in the second half of the 1980s, spending on wages, education and health care increase significantly despite the fact that the government was under an increasing debt and interest payment burden. In addition, governments between 1980 and 2000 utilized an extrabudgetary account to support the losers throughout the period.\textsuperscript{85} The extrabudgetary account was the equivalent of around 15\% of total public spending throughout the 1980s, and averaged at least 5\% of public spending throughout the 1990s.\textsuperscript{86}

\textsuperscript{85} Waterbury 1992.
\textsuperscript{86} Data from the IMF Government Finance Statistics Yearbook, various years.
On the part of big business, the military contended that the political activism of civil society organizations was destabilizing – a lesson learned prior to the 1980 coup. Hence, civil society activism was severely limited to non-political areas thanks in part to the newly-drafted constitution of 1982. TUSIAD, an exclusive business association established in 1971 representing big businesses, was one of the main targets of the depoliticization efforts of the military; the military was, indeed, successful in this. It is not until the early 1990s when the military was completely out of power that TUSIAD increased its political activism once again. By that time, however, economic liberalization was entrenched in the Turkish economy, leaving little room for opposing the liberalization of the economy. Economically, high inflation rates throughout the 1980s
and 1990s helped big businesses adapt a liberal economic environment. High inflation rates minimized the efficiency and productivity requirements of an open economy; the ever-increasing consumer prices ensured that regardless of the quality and production cost of a good, in a short period of time the good would be a good-buy in the market because its price was competitive.

A further impetus toward liberalization came in the mid-1990s. Turkey’s application for European Union membership, which was made in 1987, did not find the positive response from Europe as expected. Nonetheless, Turkey was offered an alternative mode of cooperation with the EU. The EU offered Turkey “customs union” as a step towards full membership. Down the road some time, presumably when Turkey adapted to the EU’s underlying economic structure, Turkey would be embraced with full EU membership. The center-right coalition headed by Tansu Ciller accepted the offer and signed a customs union with the EU in 1995, effective as of 1996. The customs union eliminated all duties and tariffs between the two parties. The sectors that were to be most affected by this union were the industrial and processed agricultural goods. The union exposed the Turkish economy, a developing economy with quite limited hi-tech export items, to one of the most developed regional markets globally. According to trade data between Turkey and the EU, over time the Turkish economy has shown significant adaptability to EU standards in manufacturing and was not overwhelmed by a disproportionate flow of European goods into its market (Figure 10). Overall, Turkish

87 See Delegation of the European Union to Turkey website for a detailed historical account of Turkey-EU relationship: http://www.avrupa.info.tr/AB_ve_Turkiye/Gumruk_Birligi.html.
liberalization is characterized by increased competition and new opportunities opened by liberalization for SMEs. At the same time, the government was able to compensate the losses of those sectors of the society that were hurt the most, thereby minimizing opposition to economic liberalization.

![Turkey-EU Trade](image)

Figure 10. Trade between Turkey and the EU – Source: Turkiye Istatistik Kurumu (Turkish Statistical Institute).

B) Egypt – The Egyptian experience with economic liberalization is a completely different story as compared to the Turkish and Moroccan cases with substantially different implications for the eventual Islamist moderation and the rise of MDPs. Liberalization efforts began during Anwar Sadat’s presidency with the October Paper
initiating the *infitah* (open door) policy. Two decades under Gamal Abdel-Nasser’s Arab socialism and the Egyptian involvement in the conflict with Israel left the economy exhausted with limited prospects for economic development. Particularly, at the end of Nasser’s Arab socialism, the economy was devoid of private enterprise of any significant size. In an effort to eliminate potential sources of domestic challenge to his power, Nasser took away the sources of power in the hands of private business and landed elite by way of nationalization and land redistribution. The extent of state presence in the economy was such that by the late 1960s, the public sector made up about 90% of non-agricultural production.\(^{88}\) Hence, when the first liberalization reforms were undertaken in the early 1970s, one of the goals of liberalization was the creation of a private business elite, which would later replace the bureaucratic elite in Egypt.\(^{89}\) In a certain way, the goal was to create a class of national bourgeoisie similar to other countries in the region.\(^{90}\)

Even though Nasser himself initiated small-scale reforms towards a market economy, it was not until 1973 that a concerted effort to that effect emerged in Egypt.\(^{91}\) The goal of the October Paper was to attract foreign investment including other Arab nations, and to promote domestic private investment.\(^{92}\) Accompanying the October Paper a year later was Law 43, which reduced the scope of conditions to qualify as a private business and

\(^{88}\) Henry and Springborg 2001.
\(^{89}\) Farah 2009.
\(^{90}\) Henry and Springborg 2001; Dillman 2001.
\(^{91}\) For example, Law 65 from 1971 is an early example of such attempts. Law 65 established free zones that enjoyed benefits such as tax exemption and various incentives to attract foreign investment. See Farah 2009 and Rivlin 1985.
\(^{92}\) Alissa 2007, 3; Moustafa 2007.
relaxed labor regulations to that end. Simultaneously, the new constitution that was enacted and approved in 1971 guaranteed secure private property rights in an effort to erase the legacy of Nasser’s Arab socialism.

During this first wave of liberalization, major exemptions and incentives were granted, mostly to foreign companies. Sadat had hoped to increase the share of the private sector up to 30% in the economy. At first, the open door policy seemed to yield the anticipated outcome; the economy in the next decade grew at substantially higher rates than it had in previous years. Yet, most of the growth was due to various rents the state obtained in the form of increased oil prices and sales, remittances, and foreign aid, rather than real domestic production. In terms of foreign investment, transnational companies had a sizeable presence in Egypt with investments of $8 billion by 1995. Nonetheless, the liberalization reforms did not deliver the anticipated goals; the investment mostly came in real estate and luxury goods rather than in industries that would help increase domestic production, job creation, and integration into the global economy. Some went as far as characterizing some ventures under infitah policy as leading to the “rape of Egypt” for such businesses were after quick and high profits at any cost. By 1991, the share of public enterprises in the economy was almost 65%.

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93 The law stipulated that in order to qualify as a private enterprise, and benefit from the incentives the state offered, joint ventures of limited extent would also count as private enterprise. See Farah 2009, 38.
94 Rivlin 1985, 48.
95 Farah 2009.
96 Ateş 2005.
97 John Waterbury quoted in Farah 2009, 39.
98 Anderson and Martinez 1998.
Hosni Mubarak, the current president of Egypt since 1981, undertook two other liberalization moves, first in the early 1990s as a response to increasing foreign debt, and then in 2004 to improve the foreign investment environment. During the early 1990s, Mubarak’s goal was to increase the role of the private sector in Egypt and increase competition by further opening the economy to foreign companies. In 1991, the Egyptian government concluded the Economic Reform and Structural Adjustment Program (ERSAP) at the end of negotiations with the IMF and the World Bank. The program’s immediate goals were to improve the balance of payments and manage foreign debt to more acceptable levels, while the longer-term goals were to instill a more liberal economy focused on attracting private investment and the privatization of state companies. Financially, the program was deemed successful as foreign debt was substantially decreased, budget deficit was lowered to 1-2% of the GDP, and the current account turned to surplus in two years.

The program laid down a strict line of austerity measures including reduction in public spending, freeze on wages and decrease in subsidies. While such austerity measures are typically known to affect lower classes the most, in the Egyptian case the timing of the program could not have been any better to minimize the negative effects on the masses. Egypt, under Mubarak’s leadership, spearheaded Arab support for the Coalition Forces in 1991 when Saddam Hussein invaded Kuwait. Egyptian military and political support was crucial for the coalition. As a result, the West and the Arab world repaid Egyptian

99 Alissa 2007, 4.
support in fighting Saddam Hussein with generous compensation. A substantial amount of Egyptian foreign debt was written off between 1991 and 1993, solving the most immediate problem of the Egyptian economy at the time: “Twenty-five billion dollars of sugar coating had made the bitter pill of stabilization very much easier to swallow.”

The Egyptian debt was to both the US and the wealthy Arab countries in the Gulf.

Still, the austerity program had dismal effects on the society at large while maintaining crucial elements of an illiberal economic regime. Major problems that were pointed out regarding the liberalization reforms were limited transparency of the privatizations, the distorted nature of credit access, non-competitive market practices, and public procurement. With respect to privatization, in the aftermath of Law 203 in 1991, which required the privatization of 314 public companies (16% of the total figure for SOEs), only about 90 companies were privatized by 1998 (Figure 11). Moreover, the funds from privatization were not used to support the private sector in an effort to minimize state role in the economy. Instead, the funds were either reinvested in state enterprises or funneled into public banks in order to provide credit to some well-connected business elites. As a result, the amount of privatization until 2007 was less than $15 billion despite the fact that Egypt was one of the most statist economies in the region with the largest population. Morocco, with less than half of Egypt’s population, was able to privatize at a figure close to Egypt’s (Table 10). In the words of Dillman, Egyptian privatization “could

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101 Henry and Springborg 2001, 140.
102 Adly 2009.
be seen as a self-interested state strategy, involving not so much deregulation as re-regulation of the public sector.”

Figure 11. Number of Privatization Transactions – Source: World Bank Privatization Dataset.

<table>
<thead>
<tr>
<th>Year</th>
<th>Egypt</th>
<th>Morocco</th>
<th>Turkey</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988-1999</td>
<td>$4,172.62</td>
<td>$3,099.13</td>
<td>$4,897.73</td>
</tr>
<tr>
<td>2000-2007</td>
<td>$10,631.86</td>
<td>$7,920.38</td>
<td>$27,792.42</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$14,804.48</td>
<td>$11,019.51</td>
<td>$32,690.15</td>
</tr>
</tbody>
</table>

Table 10. Amount of Privatization (million $), Source: World Bank Privatization Dataset.

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Similarly, credit access was severely distorted to favor a small number of well-connected businessmen rather than a wider group of businesses and individuals. Credits from public banks, which overall held more than two thirds of banking assets in Egypt, were extended either on the basis of political connections or to favored businesses without sufficient collateral. For example, Adly’s analysis on the loan concentrations yielded that until 2000 close to half of all credit extended to the private sector was received by only 343 clients; moreover, the top eight debtors received six percent of all credit equaling 12.4 billion Egyptian Pounds.\textsuperscript{105} Irrespective of the motivations of political decisionmakers on why they chose to re-regulate privatized public enterprises or why they chose to allocate credit on political bases, the poor privatization performance and preferential credit mechanisms reinforce the idea that Egyptian liberalization was not competitive, leaving narrow scope for the growth of SMEs.\textsuperscript{106}

Since 2004, the emphasis has been on the privatization of state owned enterprises (SOEs) and the creation of a favorable business environment in order to attract foreign investment. Successive technocratic cabinets formed under Prime Minister Ahmed Nazif undertook economic reforms to ensure a friendly environment for businesses, local and

\textsuperscript{105} Adly 2009, 11.

\textsuperscript{106} Although I do not theorize about the causes of competitive or crony liberalization and treat them as exogenous, it is an important question nonetheless. Two of the most important political economic explanations to that end come from Carles Boix, and Daron Acemoglu and James Robinson. By recourse to a rational choice model and various variables such as income inequality, capital mobility, economic crisis, and repressive capacities, the goal is to determine which conditions facilitate the emergence of a democratic system. Although such models might seem plausible for Egypt and Morocco due to the overlap between cronyism and the absence of democracy, in other cases they may fail to explain the persistence of cronyism in democratic settings. In the Turkish case, for example, the existence of democracy did not eliminate the entrenched crony relationship between the state and big business, particularly between 1950 and the 1990s. Hence, the causal direction of the relationship between democracy and cronyism does not necessarily have to run from the former to the latter. See Boix 2003, and Acemoglu and Robinson 2005.
foreign alike. The first wave of privatization was largely deemed as a failure. The second wave of privatization did not fare particularly well either. In the first place, the number of state companies that were privatized remained quite limited even though the value of the privatized companies surpassed the value of all privatization up until 2004 (Figure 11). Secondly, although many state companies were privatized, most either did not enjoy full private control or were subject to re-nationalization after a period of time. When the privatized companies’ shares lost their value in the stock market, the government authorized buying back the shares with public funding. The zigzags of the Egyptian state with respect to privatization seem to arise from two political considerations. On the one hand, international pressure constrains the options of the state as to what it can do with the public sector. International pressure is also too important to dismiss outright, especially in terms of its potential implications for foreign investment in Egypt – a source of investment to boost the economy. On the other hand, the state wants to ensure that the state maintains some form of control over the public companies, through partial privatization, re-nationalization, or allowing the politically-connected businessmen to buy the companies.

With respect to attracting foreign investment, the Egyptian government seems to have reached its goal. The FDI inflow and stock figures show that Egyptian economy attracted substantial FDI, particularly in the post-2004 period (Figures 12 and 13). According to the data, Egypt surpassed the $10 billion benchmark in 2006 with respect to FDI inflows,

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107 Rivlin 2009.
108 Henry and Springborg 2001, 141.
and FDI stock was in excess of $38 billion the same year. These figures are significant in that as a percentage of Egyptian GDP they make up a substantial portion of the Egyptian economy.

Figure 12. FDI Inflow – Source: United Nations Conference on Trade and Development (UNCTAD).
An interesting aspect of the new period of liberalization is that the Egyptian business elite found numerous influential positions within the cabinet such as the appointment of Rashid Mohamed Rashid as the minister of foreign trade and industry in the first Nazif government and the six appointments from the business world in the second Nazif cabinet.\textsuperscript{109} Regarding the extent of business involvement in Egyptian government, Farah makes the following observation: “It seems that the state is not embedded in social networks, as Evans claims, but that business leaders are now in charge of policy making

\textsuperscript{109} These six ministries were agriculture, foreign trade and industry, housing, health, social welfare and transportation. See Farah 2009, 49.
under the rule of Egypt’s neoliberals.”\textsuperscript{110} Although this assertion is an overstatement of the influence of the business elite, it nonetheless points to their significant role. Among the reforms undertaken during this period were the reduction of corporate taxes along with personal income taxes to 20%, making it a regressive tax system, the creation of a new ministry in charge of investments, and fast tracking privatization of SOEs with limited publicization of the sales. Such nontransparent schemes employed in privatization were deemed as “subsidizing the private sector at the expense of the nation as a whole.”\textsuperscript{111} The examples of nontransparent privatizations include the Qalyub Spinning Factory and the Alexandria Tire Company. These irregularities in the liberalization process reinforce the perception that economic liberalization in Egypt has been “piecemeal, corrupt, and highly contested.”\textsuperscript{112}

A related outcome of such non-transparent practices in liberalization reforms was the creation of monopolies and quasi-monopolies aimed at protecting the market shares of politically-connected big businessmen such as Osman Ahmed Osman, Ahmed Eizz in the steel industry and Mohamed Nosseir in telecommunications and beverages.\textsuperscript{113} According to the calculations of Abdellatif and Ghoneim, these sectors are among the least competitive and concentrated within the Egyptian economy.\textsuperscript{114} Overall, the combined outcome of the privatization policy was the creation of private monopolies instead of state monopolies. This was essentially due to the protected nature of the Egyptian economy.

\textsuperscript{110} Farah 2009.
\textsuperscript{111} Farah 2009, 50.
\textsuperscript{112} Dillman 2001.
\textsuperscript{113} Adly 2009, 12-13; Henry and Springborg 2001.
\textsuperscript{114} Abdellatif and Ghoneim 2008.
economy; the liberalization reforms since 1970s failed to create a foundation for a competitive economy. In the absence of a liberal economy, privatizations resulted in “a series of privately-owned monopolies which need to be neither responsive, low-cost nor dynamic”.\(^{115}\)

As far as the masses are considered, the employment and income effects were largely unfavorable. In a rapidly growing population, new job creation was quite limited. Egypt has the largest population of the entire region. According to estimates, the annual addition to the labor market is projected to be as high as 900,000. Throughout the period between 1980 and 2005, the working age population increased by more than 80% and the labor force more than doubled, causing the demand for new jobs to be at record levels.\(^{116}\)

In contrast, however, the increase in total employment (public and private) was less around 90% throughout the same period, according to official figures, failing to meet even the current demand.\(^{117}\) Even at these low figures, the contribution of the private sector to new job creation was limited. The Egyptian state contributed most to the growth of employment during this period with more than one third of new jobs being created in the public sector.\(^{118}\)

\(^{115}\) Stevens 1993, 123-124.
\(^{116}\) Rivlin 2009, 96.
\(^{117}\) Data from the World Bank’s World Development Indicators.
\(^{118}\) Henry and Springborg 2001; Rivlin 2009.
The meager contribution of the private sector was due to a number of reasons. On the one hand, the volume of new investment in this period was quite limited. Indeed, the comparison between pre- and post-ERSAP (1991) makes it clear that the investment numbers decreased by 60% throughout the period (Figure 14). The decrease was particularly substantial in public investments affecting employment in a country where the legacy of Arab socialism was still strongly felt. On the other hand, the investment in the private sector came either in the form of the privatization of SOEs or in unproductive sectors that did not require high employment such as real estate and untradeable sectors.\footnote{Rivlin 2009.} In privatized public companies, the employees were often times persuaded to

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\footnote{Rivlin 2009.}
leave their jobs by various tactics in order to maintain a sustainable labor force on the part of the new owners. In terms of the low private investment figures, the problem is attributed to the specific nature of the trade regime following the liberalization reforms. Before 2000, the average effective rate of tariff was above 30%, yet widely varying in different sectors. The outcome of such variation was twofold. First, investment shifted away from productive and labor-intensive sectors simply because the risks were higher in these unprotected sectors. Investors chose sectors such as the furniture sector and real estate investments where the protection was high and risks were commensurately low. Second, the sectors in which the level of protection was low also suffered from higher input prices. The higher tariff rates, along with non-tariff barriers, for the inputs used by exporters raised the overall costs of the exporters, thereby further decreasing their international competitiveness. In the words of Paul Rivlin, these exporting sectors were being “taxed out of existence.” The effects of these economic reforms were most significantly felt by the masses in the form of income decrease. According to Egyptian Household Survey (1999-2000), the percentage of Egyptians living under $2 a day is a staggering 52.7% of the total population. The data on total government consumption also supports the idea that the state failed to compensate the losers properly as the government’s share in the economy declined significantly in the period since 1970 (Figure 15). This decline, moreover, was not picked up by the private sector either as the investment figures show (Figure 14).

120 See Farah’s detailed discussion of several privatized companies in this period. Farah 2009, 45-46.
121 Rivlin 2009, 113.
122 Farah 2009.
Another way government can diminish the impact of liberalization on potential losers is restructuring government spending between its different components, i.e., from interest payments to social protection. Total public spending by the Egyptian government from the 1970s until the early 2000s showed only minimal improvement as a percentage of public spending, mostly in the last couple of years of this period. According to the data, public spending on wages, social protection and health remained stable until the early 1990s when the Egyptian economy was undergoing a major debt crisis and only stabilized with an IMF-brokered stabilization program. Although wages and health spending, along with the spending on education, recovered and surpassed their levels prior to the crisis in 1991, social protection spending dropped to less than one percent of the total public spending. The increasing interest payments incurred by the Egyptian government also exacerbated the decrease in various items on public spending (Figure 16). As a result, public spending on wages did not drop significantly in times of heavy foreign debt – as in the early 1990s – as Saeid Mahdavi’s cross-national analysis finds for a set of developing countries; yet, social protection funds were cut substantially aggravating the negative impact of liberalization on the losers, i.e., the masses.\(^{123}\)

\(^{123}\) Mahdavi 2004.
Figure 15. Government Consumption – Source: World Bank, World Development Indicators.

Overall, the liberalization process took more than three decades in Egypt and is still underway with heavy state involvement and widespread protection for the big businesses. In the words of Farah, it has been “a conduit for widespread corruption, which penetrated all levels of the state.”124 Small and medium businesses were not able to find opportunities to integrate to the global economy as we have seen in the case of Turkey. At the same time, the state failed to compensate the masses. The masses were among the most important losers of this process in terms of both real income (decreased subsidies and wages) and employment. Instead, liberalization policies were crafted to ensure that politically-connected big businesses would be the winners of the process.

C) Morocco – In contrast to the liberalization process in Egypt, Morocco’s march towards a liberal economy is marked by an effort to integrate as wide a portion of the Moroccan society as possible. In that, Morocco is similar to the Turkish case. Prior to the liberalization reforms in the early 1980s, the Moroccan economy represented a typical state capitalist economy in the region. In a way, it was close to what Atul Kohli calls “state-directed development” in the developing world.125 Although Morocco never adopted an Arab socialist economic paradigm, the state, nevertheless, dominated the economy while private enterprise held a limited role. As in other parts of the Middle East, the private sector was not independent of the political tutelage of the state at any moment.

124 Farah 2009, 52.
125 According to Atul Kohli’s categorization, Morocco would fall under “fragmented-multiclass states” where economic development, industrialization are only one among many goals of the political elite. See Kohli 2004.
Import-Substitution-Industrialization (ISI) became the dominant paradigm in the application of economic policies in the 1970s. The legacy of the ISI period was, as in the case of Turkey, the key catalyst in bringing about change in Morocco’s economic orientation.

Even though some steps toward economic reforms were taken from 1977 onwards due to the increasing ratio of debt to GDP, these stabilization reforms did not find a welcoming audience in the society at that point. In particular, the decrease in government subsidies for basic food items was met with resistance in Moroccan society. Following the second oil shock in 1979, matters were not any better for Morocco. By 1983, current account deficits became unsustainable at almost 13% of the GDP, and the foreign currency reserves were depleted.\footnote{Richards and Waterbury 1996, 237.} Once again, the severity and urgency of the economic problems forced King Hassan II to heed the advice offered by international actors, the IMF and the World Bank, in order to stabilize the economy and improve the balance of payments.

Morocco underwent a series of structural adjustment programs under the auspices of the World Bank and the IMF from 1983 until 1992 during which time some elements of competitive economic liberalization were instilled fairly successfully. Indeed, the experience of Morocco led some to call Morocco the “textbook case” of successful economic reforms.\footnote{Maghraoui 2002, 26; Richards and Waterbury 1996.} An official of the World Bank reflected on the success of the Moroccan case between 1983 and 1992 as follows: “Morocco is perhaps the only country
in the world which has, at the same time, created a realistic hope for a durable solution to its foreign debt problem, put in place a basic program of structural adjustment, re-established a sound balance of payments situation, instituted monetary stability and stifled inflation while carrying through economic growth at about 4% a year.”

At first, high budget deficits and high foreign debt led the government to undertake austerity measures and reduction of price controls. As in any standard application of a structural adjustment program, the program laid out the end of ISI policy in Morocco, and instead tried to implement a new economic structure. According to the structural adjustment program, reform would be focused on two basic goals. On the one hand, the state would be removed from the economy through privatization of state economic enterprises, removal of state subsidies and price distortions, and the floating of the currency. On the other hand, the Moroccan economy would be integrated into the global economy by removing barriers to trade, encouraging an export-oriented strategy and inducing private investment, especially foreign investment.

With respect to trade liberalization, most quantitative restrictions on imports were abolished by the early 1990s. In 1992, a mere 8% of imports were subject to import licenses whereas maximum duties on imports were reduced to below 35% by 1993. Morocco also joined the General Agreement on Tariffs and Trade (GATT) in 1987. On the exports side, all restrictions on exports (i.e., export duties and licenses) were removed

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128 Quoted in Richards and Waterbury 1996, 237.
129 Denoeux and Maghraoui 1998.
in 1984. As in the case of Turkey, subsidies and incentives were provided to exporters. With the goal of offering logistical support to exporters, the government established an agency called the Moroccan Export Promotion Center (CMPE).

During this period, the Moroccan government also sought to attract foreign investment in order to create new job opportunities. To this end, in 1989 the government repealed the 1973 Morocconization Law. This Law stipulated that foreign investment was required to have Moroccan partners in order to have any investment at all. In the same year, a new ministry – Ministry of Foreign Trade, Foreign Investments, and Tourism – was established, in part to address the problems of foreign investors in addition to facilitating other bureaucratic hurdles.132

Privatization in the Moroccan public sector came in the later stages of the economic restructuring – only after the late 1980s. Part of the reason for the sluggish start of privatization was the limited role of the state in the economy when compared to other countries in the Middle East and North Africa. In the mid-1980s, state enterprises in Morocco made up only 17% of the GDP, only a fraction of the Egyptian public sector.133 In 1989, the Moroccan Parliament passed Law 39-89 laying out the privatization of more than two thirds of the state enterprises with the exception of sectors deemed “strategic” by the government such as electricity, telecommunications, railroads and water. It was not until after the First Gulf War, however, that privatization actually began. In 1994, the

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132 Denoeux and Maghraoui 1998.
133 Denoeux and Maghraoui 1998, 60.
“strategic” sectors were also included in the “accelerated privatization program”. Until 1998, however, privatization enabled the government to collect $1.9 billion, making Morocco one of the most successful privatizers in North Africa (Table 10).

In the second phase of economic liberalization during 1990s that Melani Cammett calls deepened liberalization, the goal was to foster private investment where it would make up more than 60% of the total industrial investment. Though the liberalization process entailed several problems such as the absence of consistent coordination among different branches of the economic administration, it is deemed particularly successful at increasing the international competitiveness of Moroccan firms by enabling them to reach higher export levels. Cammett, in her study of Moroccan economic liberalization, points out the success of apparel exporters as a result of export promotion policies, an integral element of liberalization. The swift and comprehensive nature of liberalization reforms has been attributed strongly to this success in export promotion as well as Hassan II’s leadership role throughout the reform process. In particular, Hassan II’s perseverance in implementing the reform program was critical to the Moroccan success in liberalization.

The success of the “new men” – a new class of businessmen relying on international trade – was emblematic of the success of liberalization reforms in creating business interests independent of the state. These businessmen owned, in large part, small and

136 Pfeifer 1996.
137 Cammett 2007.
139 Richards and Waterbury, 1996.
medium businesses, and contributed greatly to the relative success of the Moroccan economy.\(^\text{140}\) For example, Haddad argues that trade liberalization helped small and medium-sized Moroccan firms to increase their productivity and compete with foreign firms.\(^\text{141}\)

As to the big businessmen, throughout the closed economy they were reliable supporters of the Royal Palace, *makhzen*. Economic liberalization did little to change this. For example, it is noteworthy that the chief representative of the big businesses prior to liberalization, Confédération Générale des Entreprises Du Maroc (CGEM), maintained its support for the reforms for the most part, although at times it did not hesitate to voice concerns on various issues.\(^\text{142}\) One explanation as to why big businesses supported the liberalization reforms was that the urgency of the economic state that Morocco was in did not leave any other option for the big businesses. The alternative was bankruptcy of the Moroccan economy.\(^\text{143}\)

King Hassan II’s personal involvement in urging liberalization was critical in an authoritarian political setting. In contrast to what is observed in other economic reform efforts, the palace minimized the measures that could threaten the effectiveness of the liberalization reforms: “King Hassan took advantage of his triple role of broker, supreme

\(^{140}\) Denoeux and Maghraoui 1998, 64.  
\(^{141}\) Haddad 1993.  
\(^{142}\) Although CGEM was only representing the big businesses prior to liberalization, with the integration of the newly emerging businesses throughout the Moroccan economy it obtained a dual character in terms of the interests it intended to represent.  
\(^{143}\) Denoeux and Maghraoui 1998, 65.
leader, and businessman to push not only economic transition in general, but also the marginalization of political figures and business leaders reluctant to follow along.”

An important motivation behind the king’s leading role in the liberalization period was the stake the king had in openness personally as a business owner. The Makhzen has been an important actor in the economy by virtue of being one of the major businessmen nationwide. For example, Omnium Nord Africain (ONA) is the largest holding company in Morocco, and the king is the largest shareholder with about 15% of the shares of the holding. During the late 1980s and the early 1990s, ONA was the third largest private enterprise in Africa. By being the largest businessman in the country, the king was still able to maintain a certain level of “patronage” in the post-liberalization economy.

The masses were largely supportive of the economic reforms for two main reasons. First, the standard of living for most of the labor force did not decrease throughout this period. In the rural areas, the agricultural sector actually experienced an increase in its income due to the elimination of price controls and expansion of markets. In the same vein, the minimum wage started to increase in the late 1990s, especially in the manufacturing sector. According to a study undertaken by the Moroccan government, the number of people living below poverty level decreased by 41% between 1985 and 1991.

Secondly, public spending throughout the 1990s did, indeed, increase, suggesting

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144 Cohen 2004, 77-78.
145 Rivlin 2009, 189.
146 Dillman 2001, 209.
147 Richards and Waterbury 1996, 239.
149 The study was conducted by the Moroccan Ministry of Planning in 1990 and 1991, and called National Survey of Standards of Living, 1990-91. The study is quoted in Denoeux and Maghraoui 1998.
increased benefits for the masses. More importantly, items in public spending that matter most for the masses do not show regressive trends implying deterioration in the benefits of the masses. For example, between 1978 and 1998, the share of wages, social protection and education in public spending increased despite the fact that came under increasing debt burden (Figure 17). Finally, the growth in new job creation was moderately beneficial in minimizing the number of losers in this whole reform process. Between 1989 and 2003, total employment increased by around 50% in urban areas, whereas the growth in labor force was 40% and the growth in total population was only 25%.\textsuperscript{150}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{public_spending_by_category_morocco.png}
\caption{Public Spending by Category in Morocco – Source: IMF Government Finance Statistics Yearbook, various years. Data for 1988 and 1996 is missing.}
\end{figure}

\textsuperscript{150} Data from World Development Indicators and International Labor Organization.
Another dimension of the Moroccan economy’s liberalization concerns the country’s relationship with the EU. An economic cooperation agreement with the EU has been in the Moroccan agenda for a long time. 1987 marks the origins of official Moroccan interest in some form of closer trade relationship with the European Community (EC). King Hassan applied for full membership in the EU in 1987; although the application was quickly rejected, Morocco continued seeking some form of further relationship. Although formal negotiations did not start until 1992, an agreement was reached in 1995 to liberalize trade between the EU and Morocco, and for this to be fully implemented in 2010.151 The agreement increased the level of liberalization and competition in the economy.152 According to Rutherford and colleagues, Morocco’s interest in increasing the scope of its already-existing trade agreement with the EC may be puzzling for some because Morocco at the time already had “free access” to the EC market in industrial production without any obligation for reciprocity. What Morocco hoped to gain by increasing the level of access, however, was the inclusion of agricultural products in this free trade. European protectionism in agriculture was a major issue due to the weight of agriculture in the Moroccan economy.153 A similar free trade agreement was reached

151 The decision to increase the level of relations with the EU to the level of partnership rose due to a conflict between Morocco and the EU over the comments of the European Parliament on Moroccan human rights violations, upon which the EU blocked the financial assistance to Morocco. See White 1996 for a detailed discussion. Also see White 2001 for an exhaustive analysis of the EU-Morocco relations since 1960s.
152 Even though the EU has been trying to implement a similar cooperation agreement with Egypt, such a complete agreement is not expected for several years. See Dillman 2001.
between Morocco and the U.S.\textsuperscript{154} Foreign investment in the Moroccan economy currently is by and large very limited, and increased only slightly in the post-2000 period. The only major exception is in the case of the telecommunications sector where the bulk of investment came via privatization.\textsuperscript{155}

\textsuperscript{154} Rivlin 2009.
\textsuperscript{155} Rivlin 2009.
Chapter 3

From Periphery to the Center: Competitive Liberalization in Turkey

The Turkish Justice and Development Party (JDP) occupied public opinion in both Turkey and more broadly in the Middle East with its electoral success in 2002, and continues to do so since its larger electoral victory in 2007. At the same time, economic liberalization in the post-2003 period has led to a deep-rooted social transformation in the Turkish periphery. In this chapter, my goal is to analyze the relationship between the transformation of the Turkish periphery and the rise of the JDP as a Muslim democratic party, and bring empirical evidence to the relationship between the two. The Turkish case shows the relationship between transformation of peripheral political preferences and its impact on Islamist political discourse distinctly among the three cases to be analyzed in this dissertation (Turkey, Egypt and Morocco) due to the depth of economic liberalization in Turkey.

In this chapter, I first introduce the pre-liberalization socioeconomic and political context of Turkey in the aftermath of the Ottoman Empire in order to demonstrate the social cleavage that exists between a politically and economically powerful center and a marginalized periphery. This cleavage structure is critical to understanding how
economic liberalization affects each socioeconomic group post-1980, and what Islamists make of this change. The second half of the first part of the chapter also analyzes the Islamist New Outlook Movement since its inception in the late 1960s. In this, I analyze the social base of the Islamist party, and its stance on various issues countering the domination of the center. The second part introduces the Muslim democratic JDP. In this section, I provide an account of the establishment of the party in the first place, and then discuss various elements of its discourse such as the role of Islam, democracy, the economy and social policy. By doing this, my goal is to illustrate the point that JDP’s political platform is qualitatively different from an Islamist discourse, and it directly speaks to the transformation that took place in its perceived core constituency, i.e., peripheral businessmen (SMEs) and peripheral masses. The third and final part of the chapter brings evidence for the political preferences of peripheral businessmen and masses. Peripheral businessmen made it clear that they preferred political and economic stability, rule of law, and low uncertainty – what businessmen in general prefer. Their political preferences, in turn, are shaped by their material interests. Such preferences are important indicators that peripheral businessmen have been able to undertake various business opportunities in the liberal economy without much obstruction, unlike in the pre-liberalization period. This observation allows me to draw the conclusion that economic liberalization in Turkey did, indeed, transform the periphery. Peripheral masses have also turned to the JDP due to the extensive social safety net offered by the JDP, as shown in the last part of the chapter. Empirically, I rely on primary sources and the interviews I conducted with JDP politicians, and peripheral businessmen.
Early Republican Period (1923-1950)

Turkey represents the most vivid case of Ottoman legacy of state-society relations and how the two-dimensional center-periphery conflict plays out. The War of Independence (1919-1922) and its immediate aftermath institutionalized the conflict between these two broad social groups. On the one hand, Ataturk’s and the Kemalist center’s grip over the official means of politics and the economy became the defining feature of Turkish politics for the following decades. The credibility and reputation Ataturk and his friends earned in the War of Independence certainly reinforced the center’s strong standing. On the other hand, those who were left out of the political calculation constituted the “Second Group.” Part of this second group was formed by the estranged prominent figures of the Empire; the rest were the amorphous groups with Islamic sensitivities. Serif Mardin lists some of the policy initiatives undertaken by the second group in an effort to illustrate its preferences as emphasis on religious education, prohibition of alcohol consumption and control of the military. For Mardin, even though such policies did not imply much in the way of the “cohesiveness” of the group, “the cluster certainly served as a rallying point against Kemalists”.\(^{156}\) The division between the two groups found its concrete representation in the form of a number of “new” parties to contest Ataturk’s Cumhuriyet Halk Partisi, Republican People’s Party (RPP), in the electoral platform, yet their short-lived experience in the political scenery attests to the threat felt by the Kemalist center. Parties like Serbest Cumhuriyet Fırkasi (Free Republic Party) and Terakkıperver Cumhuriyet Fırkasi (Progressive Republic Party) were shot down shortly

\(^{156}\) Mardin 1973, 181.
after their foundation; their potential to become the rallying center for the opposition was the chief reason for this. It was not until the late 1940s that the periphery was represented in the electoral arena.

The economic policies pursued in the 1930s and 1940s complement the political and identity-based dimension of the center-periphery divide, i.e., secular vs. Islamic. Overall, the collection of economic policies was deemed part of the statism principle introduced in 1931 at the Third Grand Convention of the RPP as part of the Six Arrows guiding Atatürk’s reform efforts in the new Republic. The economic policy consisted of two pillars at the time. First, the state would invest in industries where the private enterprise failed to invest, which amounted to an overwhelming majority of the economy. The creation and pervasiveness of state owned enterprises (SOEs) was also facilitated by the fact that the world economy was going through the Great Depression. The predominant economic rationale at the time favored closed economies over open ones. The closed economy of the time made the ubiquitous presence of the state in the economy possible, and it was consequence itself of that broad state presence in the organization of economic relations. The most critical political outcome of the state’s far-reaching presence in the economy was that the state created its own support base by the very fact that such policies served the interests of a small group of people over others. The patron-client relationship between the state and society finds great resonance in Turkish politics leading to the famous aphorism “devlet baba,” that is father state. Ismet Inonu’s statement, who during this period served as prime minister and president, is illustrative of

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157 Tekeli and Ilkin, 1982.
158 Ozbudun 1996; White 2003, 104.
economic policies in general: “Nonetheless, according to my opinion, for a business to belong to people [private enterprise] or to the state cannot be determined by the means required for that business. That it [the business] pertains to the whole society or to particular private interests will be the foundation to build the decision upon.”\(^{159}\) The first 5-year plan Turkey implemented demonstrates the extent of state involvement in the economy. According to the plan, the state would establish factories to promote industrial production in areas such as textiles, mining and chemical industries. The plan, interestingly, did not lay out any goals for the private sector.\(^{160}\)

Second, private businesses deemed to be conducive to economic development were to be created and promoted by state policies. Private business, in this regard, functioned under the complete tutelage of the state.\(^{161}\) The Promotion of Industry Law dated 1927 should be viewed in this light. The private sector actively tried to attract favorable state policies in order to survive in the nascent economy. The burgeoning private sector enjoyed protection against both foreign and domestic competition as part of an effort to grow a domestic private business sector over time.\(^{162}\) Limits on domestic competition, however, clearly point to a dual structure in terms of the private sector. On the one hand, we

\(^{159}\) Tekeli and Ilkin 1982, 105.  
\(^{160}\) Zafer Toprak’s exhaustive analysis on the application of statist economic policies in the late Ottoman Empire is informative on the subject. According to Toprak, capitalholders or labor never was an integral part of decisionmaking. All decisionmaking pertaining to economy was strictly controlled by the state. See Toprak 1982.  
\(^{161}\) See Ayse Bugra’s thorough analysis of several businessmen from both the Ottoman and Republican period does an excellent job in documenting the relationship between businessmen and the state until economic liberalization begins in Turkey; Bugra 1994. Also see Charles Issawi’s discussion in a comparative perspective; Issawi 1982.  
\(^{162}\) An interesting fact relating to this period is the rationale how such protectionist policies are implemented. The discussions from that period reveal the early forms of an Import-Substitution-Industrialization (ISI) rationale as the main dynamic behind protectionism rather than simply avoiding foreign competition. See Celal Bayar’s, the then minister of economy, comments on import-substitution policies during that period in Tekeli and Ilkin (1982, 186-187).
observe a group of private business actors producing a significant portion of domestic consumption in a particular industry, whereas, on the other hand, there are the smaller and less influential private business actors vying to compete for the dominance of the former group.

There are two ways the former group deals with the latter. First, dominant producers in each sector developed structures to minimize competition. According to Tekeli and Ilkin, “It was observed that whenever competition was being sensed in subsectors of the industry, they [dominant producers] were in a tendency to form price unions or cartels.” Second, dominant private business groups actively lobbied government officials in order to limit production by smaller businesses. The key concept employed by the bigger domestic businesses was “surproduction” implying overproduction in domestic economy, which would eventually lead to decreased profitability rates, according to these businesses. Most importantly, though, such businesses did not want to lose the rents they were offered as a result of protectionist policies in the domestic market. The main idea was to limit the domestic competition. In brief, the existence of the statist policy, understood as both state owned enterprises (SOEs) and heavy state assistance to the private sector, facilitated the growth of the domestic private sector by decreasing both the cost and the risk that the private sector assumed by undertaking economic activities.

Étatisme, over time, became the most important export item of the new Turkish

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163 Tekeli and Ilkin 1982, 220.
164 Tekeli and Ilkin 1982, 219.
Republic. Newly-independent Middle Eastern countries of the 1940s and 1950s followed suit in implementing the Turkish model of étatisme.

The social policies during this period were in parallel with the economic policies. The early republican period saw the systematic downplaying of social classes by the state. Instead, emphasis on populism was the order of the day. Populism, in fact, was one of the six arrows of Atatürk’s guiding principles of the new Turkish Republic. The mobilization of a whole nation was, otherwise, impossible. Clearly such a policy served to reinforce the existing cleavages along center-periphery lines by simply reinforcing the periphery’s dim view of the center’s economic and social domination. At the same time, populism also ascertained the smooth operation of the modernization project undertaken by the Kemalist regime. In order to internalize modernization as a goal, and to minimize opposition to modern reforms, elimination of potential sources of conflict was seen imperative. Ethnic and religious identities, as two more potentially divisive areas, were suppressed along with socioeconomic conflict.

Mardin’s quotation of the RPP on this very point is instructive. The statement comes immediately after the transition to multi-party system following the creation of the Democrat Party (DP) aimed at the politicians from the DP: “Do not go into the provincial towns or villages to gather support: our national unity will be undermined”. The warning by the RPP serves to underscore the dominant perspective of the center over others in the Turkish society. As a result of the

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165 See Hansen for a detailed discussion of Turkish statist economic policies during this period; Hansen 1991.
166 Berkes 1964, 462-463.
167 The early nation formation period saw the Kurds, the Alawites, and non-Muslim citizens (Orthodox Greeks, Armenians, and Jews) of the new state as potential threats to the unity of the Turkish and Sunni-Muslim Turkish Republic.
168 Mardin 1973, 182.
policies followed in the early republican period as discussed above, “the provinces thus became centers of ‘reaction’” to their domination by the political and economic elite.\textsuperscript{169} One JDP deputy called the excluded periphery “children of Anatolia”\textsuperscript{170} whereas another JDP official argued that the periphery was the downtrodden population of Turkey\textsuperscript{171}. An ironic testament to this cleavage between the center and the periphery was a piece of news in a 1940s Turkish paper. The story, according to the New York Times, reads as follows: “‘It got hot and the people rushed to the beaches,’ it read, adding that ‘the citizens could not bathe.’ Translation: Ordinary Turks [the people] crowded the privileged elite [the citizens] out of swimming areas.”\textsuperscript{172} This short anecdote conveys the idea that despite the populist discourse of the Kemalist regime, the social cleavage between a privileged class and a marginalized periphery of the lower classes was well-entrenched.

The following observation by a JDP politician summarizes the early social cleavages between the periphery and the center in Turkey: “When the [political] system was established in 1923, which was already in practice prior to that, the Turks did not have accumulated capital at hand. In order to solve the infrastructure problem [for economic development], the idea of creating a class of wealthy [businessmen] prevailed. At that very point, a ‘capitalist development program’ was put into practice with the hand of the state, as a result of which a group of people who make up the backbone of TUSIAD [Turkish Industrialists and Businessmen’s Association] were made rich. This happened in

\textsuperscript{169} Mardin 2006, 308.  
\textsuperscript{170} Mustafa Ozbayrak, interview, October 14, 2008, Ankara.  
\textsuperscript{171} Reha Denemec, interview, September 3, 2008, Ankara.  
Turkey by way of transfers of capital, ensuring protected domestic markets without quality control, high tariff walls, provision of incentives, tax breaks, grants, and cheap credits.”\textsuperscript{173} This observation epitomizes the periphery’s perception of the state-big business relationship in a historical perspective. The costs of the benefits lavished upon few privileged big businesses and urban elite were spread across the economy, or socialized, by way of taxes or higher consumer prices. In this regard, the development of TUSIAD, the business association representing the economic elite of Turkey, is emblematic of the center-periphery relationship.

\textbf{The Emergence of Political Islam}

In the aftermath of the early republican period when the social cleavage between the center and the periphery was entrenched, new political currents such as political Islam emerged to politically represent the interests of the peripheral groups. The origins of political Islam in Turkey lie with the National Outlook Movement (NOM) dating back to late 1960s in Necmettin Erbakan’s entry into politics under the Justice Party.\textsuperscript{174} Erbakan’s leadership and the emergence of successive NOM parties mark a stark contrast to the past experience in Turkey with respect to the relationship between Islam and politics. Until late 1960s, center-right parties represented the political interests of the periphery, not a distinct Islamist political formation. Erbakan’s personal background and exclusive emphasis on peripheral groups transformed the shape of Turkish politics for the

\textsuperscript{173} Ozbayrak interview, 2008.
\textsuperscript{174} New Outlook Movement (Milli Gorus Hareketi) has been the name of the universal political Islamist movement in Turkey with the following successive political parties Milli Nizam Partisi (MNP), Milli Selamet Partisi (MSP), Refah Partisi (RP), Fazilet Partisi (FP) and Saadet Partisi (SP).
coming decades. One explanation for why a political party did not materialize that built exclusively on the Muslim and peripheral constituency until the late 1960s and early 1970s, is that the center-right parties of the period such as the Democrat Party and the Justice Party were able to incorporate the Islamic constituency within a broader coalition of oppositional groups against the RPP.\textsuperscript{175} Importantly, the leadership of the center-right coalition was not coming from a peripheral background;\textsuperscript{176} rather, it came from the heart of the bureaucratic elite; nor did the coalition have a unique platform for the peripheral groups. Nevertheless, the alternative and encompassing discourse was sufficient to garner peripheral support.

The discourse and policy practices of the center-right coalitions were largely in conflict, however, with the socioeconomic interests of the peripheral groups despite the fact that the peripheral Islamic identity was a part of their rhetoric. A clear indication to that effect is the rapid growth of the private enterprise with the support of the center-right parties from its embryonic state into big businesses. Clearly, the peripheral economic groups, i.e., small and medium enterprises (SMEs), were not the chief beneficiaries of the economic policies of center-right coalitions throughout 1950s and 1960s. The fashionable import-substitution-industrialization policies of the period were as influential on such economic policies as the dominant statist economic mentality was. The periphery was incorporated into a broad center-right coalition that supported the ISI policies of the era; the divergence between this economic platform and the economic interests of the

\textsuperscript{175} Saribay, 1985, 91.
\textsuperscript{176} Reha Denemec argues the following: “When you look at the founders, the founders of both parties are the selected elite of Turkey, the elite coming from inside the RPP. But the social base is distinct.” Denemec interview, 2008.
periphery reveals the effective failure of representation of these groups’ interests in the political party system. As a consequence of this failure, Turkey was ripe for the emergence of political Islam.

Another factor contributing to the rise of political Islam in Turkey, and other countries in the region, is the international context. The early 1970s saw the resurrection of political Islam as an attractive alternative to secular ideologies and political currents of the time in countries such as Egypt and Morocco.\textsuperscript{177} Region-wide failure of secular ideologies and programs enabled the Islamist groups to benefit from the opening in the political sphere.

Under Erbakan’s leadership, the NOM addressed two distinct groups in society with an Islamist platform. Lower socioeconomic groups in society comprised a significant chunk of its support base, particularly new migrants to urban areas from rural areas. Indeed, throughout the 1970s and 1980s, cities with populations over 100,000 saw vast numbers of migrants from smaller towns and rural areas.\textsuperscript{178} The second group at the core of the NOM constituency were owners of small and medium enterprises (SMEs). These businesses faced effective discrimination in state economic policies; Erbakan at this time had extensive expertise on the disadvantages of SMEs through the work he undertook with the Turkish Union of Chambers and Stockmarkets (TOBB) in the late 1960s. At one point, he was elected the president of TOBB with the support of SMEs, but was

\textsuperscript{177} Ayoob 2008; Feldman 2008; Roy 1994.
\textsuperscript{178} Danielson and Keles 1985.
prevented from taking office due to opposition from the government and the big business.\textsuperscript{179}

Essentially, Erbakan built his political discourse on the marginalization of the peripheral groups. Various studies shed light on geographic distribution and individual traits of the support base of NOM. For example, in the 1973 general elections, the MSP received its highest support in the least developed provinces with 15.4\% of the votes cast, whereas its support only reached 13.7\% in provinces where the level of economic development was at a medium-level, and support in the most developed provinces was at a low of 8.4\%.\textsuperscript{180} Another study shows that MSP’s support within urban areas also showed variance based on the level of economic development. In Ankara, the capital of Turkey, the highest support for the party came from new migrants to the city: “The MSP received below average support in upper and middle income districts along with old neighborhoods of Ankara. However, in new shantytown districts, which constitute the outskirts of the city, the party received above the average support. These findings are in line with the MSP program…While the MSP could not find support in the low-income old neighborhoods of the central business districts, it found support in the new shantytowns.”\textsuperscript{181}

\textsuperscript{179} Saribay 1985, 98. The prime minister of the period, Suleyman Demirel, opposed Erbakan’s election on the grounds that a person who is the general secretary of TOBB could not be the president simultaneously. Erbakan was removed from the office by police escort, and the issue was taken to the court ending in Erbakan’s dislike. Recently, Erbakan was invited to attend the Advisory Council Meeting of TOBB among the former presidents of TOBB, an implicit recognition of Erbakan’s legitimate claim to the office back in 1969. See “Erbakan, TOBB Yuşek İstisare Kurulu’na Katıldı,” \textit{Milli Gazete}, February 16, 2010.

\textsuperscript{180} Sen 2004, 45.

\textsuperscript{181} Tekeli and Gokceli 1977, 67.
NOM parties emphasized Islam as a major motivation behind several policy initiatives. For Erbakan, the key goals of the NOM were to institute “morals and spirituality” because in the absence of these no policy had a chance of success. The emphasis on morals and spirituality was also couched in terms of the “Communist threat” and “materialist mentality”.\textsuperscript{182} Even though the extent of envisioned Islamization was more moderate as compared to other Islamist parties in the region, in the staunchly secular Turkish political system, such efforts of Islamization suffice for perceptions of a radical Islamist platform. Among such policy proposals were “moral development” and “moral order” for the youth, strong support for opening religious schools, i.e., Imam-Hatip Schools, and nonconformist views of interest-based financial systems.\textsuperscript{183} One of the main principles in forming governments, according to the MSP program, was the support of “national morals and virtue”.\textsuperscript{184} Another statement from the party program is also illustrative: “…our party will take every measure to ensure that moral order prevails in the society, and justice and stability are reached without impeding economic conditions…”\textsuperscript{185} Thus Islamist parties sought to bring greater emphasis to the moral issues of concern to the peripheral groups that had been largely overlooked by the secular establishment.

\textsuperscript{182} Erbakan 1975.
\textsuperscript{183} Erbakan’s goal was to replace bank interests with a model of banking based on “investment and profit sharing”, an idea almost identical to contemporary Islamic banking systems. See Erbakan 1975; Saribay 1985, 111, 125, and 199; Sen 1995.
\textsuperscript{184} MSP Party Program 1972, article 9.
\textsuperscript{185} MNP Party Program, 1970 article 50.
In regard to the economy, NOM founded its policy on two pillars. First, NOM was an ardent defender of a nationalist economic policy both before and after liberalization. Projects to the effect of a national heavy industrialization drive have been Erbakan’s trademark, reflecting his developmentalist and interventionist approach to the economy since the beginnings of the NOM. We can also read an anti-western undertone in the economic discourse of NOM, even during the EEC (European Economic Community) membership application, as evidence of its nationalistic emphasis in the economy; throughout this period, the EEC was perceived as part of a neocolonial effort on the part of the West, adapted to contemporary conditions.

The second pillar of NOM’s economic policy is the overemphasis on SMEs – to the dislike of traditional big businesses. Erbakan couched his emphasis on SMEs and their underdevelopment as the problem of Anatolia. He maintained that the economic policies he offered would result in the “development of Anatolia”. Problems of SMEs such as credit allocation and market access occupied the top of NOM’s economic agenda. A distinct way NOM promoted SMEs was through expanding the ownership structure in large companies through a program entitled “Widespread Private Sector.” According to this initiative, the companies established would have at least 100 shareholders with no single shareholder holding more than 5% of the shares. The money raised through these companies would support interest-free credit programs to encourage investment in

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188 Erbakan 1975. The emphasis on Anatolia is critical to distinguish the NOM’s focus from that of Istanbul-based big businesses.
industries listed by the state. Such a platform emphasizing a wide-ownership structure instead of productivity and efficiency was essentially an effort to increase the party’s support base in the face of a close big business-state relationship. The fact that the party also focused on the prevalent socioeconomic conflict in Turkey was apparent in the party program. The program highlighted the underlying socioeconomic conflict in Turkey: “Instead of the currently applied limited class private entrepreneurship in the economy, the state should undertake a widespread private sector policy to extend development nationwide and to mobilize unused forces that can help in economic development.”

The party program supported Erbakan’s trademark motto “adil duzen” which translates as the “just order.” It addressed economic inequality between members of the center, i.e., big business, and the periphery, i.e., SMEs. Calling for removal of all privileges and favors granted to the members of the select few through a populist discourse, Erbakan successfully capitalized on the economic grievances of the peripheral groups between the 1960s and into the 21st century.

A closer look at the relationship between the state and the big business hints at why Erbakan emphasized SMEs specifically and the periphery more generally in his political discourse. From the early republican period until the early 1980s, big business in Turkey engaged in minimum risk ventures such as trade and construction instead of industrialization. It was not until the 1960s that we witness a genuine local industrialist

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189 Saribay 1985, 125; Erbakan 1975.
190 MNP Party Program 1970, article 51.
class emerging.\textsuperscript{192} Interestingly, this was also the period when center right parties were almost “hijacked” by these big businesses to the disadvantage of SMEs. Until the early 1980s, there were two critical ways that traditional big business benefited from its relations with the state in addition to the high tariff walls, cheap credit, and cheap currency. First, the state subsidized such businesses by selling inputs to these companies below market levels under a program called Provision of Cheap Inputs Policy.\textsuperscript{193} The difference between the market price and the sale price was eventually subsidized by the state. Second, private companies enjoyed the partnership of state owned enterprises (SOEs). If the partnership was on equal footing, that could have been justified in economic terms; however, often the private companies would reap the benefits and profits of the partnership while SOEs carried the costs. In addition, if there was an SOE partner, such private businesses could benefit from easier access to credit and other state incentives without much hassle because they were “trustworthy” companies due to their partnership with the state.\textsuperscript{194} Finally, the state was also the major consumer of the manufactured goods either in the form of infrastructure projects or other government bids. SMEs lacked such advantages in their business ventures.\textsuperscript{195} According to one businessman, “[prior to 1980] Turkey was being governed by state favoritism and a statist policy. The quotas [for import and export] were allocated based on the proximity of firms.

\textsuperscript{192} Saribay 1985.
\textsuperscript{193} Sonmez 1988, 119.
\textsuperscript{194} Sonmez 1988, 121.
\textsuperscript{195} Bugra 2002.
to particular political parties and bureaucrats. Such quotas were a form of privilege. These privileges enabled such firms to grow unfairly.\textsuperscript{196}

Export and import limitations,\textsuperscript{197} credit limitations,\textsuperscript{198} and dearth of foreign exchange\textsuperscript{199} resulted in the lack of genuine industrial development due to businessmen’s inability to import machinery and equipment for production, undertake new investments, and find customers. This period, in general, is identified by the common phrase “the period when Turkey was desperate for 70 cents”.\textsuperscript{200}

The foundation of the Turkish Industrialists’ and Businessmen’s Association (TUSIAD) is helpful in understanding big businesses’ relationship to the state. Until the early 1970s, big business in Turkey was part of the quasi-governmental and corporatist structure of TOBB (Turkish Union of Chambers and Stockmarkets),\textsuperscript{201} which was quite instrumental for big business because of the monopoly of these chambers in preferential policies such as foreign currency and credit allocation decisions. In a certain way, these chambers functioned as \textit{de facto} patronage networks as well.\textsuperscript{202} Once these chambers and big businesses lost their privilege in foreign exchange and credit allocation, big business saw no further reason to stay on with the chambers. Instead, big businesses established their

\begin{footnotesize}
\textsuperscript{196} TR-15-B interview, 2008.
\textsuperscript{197} TR-10-B interview, 2008.
\textsuperscript{198} TR-8-B interview, 2008.
\textsuperscript{199} TR-7-B interview, 2008.
\textsuperscript{200} TR-14-B interview, 2008.
\textsuperscript{201} See Bianchi for a discussion of TOBB-like business associations and the role of state in trying to create a corporatist structure in Turkey; Bianchi 1984.
\textsuperscript{202} Bugra 1994, 250; TR-11-B interview, 2008.
\end{footnotesize}
own business association in 1971, called TUSIAD. The goal of TUSIAD was to limit membership to select businessmen in order to maintain homogeneity of interest among members and increase its effectiveness in policy-related issues. By 1985, 80% of the top 100 industrial businesses in the country were members of the association. From the 1970s until the 1990s, TUSIAD was regarded as “the biggest and most powerful business organization and pressure group” in Turkey and “the club of the rich.”

Overall, the period until the 1980s is marked with the overlapping of the two dimensions of social conflict between the center and periphery groups. In other words, secularism-Islam and socioeconomic dimensions were not crosscutting, hence the opposition on both dimensions reinforced each other, particularly in the unique platform of political Islam.

**Economic Liberalization & MUSIAD**

Turkish economic liberalization, as discussed in Chapter Two, is identified by its competitive character, and the opportunities that the peripheral businesses were able to find in the post-liberalization period. In this liberalization process, peripheral groups have been the main beneficiaries. Also more generally, Turkey’s economic growth in recent years is attributed to the dynamism of peripheral SMEs in the economy. In 1991,
vertical expansion of this burgeoning class of businessmen materialized in the foundation of a nationwide business association voicing their interests – Independent Industrialists’ and Businessmen’s Association (MUSIAD). The emergence of MUSIAD is emblematic of the rising economic power and interest of the SMEs. With more than several thousand members nationwide, the organization has a wider societal base than TUSIAD. 207

Members of MUSIAD are part of the chambers of commerce at a local level, which are corporatist state institutions set up during the early republican period to exert control over the business sector. Yet, as a result of their converging interests independent of the state, they organized around a non-governmental civil society organization to ensure that their preferences and interests would be voiced in policy circles: “Since its inception, it [MUSIAD] has played a crucial role in linking business organizations with the rise of Islam; supporting, promoting, and protecting their economic interests; and developing a societal vision on the basis of Islamic principles. By creating a ‘powerful network based upon trust relations’ among Islamic economic actors, MUSIAD has become as significant and powerful as TUSIAD, even challenging the latter’s dominance in Turkish economic life.” 208 A member of MUSIAD makes the following observation: “In addition to the business associations we are required to be a member, there are also those business associations that are voluntary, established by those individuals who share the same ideals, same views, and same feelings; on that, we are a member of MUSIAD. There, we have a good connection, good dialogue with our friends with whom we think in parallel economic growth in recent years.” See “Sadece Büyük Holdingler ile Olmaz, Türkiye KOBI’ler Sayesinde Buyudu,” Zaman, June 18, 2009.

207 Currently, MUSIAD membership stands at 4,720.
and try to support each other in commercial life.”

MUSIAD focuses on the problems that SMEs throughout the Turkish economy face. Among the problems MUSIAD highlights in different platforms are tax reductions, bureaucratic procedures, facilitation of credits, vocational training, and social security costs.

What are the features of these businessmen and what are their preferences? In terms of economic policy, these businessmen certainly support a liberal one; after all, their existence and subsequent growth in the post-1980 era rests on the continuation of this liberalization. MUSIAD’s approach to globalization is also instructive: “For its members, globalization creates interconnectedness among societies, economies, and cultures, and it sets ‘the rule of the game,’ which require rational thinking, long-term strategies, and organizational capacities. In this sense, globalization becomes the new historical context for economic development. MUSIAD also attributes a positive quality to globalization because it is as a result of the globalization of market relations that a suitable ground was created for the rise and the success of economic Islam.”

With respect to democracy, since its foundation in 1990 MUSIAD has developed its position over time approaching a liberal understanding of democracy. MUSIAD views

\[\text{209 TR-1-B interview, 2008.}\]
\[\text{210 See Various MUSIAD reports (www.musiad.org.tr) and Bolat 2007.}\]
\[\text{211 Ozbudun and Keyman 2002, 307.}\]
democracy as a guarantee of “good governance” and as ensuring civil rights and liberties with particular emphasis on religious rights and liberties.\(^{212}\)

Finally, Islam has been an important element of MUSIAD since its inception to the extent that at times the MUSIAD acronym is jokingly referred to as the Muslim Industrialists’ and Businessmen’s Association. However, the emphasis has never been on application of an Islamic legal code, or Islamization of state institutions. Instead, a strict following of Muslim values and ethics in conducting business has been brought to attention, which includes businessmen’s approach to dealing with wages, labor rights, working conditions, and production standards.\(^{213}\) The association merges business interests, i.e., liberal economy and democracy, with the identity of its peripheral membership, i.e., emphasis on Islamic and conservative values.

Overall, MUSIAD’s platform is built on two fundamental beliefs. The first one is the promotion of Muslim values and business ethics. Member businesses are asked to follow a certain code of ethics along the lines of socially-responsible business morals. Secondly, an emphasis on fairness and justice in terms of state incentive and subsidy programs and economic policymaking defined the association since early the 1990s: “Compared to TUSIAD, however, MUSIAD appeared to place more emphasis on the issue of “social rights” drawing attention to the importance of fair business-labor relations as well as the

\(^{212}\) Onis and Turem 2001. The support of MUSIAD for EU membership is another facet of the organization’s support for democratic development, as discussed by former president of the group, Omer Bolat. See Bolat 2007, 22.

\(^{213}\) For example, for the video presentation prepared to celebrate the 15\(^{th}\) year of the association, the theme chosen was “High Morals – High Technology”. See Bolat 2007.
more equitable distribution of public resources among large and small businessmen.\textsuperscript{214}

Over time, MUSIAD increased its public stature through its articulated policy recommendations and pronouncements of policy positions on behalf of the SMEs throughout the country. In this regard, MUSIAD has emerged as a direct challenger to TUSIAD. While the former represents the newly-burgeoning peripheral SMEs, the latter has been voicing the concerns and demands of traditional big business with its exclusive membership structure. As such, the emergence of MUSIAD is a testament to the strength and significance of SMEs as a politically relevant group.

The socioeconomic conflict between the center as represented by TUSIAD and the periphery as represented by MUSIAD became most obvious during the February 28\textsuperscript{th} era in Turkey. February 28\textsuperscript{th} is a period when secularist groups engaged in a public campaign against the Welfare Party (WP) and its supporters. The process was initiated by the military’s request for a list of reforms to be completed by the WP-led government in a National Security Council meeting. The “green capital,” as the peripheral SMEs were called due to their association with peripheral Islamic groups, faced a ruthless “witch hunt.”\textsuperscript{215} The military, as the defender of the “secular” regime, even published a list of companies that it considered Islamist, and encouraged discrimination against these businesses both legally and publicly. TUSIAD allied with the bureaucratic elite during this period, and openly supported the removal of the Islamist Welfare Party government.

\textsuperscript{214} Onis and Turem 2001, 11.
\textsuperscript{215} Onis 2001; Ozel 2003.
from power along with the public discourse against the “green capital”; MUSIAD, as a result, experienced its fair share of discrimination from this particular conflict.

The increased significance of the peripheral businesses is attested to by the recent statement of an important businessman, Abdulkadir Konukoglu, a representative of those peripheral businessmen who rose to prominence in the last two decades or so following liberalization in the economy. Currently, he is the CEO of the Sanko Holding with an annual turnover of over two billion dollars and annual exports in excess of $200 million. Konukoglu recalls that he applied the TUSIAD for membership in late 1990s: “…they [TUSIAD] did not accept us. They did not accept any businessman from Anatolia. Right now, TUSIAD consistently says ‘come and be a member.’ We don’t go. We don’t need TUSIAD.” Konukoglu is a businessman from Gaziantep, and his experience is emblematic of many businessmen from peripheral Turkey.

More recently, TUSIAD president Umit Boyner acknowledged the rising significance of the business class associated with smaller businesses as follows: “Capital did not change hands, it spread throughout Turkey. This has been an important process for democratization of the country.” Sweden’s former ambassador to Turkey between 2001 and 2005, Ann Dismorr, sheds light on the conflict between TUSIAD and the periphery by pointing out the level of distaste against the JDP within TUSIAD: “Many TUSIAD members support the banning of the JDP in their unofficial meetings. I cannot

comprehend this because the recent surge of foreign direct investment into Turkey occurred due to political stability. From a Western European perspective, this is difficult to digest.²¹⁸ Despite the fact that the members of the center benefit greatly from the policies of the JDP, the depth of the social conflict between the two prevents the former from supporting the latter. A JDP official reflected similar feelings between the JDP and TUSIAD. According to Yasar Yakis, TUSIAD members have expressed their interest in a JDP victory in 2007 elections although they personally did not intend to vote for the party.²¹⁹

In general, MUSIAD’s significance increased with the rise of the peripheral businesses’ rising economic power in Turkish economy. In the post-1990 period, MUSIAD offers a platform to voice the concerns and demands of a large group of businessmen. The fact that MUSIAD emerged as a distinct business associations focused solely on SME membership and voicing their demands is a strong indicator of the rising significance of peripheral businesses, i.e., SMEs, in the post-1983 period.

From Political Islam to Muslim Democracy

The creation of the Justice and Development Party (JDP) and its immediate domination of the Turkish political scene in 2002 represented the culmination of the brewing transformation of the periphery in Turkey. The JDP was founded in 2001 following the severe disagreements with the more conservative-minded members of the Virtue Party

over method and policy choice.\footnote{Yakis 2002. Also see Atacan 2006 and Dagi 2005.} The Virtue Party is the immediate successor to the recently-banned Welfare Party, the long-time official representative of the Islamist discourse in Turkey. Difference of opinion about the Virtue Party’s direction was an issue even before formal separation. The party congress in May of 2000 was in a way the formal announcement of this drift between the reformists (yenilikciler) and the traditionalists (gelenekciler). Unlike what happened in the history of the Islamist movement in Turkey, the election for party leadership saw a real challenge from within for the first time. The reformist group, with Abdullah Gul (current president; 2007 – ?) and Bulent Arinc (former speaker of the Parliament) leading the charge, contested the designated leadership of Recai Kutan within the Virtue Party.\footnote{Erbakan was not able to contest in the election because he was banned from actively taking part in politics.} Erdogan, who is the current leader of the JDP and a member of the reformist group in 2000, was banned from politics and not in the parliament at the time. The reformist movement united behind Gul’s candidacy to take over the party leadership. Despite facing stiff opposition from Erbakan and the traditionalist wing to the extent of excommunication from the party, the reformist movement remained intact and challenged the incumbent party leader Kutan’s nomination. The reformists lost by a small margin.\footnote{In the elections, Abdullah Gul received 521 votes representing the reformist wing whereas Recai Kutan won the election with 633 on behalf of Necmettin Erbakan.} The close call in the elections and the positive response the reformist movement received from society gave the group the necessary momentum to break away from the Islamist movement. In the meantime, the Constitutional Court banned the Virtue Party shortly after the party congress in 2001 – on the grounds that the party had been the locus of anti-secularist activities –, allowing the
reformist movement a window of opportunity for official partition from the Islamist NOM.

Various accounts point out the society-based nature of the new party platform. Following a lengthy period of public opinion surveys and preparation, the new party was formed in 2001. In the establishment of the party, interviews with JDP officials revealed that the contours of the party policies were marked by the policy preferences of the peripheral businesses and the society at large. Peripheral businesses were effective in the process by the presence of many MUSIAD members within the JDP. At the same time, the JDP also actively sought out the specific policy preferences of the peripheral businesses by attending MUSIAD events at high levels. One businessman attributed the success of JDP economic policies to the “right responses” of the JDP to the demands of the businessmen. Another businessman recalled his interaction with a JDP official as follows: “In a fast-breaking dinner last night, we had representatives of various public offices. During our conversation, we voiced some of the problems we encountered; they responded by saying that new regulations were underway…On another occasion, we met with the minister of industry, and chatted for a while. We realized that they are working hard, struggling [to address problems], interested, and within the life.” MUSIAD reports and bulletins also were important media in informing the JDP of the peripheral businesses’ concerns. In order to gauge the preferences of the society at large, the prospective JDP officials conducted surveys with a large sample of the population.

223 TR-3-B interview, 2008.
225 TR-6-B interview, 2008.
Among the issues that were highlighted in surveys were democracy, employment, economy, civil liberties and EU membership.227

The AKP in Turkey won the parliamentary elections in 2002 and 2007, and local elections in 2004 and 2009. Even though the margin of victory in all three cases was particularly high by Turkish standards, the difference cannot be simply attributed to the popularity and success of the AKP. The impact of reactionary votes against other parties was also a major factor in 2002 legislative elections.228 Following the economic crisis in 2001 and the failure of successive coalition governments in recent years involving massive corruption and the rising distrust of established political actors, the voters were keen on choosing new faces. A great proportion of AKP supporters did not necessarily cast their votes for the AKP, but rather they tried to avoid others in the election, leading the AKP to claim a landslide victory with 34% of the votes and almost two thirds of the parliamentary seats thanks to the 10% national threshold for parties to receive any seats in the parliament.229 The picture was fairly similar following the 2007 election. The 2007 legislative elections were conducted under the shadow of extra-democratic interventions by the military and other secular elite actors such as the judiciary and the RPP. The outcome was the unprecedented increase in the AKP’s vote share to 47%, albeit with a decrease in seat share. Such contextual factors in 2002 and 2007 only contributed to the AKP’s popularity, and yet they were not the primary reason behind the party’s electoral success.

227 Yakis interview, 2008.
228 See Özel 2003 and Öniş 2006A on the success of the AKP in 2002 elections.
229 Özel 2003.
An indirect measure of the success of the JDP’s new platform is the level of success of the Felicity Party (FP), the successor of the VP. The FP under Kutan’s leadership garnered less than 5% of votes in both elections in 2002 and 2007. The local elections in 2004 and 2009 yielded similar results with a slight difference in vote shares. The results strongly indicate the overlap between the JDP’s discourse and the preferences of peripheral groups, both the masses and SMEs. It is not difficult to see the shift in the electoral preference of the peripheral constituency from the NOM to the JDP. The JDP is a direct response to the increasingly visible and changing demands and policy preferences of the SMEs and other peripheral groups. Interviews with founding JDP members indicate that JDP emerged to fill a void in the political space. The NOM’s ideological insistence on several policy areas was far from reflecting the true demands of the electorate.\textsuperscript{230}

The JDP does not adopt the title Muslim democratic party. Some party officials argue that such a classification is based on religion and exclusive of non-Muslims or non-believers, from whom the party enjoys significant support.\textsuperscript{231} Others, however, argue that the conjunctural elements of Turkish politics prevent the party from using this specific title. Instead, the party adopts conservative democracy, a political stance identified by its commitment to both values of the society and democracy. Reha Denemec, vice president of the JDP, likened the party’s political stance to progressive conservatism with

\textsuperscript{230} Yakis 2002; Denemec, Memecan, Ozbayrak, Yakis interviews.
\textsuperscript{231} Denemec, Ozbayrak, Yakis interviews.
essentially the same commitments. In 2005, the JDP also became an observing member of the European People’s Party (EPP), a conservative umbrella party throughout Europe having its roots in Christian Democracy.

The periphery and its political representative, the JDP, challenged the “White Turks,” the secular urban upper class of the center who “wielded the political and economic power in the country” since its establishment, in their own game – democracy, free market, secularism. If that is the case, what are the distinctly new policy positions of the JDP?

A – Role of Islam

The JDP explicitly rejects any ties to political Islam as an ideology; similarly, the party is clear in its claim that it broke off with the tradition of political Islam in Turkey. Political Islam refers to the idea that Islam serves as an instrument in accomplishing political goals envisioning changes in the state and society towards becoming more Islamic. Whether actual force is employed in requiring individuals to observe Islam such as fasting during Ramadan, or curtailing the individual freedoms deemed to be at odds with Islamic teaching such as alcohol consumption and unveiling of women, the fear of discrete or open Islamization fills the hearts and mind of seculars in Turkey. Compared to the extent of Islamization envisioned by Islamists in other countries in the Middle East, Turkish Islamists in the NOM would likely be considered “seculars” in other countries.

Nonetheless, the unique context of Turkish society and politics forced the NOM to take a

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233 See Akdogan 2004 for a discussion of conservative democracy and Muslim democracy.
different path in terms of its Islamic discourse over the course of the last four decades. Even the slightest reference to Islam draws the ire of seculars in an effort to stay on guard against becoming another “Iran.” This fear is largely regarded by many in Turkey as exaggeration and a product of decades of secular indoctrination that Islam in politics is threatening. Even a slight reference to Islam could potentially trigger a turn towards theocracy like Saudi Arabia or Iran, a fate that has been a source distress for Turkey. Nursuna Memecan, a member of the Turkish parliament from the JDP, had a personal experience with the fear that Turkey might become another Iran: “Recently, I visited my aunt whom I had not seen for a long time. She had her daughter there as well. My relationship with them has been a bit sour lately just as it is with half of my family because I joined the JDP. Anyway, we chatted about non-political issues for some time, and my aunt, who is very old, all of a sudden broke her reservations and said ‘so, you’ve become a deputy.’ I said, yes. My cousin, building on her mother’s question, said ‘there is a mayor from the JDP where I live; I am quite happy with his services, but I cannot sleep comfortably at nights. I fear that I will wake up one day and it will be Iran all around us.’”

The JDP downplays any reference to Islam in its discourse that potentially leads to the perception that the party engages in “creeping Islamization.” Instead, the party highlights conservative and Muslim values prevalent in Turkish society. According to Reha Denemec, “conservative” in party identity refers to the conservative values of Turkish

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society such as conservative moral values and family. JDP deputy Ozbayrak argues that the JDP platform conceptualizes religion as part of individual liberties and as the main component of society’s moral and ethical make-up: “We [the party] respect all the fundamental values in the make-up of this country, and share them. What are these values? First it is religion [Islam], then language, flag, national anthem, main principles emanating from our culture such as helping one another, loving and helping your neighbor in good and bad days.” In a similar way, a former JDP member Akdogan writes that conservative values include “tradition, family and the protection of gains coming from history”. For Ihsan Dagi, this shift from representing Islam to representing conservative and Muslim values, which would reinforce the “social and economic networks” of Islam, found resonance in the electorate.

Emphasis on Muslim values helps the JDP in two significant ways. In the first place, the party is able to mobilize its core constituency around an identity. Muslim values speak to the peripheral groups’ sensitivity on one of the two social cleavages as discussed earlier, religion vs. secularism. Secondly, by focusing on social and moral values of the society emanating from Islam and commonly accepted by the society, the JDP minimizes the polarizing and destabilizing impact of its identity discourse. Political Islam, by its very nature, is after comprehensive transformation of the state and society towards an Islamist ideal. This is because current secular ideologies do not work; hence by extension, political Islam is a reaction against established secular order. Thus, an Islamist discourse

236 Denemec interview, 2008.
238 Akdogan 2004.
239 Dagi 2006.
is an open invitation to political polarization. One JDP deputy thoroughly rejected claims that the JDP is after Islamization and sharia by emphasizing the society’s preferences: “Regardless of how much you want to bring sharia, what the people want matters the most. Therefore, the situation in Turkey is not suitable to introduce any such system, and I do not give a chance that it will ever be. I don’t even think it will be suitable fifty years from today. Turkey is well on its course.”

As is the case with other parties, the role that Islam holds in the context of the JDP is not straightforward, nor are the secularists’ fears of it: “Its [the JDP] politics have so far been respectful of secular freedom in most cases. But there are harder-line members who would like to see a more religious society, and secular Turks fear that highly personal questions like their children’s education and rights for unmarried women could be threatened. In the country as a whole, religious Turks have felt like second-class citizens for generations, in part a legacy of Ataturk’s radical, secular revolution in the early 20th century.”

Despite varying shades of conservatism within the party, the JDP has been successful in maintaining the original party discourse on the role of Islam.

Constitutional Court Case and Headscarf Legislation

In 2007, the Chief Prosecutor of the Republic engaged in a highly publicized campaign to ban the JDP on the grounds that the party had been the locus of anti-secularist activities and it was seeking to undermine the secular state. In this regard, the indictment prepared by the Chief Prosecutor Yalcinkaya to ban the JDP is a good indicator to assess the JDP’s

240 Ozbayrak interview, 2008.
Islamic discourse and stance on secularism. The main thrust of the campaign was the piece of legislation passed by the JDP with the support of the nationalist MHP emphasizing the “equality” of all citizens in receiving public services, including higher education. This legislation was part of an effort to remove the ban on veiled women going to college. For months, the office of the Chief Prosecutor collected evidence for the indictment. What makes the indictment a reliable document with respect to an analysis of the JDP’s Islamic discourse is the fact that the prosecutor carefully documented all activities of the party pertaining to Islam and secularism. In this regard, the credibility of the document is assured. The publicly-available text of the indictment document enables me to make two important observations regarding the JDP’s Islamic discourse between 2001 and 2007.

First, nothing in the indictment lends support to the argument that the JDP promotes an Islamic agenda. The essence of the charges against the JDP were focused on the headscarf legislation and how it was viewed as a violation of the constitution with respect to the secularism principle.\(^{242}\) However, the legislation was annulled by the Constitutional Court, albeit with a decision beyond the court’s constitutional jurisdiction, immediately after its passage from the parliament. Moreover, the JDP emphasized the issue not as a religious problem, but rather as part of individual freedoms. Erdogan defended the “headscarf legislation” in the following words: “It should be known that we

\(^{242}\) The JDP rejected all evidence in this case, including those against the headscarf legislation, on the bases that none of the evidence in the indictment did technically amount to being evidence according to law. The JDP argued that all evidence was collected from newspaper clips and articles; information that do not reflect the party’s official position in any way. See JDP’s response to the indictment: \textit{AK Parti’nin Esas Hakkindaki Cevaplari} 2008.
are not working for anything else other than to stop the unjust treatment against our girls at university entrances.”

Other officials from the JDP echoed the same ideas. Liberal seculars such as Ergun Ozbudun, a constitutional scholar in Bilkent University who was also appointed by the government to rewrite the Constitution, concur with the JDP’s take on the headscarf issue: “It’s an issue of human rights, not secularism…in the U.S., I had Jewish students wearing yarmulkes and nobody cared.” The editor of a social democrat daily, Radikal, views the issue as part of liberties and criticized the staunch secular establishment for their illiberalism.

The second point is about the idea of secularism. The JDP, indeed, did criticize the concept of secularism. However, the party’s critique was not directed to secularism as an abstract notion, but rather to the specific interpretation of it in Turkey. Although Turkish success in secularism is emphasized in the Western world as a model for other countries in the Muslim world, the Turkish model has yet to found the reception in the Muslim world, as expected by the West. The major reason for non-receptivity is the unique application of secularism in the Turkish context. Officials from the JDP branded

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244 Denemec, Ozbayrak, Memecan, Yakis interviews.
247 On various occasions and by different party officials, the party criticized the application of secularism in Turkey. For example, Bulent Arinc, the former Speaker of the Parliament, made the following statement: “Neither me nor anyone else can have a serious objection against secularism. But you need to clearly out forward what is it that you mean by secularism. An understanding that would turn people’s social lives into jails with an application of rigid secularism is quite dangerous.” See “Kati Laiklik Sosyal Cezaevi Yaratir,” Aksam, April 26, 2006. In addition, the JDP continued its critique even in its defense against the indictment. The party argued that it adhered to secularism as a “political and legal principle” but not as a “life style”. For the JDP, the prosecutor’s interpretation of democracy and secularism was not up to the universal conception of the concepts. See JDP 2008.
the Turkish secularism variously as militant secularism\textsuperscript{248} and Stalinist secularism;\textsuperscript{249} others dubbed it colonial secularism.\textsuperscript{250} Ahmet Kuru’s recent analysis offers a more concise conceptual framework to this end. According to Kuru, Turkish “assertive” secularism, usually dubbed as \textit{laiklik} after the French model of \textit{laïcité}, implies that “the state favors a secular worldviews in the public sphere and aims to confine religion to the private sphere.” The Anglo-American application of secularism, which Kuru calls “passive secularism”, adopts “state neutrality toward various religions and allows the public visibility of religion”.\textsuperscript{251} The JDP’s focus is on curbing the assertiveness of secularism, and instead present an alternative that is more accommodative of the religious practices of Muslims in the country. The nature of Turkish secularism, in this regard, is perceived to be restrictive of individual liberties, according to the JDP.

The case also had repercussions in Europe. The Economist evaluated the case as follows:

“The Turkish prosecutor [Chief Prosecutor Yalcinkaya] insists that the European court will not take this view in the case of the AKP. Yet his charge sheet is long on assertions and short on hard facts. He cites newspaper articles and interviews to justify an otherwise unsubstantiated claim that the party is employing ‘dissimulation’ to bring in sharia law. That is not good enough.”\textsuperscript{252}

\textsuperscript{248} Yakis interview, 2008
\textsuperscript{249} Ozbayrak interview, 2008.
\textsuperscript{251} Kuru 2006. Also see Ahmet Kuru’s book (\textit{Secularism and State Policies Toward Religion: The United States, France, and Turkey}) on the topic, Kuru 2009.
Indeed, several actions of the main opposition and staunchly-secular RPP would certainly make the party favorites for a banning case if it was not for the non-standard application of the laws by the secular judiciary, argue liberal seculars. Emre Akoz, for example, recounts the following as instances where the RPP potentially utilized religion as a tool of politics: The use of a veiled woman’s picture on campaign bus, the ceremonial honoring of a veiled woman with a party badge for becoming a party member, and the use of Qur’anic verses and sayings of the prophet in party leader’s speeches.253

The discussion of the indictment provides evidence that the JDP largely avoids political Islam in its discourse. Nonetheless, issues that are Islamic in nature such as the headscarf and Imam-Hatip schools have been regulars on the JDP agenda; why? The JDP exerts a conscious effort to avoid Islamist issues in its discourse, which constitute the main dynamic of polarization in Turkish politics as discussed above. In the JDP’s discourse, despite the fact that Islam as a personal matter and Muslim values as part of the traditional moral composition of the society were deemed important, religion has been largely considered part of individual liberties. Reform efforts regarding the headscarf issue and Imam-Hatip schools, for example, are perceived as part of an initiative to ensure individual and religious liberties to those who have been effectively discriminated against throughout most of the republican period. The JDP’s socially conservative but non-confrontational stance on issues with an “Islamic” quality ensures the support of its core constituency. In brief, the JDP approaches various policy issues much less ideologically-oriented than the Islamist tradition in Turkey. In this regard, it is possible to


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view the constitutional banning case against the JDP as an act of the “bureaucratic elite”\textsuperscript{254} against the periphery’s increasing dominance.

\textit{Periphery and Islam}

By and large, we observe a great deal of overlap between the JDP position on the role of Islam and what the peripheral businesses expect the role of Islam to be. Islam, for most peripheral businesses, is regarded as part of an individual’s personal life, and not a matter of forcing others to observe similar practices. There are two potential indicators to better understand the perspective of peripheral businesses on the role of Islam in public life and politics: secularism and religious issues.

a) Secularism

Overall, the peripheral businessmen interviewed for this research showed unequivocal support for secularism as a principle in government. However, this does not necessarily imply these businessmen were happy with the practical application and interpretation of secularism in Turkey. Two points are emphasized in particular. First, the definition of secularism is quite vague, for many. For example, one businessman demands the “demarcation of the limits of secularism.”\textsuperscript{255} Such fuzziness about secularism leads to an abusive use of the concept, especially in political discourse, others claimed. Another businessman made the following observation: “People do interpret secularism arbitrarily. For some, it means unveiling; for others, it means not praying. Yet for me – I am a

\textsuperscript{254} According to Emre Akoz, bureaucratic elite consists of those high-level bureaucrats who are at a decisionmaking position such as generals, high-level judiciary and university presidents. See Emre Akoz, “Ser Sebekesi,” \textit{Sabah}, June 11, 2008.

\textsuperscript{255} TR-3-B interview, 2008.
devout believer – secularism means being able to perform daily prayers in business life, in civic life, and in social life without mixing up all those. Secularism does not impede observing one’s faith, yet in Turkey secularism is portrayed as being against religious practice.”256 For this businessman, the abusive use of secularism and the restrictive interpretation of the concept constitutes the source of problem. A similar statement emphasizes the use of secularism against the JDP for political ends: “Without a grain of hard evidence, people are able to constantly charge a party such as the JDP with anti-secularism [a party] that has taken this country the longest distance towards EU membership, that has registered significant liberalizations on civil rights and liberties for individuals and civil society organizations, that has passed EU compliance laws.”257

Secondly, secularism as it is applied is viewed as too restrictive of individual religious liberties and practice. For many businessmen, the principle of secularism prevents individuals from practicing their faith in their private lives. A businessman defines the concept of secularism in the following way: “Secularism is a system where people’s religious lives are not interfered with, and state affairs are distinct from religious affairs. In this system, individuals and institutions are required to respect each other.”258 At a very personal level, another businessman expresses his disappointment over negative attitudes toward observant Muslims in the public sphere: “Secularism in Turkey is widely manipulated. For example, secularism means that I should be able to pray in this very office, that is freedom of worshipping. Yet, in many institutions throughout Turkey,
freedom of worshipping does not exist. People are being labeled in the name of
secularism on whether they pray or fast.” For many among the peripheral businesses,
serious constraints on individuals’ freedom of religion persist due to outdated application
of secularism. Such sentiments regarding secularism resonate with the JDP’s
understanding of secularism as it is applied in Turkey.

b) Religious Issues

A number of issues that are inherently religious have occupied the Turkish public
discussion in the last two decades or so. Such politicized issues and their perception by
the conservative periphery offer insights to the periphery’s preferences on the role of
Islam. One such issue is the headscarf. The headscarf has been banned in colleges and
many other public offices for more than a decade on the grounds that it is being used as a
political symbol. In a country where more than half of the women wear a headscarf of
some sort, the issue is likely to create chagrin among conservatives. One businessman
challenges the claim that headscarf is a political symbol, arguing that what matters is
the essence rather than the form of veiling. Another derides the banning of headscarf
by placing it on a global perspective: “Some people view secularism as restriction of
religious practice. The issue is that if you are veiled, you cannot go to college; why? It is

259 TR-6-B interview, 2008.
260 Ozbayrak argues that the kind of secularism applied in Turkey is very similar to a “Stalinist
interpretation” where secularism is framed more as atheism. Ozbayrak interview, 2008.
261 Some seculars justify the ban on headscarves on the basis that it is a form of political symbol referring to
the particular form the headscarf is tied. Based on their claims, most recent forms of veiling promote
political Islam, a claim rejected by most.
262 TR-3-B interview, 2008.
because it is against secularism. In which other part of the world is there such a perception?" 263

One of the biggest businessman in Turkey, who built his business in the post-1983 liberalization period, took offence at the business practice of another big business owner, who is one of the biggest economic elites: “Many institutions and businesses do not employ women with headscarves. For example, most recently a leading businessman in Turkey came out and said ‘no one with a beard or a mustache can work in my company,’ which we do not approve of.” 264 That particular attitude reflects the center’s view on secularism, he maintained.

c) Recent Political Instabilities in Turkey

As important as the preferences of the peripheral businesses regarding the role of Islam is the rationale behind their preferences. How do the preferences of peripheral businessmen serve their interests? The interviews with peripheral businessmen elucidate one key reason as to why peripheral businesses prefer a non-political role for Islam: political instability. Overall, the perception of peripheral businessmen was that if Islam is politicized, it directly affects the political and economic atmosphere of the country by recourse to heated public debates on the very fundamentals of the Turkish state. The fear is that the questioning of secular fundamentals of Turkey is likely to draw the military in the middle of the discussions, and that is never good in a democracy. For these

263 TR-6-B interview, 2008.
264 TR-6-B interview, 2008. The big businessman making the statement is Rahmi Koc, the owner of the holding that is viewed as the personification of state-business relationship par excellence throughout the statist period. The reference to the beard/mustache is perceived to be to the form of Islamic facial hair rather than any beard or mustache.
businessmen, political instability carried implications for their core material interest, i.e., their business. However, the specific mechanisms on how instability affects their businesses differed. Turkish politics, indeed, underwent a series of crises in 2007 and 2008 that enable me to assess the practical implications of such political instabilities. Among these crises were the presidential elections of 2007, the headscarf legislation of 2008 and the JDP banning case in the Constitutional Court in 2008. The reactions of businessmen against such real life cases are valuable in this regard.

For some, it was the uncertainty associated with political instability that hampered current and future business opportunities: “The banning case inevitably affected the economy. People do not like uncertainty. If you don’t know the exchange rate tomorrow, can you exchange your foreign currency, or shop at all? In order to feel more secure, you save your savings. If you feel secure about your tomorrow, then you do not push your needs back; instead, you address those needs quickly.”265 Another businessman echoed these sentiments: “We became insecure [after the banning case]. Stability is the most important power of businessmen like us. If there is stability, we can look ahead, and plan accordingly. This would be reflected onto the economy [positively].”266 This insecurity prevents another businessman from investing: “Currently, excessive insecurity pervades – buy no more than you need to, sell no more than you need to.”267 The uncertainty accompanying political instability – as in the cases of the JDP banning case or the headscarf legislation – leads businessmen to be more cautious in conducting business.

265 TR-8-B interview, 2008.
266 TR-9-B interview, 2008.
A businessman in the textile industry emphasized the demand aspect of uncertainty: “The people – businessmen and consumers alike – are affected. They might buy their bare necessities, but anything that goes beyond that they might defer indefinitely. Small businesses, for example, do not purchase goods because of uncertainty; then, the other one does not produce and does not employ. People are affected even from a speculative statement, let alone facts…Even a negative outlook on the economy might undo favorable winds in the markets.”268 Others have highlighted problems at a macro level. For example, one businessman in the chemical industry drew attention to the risk premium the country carried associated with political instability: “…costs are increasing, Turkey is viewed as a high risk country. In that case, our credit costs are increasing.”269 Indeed, a statement by the credit rating agency Fitch’s Turkey office chief Ayse Botan Berker makes it abundantly clear that the recent political instabilities in Turkey did affect Turkey’s investment rating. According to Berker, Turkey was at a time when Turkey’s rating was expected to be increased. Fitch decided to cancel the increase due to the rampant military coup rumors.270 The exchange rates were another area where consumption, especially in the domestic market, was negatively affected by the sharp increase in the exchange rates during the week when the indictment was filed in the Constitutional Court.271 The general secretary of a big business association of various ideological strands blames political instability, i.e., presidential elections, party banning

269 TR-8-B interview, 2008.
cases, for the slow growth in the economy,\textsuperscript{272} whereas another businessman likened the political instability of 2007 and 2008 to being on the verge of a “catastrophe”.\textsuperscript{273} Such ideas are also echoed by MUSIAD along the same lines.\textsuperscript{274} Overall, although peripheral businessmen have an Islamic identity and want it to be represented in the political space in some form, i.e., social Islam, they want to make sure that Islam is not politicized.

Undoubtedly, an important impact of political instability was the state of foreign investment and business, as pointed out by the peripheral businessmen. As an example, a businessman pointed out that an American customer of his canceled the order due to the increased instability in Turkey.\textsuperscript{275} Another businessman complained about the absence of foreign investment in Turkey following the increased level of instability: “In the period following the JDP banning case, not a dollar’s worth of investment was made in Turkey, not a dollar’s worth of privatization was made.”\textsuperscript{276} Such instability also leads to a question of legitimacy on the part of the government as formed by the JDP, for some businessmen. One businessman asks how a government can do anything for the country and the economy when its fundamental legitimacy is at stake.\textsuperscript{277} Although the businessman’s observation seems somewhat exaggerated, the underlying economic rationale seems to reflect what happened in the Turkish economy at the time. During times of political crises, FDI flow into Turkey declined significantly (Figure 18). During

\textsuperscript{272} TR-7-B interview, 2008; TR-10-B interview, 2008.
\textsuperscript{273} TR-9-B interview, 2008.
\textsuperscript{274} Bolat 2007.
\textsuperscript{275} The specific reference was to a bombing in Istanbul undertook by PKK. The concurrence of the bombing with increased political instability was the main reason for the canceled order. TR-14-B interview, 2008.
\textsuperscript{276} TR-6-B interview, 2008.
\textsuperscript{277} TR-3-B interview, 2008.
the period leading up to the presidential elections in April of 2007, the foreign investment hit its lowest levels in several months. Similarly, periods of political instability such as the headscarf legislation and the JDP banning case highly correlated with lower investment figures.


The estimates on the economic impact of such secular activism against the JDP is substantially high considering the size of the Turkish economy, lending support to the businessmen’s opinions above. The cost of the military’s e-memorandum on the eve of
the presidential elections is estimated to be around $20 billion as a result of sharp fluctuations in the stock market. In the case of the banning case against the JDP, the bill is estimated at around $30 billion; stock market, exchange rates and foreign direct investment were projected to be most affected by this political instability.

The other side of the coin in terms of the role of Islam and its effect on political stability is the secular parties. The attitude of secular parties on Islam and secularism also draw the ire of peripheral businesses in addition to what the JDP does. Part of the blame for how instability ruled for more than a year in Turkey was directed at the RPP – as the spokesperson of the secularist establishment – and other secularist institutions in Turkey. For example, a businessman complains as follows: “The RPP cannot stand the JDP and employs legal means [in opposing JDP legislation]; in that case, the money and investment that was supposed to come to Turkey does not come. Military memorandums only worsen the situation. When the JDP took over the government, is alcohol prohibited? Or, are nightclubs closed down in the west [of Turkey]? No, quite the contrary, entertainment is increasing and becoming more liberal.” Others pointed out the loss of economic interests on the part of the secular establishment for why the center contributed to the level of polarization and instability: “When the JDP takes over as the government, those benefitting from the statist and centralist system strongly opposed the

279 For a detailed discussion of the economic impact of recent political instability, see Seref Oguz, “30 Milyar Dolarlik Fatura,” Sabah, March 18, 2008.
280 TR-10-B interview, 2008. The reference with legal means is to RPP’s taking most legislation to the Constitutional Court following passage in the parliament. Many economic and social reform legislation packages were overturned by the court.
slipping of political power from their hands because there is a resource that some people disproportionately exploit [since the foundation of the Republic]…they claim that they [the JDP] are Islamists, they cannot be liberals, they cannot espouse secularism. When the chief prosecutor filed the indictment, for a whole year they [the JDP] could not do anything.”²⁸¹ It is not only the peripheral businessmen who complain about the polarizing attitude of the secularists, but also liberal and leftist businessmen, according to the personal communication of a peripheral businessman.²⁸²

**B – Democracy**

In recent years, democracy has been a rallying cry for most Islamist parties; Islamist groups call for democracy and state publicly their adherence to procedural democracy, i.e., elections and multiple parties. As a result, adherence to a democratic discourse as such does not mean much unless we can qualify this adherence with respect to human rights, minorities, and individual liberties. In this regard, a crucial distinction must be made between a majoritarian and community-based understanding of democracy and a more pluralist and liberties-oriented discourse as in the West. Although in principle elections are accepted in the former conceptualization, the majority has the final say in all matters regardless of its implications for the minority.²⁸³ The society is viewed as members of various religious groups rather than as individuals. In general, Islamist

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²⁸³ The use of the term “majoritarian” in this context is distinct from the use of the term in Westminster style democracies where the connotation of the term “majority” is to the rule of the majority as a method. In contrast, I use the term to denote the idea that the majority’s decision is the rule regardless of its potential implications for the rights of the minority, which is in direct contrast to the use of the term in Westminster style democracies. See Lijphart 1999.
parties ascribe to this formulation of democracy rather than the one emphasizing rights and liberties at an individual level.

Democracy constitutes the main rallying point for the JDP as well. The party advocates a complete commitment to democracy both as a governmental system as a procedure and democracy as a liberal value system. In its first aspect, democracy in its formal elements, the JDP continues in the long-standing tradition of the NOM by ascribing to the procedural elements of democracy such as elections and peaceful turn of power. Despite some weak criticisms to the contrary, the JDP’s credentials on formal democracy were never seriously questioned. Criticisms against the JDP’s democratic credentials were usually fielded in its substantive subscription to democracy: Is the JDP “sincerely” committed to democratic ideals?

The JDP’s position on rights and liberties might provide a better idea as to what democracy means for the party, and an opportunity to evaluate its “sincerity.” Party discourse and policies pursued thus far in the government offer ample evidence to evaluate JDP’s stance on substantive elements of democracy. Some of the issues that the JDP promotes as part of its democratic platform carry, in fact, Islamic undertones as discussed before. Among such issues are headscarf and Imam-Hatip schools. As sincere as the JDP may be in promoting these issues as part of its democratic and human rights discourse, such issues, however, are not objective indicators of the JDP’s emphasis on rights and liberties. Instead of being comprehensive in nature, these issues explicitly cater to the party’s own constituency. Therefore, an analysis of other issues is imperative to
assess the party position. Two issues stand out given the Turkish political context: longstanding human rights issues of Turkey and EU membership.

a) Human Rights

Turkey does not have a good human rights record compared to most established democracies worldwide. Several issues are continuously mentioned in domestic and international discussions on Turkish human rights record such as the Kurdish issue, the status of ethno-religious minorities such as the Armenians and Orthodox Christians, and the Alawites – the Shia community in Turkey. These issues are also important because often times these are the most politicized issues with respect to human rights and democracy in Turkey.

The Kurdish issue – the demand for greater cultural and ethnic rights for the Kurdish minority, and to a lesser extent the demand for greater regional autonomy for the Kurdish-majority provinces in Southeast Turkey – was a taboo in Turkish politics until less than a decade ago, saw important reforms undertaken by the JDP government, which for the most part is welcomed by Kurds and liberal seculars in Turkey, although significant criticisms are fielded on the limited nature of reforms.

JDP’s Kurdish policy was to undertake revolutionary cultural reforms. Among the reforms undertaken by the JDP were the following: education and broadcasting in Kurdish, state channel broadcasting exclusively in Kurdish, and publishing in Kurdish.

284 Various international reports on human rights point to these issues in their Turkey reports. For example, see U.S. Department of State’s 2009 Human Rights Report: Turkey, or European Parliament’s Turkey Progress Report 2009.
The reforms do not amount to being “revolutionary” as such; yet, when the eight decades-long suppression of Kurds as a distinct ethnic and cultural entity is considered, the change in the statist and nationalist policy is striking. Until 2000, such reforms would only be considered impossible. This emphasis on the cultural aspect of the issue enabled the JDP to couch the reforms undertaken on the issue as part of the democratization efforts required by the EU. This was particularly important in neutralizing potential problems posed by the bureaucracy.

More recently, the JDP announced the Kurdish Opening Initiative, though it was renamed Democratic Opening later on in order to alleviate the concerns of the bureaucracy and nationalists. According to the JDP, the initiative aims to solve longstanding democratization and human rights issues in Turkey, which the party claims are standing in the way of the progress made in economic development and Turkey’s active foreign policy. Despite high-level public discussions of the initiative, the exact contents and extent of the initiative is far from being finalized. However, more importantly, failure to continue on the Kurdish Opening raised questions among liberals as to the will of the JDP government to continue with the initiative. Part of the reason is the political context that the JDP works in. As a political party trying to secure its incumbency in the next elections, the party opted for reforms with minimal destabilizing effects.

While the Kurdish issue received a lot of attention and media exposure, the challenges facing the Alawites (Turkish Shiites) seem to have taken a backseat in comparison in a

predominantly Sunni country. In recent years, the JDP has tried to engage more directly with the Alawite community regarding their demands. First, several prominent Alawites such as Reha Çamuroğlu, İbrahim Yiğit and Hüseyin Tuğcu have joined the ranks of the JDP. The explicit goal in this progressive union was to promote the Alawite initiative of the JDP. Second, the party initiated a series of workshops trying to distill demands of the Alawites, and incorporate them in future reform efforts. These Alawite workshops continued between June 2009 and January 2010 in seven sessions. Even though some Alawite groups did not join the workshops for ideological reasons, a significant majority did become a part of the series.

The Alawite reforms undertaken by the JDP thus far remain limited. One of the reforms concerns the semi-official recognition of Alawite worshipping places, cemevi, as a place of worship. Even though there is such a semi-official recognition, cemevis have not gained legal status as such, which would enable them to benefit from state funding in a similar way as mosques. The Alawite workshop laid out a framework that would enable the cemevis to be officially recognized as a place of worship. Currently, some local funding is diverted to support cemevis in an ad hoc manner. Another outcome of the Alawite workshops is the change envisioned for religion classes in schools. The proposed changes suggest either the canceling of these courses altogether, or their transformation

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286 Traditionally, Alawites in Turkey have been associated with secular and socialist political discourse along the lines of the RPP. The level of tension between conservative peripheral constituency and the Alawites are the most between any two social groups in Turkey.
288 A point also mentioned by a local JDP official in Gaziantep. Adil Tekin, personal interview, September 17, 2008, Gaziantep.
into a comprehensive religious history course. Either way, the Alawites would be relieved of the required Sunni indoctrination, argue the Alawites.

Historically, Armenians and the Greek Orthodox community have enjoyed little to no privileges pertaining to their religious and cultural identities beyond Turkish citizenship. Similar to the reforms regarding Kurds and Alawites, reform for the Armenian and Greek Orthodox communities has been slowcoming and limited. The limited reforms in this area are also couched mostly within the framework of EU membership and democratization. Prime Minister Erdogan, describes some of these reforms his government undertook as follows: “For instance we have made changes to the building codes so that they do not refer to ‘mosque’ but to ‘place of religious worship.’ We put government money into restoring the Armenian Church on Lake Van. And we have changed the law to help religious foundations [regain property confiscated by the state]…”

One of the thorniest issues in Turkey regarding the non-Muslim communities is the issue of religious schools. A case between the Turkish state and the Greek Orthodox Church in Istanbul over the Heybeliada Greek Orthodox Seminary became an international issue. Since 1971, the Greek Orthodox Church has demanded the reopening of the seminary. The Church claims that the Greek Orthodox population in Turkey is very limited, preventing the Church from maintaining its very existence in terms of personnel. Gareth Jenkins explains that, “the requirement that the Greek Orthodox Patriarch be a Turkish

\[289\] See the Erdogan interview: “We are not Rooted in Religion,” *Newsweek*, May 12, 2008.
citizen is creating increasing problems for the Orthodox community given their rapidly dwindling numbers and their inability to train clergy in Turkey.” Nonetheless, the Turkish government, as the official state policy, does not recognize the ecumenical role of the Church since the 1923 Lausanne Treaty.

The JDP’s largely accommodative approach to religious minorities in Turkey, indeed, drew the Armenian community’s support for the party prior to the legislative elections in 2007. According to a statement made by the Church’s Legal Commission Member Sebu Aslangil, there is a tendency to support the JDP in the Armenian community. In this support, the JDP’s extensive efforts in passing the Foundations Law were influential recognizing the demands of the Armenian community.

Aside from these issues, the JDP undertook reforms to improve human rights issues. Among such is the infamous Article 301 (of the constitution?). Long renowned to be a means to keep those individuals in check who are critical of Turkishness and Turkish state, Article 301 limited freedom of expression, especially for intellectuals. In essence, the article requires prosecution of those who offend Turkishness and the Turkish state, an offense quite malleable and subjective in its formulation. Many likened the article to Damocles’ sword hanging over Turkish democracy. Among those prosecuted under Article 301 is Orhan Pamuk, the well-known novelist and the first Turk to win the Nobel Prize in literature. While the JDP government was able to make changes in the article,

290 Jenkins 2004.  
particularly in its practical application rather than its substance, the change is far from what Turkish liberals wanted to see. The change required the president to authorize the prosecution prior to any official action is taken by the judiciary; this was a compromise solution to a political crime. Nonetheless, the change is expected to stop the “wanton application” of the law.\footnote{Sabrina Tavernise, “Turkey to Alter Speech Law,” \textit{New York Times}, January 25, 2008.} Also, as part of the effort to harmonize the Turkish judicial system with EU standards and to ensure the removal of remnants of military oversight over civilian rule, the JDP passed legislation to eliminate State Security Courts and to reform the National Security Council to ensure civilian majority in its first term in government.

\textbf{b) EU membership}

The JDP’s position on Turkish membership to the EU is one of the clearest testaments to the democratic credentials of the party. The JDP, according to the most recent party program, unequivocally supports membership to the EU: “Turkey shall rapidly fulfill its promises in its relations with the European Union and the conditions, which the union demands of other candidate nations as well. Thus, it shall prevent the occupation of the agenda with artificial problems.”\footnote{JDP Party Program 2007, Section 6.} The original party program relates democracy and the EU membership and states that democracy in turkey should be made compatible with the standards in the EU and the national legal adaptations should be made to comply with the Copenhagen criteria.\footnote{JDP Party Program 2001, Section 2.5.} Since the 1960s, EU membership represents one of the ideals of the Turkish Republic, in line with Ataturk’s dictum that Turkey’s goal is to “reach the
level of contemporary civilizations.” In this regard, the JDP’s position on the EU membership is not “sincere” for many among the secularist; the issue represents a way out of the secular duress domestically.

Alternatively, one could argue that the main thrust behind the JDP’s favorable position on the EU is the long-standing state policy on EU membership and the demands of the EU to that end. However, two factors indicate that the party’s EU policy is, in fact, genuine. First, the party’s position on the EU, as it stands, is at odds with the majoritarian tendency of the Islamist NOM. The Copenhagen Criteria declare pluralist democracy and individual liberties as one of the two criteria for EU membership, the second of which is a functioning market economy. Denemeç, referring to the Copenhagen Criteria, stated that “it is impossible for a country in the EU not to be a democracy.” The JDP’s wholehearted espousal of EU membership is at odds with the old-fashioned Islamist opposition to the EU as a “Christian Club.”

A leading Islamist intellectual, Abdurrahman Dilipak, once put the issue as follows: “If Turkey enters the EU, then we should comply with European Parliament decisions. We should know that the parliamentarians from the first day will try to establish an Armenia and Pontus in the Eastern Black Sea and reinstate the Byzantium Empire in Istanbul. If Turkey becomes a member, this will enable Israel to have a chance at membership, and then Turkey will be asked to merge with Israel.” The sharp contrast between the JDP’s position on EU membership and that of the Islamist platform in Turkey leaves little room for doubt on

296 Gunes-Ayata 2003, 216.
the extent of the divergence. Indeed, according to party officials, the major rallying points in terms of the democratic credentials of the JDP are its EU membership efforts297 and intraparty democracy – the extent that democratic procedures are upheld within the party itself.298

Secondly, if the JDP was fundamentally opposed to the EU and used the issue instrumentally, the expectation would be to see the party as “reluctant” reformers moving towards membership at best. Yet, the JDP, especially in its first spell in government between 2002 and 2007, made EU membership its priority, obtaining candidacy status in December of 2004 as a result of extensive reforms designed to meet the EU criteria. Yaşar Yakış, the chairman of the Turkish Parliament’s EU Integration Committee, pointed to the popular demand for democracy as a justification for the JDP’s EU pursuit: “The response of survey respondents [conducted with 42,000 subjects in Turkey in 2000] indicated that the people’s priority was not Islam but rather democracy, employment, and the economy...until now, our efforts to complete EU reforms with will and steadfast resolution are in a way to establish democracy in Turkey on firm grounds.”299

Overall, it is possible to agree with Kosebalaban’s observation that the JDP views the EU membership as an opportunity for increased democratization in Turkey.300 Gunes-Ayata makes a similar observation: “There is no question about the sincerity of the AKP [JDP] in this new endeavour. Integration with the EU is one of their major projects, through

297 Yakis interview, 2008.
298 Memecan interview, 2008.
299 Yakis interview, 2008.
300 Kosebalaban 2005.
which they are hoping to change the structure of the state towards more pluralism, human rights and fuller democracy.”

**c) Criticisms**

Criticisms from various corners have also been leveled against the JDP in its democratic and human rights credentials. First and foremost, the party is accused of being “democrat to itself” rather than being a general advocate of democracy and human rights in Turkey, which at times the party claims. According to this criticism, the JDP did not show the same level of democratic idealism when other parties faced similar ban cases as it did in 2007. The most illustrious case is that of now-banned Kurdish Demokratik Toplum Partisi (DTP). In principle, the JDP was much less vocal in its opposition to banning political parties when the issue was the DTP instead of the JDP itself.

Another issue that is brought up is the semi-determined manner that human rights are advocated by the JDP. In particular, the party’s determinism on issues framed as part of human rights such as the headscarf and Imam-Hatip schools is compared to the way it handles other human rights issues. The criticism is that in the face of even the slightest opposition, the JDP backs down swiftly. A recent example is the public discussions on a new constitution. One of the main elements of the JDP’s electoral manifesto in 2007 elections was a new constitution. The current constitution drafted under the guidance of the military government in 1982 is considered one of the main obstacles in front of rights

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301 Gunes-Ayata 2003, 217.
302 In interviews and other public statements, JDP officials did oppose the banning of all parties; Denemec, Yakis, personal interviews. The same level of opposition against from the JDP banning political parties did not follow when the Constitutional Court decided on the DTP case, however.
and liberties in Turkey. Integrating the “lessons” of the chaotic period in the late 1970s, the individual was made subservient to the vague and malleable idea of “state interest”.

The JDP, in an effort to initiate public discussions on the issue, publicized the first draft prepared by one of the most respected constitutional scholars of the country, Ergun Ozbudun of Bilkent University. Despite the fact that Ozbudun is known as a secular and liberal intellectual, opposition mounted against the draft that it was in violation of the long-upheld secularism principle. Devoid of any real substance, the opposition to the constitution from secular corners such as the judiciary and the RPP was sufficient for the JDP to back down on its proposal. To JDP’s credit, it can partly be attributed to a self-defense mechanism. The proposal coincided with the Constitutional Court case to ban the party; hence, it can be reasoned that to ensure survival, the party chose to shelve the draft indefinitely. The judiciary in Turkey is notorious for being statist, pro-status quo, and against the JDP on all grounds. Hence, the party had little doubt in the face of such opposition that the barely-avoided banning of the party in 2008 would be a reality in the next case.

Although imperfect, the JDP as a party has sound democratic credentials. The party’s stance is neither revolutionary nor undemocratic with respect to democracy, yet it seems that for the JDP the expectations on the benefits of a democratic, and hence reformist, discourse exceeds the costs associated with a non-democratic discourse. Such rational approach to democracy, simultaneously, does not require the individual members of the party to be more democratic than their counterparts in other parties, yet ensures
democratic credentials of the JDP.\textsuperscript{303} The following observation sums it up: “The JDP is not a revolutionary, reformist, modernizing, aggressive party; if it was, we would have seen them change the political parties law and electoral laws, decrease the national threshold, end the dominance of party leaders, and demonstrate us they are different from others [parties] in their style [of politics]. No, they, just as others, wanted to rule with minimal loss of energy, and see what lies ahead when in power; that did not happen. The developments forced the JDP to adopt the role of a wrestler the-victim-of-the-fate who must struggle with the status quo when the party was content with the role of a moderate reformer.”\textsuperscript{304}

**Periphery and Democracy**

Based on the personal interviews I conducted, democracy is one of the most important political preferences of peripheral businessmen in Turkey. In what follows, I will first summarize what peripheral businessmen make of democracy, and then explain the reasoning behind their preference for it. For many businessmen, democracy is a way to express individual opinions, especially as they pertain to politics, through the formal mechanism of elections. However, quite a few go beyond the minimalist/formal definition of democracy. Some support the idea that democracy is important for the whole society in its entirety with emphasis on “respect for human rights”.\textsuperscript{305} A businessman in electronics views democracy as a participatory process on the part of

\textsuperscript{303} Halide Incekara, interview, September 11, 2008, Istanbul (JDP deputy).
\textsuperscript{305} TR-3-B interview, 2008.
citizens at every level: “I see democracy more as participatory democracy. All segments of the society should participate in governance, decisions and efforts. It is not only voting in elections, it is more than that. This [participation] ensures that the society is more creative, open to innovations, and more competitive.”\textsuperscript{306} Another businessman drew attention to the insufficiency of formal democracy as it opens a leeway for the manipulation of the majority [the periphery] by the minority [the center] without real progress toward democratic ideals like the Apartheid in South Africa: “Democracy is conventionally defined as the rule of the people, but that is not the case in Turkey. The minority displays odd behavior in order to govern over the majority; this is not called democracy.”\textsuperscript{307}

As it seems clear, peripheral businessmen largely embrace the principles of democracy and support the JDP; but the critical question is why. What does this democratic preference imply for the material interests of these businesses? And why is the JDP the party that they support as a means to achieve those ends? An overwhelming majority of the businessmen viewed democracy as beneficial for their own businesses.\textsuperscript{308} When asked why, a number of different justifications were offered. Political stability is one of the oft-cited responses. Democracy is viewed as critical to continued stability in politics, which

\textsuperscript{307} TR-6-B interview, 2008. The reference here is to the republican rallies prior to the presidential elections in 2007. When the JDP candidate Abdullah Gul had the support of a majority both in the parliament and among the electorate according to surveys, a secular group vehemently opposed Gul’s candidacy on the grounds that he was anti-secular. The RPP was one of the key actors in these rallies.
\textsuperscript{308} TR-7-B interview, 2008.
ultimately affects the level of uncertainty in the system as discussed above in the role of Islam section.\textsuperscript{309}

A second explanation of why democracy is preferred is the expectation that democracy will ensure the rule of law.\textsuperscript{310} A businessman in textiles explains as follows: “Of course, democracy is important for me because of the rule of law, and the systematized functioning of business. When you operate in an undemocratic environment, you are bound by people’s whims and spontaneous reflexes. I don’t have to be friendly with everyone; if the laws apply equally, I don’t need to seek favoritism. I will have the opportunity to defend my rights without hesitation. In the past, it was not like this; the maturation of democracy is important in this regard.”\textsuperscript{311} Another businessman echoes similar ideas about democracy and the rule of law: “Because democracy permeates all parts of our lives, we are able to conduct business and trade. Why? I sell goods to a person, but I know that if I do come across any problems, I have the invoice in hand. I can go to court, and collect my debt one way or another. This is due to democracy…democracy is an essential condition of the rule of law.”\textsuperscript{312}

As much as the domestic significance of the rule of law is highlighted, others rightly drew attention to the necessity of the entrenchment of rule of law to attract foreign investment.\textsuperscript{313} Similarly, another businessman compares Iran and Turkey and the level of foreign investment: “…We research many countries for investment, this

\textsuperscript{310} TR-15-B interview, 2008.
\textsuperscript{311} TR-11-B interview, 2008.
\textsuperscript{312} TR-10-B interview, 2008.
\textsuperscript{313} TR-15-B interview, 2008.
is our job as businessmen. We will go anywhere we see profit, we will go anywhere we see opportunities for profit. In this sense, the first thing we look for is democracy. Everything else comes after that. We want to believe that democracy reigns because if there is democracy you can solve your problems easily. But if there is no democracy, investment in that country is not feasible. Why do people not go to Iran and invest there? It’s because they don’t believe there is democracy in Iran. Yet, the very same people come to Turkey for investment because there is democracy.”

A closely related but distinct reason for democratic support is the transparency that democracy is expected to court. Specifically, a businessman questions the limited extent of transparency in governance, and, as an example challenges the secrecy/mystery surrounding Istanbul’s local budget: “Today, no one can tell Istanbul’s municipal budget, which is larger than many states throughout the world, nor can they determine the sources of revenue and how the money is spent. This is because there is no such announcement or statement. However, I think such statements should be made in the 21st century when transparency became standard.” In contrast, however, another businessman appears to be satisfied with the progress on transparency, which he attributes to increased democratization and economic liberalization in the country. He cites the example of governmental and privatization bids being broadcast on live TV.

314 TR-6-B interview, 2008.
316 TR-6-B interview, 2008.
317 TR-15-B interview, 2008. In addition to approval of the progress towards more transparency, another businessman also claimed that significant favoritism continues especially on local level bids. TR-19-B interview, 2008.
Arguably, one of the most interesting, and equally important, effects of democracy is stability, according to peripheral businessmen. One business owner with almost $200 million of annual turnover deems democracy to be indispensable to economic stability, and explains the crucial role of economic stability as follows: “For us, it [democracy] is essential for economic stability. Why? Because the investment we will undertake, the production we will make, and others are dependent on this. When you make a sale, nobody pays right away; it [payment] is always in installments. When those payments are not made, if the country is economically or politically unstable, or if you cannot read the future, then those payments will be deferred indefinitely…When the payments are not made, everything in between the production and the sale will be held back…the customer is stuck, machinery is stuck, investment is stuck; what am I to do? I will be stuck as well. Therefore, stability is very important at the micro level.”

Another businessman goes further and argues that political stability is a sine qua non of economic stability: “Political stability and economic stability are inseparable. For example, in the past 6-8 months the cost of the [JDP] banning case was excessively high. We can’t talk about the continuation of economic stability unless there is political stability. In other words, political stability means economic security…it means the flow of economic investment to Turkey. The whole world can easily follow what happens. Hence, political stability and democracy are more important than economic stability, a necessary condition of economic stability.”

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318 TR-10-B interview, 2008.
Several businessmen among the interviewees were engaged in international trade. Several, indeed, focused on the impact of democracy on their investment and trade in the target country. One businessman argues that wherever there is democracy, there is stability; hence, their decision to trade with that country would certainly be “positively” affected by the presence of democracy. Another businessman explained the positive effect of the legal guarantees associated with democracy as follows: “In the last 3-4 years, the incoming foreign direct investment is around $28 billion. It means that we were able to attract the people here [Turkey] because of democracy. As you know, in Turkey there exist both arbitration courts and an opportunity to go to a foreign court in case of disagreements. Thus, this is also what we look for [when we invest]. No one wants to go and invest in a country where they cannot claim their rights. Democracy has such an advantage…When we look at the figures for foreign direct investment into Russia, it is nil, even negative; those investments currently in Russia are also leaving. This is the benefit of democracy for businessmen. They prefer countries where people are trustworthy and free, there is freedom of expression, and the legal defense rights are well-established.”

Along the same lines, another businessman highlighted bureaucratic redtape and associated problems as potentially affecting their decisionmaking as to doing business.

In sum, the businessmen’s strong preference for democracy bodes well for the JDP’s commitment to it, since the peripheral business sector forms an important part of its base.

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321 TR-6-B interview, 2008.
Potential benefits of democracy include rule of law, transparency, and political and economic stability, which in turn reinforce fairness and equality of opportunity in the economy for the peripheral groups.

**C – Economic Policy**

The course of transformation in Turkish economy since the early 1980s, as discussed in the earlier parts of the chapter, did not leave former Islamists unchanged. Comprehensive economic liberalization reforms precipitated wide-ranging social changes in the periphery, particularly among SMEs. Seeking to represent and address preferences of the periphery, a substantial difference emerged in the economic discourse of the JDP as compared to the Islamist discourse. The JDP has a strong preference for a market-oriented liberal economy. : “Our party supports functioning of the market economy with all its institutions and rules.” Well-aware of the implications of a strong and liberal economy, the party program does not have any qualms about economic liberalization. Serdar Sen points out the distinctive perspectives on the economy of the JDP and the NOM by making the following observation: “…instead of making statements indicating outright propaganda, a new holistic framework is drawn [in the JDP program] where goals are set forth, and the methods and tools to reach these goals are described.” In this regard, the JDP’s economic policy can be analyzed by looking at two broad issues. The first one is the state’s role in the economy. The second one is integration into the global economy in trade, the financial sector, and foreign direct investment.

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324 Sen 2004, 73.
a) State’s Role in the Economy

According to the JDP program, the state should only assume a minimal regulatory role in the economy: “[our party] embraces the notion that the state, in principle, should be outside of all kinds of economic activity. It defines the economic function of the state as regulation and supervision.”

 Nonetheless, this renewed understanding of the role of the state has implications for two groups. On the one hand, the state will endeavor to remove/minimize barriers in front of liberalization and integration into the global economy by stripping itself of an active role in the economy. The regulation of economic activity to enable the market forces to determine who benefits and who loses is the most important responsibility of the state in this new period, according to the JDP. The private sector’s role in the economy is reinforced by active restraint on the part of the state. This would go hand in hand with the provision of incentives and subsidies to businesses when needed in global competition. The party’s increased support for SMEs in terms of exports and R&D funds in recent years can be viewed in this light.

Considered from the perspective of a developing country, it is justified by the party to maintain its competitive edge in the global markets.

Indeed, the state cannot remove itself from the economy overnight. Turkey, as other economies in the region, comes from a strong tradition of statism. The state historically made its presence felt at every inch of the economy. Especially important are the state owned enterprises (SOEs). Privatization of SOEs conveys a strong message that the state

325 JDP Party Program 2001, article 3.1
326 Yakis interview, 2008. Omer Bolat, the former president of MUSIAD, also draws attention to the same point. See Bolat 2007.
is withdrawing from the economy. According to the JDP program, the party “views privatization as an important tool in the creation of a more rational economic infrastructure.”

Privatization in its entirety carries a number of implications. As mentioned above, the state is leaving the economy to private actors. But at the same time the state is giving up an important tool of distribution and a patronage network. Simultaneously, SOEs provide employment beyond economically efficient levels for a significant portion of the population, and provide inputs and consumer products at below market prices. Protected businesses and the urban population benefit from politically-motivated decisionmaking mechanisms in SOEs.

On the other hand, the state also commits itself to address the demands of the potential losers in this path of liberalization and privatization through an extensive social protection network. In other words, the state assumes a dual role. While trying to minimize its involvement to engage in full-scale liberalization, recognizing the fact that there will be losers in this process it embraces these losses on the grounds that benefits of liberalization outweigh its costs.

Throughout the 1990s, the Islamist Welfare Party (WP) made a deliberate attempt at pointing out the big businesses and complaining about the way the economy is handled with no specific policy alternative. WP leader Erbakan stated that, “…we are not set against privatization or free enterprise. We are against copycat parties’ current

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applications. [The party] is against the offering of the state [resources] to certain individuals and entities. It will protect the rights of the state on every issue. The Welfare Party absolutely rejects the notion that private sector consists of a number of monopolies, and that all the citizens drift into economic hardship. It advocates the Just Economic Order, which will enable all social classes to live humanly.\textsuperscript{328} Here, we see a clear difference between the Islamist discourse of the WP and the JDP’s liberal economic discourse. While the WP criticizes privatization as a way of creating monopolies and underscores the need to distribute wealth, the JDP focuses on increasing the economic space available for private sector, which in turn opens up new opportunities including the party’s own base, i.e., SMEs.

The successor to the WP, the Virtue Party (VP), portrays a more favorable view of economic policymaking with respect to liberalization and the role of the state. “When possible, it is necessary to exclude the state from commercial and industrial activities, and have the private sector undertake such activities. The state will undertake security, justice, education, healthcare and infrastructure as part of its essential functions; it [the state] will provide, as the overseer and guide, and all the conditions of free market economy in order for the private sector to develop.”\textsuperscript{329} On privatization, the VP states the following: “Privatization will be emphasized to create an economy where market forces dominate, monopolies and oligopolies are broken, capital is distributed to the lower classes, competition is established in a productive economic structure through the use of

\textsuperscript{328} Welfare Party 4\textsuperscript{th} National Congress Opening Speech by Necmettin Erbakan, quoted in Sen 2004, 106.
\textsuperscript{329} VP Party Program 1999, 15.
new technologies, and finally market economy functions within its rules providing the state with the new revenue to finance new state infrastructure.\textsuperscript{330} One potential explanation for the more liberal discourse of the VP is certainly the influence of the large number of reformist members within the party. However, the nationalist economic discourse of the (Felicity Party) FP is striking. The FP, in a period of full-scale liberalization, makes assumptions on the part of the private sector and assigns a significant role to the state: “The state will take the necessary measures to prevent cartelization, monopolization, black market and unfair competition, and to remove those obstacles making production more difficult…state investments will be limited to those areas where the private sector does not show much interest such as infrastructure, health and education, and the areas deemed too sensitive to leave in the hands of the private sector such as some defense industry investments.”\textsuperscript{331} The regression of the FP from the fairly liberal economic stance of the VP to a more protectionist and nationalist position is indicative of the separation the JDP and the FP in terms of their overall discourse.

Overall, the JDP views its role to be limited to the creation of the optimal environment for a dynamic private sector, a significant portion of which consists of SMEs. Any active role for the state is seen to be in violation of the regulatory role of the state. Indeed, such conceptualization fits well with a competitive economic liberalization model where the state offers opportunities to economic actors rather than the benefits themselves.

\textsuperscript{330} VP Party Program 1999, 17-18.
\textsuperscript{331} FP Party Program 2001, article 4.4.
b) Economic Liberalization

The JDP’s position on economic liberalization is unequivocally clear. The JDP espouses comprehensive economic liberalization with specific policy proposals on how to deepen Turkey’s integration into the global economy in sharp contrast to Islamist parties. Integration into the global economy has always met with skeptical eyes among Islamists; the perception was that Turkey would be subjugated to the dominant market forces, which were primarily from non-Muslim sources. This was a reflection of both the nationalist conception of Islamists toward the economy and cynicism towards trade with non-Muslim countries, Western countries in particular. The nationalist discourse of Islamist parties is a legacy of the closed economy and a response to the exclusion of the peripheral groups from the economy. The protectionist and nationalist discourse in the economy carried well into the post-liberalization period for the Islamists. In particular, the NOM under Erbakan’s leadership fielded strong reservations against the customs union with the EU in the mid-1990s. The NOM highlighted economic redistribution rather than economic liberalization: “Our party accepts it as a fundamental principle to take up measures in order to distribute welfare justly to the lower classes, and to overcome inequalities across regions and classes.”

Today, reservations against a liberal economy continue with the Felicity Party; instead, emphasis is on national and protectionist policies. For example, Numan Kurtulmuş, the FP leader, recently emphasized their espousal of “national solutions” and opposition to

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all solutions that do not place Turkey at the center. The FP views the economy as more of an extension of rentierism. According to the FP program, the reason for the creation of a rentier economy in Turkey is “the ability of a small rentier group to shape decisionmaking mechanisms by bringing its active cadres to positions of power via its capital and media power.”

As part of its economic platform, the JDP highlights two specific components of economic liberalization: Trade and the financial sector. The economic liberalization of the early 1980s is mentioned as one of the turning points in Turkish history by several members of the JDP. Turgut Ozal, the man behind the liberalization reforms and also the former prime minister and president, was fondly remembered by JDP members with whom I conducted interviews. More specifically on trade, the JDP recognizes some difficulties and problems associated with the liberalization process. Yet, instead of lambasting liberalization for these problems in the economy, the JDP announced its commitment to liberalization in the first place, and then laid out a policy framework to address these issues. Instead of halting or reversing liberalization on account of its associated difficulties, the JDP offered ways to overcome these problems within the confines of an open economy. Specifically, the JDP pursued a two-pronged policy to this end. On the one hand, the party as the government encouraged the growth of exports as a way to secure Turkey’s share in the global marketplace. Customs union with the EU or

334 Sen 2004, 76.
335 Denemec, Ozbayrak, Tekin interviews.
other trade agreements are viewed as an opportunity rather than a threat. On the other hand, the JDP government expanded the scope of liberalization via a policy of bilateral trade agreements in the developing world including its immediate neighborhood. The JDP government program puts it as follows: “The structure and content of [governmental] action plans will rest on the idea that Turkey shall be the supermarket of the region and sustain it.” In this regard, the JDP’s emphasis on international trade is a strong indicator of their liberal conception of economic integration to the world.

Indeed, in the six years from 2002 until 2008, Turkey’s exports have quadrupled from $30 billion to more than $120 billion without oil income (Table 1). This was largely due to the success of “Anatolian Tigers” as JDP officials put it referring to the non-Istanbul based SMEs throughout Turkey. In contrast to Islamist parties, criticism of liberalization, if any, is not leveled against its excessive nature, but against its limitedness. The peripheral businesses, as discussed above, have been one of the winning groups as a result of liberal economic policies.

336 Ozbayrak interview, 2008.
<table>
<thead>
<tr>
<th>Year</th>
<th>EU</th>
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<th>Africa</th>
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<td>47.01</td>
<td>19.19</td>
<td>10.18</td>
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<tr>
<td>2008</td>
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<td>25.43</td>
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<td>2007</td>
<td>60.40</td>
<td>15.08</td>
<td>5.97</td>
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<tr>
<td>2006</td>
<td>47.93</td>
<td>11.31</td>
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<td>36.58</td>
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<td>2003</td>
<td>27.39</td>
<td>5.46</td>
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<td>2002</td>
<td>20.41</td>
<td>3.44</td>
<td>1.69</td>
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<tr>
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<td>1.52</td>
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<td>2000</td>
<td>15.66</td>
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<tr>
<td>1999</td>
<td>15.42</td>
<td>2.56</td>
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<tr>
<td>1998</td>
<td>14.81</td>
<td>2.68</td>
<td>1.82</td>
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<tr>
<td>1997</td>
<td>13.43</td>
<td>2.82</td>
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<tr>
<td>1996</td>
<td>12.56</td>
<td>2.59</td>
<td>1.16</td>
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Table 11. Turkish Exports by Region (Billion $), Source Turkish Statistical Institute.

By contrast, the position of the Islamist Felicity Party is more critical of the increasing prosperity of the conservative and peripheral constituency in Turkey. For instance, the FP leader Numan Kurtulmus argues that the public sector is viewed by some as a mechanism to enrich a group of people rather than the whole country: “This was the same during the previous government, and now it is no different. The only difference is that now it is the bearded and veiled people who ride SUVs as compared to others before.”\(^{340}\) The FP’s Istanbul mayoral candidate in 2009 local elections echoed Kurtulmus’ views on the issue when he said, “SUVs and headscarf cannot go together.”\(^{341}\)


Financial liberalization constitutes another element of the party’s economic policy. The party recognizes the importance of the financial sector as follows: “The financial services sector plays an important role in the system of economic structure and in the network of relations, due to the strong forward and backward connections it possesses. Having an important role in the supply of money and purchasing power and its transfer into the economy, it is essential that financial institutions should operate efficiently and productively.”\textsuperscript{342} Building on this recognition, the JDP pursues a two-pronged approach to financial liberalization. On the one hand, the party wants to ensure that the fundamentals of the economy are sound and political stability reigns in Turkey, the absence of which prevent any progress in this sector, according to the party: “In the last two decades, Turkey has taken important steps in trade and capital movement towards integrating into the international system. The integration in trade has positively affected welfare. However the integration in capital flows causes significant problems because of the absence of economic and financial stability.”\textsuperscript{343} This observation builds on the financial and economic crisis Turkey experienced in 2001. Secondly, the JDP envisions Turkey becoming a major point of attraction in the region: “Our government’s vision on the financial sector centers on the goal of strengthening the environment that will increase the preferability of Turkey as a regional financial hub.”\textsuperscript{344} The investment figures below show a clear trend in attracting regional capital to the credit of the JDP (Table 12).

\textsuperscript{342} JDP Party Program 2007, section 3.7.  
\textsuperscript{343} JDP Electoral Manifesto 2002.  
\textsuperscript{344} JDP 59\textsuperscript{th} Government Program, 18 March 2003.
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<tr>
<th></th>
<th>2002</th>
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<td>555</td>
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<tr>
<td>Africa</td>
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<td>--</td>
<td>3</td>
<td>21</td>
<td>5</td>
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<td>U.S.A.</td>
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<td>52</td>
<td>36</td>
<td>88</td>
<td>848</td>
<td>4,212</td>
<td>859</td>
<td>236</td>
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<tr>
<td>Canada</td>
<td>7</td>
<td>6</td>
<td>61</td>
<td>26</td>
<td>121</td>
<td>11</td>
<td>24</td>
<td>52</td>
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<td>Central-South America</td>
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<td>0</td>
<td>--</td>
<td>8</td>
<td>33</td>
<td>494</td>
<td>60</td>
<td>16</td>
</tr>
<tr>
<td>Middle East</td>
<td>0</td>
<td>1</td>
<td>54</td>
<td>1,678</td>
<td>1,910</td>
<td>608</td>
<td>2,130</td>
<td>262</td>
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<tr>
<td>Other Asian Countries</td>
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<td>59</td>
<td>6</td>
<td>78</td>
<td>17</td>
<td>797</td>
<td>160</td>
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<td>115</td>
<td>36</td>
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<td>Total</td>
<td>622</td>
<td>745</td>
<td>1,190</td>
<td>8,535</td>
<td>17,639</td>
<td>19,136</td>
<td>14,709</td>
<td>5,775</td>
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Table 12. International Direct Investment Inflow by Region (Billion $), Source: Turkish Treasury.

**Periphery and Economy**

Peripheral businesses demonstrated that they clearly prefer a liberal economy, particularly if the comparison is the pre-liberalization Turkish economy. Several businessmen complained about the state of the pre-liberalization economy for various reasons. Some lamented the official state policy on the provision of subsidies and incentives only to “big businesses”, which ultimately led to monopolization in the economy. Others attributed the absence of economic development and industrialization to the constraints in front of international trade and financing. “Special permits” were required for imports of machinery, exports, foreign currency or international credit, which was ultimately determined by political connections rather than economic

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345 TR-3-B interview, 2008.
considerations.\(^{346}\) The encompassing nature of economic liberalization initiated by Ozal contrasts sharply with the pre-1980 picture, especially in the context of Anatolian cities as opposed to the home of big capital, i.e., Istanbul.\(^{347}\)

Peripheral businessmen’s preferences centered around two major themes: the state’s role and deepening of economic liberalization. Both are consistent with the JDP platform. The state, for many businessmen, should limit itself to regulation of the economy for a better business climate and to a number of sectors where it can provide services for the public good rather than engage in “commerce”: “The state must relinquish its stakes in the economy. In the contemporary world we live in, the state should collect the taxes, be fair to everyone, provide fair competition conditions for everyone, provide health care, establish the rule of law, ensure security…In this regard, the state [in Turkey] is evolving towards this ideal.”\(^{348}\)

The more important question is, however, why these businesses prefer a liberal economy. A major businessman in the furniture sector draws attention to the investment aspect of the new role of the state, that is regulation: “As a businessman, I only expect regulation and supervision from the state. Of course, we do understand that when the Turkish Republic was established, the state had to undertake all kinds of commercial and industrial activities due to the absence of private capital. Yet, it’s been years since even the Communist Bloc completed its privatization…The state should regulate the investment climate. If you have not established the infrastructure yet, you will not be able

\(^{346}\) TR-10-B, TR-16-B, TR-7-B interviews.

\(^{347}\) TR-11-B interview, 2008.

\(^{348}\) TR-11-B interview, 2008; TR-6-B interview, 2008.
to attract people and have them invest here.”

Others likened this preparation of the investment climate to removal of mines: “I expect the state to remove the obstacles in front of Turkish industrialists. As an industrialist, I think we can run as we are expected to do so long as the [economic] terrain is cleared of rocks and mines, so to speak.”

Another businessman emphasized the damaging effects of state intervention in the economy by drawing attention to the rampant favoritism that existed prior to economic liberalization, and added that the state should reduce the “labor and electricity costs” in order to stimulate investments. Other businessmen concurred with this sentiment and added a reduction in interest rates and depreciation of the currency to the demand list from the state.

Along the same lines, the absence of the state from the economy implies a competitive economic environment, which almost all peripheral businesses seem to support by highlighting the equality of opportunity in the economy. Others, however, took a broader perspective on liberalization and emphasized the overall impact on the Turkish economy: “When we are not limited to the banks in Turkey, and can search for credit in banks abroad, we can make new investments in Turkey. Hence, the simplification and liberalization of all such procedures and the decreasing number of bureaucratic procedures contributes to the development of Turkish industry.”

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349 TR-6-B interview, 2008.
350 TR-7-B interview, 2008.
351 TR-8-B interview, 2008.
The emphasis on the second economic preference, the deepening of liberalization, is particularly telling in revealing peripheral businesses’ interest in openness. Even though the period between 1980 and the early 2000s is viewed as being greatly conducive to the development of the Turkish economy in general and their businesses in particular, some businessmen explicitly referred to a qualitative distinction between the pre-2002 and post-2002 periods. Some even went as far as calling the post-2002 period the “second liberalization”. The main difference between the two periods was the inflation rate: “During that period inflation rate was quite high and companies were working inefficiently, but thanks to the high rate of inflation they were able to sell their products. The goods they produced would experience a price increase within a year at the 50-60% inflation rates. Thus, in such price increases companies would profit whatever they sold, yet they were not efficient. In other words, a production-cost analysis in a real sense was not being conducted in order to reduce production costs. And, the state was a part of this cycle with the regular devaluations it offered to the business sector in order to keep the exports at a certain level. In the post-2000 period, the economy reached its true indicators. Following the economic crisis in 2001, a second liberalization, that is a real liberalization, enabled us to make cost analysis. Efficient companies survived. That is, you can only do business with your own efforts, productivity, work, and capability. The economy got rid of such diseases for the most part.”

Another businessman in the textile sector explains his experience with the second wave of “liberalization” as follows: “The last 5-7 years have been an adaptation period. We

made a turn to become a low inflation economy from being a high inflation case. In the long term, this is a beneficial process, yet in the short term the adaptation was difficult including my own firm. But we have adjusted at this time. We have organized the structure of our company accordingly.”

Other businessmen perceived the next step in deepening liberalization to be a systematic attempt to engage with other countries via free trade agreements and similar structures: “The priority should be in liberalizing Turkish economy not in terms of its domestic market but integrating with the global economic integration; the domestic market is not important anymore. Recently, in *Dunya* economic daily, I’ve seen that the CEO of a construction firm had a statement saying that they were not interested in foreign business below $100 million. This is excellent; their benchmark for doing business is almost $300-$400 million. This is a good indicator demonstrating how far the country has come. When this is the case, the state cannot simply go ahead and ask them to limit themselves to the domestic market; that would be going against the current.”

Another businessman, in a similar way, focused on international engagement; however, he points out political/bureaucratic difficulties standing in the way of trade, and calls for greater political activism on the part of the state to eliminate non-economic obstacles in front of international trade such as visa requirements.

357 TR-10-B interview, 2008.
D – Social Spending

In this section, I discuss a different aspect of the JDP’s party platform, that is social policy. This shift in focus rests on the fact that the electoral coalition that supports the party is made up of two groups: peripheral businesses – discussed in the previous sections of this chapter – and peripheral masses – to be discussed below. Social spending is a way to address the potential losers of a liberalizing economy. A brief survey of the social policy positions of NOM parties and its contrast with the JDP’s approach to the issue demonstrate the JDP’s distinct understanding of the salience of this aspect of the party platform. Historically, the NOM viewed the issue of social policy as one of social mutual aid.360 In doing so, a traditional conceptualization of individuals’ social responsibilities is highlighted. Though an institutional structure to that end is supported, the state is recognized as being capable of failing to systematically provide social protection. In order to fix this state failure, the MNP – first political party of NOM – offered the development of “social mutual aid institutions” as a solution. This loose network is projected to offer help to a wide array of social groups such as those affected by natural disasters, those who cannot work, those who are unemployed, poor students, children in need of protection, senior citizens, widows, and orphans.361

The more contemporary parties of the NOM follow along the same line by emphasizing values and culture as a justification to their pro-social policy positions. The Virtue Party draws attention to the waning tradition of social help, and offers state intervention as a way to address this problem: “As in every society in the world, the idea of social mutual

361 MNP Party Program 1970, article 17.
aid and solidarity weakens day by day. The number of handicapped and hungry people increases constantly. Although the idea of protection and watching after the poor and handicapped people is widely accepted thanks to our nation’s faith, it is evident that continuing such efforts at an individual level is difficult in contemporary circumstances.”

For the FP, the crux of the issue rests on the combination of the faith-culture edifice of the society and state social security institution: “We believe that the aforementioned faith and culture structure of our [society] is the insurance of the social security that we aspire to establish. We need to protect this structure of ours carefully and do our best to improve it. It is because the established systems may face a crisis at any moment, and collapse. Even those countries with a strong economy face difficulties in sustaining their social security systems.”

The JDP, on the other hand, views social policy in a significantly different light. First and foremost, social protection is viewed as a right on the part of the citizens. The state has a responsibility to provide such services: “Our party [JDP] understands social security as a constitutional right and accepts it as the responsibility of the state to ensure that every citizen benefits from this right.”

The underlying rationale in the provision of social protection differs from the more traditional view of the NOM. The basic thrust behind the increased state responsibility in providing social protection is industrialization and increased urbanization. In essence, socioeconomic transformation lies at the origin of the problem, according to the JDP. The dislocations associated with a new socioeconomic

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364 JDP Party Program 2007, article 5.5.
365 JDP Party Program 2007, article 5.5.
structure systematically leave some in a disadvantaged position. The goal is to address such dislocations suffered by the “less fortunate” population making up the base of the JDP.\textsuperscript{366} Such dislocations may arise from privatization of SOEs as discussed above, restructuring of firms to adapt to a liberal economy, or the end of distributive policies of the statist era. On social policies, the JDP clearly has a vision to address a structural problem in a legalistic framework, whereas the NOM adheres to a more \textit{ad hoc} framework based on culture and faith, i.e., Islam. This focus on social spending has increased the JDP’s credibility as a social-democrat party in European eyes, according to JDP deputy Yakis.\textsuperscript{367} Hence, those who may suffer economic dislocation in a liberalizing economy belong largely to the core constituency of the JDP, peripheral masses, and the JDP has a good reason to be fully supportive of an extensive social safety net.

The data on unemployment benefits during the JDP governments since 2002 support the party’s discourse on social spending (Figures 19 and 20). The number of people benefiting from unemployment insurance since 2002 shows a marked increase over time. Although the hike after October 2008 is mostly due to the recent economic crisis, the trend until that time is a clear indication of the JDP’s policy on compensating the potential losers in the liberal economy. The actual amount of payments in this period follows closely the number of beneficiaries of the unemployment insurance. The data, hence, explains the peripheral masses’ support for the JDP.

\textsuperscript{366} Yakis interview, 2008.  
\textsuperscript{367} Yakis interview, 2008.

Conclusion

In this chapter, I have shown that deep-rooted economic liberalization process in Turkey in the aftermath of 1980 – in the form of competitive liberalization – has shaped the future course of Islamist politics substantially. The extensive economic liberalization reforms undertaken by Turgut Ozal opened up many opportunities for the peripheral small and medium enterprises in Turkish economy and beyond. Such new economic opportunities enabled peripheral businessmen to operate under conditions close to a liberal market economy. What that politically meant for peripheral businessmen was that their political and economic preferences would undergo a major change to reflect their new material interests. Under political and economic conditions where political obstacles to doing business is limited, and business success largely rests on economic conditions rather than political favoritism and intervention, peripheral businessmen underscored democracy, liberal economy and a non-politicized emphasis on Islamic values as political preferences ensuring political and economic stability, rule of law, and low uncertainty – issues of highest concern to peripheral businessmen. The crucial in the Islamist movement in Turkey in the late 1990s and the early 2000s was a direct response to these changes taking place in the periphery. The Justice and Development Party emerging with a Muslim democratic platform duly emphasized Islamic values and social Islam – rather than political Islam –, democratic principles and individual liberties – rather than procedural democracy –, and liberal economy – rather than the nationalist and protectionist economic discourse of Islamists. In addition, the JDP underscored the compensation of the losers of the liberalization process, i.e., peripheral masses, in an
effort to bring the rest of the periphery on board of its new platform. Thus far, the JDP’s new platform seems to have captured the periphery’s changing political preferences. The JDP received the highest voteshare in 2002 and 2007 parliamentary elections. More importantly, the Islamist Felicity Party remained on the edges of the political space in Turkey in the aftermath of JDP’s emergence. The Felicity Party received a meager couple of percentage points of total votes in 2002 and 2007.
Chapter 4

Stuck in the Periphery: Crony Liberalization in Egypt

This chapter introduces a case of crony liberalization, that of Egypt, and examines its impact on the moderation of political Islam and the level of its success in the case of the Egyptian Muslim democratic Wasat Party. By discussing the Egyptian case of crony liberalization, my goal is to demonstrate that the economic liberalization policies – in their entirety and as individual policies such as trade liberalization and privatization – pursued by successive Egyptian governments have shaped the course of Islamist politics in Egypt. Egyptian economic reforms, initially framed as infitah (open door) and later structural adjustment programs, served to create a local class of big businessmen with interests directly tied to their connections with the political elite. The distorted nature of economic liberalization, which I earlier called crony liberalization in Chapter Two, enabled this group of crony businessmen to maintain its privileged access to state resources, credit and domestic market. This outcome was largely due to the selective nature of liberalization policies being applied in Egypt. The continued distorted nature of the economy, also, ensured that the socioeconomic structure created in the post-independence period – i.e., the socioeconomic and political division between the secular center and the Islamic periphery – remained intact avoiding potentially destabilizing
socioeconomic effects of economic liberalization, as in the case of Turkey. The peripheral businesses, i.e., SMEs, were largely among the losers of this process of liberalization along with the masses leading to an overwhelming dissatisfaction with liberalization. Consequently, even though a small group from among the Islamist Muslim Brotherhood emerged and adopted a moderate Muslim democratic political platform – the Wasat Party (Hizb ul-Wasat) – they were, for the most part, not successful in representing the Islamic periphery. Instead, the Muslim Brotherhood continued its domination of the Islamic periphery via its Islamist discourse.

The chapter is divided into three sections. In the first section, I discuss the origins of the socioeconomic cleavages between the center and the periphery in Egypt. In particular, the events surrounding the independence of Egypt in 1952 will be discussed to underscore the division between the center and the periphery. I also explain the early period of transition to a market economy and liberalization during Anwar Sadat’s presidency. During this period, the big businesses, which were completely eliminated by Nasser in the 1950s and the 1960s, found a chance to reemerge. In the second part, I discuss the origins of political Islam in Egypt. Political Islam, particularly the Muslim Brotherhood, rose to prominence once again following Sadat’s lenient policy towards Islamist groups. In this part, I also focus on the effects of the second phase of economic liberalization on the peripheral groups throughout the Hosni Mubarak presidency. In doing this, I highlight the position of the Muslim Brotherhood on the whole liberalization ordeal. In the final section, I discuss the origins of the Wasat Party and its political platform with a focus on the role of Islam, democracy, economy and social policy. The latter part of the third
section brings evidence on the preferences and interests of Egyptian peripheral and big businesses, and compare them with the Wasat Party’s platform to explain why the party failed to establish itself as a viable representative of the peripheral groups.

The Road to Independence and Thereafter: 1952-1970

Until 1952, the Egyptian state and economy came to be dominated by a small group of interests. Closely aligned with the interests of the British since the colonization of Egypt in 1882, this group consisted of state bureaucracy including the palace, the landed elite and industrialists. Through most of this period between the 1880s and the 1950s, agricultural export policy of the British forces reinforced the dominance of this group by first supporting the agricultural production by the landed elite, and then enabling the growth of a local industry mostly focused on the production of consumer goods based on food and textiles. A good measure of the level of the overlap of the interests of this early form of the center was the establishment of the first Egyptian Bank, Banque Misr. The bank was established in 1920 in order to foster industrialization. The founders of the bank were eight of the big Egyptian landed elite. In a couple of years, the Bank helped in the establishment of an industrial business association to advance Egyptian industries, called the Federation of Egyptian Industries. In turn, the state provided funds to Banque Misr to lend to burgeoning Egyptian industries, which made proper use of the funds.

Over time, the interests of the landed elite and the private business became increasingly merged. By the time Nasser took power in Egypt in the early 1950s, the landed elite that

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368 Farah 2009, 29.
369 Farah 2009, 29.
held about 50% of cultivable land were also the major shareholders of about 40% of joint-stock companies at the time.\(^{370}\)

Egypt achieved complete independence only in 1952. Although nominal independence from British colonialism was granted in 1921, severe restrictions were placed on King Farouk and the Wafd Party-led parliament as to what the Egyptian government could pursue in terms of foreign and domestic policy. Gamal Abdel-Nasser was part of the Free Officers\(^{371}\) which brought Egypt to complete independence in 1952 when they deposed King Farouk along with any remaining British influence in the country. Nasser assumed the presidency in 1954. To consolidate his power and to establish Arab socialism as the underlying paradigm organizing social and economic life, Nasser viewed it necessary to eliminate three principal sources of power in Egypt: Private business, landed elite and the Muslim Brotherhood (MB).

As part of his policy to institute Arab socialism, Nasser undertook an extensive campaign of nationalization of the private sector and redistributed the cultivable land from the landed elite to farmers. On the one hand, by redistributing large plots of land belonging to the landed elite and introducing limits on how much land an individual or a family could hold, Nasser effectively eliminated the source of economic power of the landed elite. On the other hand, big businesses, many of whom were also closely associated with the landed elite, became increasingly uneasy and were hurt by Nasser’s economic policies. Instead of utilizing the incentives offered by Nasser to promote private investment,

\(^{370}\) Ibrahim 1994.

\(^{371}\) Free Officers refers to a group of junior military officers in the Egyptian army. The group was formed after the 1948 War with Israel in order to remove the King and the British influence from Egypt. The group was headed by the Gamal Abdel-Nasser.
private businesses shied away from new investment, and deterred by a prospective nationalization even retracted their current investment. Indeed, by the beginning of the 1960s, Nasser undertook an extensive policy of nationalization, expropriation and “sequestration” in a pre-emptive move against any potential threat to his rule.372 This move enabled Nasser to undercut the principal source of power in the hands of both the private business – foreign and national alike – and the landed elite.373

Simultaneously, Nasser eliminated the major political force in Egypt at the time, the Muslim Brotherhood (MB). Even though the MB was supportive of the Free Officers and the revolution at first, the group increasingly turned critical of Nasser’s secular aspirations and his failure to mind the MB’s suggestions for a more Islamic regime.374 Several high-ranking officers among the Free Officers were close to the MB, nonetheless the MB faced an extensive persecution in the hands of the Egyptian government with thousands of Brotherhood members being detained and tens executed. In the words of Simms in a Gramscian reading of the MB, the group offered a “counter-hegemonic ideology” challenging the very core of Nasser’s regime: “To the Brotherhood, Islam was the one true religion of God intended by Him to command authority over all human affairs for all people universally. This made it the indisputable centerpiece of their counter-ruling class ideology…The Brethren went to the book of God and sought inspiration and guidance therefrom so that they knew for certain that Islam is this full, comprehensive meaning and that it must have supervision over all matters of life, that it

373 Dessouki 1982.
374 Osama Farid, interview, November 11, 2008. Also see Simms 2002, 572.
gives its tone to all things, that all things must come under its rule, conform to its rules and teachings, and draw upon it.”

The model proposed by the MB contradicted the fundamentals of the plan envisioned by Nasser, a secular and modern Egypt – much like the one Ataturk had in mind for Turkey.

Nasser was also mindful of the peripheral masses and sought their support in his new Arab socialist regime. Along with the land redistribution reforms, he promised every college graduate a government job and introduced an extensive network of subsidies on basic foodstuff, energy and healthcare, which Wickham calls the “Nasserist social contract”. Nasser summarized his own goal with the whole array of Arab socialist reforms as follows: “I want a society in which class distinctions are dissolved through the equality of opportunities to all citizens. I want a society in which the free individual can determine his own position by himself, on the basis of his efficiency, capacity and character.”

Indeed, some scholars characterized the Nasser era as having achieved a “high degree of income equality” as compared to other periods in Egyptian history.

Though at first this de-emphasis on class conflict appears to go against the center-periphery division and to minimize the power of the center, the parallel between what happened in Turkey until the early 1950s and in Egypt until 1970 is striking. As discussed in Chapter Three, in post-independence Turkey class conflict was largely downplayed through an emphasis on populism and an extensive role for the state in the economy. Unlike in Egypt, Ataturk, however, neither engaged in nationalization of

376 Wickham 2002.
378 See the volume by Gouda Abdel-Khalek and Robert Tignor, eds., 1982.
private businesses – as there was no private sector of any significant size – nor in land redistribution because most of the land belonged to the state; instead, the state distributed public land to increase agricultural production and reinforce its popular support.\textsuperscript{379}

The transition from an Arab socialist economy to a free market economy marked the 1970s in Egypt, and was one of the most important legacies of Anwar Sadat’s presidency. Although Nasser himself initiated some economic liberalization reforms in 1968 following the Six Day War with Israel, these reforms did not bring the intended liberalization.\textsuperscript{380} Sadat initiated the well-known \textit{infitah} (open door) policy in 1971 in the wake of Nasser’s death to reinstitute an economy that rested on private sector for economic development. In order to attract foreign and Egyptian private capital for investment, Sadat introduced several laws and a new constitution.\textsuperscript{381} An implicit goal of this new open door policy was to nurture an indigenous “capitalist elite” to lead the economy.\textsuperscript{382} The combination of open door policy and “windfall revenues” from oil, enabled the government to expand its network of subsidies to peripheral masses. Subsidies included increased state employment and expanded higher education.\textsuperscript{383} Continued subsidies, on the one hand, ensured the perception that the social contract

\begin{footnotesize}
\textsuperscript{379} See Cooper 1982 for a detailed discussion of class structures in Egypt until 1970.
\textsuperscript{380} The reforms were initiated by Nasser with the March 30 Program in 1968. The program laid down stipulations to increase the share of the private sector by 1) increasing freedom of movement of goods and capital, 2) expanding the activity area of the private sector, and 3) ensuring private property rights. The program also included provisions on public sector to “depoliticize” it. See Cooper 1982, 44 for detailed discussion.
\textsuperscript{381} See Tamir Moustafa’s innovative discussion on the origins of the Supreme Constitutional Court and a new constitution in Egypt where Moustafa argues that the principal reason for Sadat to introduce a new constitution and increase the independence of the Court was to provide a secure environment for the business sector; Moustafa. 2007.
\textsuperscript{382} Farah 2009, 24.
\textsuperscript{383} Farah 2009, 24; Wickham 2002, 37.
\end{footnotesize}
established by Nasser was in force, while on the other hand they prevented a strong backlash from the masses against the open door policy as in the case of the bread riots in 1977. Remittances from workers abroad – mainly in the oil-rich Gulf countries – also relieved the Egyptian state with respect to social demand for services.

Overall, the infitah policy of Sadat is deemed unsuccessful in terms of creating the range of economic activities that it promised. Most of the foreign and local private investment came in economic sectors such as luxury construction and tourism with limited impact on economic development and industrialization. Economic growth during this period was largely based on increased consumption on the part of the government and the population.

In terms of infitah policy’s effect on social classes, a formidable “socioeconomic-political coalition” was formed from distinct elements of the center. On the one hand, the remaining elements of the pre-Nasser landed elite and private business sector were able to utilize the various incentives that the Sadat government offered to attract foreign and Egyptian investment. Cognizant of what happened in the 1950s and the 1960s, such capital holders invested in areas of the economy where risks were minimum and returns were comparatively higher. On the other hand, new groups such as former technocrats and managers of state economic enterprises emerged as influential actors in the Egyptian free market economy. Their expertise in the bureaucracy proved to be a great asset in

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384 Bread riots in Egypt erupted due to government plans to decrease subsidies on basic food items including bread. A sizeable portion of the Egyptian population depended on these subsidies for their daily livelihoods. The government backtracked on its decision to cut the subsidies following the violent conflict between the people and the Egyptian security forces leaving as many as 800 people dead.
385 EG-4-B, EG-10-B, EG-11-B interviews.
386 Cooper 1982, 106.
their new economic ventures. Collectively, these groups made up what Joel Beinin called the “infitah class”. As we saw in Chapter Two, the peripheral masses, however, were largely on the losing end of the open door policy. The masses did not experience an improvement in their income, unemployment progressively increased over time, and subsidies slowly withered away in the face of pressure from international financial institutions. The SMEs were also on the losing side. They did not have opportunities to take part in a liberalizing economy; in particular, relative to the big businesses in Egypt, SMEs remained disadvantaged as ever.

The Rise of Political Islam and the Muslim Brotherhood

The humiliating defeat at the Six Day War in 1967 and the inability of Nasser’s Arab socialist regime to deliver on its “revolutionary promises” of economic development and international ascendancy led to the fallout between secular ideologies and the peripheral masses in Egypt as in the rest of the Middle East throughout the 1970s. Combined with the disenchantment of the masses with the Nasserist secular regime was the tolerant and lenient policy of Sadat towards Islamic activism in Egypt. Beginning in the late 1970s, political Islam emerged as the most important oppositional force in Egyptian politics yet again. One explanation as to why Sadat chose to be more tolerant of Islamic activism was

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387 Ibrahim 1994, 34.
389 Although Islamic investment companies also benefitted from the open door policy throughout the 1980s, as Beinin notes, most of these companies were not associated with the MB or other Islamist groups. Beinin 2005.
390 Wickham 2002, 35. Also see Beinin 2005 for a discussion on the rise of political Islam in Egypt and the role of economic developments.
to erase the bad memory of the heavy-handed approach of Nasser towards Islamic groups and to increase the regime’s legitimacy.

The MB has always been the “dominant” representative of Islamic activism in Egypt, although many other Islamic and Islamist groups existed in Egypt.\footnote{Wickham 2002.} Established in 1928 by Hasan Al-Banna, the MB has focused on both political issues and \textit{dawa} (Islamic missionary activity and religious education) as part of its mission.\footnote{Although Ziad Munson (2001) claims that the MB was “an explicitly apolitical religious reform and mutual aid society”, interview with various MB officials indicate that the group had political goal right from the beginning such as securing complete independence in Egypt and support for the Palestinian cause. For example, former MB member Ibrahim Al-Bayyoumi Ghanim contradicted Munson’s view on non-political MB in initial stages (Ghanim, interview, October 27, 2008, Cairo). See Simms 2002 for the central role of Islamist groups on fostering anti-British activism in Egypt.} In its early history prior to Egyptian independence in 1952, the group focused on Palestinian independence and gaining complete independence from British influence in Egypt. The group owes its longevity and survival through phases of suppression in the hands of the British and Nasser between the 1940s and the 1970s to its organizational skills and institutional structure.\footnote{See the discussion of the MB’s organizational structure and its ideology by Munson 2001.}

Though the MB became publicly active once again during Sadat’s presidency in the 1970s, it did not pretend to be an important political actor during that period.\footnote{It is also in this period until 1970 that we observe the MB underwent an ideological transformation whereby the group gave clear signals of moderation within the Islamist ideology dismantling Sayyid Qutb’s interpretation of the group’s mission for most of the period between the 1950s and the 1960s. For example, the second General Guide of the MB, Hasan al-Hudaybi, rejected Qutb’s ideas by writing a “riposte” called “Preachers, not Judges”. See Beinin 2005, 120.}

Throughout the 1970s Islamist activism increased its support base within the Egyptian society with the college-educated young population comprising an important part of this widened social base. Part of this expansion was a reaction to the regime’s inability to
deliver services. For example, during the late 1970s the waiting time for university graduates for appointment in a governmental job was three years, which increased to almost ten years by the mid-1980s.\textsuperscript{395} The expansion of the Islamic base was also due to the fact that the socioeconomic changes taking place at the time as part of the economic opening did not benefit a major segment of the Egyptian society. Islamic groups, and particularly the MB, became the focal point of frustration with the government.

By the 1980s, the MB turned into a “quasi-party organization” functioning both as a political party and as an Islamic \textit{dawa} organization aiming to increase the Islamic education and awareness of Egyptian population.\textsuperscript{396} The MB, though technically illegal as an organization, participated in the 1984 and 1987 elections as a junior partner of the Wafd and Labor parties. In both elections, the alliance including the MB received the highest share of votes among the opposition parties.\textsuperscript{397} The group’s relative success in its first electoral experience in decades is attributed to two factors. On the one hand, the MB was able to provide social services that the Egyptian state did not. Among the social services provided were health care clinics, schools, and charity assistance to those in need as well as services that were more Islamic in nature such as financial assistance to perform Islamic pilgrimage.\textsuperscript{398} On the other hand, the organizational superiority of the Brotherhood offered them an extensive presence at the grassroots level. The MB was able

\textsuperscript{395} Wickham 2002, 42.
\textsuperscript{396} Wickham 2002. Jason Brownlee, recognizing the unofficial nature of the MB as a political organization, referred to the group as a “de facto” political party. See Brownlee 2007.
\textsuperscript{397} The regime’s party, the National Democratic Party, has won every election in Egypt since Mubarak decided to hold elections, partly as a response to demands for political liberalization. In turn, Mubarak anticipated increased legitimacy to his rule. In 1987, the MB had 38 out of the 60 seats that the Islamic Alliance won in parliamentary elections. The Islamic Alliance consisted of the MB, the Labor Party and the Liberal Party.
\textsuperscript{398} Wickham 2002, 99.
to campaign on a unique platform declaring its panacea for Egypt’s ill-run economy and society: Islam is the solution (al-Islam Huwa al-Hall). The MB saw itself as the unmistakable representative of religion, i.e., Islam, in the political arena and encouraged the voters to cast their votes for Islam: “Give your vote to Allah, give it to the Muslim Brotherhood.” A former General Guide of the MB, Omar al-Tilmissani, explained the goal in the group’s political activism and run for parliamentary seats as follows: “We were completely serious when we joined in the elections. Our aim was to reach Parliament through a legal channel, the Wafd Party, because People's Assembly members enjoy parliamentary immunity. The brothers who will reach the Assembly will speak on behalf of the Brotherhood, will urge enforcement of the Islamic sharia laws, and will embarrass the government on this issue without fear of detention or torture...Now some of them [Muslim Brothers] are People's Assembly members, watching the government and entitled to make it account for its actions.”

As Wickham notes, the clear objective of the MB was to establish an Islamic state that would be “based on popular consent.” Nonetheless, the contours of such an Islamist

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399 Wickham 2002, 92.
400 The organizational structure of the MB consists of the following parts: 1) The General Guide (al-Murshid al-'Amm), the leader of the MB, 2) The Guidance Council (Maktab al-Irshaad), the executive body of the MB elected by the group's Consultative Council; it has sixteen members, 3) The Consultative Council (Majlis al-Shura) is the legislative body of the MB forming general policies of the group; the body has between 75 and 90 members representing the 22 governorates of Egypt, 4) The Administrative Bureaus (al-Makaatib al-Idariyyah), the executive bodies at the level of governorate.
401 Quoted in Campagna 1996, 283. Another former General Guide of the MB, Mustafa Mashur, made a similar statement about the group’s goal: “All we ask is an Islamic state based on shari'a...It may take us a century to establish an Islamic state. Our principles should be bequeathed to future generations and there should be no deviation from these principles.” See Asef Bayat 1998. 163.
402 The emphasis on popular consent is critical to understanding variations among Islamist groups. Although the contention that Islamist groups and parties are predisposed to use force/violence in order to implement their societal and political vision in the face of social discontent is widely accepted, most Islamist groups do not uphold such a vision. As shown in Introduction (Table 1), this view finds resonance
program as advocated by the MB was not clearly explained, as it was not for most other
Islamist groups throughout the Muslim world until the 2000s. Indeed, the MB’s first
draft party program was only disseminated in the summer of 2007 for public review. In
2010, the MB has yet to announce the finalization of its party program.

The MB’s societal support consisted of various segments of the society. Among the
supporters of the MB were people from the lower socioeconomic classes in urban areas
and members of the middle classes such as professionals and university graduates. On
the one hand, the attraction of university students and graduates, and professionals as part
of the middle class to the ranks of the MB was largely due to the “skilled and energetic”
middle generation leadership of the organization. Among this middle generation
leadership of the MB, also called “Young Princes” of the MB, was the current WP
leadership cadre. It included Assam Sultan, Aboul Ela Mady, Abdul Munim Aboul
Fotouh, Issam al-Aryan and Salah Abdal Karim. Janine Clark maintains that moderate
Islamist movements, including those in Egypt, are movements of “the marginalized,
educated middle class, not of the disenfranchised poor.” Asef Bayat agrees with Clark

only among radical Islamist groups. Nonetheless, most moderate Islamist groups fail to clearly demonstrate
as to how they would reconcile an Islamist program with a public opinion unfavorable to the program
should Islamist groups win power.

See Olivier Roy’s 1998 critique of political Islam’s failure to come up with a clear-cut political program
and his discussion of how different Islamist groups would deal with various social, economic and political
problems of their own societies.

See Wickham 2002 for a detailed discussion on how university students, graduates and professionals
made up the backbone of the MB in its ascendant public profile throughout the 1980s and the 1990s. El-
Awadi 2005 also explains how university students benefited from their association with the Brotherhood:
“In addition to their religious appeal, the Ikhwan were able to address the basic concerns of students, which
included the provision of affordable textbooks, study aid materials and free revision classes.”

Stacher 2002.

Clark 2004.
and states that “the backbone” of the MB originated from members of the middle class.\textsuperscript{408} Bayat makes the following observation on the support of the middle classes: “Political Islam in Egypt in this period [1980s and 1990s] reflected primarily the rebellion of the impoverished middle class who were frustrated by a feeling of moral outrage. Their high expectations, an outcome of their high education and thus social status, were dampened in the job market, which offered few prospects for economic success. A product of Nasser's welfare-state boom, this segment represented the losers of Sadat's infitah policy...”\textsuperscript{409} In the words of Wickham, this “lumpen intelligentsia” was a crucial component of the MB’s social support.\textsuperscript{410}

On the other hand, the lower classes also lent their support to the MB. Though Clark is certainly correct in pointing out the membership fee-based nature of some of the services provided by the Islamist groups catering to middle classes – in a way analogous to how social protection policies in the developing world cater to middle classes rather than lower classes – lower classes also became an important constituent of the Brotherhood’s societal support. The support of the MB was pronounced in the “new urban quarters” of cities as these areas were mostly inhabited by “the less well-off segments of society.” The support of these lower classes, which constitute part of the peripheral masses, was mostly due to the provision of social services and charity activities of Islamist groups like the MB. These services effectively turned such neighborhoods into “informal networks of

\begin{itemize}
\item\textsuperscript{408} Bayat 1998.
\item\textsuperscript{409} Bayat 1998, 157.
\item\textsuperscript{410} Wickham 2002.
\end{itemize}
According to Osama Farid, a former MB member and an independent Islamist intellectual, the MB “has the sympathy of the people because they deliver, Islam is for delivering. What do you deliver for me? Medical care at a symbolic price, yes. When there is crisis, do you give me shelter? Yes.” For example, following the earthquake in Cairo in 1992 and the floods in Upper Egypt in 1994, the MB was able to mobilize its resources including the professional associations to offer help to those affected by the earthquake and flooding at a time when the government’s help was limited at best. Lower classes are important for the MB because of its claim that it speaks on behalf of the marginalized and downtrodden portions of the Egyptian society. The provision of such social services are also an indication that the MB has the potential and capacity to cater to the needs of the lower classes.

Another example demonstrating the extent of the MB’s efficiency in the provision of social services is the case of Gam‘ia Shar‘ia, an Egyptian charitable organization and part of the MB network. The association, according to Sarah Ben Nefissa, has 450 branches and 6,000 mosques. Moreover, according to the MB itself, one fifth of all NGOs in Egypt is controlled by the MB. Essentially, the MB was seen as “the only viable opposition to the status quo” by the lower classes. The following quote summarizes the lower classes’ view of the MB: “When the Muslim Brothers are asked, they open the drawer and they give you something. When you ask government officials, they open the

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412 Farid interview, 2008.
413 Ben Nefissa is quoted in Antar 2006.
drawer and they ask you to give something.” Overall, the MB was able to “mobilize a wide variety of different segments of Egyptian society” as Munson argues. The strategies used by the MB, the unique organizational structure and its discourse ensured this outcome.

During the first decade of Hosni Mubarak’s presidency (1981-1990), the most important political success of the MB was, however, in professional associations. Given the distorted nature of legislative elections throughout the 1980s and very low participation rates, the elections in professional associations provided a genuine outlet for political competition in the Egyptian society. According to Sami Zubaida, these professional associations were “the most advanced sectors of public life in Egypt enjoying high status and speaking with an autonomous and respected voice.” Among such professional associations, or syndicates, were the engineers, dentists, journalists, doctors and pharmacists associations.

The middle generation leaders were also behind this success of the MB throughout the 1980s and the 1990s in professional associations. In this, the middle generation’s transition from university life to professional life is recounted as a key factor. Nabil Abd al-Fattah, a political analyst at the Al-Ahram Center for Political and Strategic Studies, highlighted fundamental problems of the Egyptian economy to explain the

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415 Quoted in Walsh 2003, 34.
416 Ziad Munson offers an excellent analysis of the rise of the MB to prominence until the 1960s. In that, he emphasized the unique way that the MB’s “three-tier membership structure” and ideology interacted to appeal to different socioeconomic groups. See Munson 2001.
418 See the following for a thorough discussion of the MB’s success in professional associations: Wickham 2002; al-Awadi 2005; Brownlee 2002.
success of the MB in bar association election in 1992: “The syndicate [association] and its ruling council have not paid any attention to the problem of unemployment among young lawyers, or to matters such as modern legal training. The psychological state created by unemployment generates a flood of anger, and in the absence of any political role for the syndicate it finds no outlet or anything to channel it in a healthy direction. The young therefore turn to the most potent force in the community, the Islamist tendency, which largely embodies anger against the state and against the forces that made up the council of the bar association. The weakness of other political forces, the sterility of their arguments and their remoteness from the younger generation of lawyers have helped to create fertile ground for effective Islamist activity within the greatest bastion of liberal thought in Egypt.”

One of the middle generation MB leaders, Salah Abdal Karim, recalled their experience in professional associations as follows: “Even members who weren't necessarily sympathetic to the Islamic case supported us. We never identified ourselves as Muslim Brothers. We held all of our meetings in public in the syndicate headquarters, as opposed to the Muslim Brother veterans who were accustomed to conducting business underground.”

The example above is striking in the sense that the severity of the socioeconomic problems Egypt faced at the time was such that even the most liberal and secular sections of the society were even drawn to the MB’s sharp discourse criticizing the regime on issues such as the state of the economy. Professional associations are the best illustration of this point with liberal and secular membership profiles. In associations where the MB

\footnote{Campagna 1996, 290.} \footnote{Abdal Karim is quoted in Stacher 2002.}
was in control, it was able to make effective use of the resources at the disposal of the associations to provide services to members of the associations. For example, in the Engineers’ Association, the MB “established a private hospital, housing projects, a consumers’ cooperative, a social welfare fund, group life insurance, and a social club for members” catering to the membership of the association.421

Nonetheless, in a short period of time, the Egyptian government brought most of the associations under its direct control to counter the increasing prominence of the Brotherhood as a political force. By legal means, the state ensured that management of professional associations were taken away from the MB. 422 Osama Farid concurred and claimed that the success of the MB in “delivering” services in professional associations led the government to take action against the MB in these associations, in a “very straightforward” manner.423

Throughout the 1990s, the MB raised its public standing, both in discourse and in support based on its outlawed but tolerated legal status. Feeding from the problems in the economy and the perceived deterioration of the middle and lower classes’ socioeconomic condition, the MB’s political discourse became sharper in its critique of the governmental policies, especially highlighting the problems associated with liberalization and calling for an Islamic system. Bayat makes the following observation on the role of Islamism in Egypt until the end of 1990s: “Islamism in Egypt represented an ideological package

422 Brownlee 2002, 7. Bayat notes that the regime utilized Law 100/1993 in its effort to curtail the power of the MB in professional associations, which laid out that “a syndicate election would be legitimate if at least 50 percent of the total membership cast votes.” See Bayat 1998, 165.
423 Farid interview, 2008.
which negated all the perceived causes of such a state of deprivation - economic dependency, cultural sell-out, and national humiliation (1967 defeat by the Israelis and then Camp David Accord). In view of all the failed ideologies, chiefly Nasserite socialism and Sadat's capitalism, and of the conditions of western cultural, political, and economic onslaught, Islam was seen as the only indigenous doctrine that could bring about a genuine change.”

Social costs of the slow-paced economic reforms increased significantly for the Egyptian government throughout the 1990s. As the government lowered subsidies and most salaries and wages remained stable, or even decreased, real wages dropped for many throughout Egypt ensuring further social unrest. Beinin notes that, indeed, many among industrial workers and public employees were the foremost protesters of the cuts in subsidies and declining real wages, which made them into the losers of the post-Nasser period. This social unrest, in turn, haunted the National Democratic Party (NDP) and Mubarak regime in the form of further popular support for the major opposition force, i.e., political Islam and the MB. Deteriorating economic conditions of the masses strengthened the social base and the discourse of the MB, which showed an unequivocal criticism of the liberalization process and the government initiating this process.

The elections in 2000 confirmed the status of the MB as the most important oppositional force. Following the parliamentary elections in 1995, the opposition parties complained about the illegal tactics used by the Mubarak regime to ensure a favorable outcome.

424 Bayat 1998, 158.
including electoral fraud, harassment of voters, and use of force against opposition party members.\textsuperscript{427} In 1999 following Mubarak’s indication on a potential supervision over the upcoming elections, the Egyptian parliament, the People’s Assembly (\textit{Majlis Al-Sha’ab}), passed legislation giving a supervisory role to the judiciary that would merely enable “committees of judges to float between polling stations”. However, later in 2000, the Supreme Constitutional Court ruled that the judges “had to monitor every station as voting took place.” As a result of the Court’s decision, the judges, indeed, supervised the election in 2000: “Members of the judiciary...then supervised three rounds of elections and runoffs, from October 18 through November 24, across Egypt's 222 electoral districts (and 15,502 polling stations), providing unprecedented assurance that a vote cast would be a vote counted.”\textsuperscript{428}

The election outcome was highly encouraging for the MB as much as it was “embarrassing” and “disgracing” for the NDP and other opposition parties, in the words of Jason Brownlee. The MB – contesting the elections with independent candidates – was able to win 17 seats out of the 63 districts in which the group fielded candidates, whereas all other opposition parties won as many seats out of their 352 candidates, roughly corresponding to 3.5 percent of all parliamentary seats.\textsuperscript{429} Nonetheless, the Egyptian state has always been a factor in electoral outcomes. Schwedler, rightly, highlights various techniques governments in the Arab world might employ to influence election results:

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  \item \textsuperscript{427} The extent of the government harassment over opposition was such that the government imprisoned more than 200 and mostly young members of the MB on the pretext that the government “claims to have found a “paper trail” linking the Brotherhood with the outlawed Islamic militant groups Jihad and Gama'a Islamiya” over the foiled assassination on Mubarak. Sullivan 1997, 69.
  \item \textsuperscript{428} Brownlee 2002, 8.
  \item \textsuperscript{429} Brownlee 2002, 9.
\end{itemize}
Constraints on voter and candidate eligibility, gerrymandering, electoral system choice and other legal constraints on political parties.\textsuperscript{430} Hence, the election outcomes most likely do an injustice to the MB and other secular parties in reflecting the level of their societal support. The case of Cihan Al-Halafawi in Alexandria is an example of regime repression on opposition. In the 2000 elections, Cihan Al-Halafawi was representing the MB as an independent candidate in Alexandria. When she was about to win the election against the NDP candidate, a court suspended the elections. The legal battle continued until 2002 at which time a by-election was held in the district; yet, the regime undertook several measures securing a comfortable victory for the NDP candidate. Brownlee reports that “since Al-Halafawi and Ahmed's supporters were forcibly prevented from casting ballots, these legitimate victors were left with a few hundred votes compared to the three thousand they had garnered previously. Unbelievable, the NDP's candidates quintupled the number of votes they had taken in 2000.”\textsuperscript{431}

Although the MB faced intermittent crackdowns on its prominent members and leaders, for the most part the early 2000s offered a fruitful environment for the group to expand its support base.\textsuperscript{432} The worsening income inequality and the perception that a group of big businessmen closely associated with the ruling elite coalescing around the dominating figure of Mubarak himself were increasing their prosperity only reinforced and justified the critical stance of the MB on the whole economic liberalization ordeal. The critical

\textsuperscript{430} Schwedler 1998.
\textsuperscript{431} Brownlee 2007, 148. A similar example is that of the other major female figure, Makarem Al-Diri. Al-Diri was exposed to both election fraud and the use of physical force. See El-Ghobashy 2005.
\textsuperscript{432} Various waves of government crackdowns on the MB occurred throughout the 1990s and 2000s. Each of these crackdowns against the group saw tens or even hundreds of group members being detained by Egyptian security forces. Such crackdowns include those in 1995, 1996, 2000, 2004 and 2006.
discourse of the MB, also, came with continued provision of social services, which the lower and middle classes increasingly needed. According to Mohammed El-Sayed Said, a political analyst at Al-Ahram Center, in 2000 “the group began lavishing money on charity and social projects during the month of Ramadan, a few weeks before voting commenced.”

The most important testament to the MB’s success with a discourse highly critical of the regime was the parliamentary election of 2005. For the MB, the overall picture looked promising. According to Issam al-Aryan, former member of the Consultative Council and head of political bureau of the MB, for the first time since 1995 the group did not have even a single member in prison in the run up to the elections. Buoyed by their accomplishment in pressuring for judicial oversight in 2000 elections, the opposition parties including the MB were relatively more confident in securing a greater share of the seats in the parliament. Despite the fact that the regime engaged in various tactics to deter the opposition parties and their supporters, the 2005 elections are considered by far the fairest election in the post-independence Egypt. In order to achieve its greatest electoral victory thus far, the MB put up a “vigorous fight”. El Amrani refers to the MB General Guide at the time, Mohammed Akef, when he stated the following about the elections: “Although, as Akef pointed out, the Brotherhood competed in fewer than 170 constituencies, it put up a vigorous fight wherever it campaigned. It is a testament to the group's popularity and organizational skills that it managed to win 12 seats in the third round, despite the security forces’ closure of polling stations and targeting of Brothers for

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arrest. By the end of the balloting, Akif claimed, at least 1,300 of the group’s supporters had been detained.\textsuperscript{435} Overall, the MB obtained 88 seats (out of 444 seats) in the People’s Assembly, the lower house of the Egyptian parliament. All the other opposition parties won a combined 9 seats.\textsuperscript{436} The MB was poised to be in an advantageous position prior to the election with its unique platform combining strong social services provision with critical stance against economic liberalization.

More broadly, the success of the MB in the 2005 general elections is attributed to a number of factors. Needless to say, the social services provided by the group and the effective grassroots organization top the list. Indeed, the emphasis by the MB on social services and grassroots organization is very similar to what other Islamist groups throughout the Middle East do. For example, the MB began its electoral campaign much earlier in 2005 as compared to other parties. The group also asked its members to register to vote early on as well as encourage those close to themselves to do the same.\textsuperscript{437} More importantly, however, it is the discourse that the MB utilizes that resonated with the

\textsuperscript{435} El Amrani 2005. Figures on the number of seats contested by the MB varies in different sources. According to Hamzawy and Brown (2010), the number of MB candidates in 2005 was 150, whereas Noha Antar (2006) states that only 161 candidates were fielded. Muhammad Habib, former deputy General Guide of the MB, also stated that the group fielded 161 candidates and approximately 40 MB candidates were prevented from winning their districts due to NDP meddling in the elections. M. Habib interview, 2008.

\textsuperscript{436} Antar, along with some observers, claims that the MB could win a much larger share of the seats –up to 250 seats – in 2005 legislative elections, but chose not to do so. This particular strategy was chosen in order not to threaten the two-thirds majority of the NDP. Indeed, an International Crisis Group report on the MB reports that an implicit accord was reached between the regime and the officials from the MB on districts particularly where leading figures from the ruling NDP ran for a seat. Similarly, the MB did not contest those districts where the MB engaged in “limited coordination” with certain leading figures from other opposition parties such as the Wafd and the Karama parties. See “Egypt's Muslim Brothers: Confrontation or Integration?” 2008. International Crisis Group Middle East/North Africa Report No. 76 (18 June). Other opposition parties won only limited seats. Wafd Party won 6 seats; Tagammu Party and Ghad Party won 2 and 1 seats, respectively. In personal interview, former deputy General Guide of the MB Muhammad Habib – confirming Noha Antar’s observation – stated that the group did not want “to get into conflict with the regime.” M. Habib interview, 2008.

\textsuperscript{437} Antar 2006, 14.
people. The discourse of the MB emphasized the fact that the masses were losing as a result of government’s economic policies. In other words, the mere fact that the MB provides social services and the people need them highlights the impotence of the regime to undertake its basic functions, and that a small group of people benefit from the government’s policies whereas the rest fail to do so. Building on its legitimacy in being an effective provider of social services and its critical stance towards the regime, the MB gained electoral success.\textsuperscript{438}

Indeed, other scholars also pointed to similar factors as the underlying causes of Islamists’ prominence in the Middle East. For example, Fawaz Gerges notes that Islamist groups and parties aspire to present a completely different alternative to the dominant ideologies of the post-WW II era: “In this context of struggle between Islamist movements and established regimes, Islamism represents less a coherent ideology than a historic reaction to the inadequacies of market capitalism and Soviet communism, the doctrines that shaped the world in recent decades.”\textsuperscript{439} According to this logic, Islamists in Egypt view the government’s socioeconomic policies, i.e., economic liberalization, as fundamentally flawed. Similarly, Albrecht and Wegner point to the periodic nature of the Islamist upsurge. They argue that during periods of economic and social crises, Islamists tend to become “the major political challenge” for the secular Arab regimes, especially so since the Arab regimes are able to suppress other secular opposition groups with ease

\textsuperscript{438} Al-Awadi, 2005.  
\textsuperscript{439} Gerges 1999.
before they even turn strong.\textsuperscript{440} This logic resonates closely with how the contemporary Islamist thought reasoned about the role of Islam in the society and politics of the modern age. For example, Sayyid Qutb, one of the early theorists of the MB’s ideology in the 1950s and the early 1960s, saw Islam and Islamic law as a viable system in the contemporary modern world. Andrew March, in his recent analysis of Sayyid Qutb’s political theory, notes as follows: “When we speak of modern Islamist movements and thinkers as belonging to modernity, this is most clearly discernible in their repackaging of Islamic law and ethics as an accessible and attractive “system” ready to square off in battle as a fully formed, fully coherent alternative to Marxism, capitalism, and liberalism.”\textsuperscript{441}

Despite the MB’s increasing popular support, an internal division within the MB led to an eventual split in 1995. Some middle generation leaders from the reformist wing of the MB took decisive action for a new platform and discourse in defiance of the MB leadership. Although the split of middle generation leaders is projected as a case of organizational disobedience by the MB, the discourse of the new party established by the reformist members of the MB was markedly different from the MB; the new party, the Wasat Party, presented policies that were, to a great measure, not in conflict with the policies of the regime. I discuss the foundation process and policies of this new party in the next section.

\textsuperscript{440} Albrecht and Wegner 2006. On the suppression of secular opposition groups by Arab regimes, see Ayoob 2005.  
\textsuperscript{441} March 2010.
The Wasat Party

The Egyptian MDP, the Wasat Party (WP), was founded in 1996 by some of the middle-generation leaders of the Muslim Brotherhood (MB) at the time, such as Aboul Ela Mady, Salah Abdel Karim and Issam Sultan. Over the course of the years since the early 1980s, the MB’s participation in various political platforms and increasing success in the semi-liberal electoral platforms set off an intense discussion about establishing a political party that would be legal and represent the MB in the political arena. Two main positions are discernable in these discussions. On the one hand, the “old guard” of the MB favored abstinence from forming an official and legal political party, principally for two reasons. First, the classic teaching of Hassan Al-Banna, founder of the MB in 1928, was to abstain from political parties. Hence, a move diametrically opposed to Al-Banna’s principles would only undermine the group’s legitimacy. Second, most of the old guard experienced the wrath of the secular Nasser regime throughout the 1950s and 1960s, and learned a lesson on how to work in a repressive regime. Moreover, the legalization might compromise the highly critical discourse of the MB. The old guard, hence, saw no use in defying the terms of an implicit coordination with the regime, i.e., working as an illegal but tolerated group.

On the other hand, however, the architects of the recent success of the MB in an atmosphere of increasingly pronounced Islamic activism in Egypt called for a different

442 The Egyptian political system is categorized as a semi-liberal or semi-authoritarian due to the fact that procedural democracy was applied in a haphazard way with no real turn of power in major public offices. See Ottaway 2003.
443 Moussalli 1993.
direction. Such activism began in universities throughout the 1970s, and later on spread to other sectors of the society. The middle generation leaders of the MB, or the “young princes”, included figures such as Issam Al-Aryan, Abdul Munim Aboul Fotouh, Aboul Ela Mady, Salah Abdel Karim and Issam Sultan. This group, also known as the reformist wing, recognized new opportunities for the MB as the socioeconomic and political environment that the group faced was significantly different from the one experienced by the old guard. Hence, strictly political tools as opposed to an amalgam of religio-political activism gained currency. Mady explained this crucial distinction as follows: “Al-Banna’s dawa [mission] is important because it developed Islamic movements in the first half of the twentieth century. But the problem is that Al-Banna’s dawa did not develop after his death, especially in political issues. His dawa dealt with both religion and politics. It met the demands of his era. But, of course, the present situation in our society is different from that of Al-Banna’s era. It is not suitable for us to directly apply Al-Banna’s idea to our society, especially with regard to issues about Christians and political parties.”

Particularly, the “conflict in policy orientations” with respect to democracy, the role of Islam and the economy was crucial in the configuration of the frontiers between the old guard and the middle generation. This new party would be “part of, not an alternative to, the existing political system” in sharp contrast to the MB’s conventional reactionary and critical approach to politics.

444 Mady quoted in Yokota 2007, 152.
Despite the long-time resistance by the old guard, by late 1995 the reformist wing seemed to have won over the old guard in the discussion towards forming a political party at which time the group provisionally and on an informal basis agreed to establish a political party as a distinct legal political entity. The leading role belonged to Mady in this new initiative. For Mady and his fellow MB members, the timing was crucial for forming the new party; the current political and socioeconomic environment was ripe for such a new initiative, and if time was wasted, the opportunity might have escaped. At the same time, the concern was that the old guard within the MB was strong enough to withdraw their support and prevent the establishment of the new party. One of the former founding members of the WP, Rafik Habib – a Christian by faith –, recounted Mady’s thinking during this period as follows: “Aboul Ela [Mady] thought the older members of the Brotherhood were reluctant to allow a political party to be established and his main concern was rooted in the notion that if they waited the timing would not suitable. It would be too late and the chance to establish a party would pass.”

In 1996, 74 individuals applied for a license to form a new political party called Hizb ul-Wasat (the Center Party). Among these 74 individuals an overwhelming majority was member of the Muslim Brotherhood, 62 individuals. Following the signals from the Political Parties Committee (PPC) that the Muslim Brothers would not obtain a license for a new party of their own and the clear message from the MB deputy General Guide Ma’moun Hudeibi to those associated with the WP to “withdraw” from the WP or “face

447 Mady, 2008.
448 Stacher 2002.
expulsion”, many MB members left the WP in a “wave of mass defection”.449 Nonetheless, Aboul Ela Mady and about 15 other MB members persisted in their effort to found the new party ignoring calls from the MB leadership. Later in 1996, Mady and several other members of the WP were jailed for five months on, what Beinin calls “fabricated charges that the Center Party [WP] was a front for the Muslim Brothers [MB].” In the same year, Mady and 15 other members of the MB formally resigned from the MB.450 By 1998 when the group reapplied for a license, the diversity among the founding members was striking: 24 former Brotherhood members, three Christians and 19 female members.451 This renewed application and the composition of founding members was also indicative of the fundamental difference between the MB and the WP. The difference was more than just about the method and being a part of the MB; it was to create a political party distinct and independent from the MB. Nonetheless, Islamic discourse would still be a central element of the party. Hence, even though there was an agreement between the old guard and the reformist wing on a vague idea of establishing a party, apparently each had its own idea about what the party would look like.

In contrast to the WP’s perception of the causes of their split from the MB, the opposition of the MB to the WP was unrelated to policy issues but largely stemmed from two

451 Stacher 2002. The group made several applications in 1996, 1998, and 2004 for a license from the Political Parties Committee in the parliament – a committee formed by the members of the regime’s National Democratic Party. All applications thus far are rejected on the basis that the party platform failed to add anything new to the current line of parties. The WP appealed every rejection thus far. Their last appeal was to the National Council for Human Rights in Egypt. See “Wasat Party Founders Lodge Complaint Against Government,” Al-Masry Al-Youm, October 21, 2009. See Stacher 2002 and Zubaida 2000. For a discussion of the Political Parties Law in Egypt and how it is manipulated by the NDP to block potential challengers, see Human Rights Watch 2010.
factors. In the first place, the WP was viewed as an initiative that violated the institutionalized internal decisionmaking mechanisms of the MB. According to the former head of the group’s political bureau, Issam Al-Aryan, the “impatience” on the part of the “dissenters” was the cause of the split: “The decision making process is institutionalized in the Brotherhood. It takes time to consult (shura) and some of our former colleagues were urged to bypass this process and take steps to form a party early.”\textsuperscript{452} Others both within and outside the group pointed to the same cause for the split. The WP initiative violated the hierarchy within the MB and was beyond its control.\textsuperscript{453}

For example, AbdelHamid Al-Ghazali – who is former head of MB’s political bureau, Consultative Council member and advisor to the former General Guide Muhammad Akef – commented on the split as follows: “The cause for this estrangement of the WP from the MB is that the leaders of the WP did not listen to the orders of the Guidance council in order to withdraw the first application of this proposed party because we believe this party will never get the approval from this so-called PPC. In our movement, if you are a member by your freewill you should adhere to our principles. One of our principles is that if there is a discussion which has been done by the Guidance Council of the movement, before reaching a decision, you could say whatever you like. But after reaching a decision that you should not make an application for a party, and you go against this, this means you do not want to be a member.”\textsuperscript{454}

\textsuperscript{452} Al-Aryan quoted in Stacher 2002.
\textsuperscript{453} Shadid 2001; Wickham 2004; Farid interview, 2008.
\textsuperscript{454} AbdelHamid Al-Ghazali, interview, November 11, 2008.
Secondly, there was the constant vigilance on the part of the MB on what a potential move to disturb the status quo with the regime might imply and what the extent of real change could be – both clear indications of the weight of the old guard in the group’s way of thinking. For example, one of the leading figures of the MB, Ma’moun Hudeibi, questions the futility of the WP initiative: “Are there really any parties in Egypt, religious or nonreligious? To have parties means to alternate power. Parties compete in elections, real elections, people vote for something and they change something. Can that happen here?”455 So, it appears that the old guard relinquished its support for a new party proposal because of their distrust to the political system. Al-Aryan reasons about the state response to the MB: “If their [WP’s] step is some sort of harassment against the government or if the government thinks that it should take intense action against the Brotherhood if they want to try and make a party. So how to consider the reaction of the government.”456

Note, however, that the distinctive perceptions of the split between the MB and the WP have a unique implication. The vigilance on the part of the MB was to ensure that any prospective action must have little bearing on the group’s political discourse and ideological standing – because the MB feared it did not have control over the WP and the government’s response might cause a major change. In other words, it was because the MB perceived the WP as a project with a potential to cause a shift in the discourse and strategic goals of the movement rather than a mere tactical change, i.e., from running as independents to a legal political party. Yet, for the leading figures within the WP, the

456 Stacher 2002.
establishment of the WP represented the ideals of the reformist wing within the MB, and of the Wasatiyya movement more broadly conceived. But when the WP initiative came to a “closed road” at the end of 1995, some of the reformists under the leadership of Aboul Ela Mady decided to push forward regardless of the MB’s support or authorization. For the leadership of the WP, the split was indicative of the change in the strategic thinking about the end-goal of a new political party. Hence, the discourse of the new party had to be commensurate with the “present” situation of the Egyptian society and reflect the “policy orientations” of the reformist wing. This was more than a mere tactical change; a change in the basic discourse of the movement that the MB leadership did not prefer. Hence, even though it might seem like a rather simple case of imprudent action on the part of WP leaders and an effort to achieve a fait accompli, for shrewd politicians such as Mady, Sultan and Abdel Karim the mechanics of the split were designed to ensure a successful split from the MB for a whole new party and platform.

The four distinct components of the Wasat Party platform – role of Islam, democracy, economy and social policy – and its comparison to the MB’s discourse are discussed in the next section.

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457 The Wasatiyya movement, or the “Islamic centrism” refers to the intellectual current among some of the Islamic intellectuals of Egypt. It represents the rise of “liberal” and “modern” Islam, for Wickham. According to Joshua Stacher, the movement is “not politically organized and do not belong to any Islamist group.” Among the leading figures of the movement are Yusuf al-Qaradawi, Tariq al-Bishri, Muhammad Imara, and Muhammad Salim al-Awwa, some of whom are closely associated with the WP. See Stacher 2002 and Wickham 2004 for a detailed discussion. Farid interview, 2008.

458 Aboul Ela Mady, interview, 29 October, 2008, Cairo.
A – Islam in Party Platform

Islam, in the WP discourse, plays a central role, yet is fundamentally distinct from conventional Islamist formulations. The party identifies itself as a moderate and civil political party with an Islamic reference that is in sharp contrast to the MB, which advocates the centrality of an Islamist discourse. In the words of its founder Al-Banna, the MB advocates, “the most powerful system – the Islamic ideology; and that [they] are offering to mankind the most just law – the Sacred Law of the Qur’an.” Along the same lines, the MB’s former General Guide Akef stated that “we believe that the establishment of Shar'a Allah is the most efficient way out of all internal and external problems, political, economical, social and cultural, and will happen through the formation of the Muslim individual, the Muslim family, the Muslim government…”

For the WP, Islam is a “civilizational” element rather than a religion in the party platform. In this original formulation, “Islamic civilization”, as the founding identity element of the WP, refers to the idea that Egyptians of Muslim and Christian origin share in the same “cultural framework” offered by the Islamic civilization created throughout the centuries by both Muslims and Christians, “partners on the basis of citizenship not religion”.

Conceived in this way, the concept of Islamic civilization is more comprehensive and encompassing of “others” in a Muslim-majority society than “Islam as a religion”

460 In el-Ghazali 2001, 119-120.
462 Mady interview, 2008.
framework. The emphasis on Islamic civilization rather than Islam as a religion is particularly important in the Egyptian society because of the sizeable Coptic Christian minority in Egypt. One of the original founding members of the Wasat Party, and a Christian by faith, Rafiq Habib concurs and states the following: “Christianity is a part of Islamic civilization as well as other elements. When we talk about Islamic civilization, it means we talk about the value system. This fundamental value system unifies Christians and Muslims because civilization is not a religious doctrine.”

In the case of the MB, for example, one of the most debated articles of the recent draft party program stipulated that women and Copts were not qualified to run for the head of state position (al-imamah al-kubra). Critics, rightly, claimed that such a condition was in violation of the equality of all citizens – a principle that the MB purportedly accepts. The principal idea behind this clause was that since the end-goal is to establish an “Islamic state”, the head of the state should be Muslim and male, according to the principal justification offered by the MB. Some within the MB such as Mahmoud Ezzat and Muhammed Habib defended the clause by saying that head of state represented the Islamic ummah (nation), and hence can only be occupied by a male Muslim. Issam Al-Aryan maintained that the position is a symbol for a “Muslim state” and likened it to the position of the King of Britain. All other positions are open to women and Copts.

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463 Takayuki 2007.
464 There are different estimates on the size of the Copts in Egypt. But most figures claim that Copts make up at least ten percent of Egypt’s total population.
467 Rafik Habib, interview, October 28, 2008, Cairo.
469 Issam Al-Aryan, interview, November 17, 2008, Cairo.
according to these MB officials. Others have justified the inclusion of the clause on the grounds that it was intended for the sake of transparency and “to be frank to everybody”. Others within the group such as Abdul Munim Aboul Fotouh and Issam al-Aryan, however, disagreed with the explicit mentioning of such a clause and recognized the implications from a democratic and citizenship perspective. They preferred silence on the issue as the dynamics of the Egyptian society will not allow for a woman or a Copt citizen to be elected to this position any time soon. The interviews made it clear that a revision on this clause is almost certain and the whole ordeal relating to the presidency is seen as an “administrative problem.”

In contrast, by emphasizing Islamic civilization, the WP is able to avoid potential problems emanating from adherence to both Islam and a pluralist notion of democracy, and avoid religious conflict. According to the WP program, both women and Christians are eligible for all public offices, in sharp contrast to the MB.

The WP’s emphasis on Islamic civilization as a “cultural framework” is almost identical to the role of Islam in the Turkish JDP where Islam represents the set of common values and serves as cement for the society.

For the WP, the goal is not to represent and instill Islam in the politics and society as the MB ventures to do, but rather to promote Islamic values already prevalent in the society.

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470 The MB, however, backtracked on this clause in their draft party program recognizing the potential problems associated with it. See MB Draft Party Program (2007). The group also raised the same issue in its 2004 Reform Initiative. See Antar 2006.
471 Al-Aryan interview, 2008; AbdelHamid Al-Ghazali, interview, November 11, 2008, Cairo.
472 Abdul Munim Aboul Fotouh, interview, October 30, 2008, Cairo; Al-Aryan interview, 2008.
473 M. Habib interview, 2008.
in a fashion akin to Christian Democratic parties. To this end, Islam offers only “guiding principles”. The Wasat Party’s adherence to sharia as a general guiding principle is far from being a strict adherence to a religious doctrine, but rather a way to emphasize their adherence to an Islamic identity. To this effect, the party program states the following: “They [the WP] believe that the interpretations of sharia they offer, although illuminated by the general goals of sharia and its fundamental principles, are nonetheless human interpretations and as such may or may not be correct. Hence they are open to debate, criticism, and revision and change depending on time and place.” The MB, in a sharp contrast to the WP, envisions a state “that combines both religion and state.” In brief, WP’s position on the role of Islam is more moderate, i.e., less politicized and focused on Islamic values, than that of the MB’s Islamic discourse.

As in the case of the PJD in Morocco to be discussed in Chapter Five, the WP completely separated religious dawa activities from political activities. The conjoint nature of the political and religious activities, indeed, constitutes a principal source of problem for Islamist parties as in the case of the MB. When the MB makes a statement, for example, it is not clear in the statement who the audience is, the members of the MB who adhere to the principles of the MB as an Islamic movement or the Egyptian population at large who is the electorate. For WP leader Mady, the fact that the party separated “the preaching job and political job, and specializes in the political job only” is a testament to the un politicized role of Islam within the party. It also sends a clear message as to whom

475 Mady interview, 2008.
the audience is that the WP addresses. This separation between the preaching activities, dawa, and political activities, also afforded the party versatility in its political stance. Along the same lines, WP founding member Emani Kandil emphasized the “flexibility” of the party, and the absence of an “ideological orientation”.\(^{479}\) This flexibility enabled the party to work with other parties without any preconditions and reservations on various issues, according to Mady.\(^{480}\)

A perennial issue about Islamist parties is the monopolistic claim that Islamist groups and parties lay on speaking on behalf of Islam as a religion; the separation between religious and political activities addresses this problem for the Muslim democratic parties as in the case of the WP in Egypt. For example, former head of political bureau in the MB, AbdelHamid Al-Ghazali, notes that the “Islamic point of view and Muslim Brotherhood point of view…are identical.”\(^{481}\)

Indeed, several members of the WP criticized the MB due to its claim to speak for Islam. WP official Kandil claims that the MB “consider themselves the only right way” on every issue including Islam.\(^{482}\) Ahmed Hamid, the WP official for the youth branch, explained that an important part of the discussions he engaged with his father – a member of the MB since the chaotic days of the 1950s and the much-disputed militia force of the MB, \textit{al-Nizam al-Khas} – centered around this idea: “I am a Muslim, but I cannot say that I am Islam, I cannot say that I am talking in the name of Islam. This is the difference between

\(^{479}\) Eman Kandil, interview, 22 November, 2008, Cairo. Osama Farid, a former member of the WP, underscored the “pragmatism” of the party in dealing with other groups and parties; Farid interview, 2008.\(^{480}\) Mady interview, 2008.\(^{481}\) Al-Ghazali interview, 2008.\(^{482}\) Kandil interview, 2008.
me and my father. My father used to say that ‘Islam said that’ while he meant that
‘Ikhwan al-Muslimin said that’. So, I would get into debates with him often times about
why he said Islam when he meant Ikhwan al-Muslimin, and he used to say ‘we [MB] are
Islam’…You can take thoughts, ideas, principles from religion, but you cannot say I am
the religion.” 483

Mady, for example, claims that, “although we are confident that we have a distinct
contribution to make, we do not believe we are always right or that we hold the
monopoly over truth.” 484 Leading figures within the MB, however, explicitly stated that
“Islam is Muslim Brotherhood and Muslim Brotherhood is Islam” suggesting that the
MB’s views and Islamic perspective are identical. 485 Indeed, WP leader Mady criticizes
the MB on their exclusive notion of Muslimness: “Membership in the Muslim
Brotherhood is dependent on your religion - everyone should be Muslim, not only
Muslim but a special kind of Muslim. Not all Muslims can be members of the Muslim
Brotherhood.” 486

The separation between religious and political activities is crucial from a democratic
perspective as well. Religious organizations’ main audience is their own membership,
and they require conformity and strict following of the organization’s principles.
However, political parties deal with issues that concern a whole population rather than
their own constituency. Hence, political parties are, in theory, more open to compromise

483 Ahmed Hamid, interview, October 31, 2008, Cairo.
484 Mady 2008, 8.
485 Two prominent members of the MB, AbdelHamid Al-Ghazali and Amani Aboul Fadl Farag have used
the exact same phrase during personal interviews.
and negotiation as compared to religious organizations as they do not deal with “absolutes”. Hamzawy, Ottaway and Brown underscore this democratic implication, and draw an analogy with the European experience on the same issue: “It is not only important that the party and the broader organization have separate identities but also full (and not merely formal) autonomy. Returning to the earlier example, Christian Democratic parties became accepted as legitimate political players when it became clear the party leadership made its decisions on its own without accepting instructions from the Church.”

Hence, non-separation of the two kinds of activities of the MB presents a formidable problem for the MB.

In the application of sharia, the MB largely rests on the conviction that an overwhelming majority of the people do favor the application of sharia. Hence, when asked whether the MB will use “force” to ensure the observation of sharia, MB officials responded by pointing out the popular support for sharia in Egypt and the determining role of the people’s decision on the issue. The people are the referees on this issue.

Complementing the MB’s position on the application of sharia is the grassroots approach to Islamization. For the MB, reform of the individual and societal acceptance of an Islamic system constitutes the primary goal because only after that an Islamic state can be established, according to the MB. Muhammad Habib’s statement is a succinct summary of the group’s position on this issue: “Islam has its specialty, it has economics, economic system, it has political system, and it has social system and so on. But we cannot enforce

487 Hamzawy, Ottaway, and Brown 2007.
488 Al-Aryan interview, 2008.
489 M. Habib interview, 2008.
people to do this or that. The people or the nation must agree with the system [the sharia]. [If people do not agree with sharia], as they like. No enforcement.” Hence, the group’s long-term perspective on Islamization affords them their current position on the application of sharia, which appears to be compatible with procedural democracy.

B – Democracy and the Wasat Party

As in the case of other MDPs, the WP’s adherence to a democratic discourse rests on both procedures and principles of democracy. Without hesitation, the WP leader Mady expressed the party’s adherence to all democratic procedures such as elections and peaceful rotation of power. This emphasis on procedural elements of democracy, however, is not radically different from the MB’s position on democracy. What sets the WP’s democratic position is the embrace of a pluralist and “inclusive” conception of democracy. According to Joshua Stacher, the WP “argues in favor of democratic reforms, human rights, women’s rights, and the inclusion of Christians in its party project.” The emphasis on such notions is a clear indication of the party’s pluralistic and liberties-oriented nature. Mady maintained that, “most democratic principles are not against Islam… some very small issues are not acceptable, but the majority, as I said, is acceptable of the principles. But all the [democratic] process is acceptable.” For Mady, only excessive sexual freedom seems to be at odds with their understanding of

490 M. Habib interview, 2008.
491 Kandil interview, 2008.
democracy, commensurate with the conservative values of the Egyptian society conceived more broadly.\textsuperscript{493}

Along the same lines, the WP emphasizes the idea of “citizenship” rather than ethnic or religious identity to demonstrate the internalization of democratic values and principles in the party.\textsuperscript{494} The focus on citizenship helps the WP address two specific problems associated with Islamist parties in general. One of them is the status of non-Muslims in a polity where Islam constitutes principal source of rights, as discussed above. The other one is the equality of men and women. By supporting full citizenship rights to women – including the much disputed exclusion clause of the MB on women’s right to be become the president – along with non-Muslims, the WP illustrates another distinction between itself and an Islamist platform.\textsuperscript{495} One of the female members of the WP, Eman Kandil, views the party’s position on women as “exciting” and expressed it as a key factor in her decision to join in the ranks of the party.\textsuperscript{496}

Another dimension of the WP’s democratic discourse is the focus on “popular sovereignty” as the source of legitimate state power.\textsuperscript{497} The MB, historically, adhered to the notion that sovereignty belongs to God, which created a continuous source of tension with the group’s statements on democracy. Cognizant of this problem, the WP reinforced its democratic credentials with the following statement: “The people are the source of all powers; legislative, executive and judicial branches of government must be separate and

\textsuperscript{493} Mady interview, 2008.
\textsuperscript{494} Mady, Kandil, Habib interviews. WP Party Program 2004.
\textsuperscript{495} WP Party Program 2004, 7.
\textsuperscript{496} Kandil interview, 2008.
\textsuperscript{497} See Wickham 2004 for a detailed discussion of popular sovereignty in WP platform. Kandil interview, 2008.
independent from one another in a context of general balance. This includes the right of the people to legislate for themselves the laws which are to their interest. The acceptance of popular sovereignty as a principal guiding rule also sheds light on the relationship between democratic and Islamic principles. Although Islam figures prominently in the party’s discourse, as discussed above, what people demand matters ultimately and the legitimacy that a party and law can derive is primarily due to its popular preference.

At times, it appears that officials from the WP make a careful effort to address all the issues pointed out as problematic in the MB’s democratic discourse. Others also pointed out a similar tendency in the WP and its effort to distinguish itself from the MB, particularly to convince security forces that its separation from the MB is genuine and not a Trojan horse to be used by the MB once the WP obtains legal party status. Fahmy Howeidy, a respected Islamist intellectual in Egypt, underscored the same tendency in the WP, and recalled his conversation with WP leader Mady on this issue.

For a long time, the MB has a strongly favorable position on democracy as a procedure, i.e., separation of powers, peaceful turn of power and fair elections. The former head of the political bureau of the MB, Issam Al-Aryan, explained the group’s position on

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499 WP leader Mady explains in great length the compatibility of Islam, i.e. sharia, and democracy, and argues that the fundamental problem in the discussions about the compatibility between Islam and democracy is due to incorrect interpretations. There are many interpretations of Islam and sharia that are affected by people’s culture and environment. Instead, Islam, in its essence, is perfectly compatible with a democratic model. See Mady 2005.
500 Hamzawy, Ottaway and Brown (2007) outline six “ambiguities” in the “Islamists’ universe” that resembles the issues that the WP tries to tackle: application of the Sharia; violence; political pluralism; individual freedoms; minorities; and women’s rights.
501 Fahmy Howeidy, interview, November 4, 2008, Cairo.
democracy with reference to Islam in the following way: “We believe that Islam is an overall solution for all problems, and in Islam we have some general rules and principles that are compatible with democratic principles. Islam respects multiplicity, respects choice of people, give the right to people to decide which is better for them, respect the rotation of power, respect human rights, respect freedom of course.”502 In a similar vein, former deputy General Guide Muhammad Habib outlines the fundamentals of the democratic system envisioned by the MB: “we are hoping to settle a democratic regime, a real democratic regime based on multiple parties, peaceful change of power, and the nation as the source of power.”503 This position on democracy is in line with most Islamist groups throughout the Middle East, and may partly be due to the authoritarian nature of the regimes that the Brothers operate within. The disproportionate emphasis on “political liberties” rather than a comprehensive endorsement of individual rights and liberties stems from the belief that “the cornerstone for tackling our [Egypt’s] basic problems in every aspect is through political reform...The basic emphasis for any reform should start from political reform. Without political reform nothing can be done in any aspect of our society.”504 Nevertheless, Hamzawy, Ottaway and Brown make it clear that the endorsement of procedural elements of democracy might, indeed, be genuine: “The position of the Brotherhood on its respect for democratic legislative procedures is clear, and does not require, in our opinion, any further elucidation: Brotherhood members

503 M. Habib interview, 2008.
504 Al-Ghazali interview, 2008.
elected to parliament have proven over the years to be respectful of democratic procedures, often more so than the incumbent government.\textsuperscript{505}

The thorny question is, however, on the relationship between sharia and democracy. According to the MB, the sharia is perfectly compatible with democracy;\textsuperscript{506} yet, as Antar points out, the MB does not explain the question about the implementation of sharia and its compatibility with democracy at any length. Antar states that, “particularly, it does not provide concrete hints as to what the implementation of Islamic law means for the judicial, legislative, or economic system, or as to what the central body responsible for legislation would be.”\textsuperscript{507} However, it seems that the MB is aware of the ambiguities. Thus, Abdul Munim Aboul Fotouh, a member of the Guidance Council of the movement, mentioned that the movement needs a clear vision distinguishing between its missionary and political activities: “There is a debate within the movement about the possibility of transformation to a political party that carries out the movement’s reform agenda. Another possibility is establishing a separate political party, with a clear delineation of responsibilities between party and movement. We differentiate clearly between political and religious activities, although repressive state practices have often led to conflation of the two, which would not happen in a free society.”\textsuperscript{508}

Nonetheless, the MB further presented observers with doubts about its position on the relationship between sharia and democracy. The recent draft of the party program

\textsuperscript{505} Hamzawy, Ottaway, and Brown 2007. Also, see Antar 2006 for a general review of the parliamentary performance of the MB.  
\textsuperscript{506} The Muslim Brotherhood Electoral Program 2005.  
\textsuperscript{507} Antar 2006, 19.  
\textsuperscript{508} Aboul Futouh, n.d.
circulated by the MB included a clause that establishes a legislative supervisory role for a council of ulama (Islamic scholars).\textsuperscript{509} Essentially, the role of such a council is to oversee whether the legislation passed in the parliament is compatible with Islamic law, sharia – a function similar to that of a Constitutional Court with the exception that it reviews the legislation only insofar as it relates to Islamic law. A similar body called the Guardian Council was, indeed, established in the Islamic Republic of Iran following the revolution in 1979. The MB, however, was quick to backtrack on its proposal recognizing the criticisms and potential implications for democracy. Such a body, essentially, contradicts the basic idea that the only legitimate authority with respect to legislation is the parliament. Issam Al-Aryan, the former head of MB’s political bureau, explained the problem as follows: “It will be a contradiction between this [ulama council] and the parliament. Now, the parliament clearly in the [revised] draft is the only body, which legislates the laws. And, high court is the only body which reviews the laws, that is clear for us.”\textsuperscript{510} Despite Al-Aryan’s statement, Muhammad Habib, the former second man in the MB, made it clear that Islamic compatibility of legislation continues to be the guiding principle of the MB’s take on the issue: “Any law, we take the tools of democracy, but any law coming from the parliament should be agreeable to the principles of sharia. We do not make harams halal, and halals haram.”\textsuperscript{511} This is the principal difference between

\textsuperscript{509} MB Draft Party Program 2007.
\textsuperscript{510} Al-Aryan interview, 2008.
\textsuperscript{511} Haram, in Islamic terminology, refers to those actions strictly prohibited in Islam by God. Halal refers to those actions that are permissible for an individual to do.
us and the West’s understanding of democracy. Every social, political, economic activity must agree with the principles of sharia.”

MB also came under fire from seculars for its position on women as it was not deemed to be up to par with a liberal understanding of democracy. For example, the MB’s electoral program from 2005 calls for women to “participate in the elections and to have membership in the legislative councils and the like, but within the limits that keep her honor and dignity.” Similarly, women should be “protected everywhere”, according to the MB. The problem from a liberal western point of view is determining who the authority is in keeping women’s “honor and dignity”. Or, in a broader context, the MB guarantees “some rights” and “some liberties” so long as they are compatible with the principles of Islam. The WP leader Mady, rightly, takes on the Brotherhood on its “deliberately ambiguous position” on the constitution and democracy. Ambiguities on many issues as discussed above appear to harm rather than benefiting MB’s democratic discourse.

In his introduction to a book on the MB’s parliamentary performance, Akef makes it clear that democracy, as a procedure, serves a specific end. Unlike in the case of democratic procedures, the MB does not have a fundamental attachment to democratic principles and values. Akef wrote the following: “The MB's aim in participating in the People's Assembly [Egyptian Parliament] or other elected councils is to serve the establishment of

512 M. Habib interview, 2008.
513 MB Electoral Program 2005, First Section. See Abdel-Latif 2008 for an excellent discussion of the role of women within the MB, and its broader implications for Egyptian society.
514 MB Electoral Program 2005, First Section.
515 Mady interview, 2008.
the Islamic State from which the country and worshipers will benefit.”\textsuperscript{516} To state this differently, there is significant evidence in the words and actions of the MB that the group has internalized democratic procedures, yet the case of democratic principles is far from clear. The attitude towards democratic principles in view of the Islamic law compatibility is an issue the group still struggles to come to terms with. Hence, hasty conclusions about MB’s “hypocritical” democratic stance may be premature. To quote Shehata and Stacher on the MB’s democratic credentials, “while a healthy dose of skepticism toward any political organization is prudent, commentary on the Brotherhood frequently leaps to unsubstantiated conclusions that paint the group as a monolith bent on oppression and rule by force in the future.”\textsuperscript{517}

Overall, the MB’s stance on democracy focuses on procedural democracy with emphasis on election, turn of power and majoritarian decisionmaking while being silent on a principal adherence to a pluralist and rights-based democratic understanding. The MB’s position is in line with an Islamist ideology. The WP, however, goes to lengths to prove that its democratic credentials are solid, particularly on individual liberties and minority rights.

\textbf{C – Economic Policy}

The WP’s vision for the economy is largely to support a liberal economy along similar contours as in the case of the Turkish JDP. The party endorses “open markets and free capital” where the role of the government is “to facilitate the growth of the private sector

\textsuperscript{516} Akef quoted in Antar 2006.
\textsuperscript{517} Shehata and Stacher 2006.
by removing unnecessary red tape and contradictory regulations”. The state’s role, in this context, refers to the regulation of the economy, which should in principle ensure the operation of a free private sector without “monopoly or exploitation”.

The economic crisis of 2008-2010 certainly has tilted the party’s discourse towards more state involvement in the economy. According to the WP political program in 2004, the party views an “appropriate legislative and regulatory environment” crucial for successful economic enterprise, and a precondition for “a healthy investment environment”.

Broadly conceived, WP officials view Egypt’s economic system favorably: “We are not far away from the [economic] system in Egypt now with the exception of corruption.”

When contrasted with the economic discourse of the MB, the WP is certainly more accepting of a liberal economic system. While the MB offers an economic system “derived” from Islam – or, based on a “market economy in Islamic perspective” – and, fundamentally opposed to the use of interest in the economy, the WP does not have such a goal of fundamentally reorganizing the economy. The WP’s position on the economy is most clearly demonstrated by the language the party uses to increase Egypt’s integration to the global economy and the tools offered to that end, which are discussed next.

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518 WP Political Program 2004, 10-11.
519 Mady interview, 2008.
520 WP Political Program 2004, 10.
An important element of the WP’s economic discourse is the entrenchment of a truly liberal economy. Throughout the party program, the WP makes references to the need for a liberal economy, and ways to deal with obstacles in front of a liberal economy. One such emphasis is on customs procedures, which the party calls “extremely inefficient”.

The party views such inefficiencies as problems preventing a liberal trade regime: “Developing and simplifying customs procedures and ensuring that procedures in the air and sea ports facilitate, rather than cause delays to the entry and exit of goods. A better estimate of customs tariffs is needed depending on the real price of the product.”

The WP also perceives the idea of Arab Free Trade Agreement favorably to further the goal of a more liberal economy both in Egypt and more broadly in the Arab World. However, the actual steps taken towards an Arab FTA lags significantly behind the goodwill towards such a goal, claims the WP. The major problem, according to the party, is “the absence of political will” to create a competitive regional economic bloc. In order to reenact the stillborn Arab FTA, the WP envisions that the FTA should “include a gradual lifting of customs and similar internal fees and elimination of administrative, monetary and quota restrictions on the trade between the different countries.” The core idea behind the party’s take on Arab FTA is greater integration to the world economy. Indeed, one of the issues the WP underscores with respect to liberalization in the Egyptian economy is Egypt’s position in the “The Global Competitiveness Report”. The

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523 WP Political Program 2004, 15.
524 WP Political Program 2004, 17.
525 WP Political Program 2004, 23.
WP claims, correctly, that Egypt’s ranking in the report prepared annually by the World Economic Forum has declined steadily since the mid-1990s.\footnote{WP Political Program 2004, 15.}

Another issue that the WP raises to achieve a more liberal economy is to solve the problems that the Egyptian private sector faces. One such issue is the high level of government debt. For the WP, government debt implies that “the government is crowding out the private sector in terms of domestic borrowing.” In turn, the decreased amount of credit available for domestic borrowing affects “the interest rate, job opportunities and income distribution” negatively.\footnote{WP Political Program 2004, 17.} In the same vein, the party calls for ending the public financing of state economic institutions, which the party claims that these institutions announce annual losses of LE5 (approximately $1 million).\footnote{WP Political Program 2004, 18.}

Development of the Egyptian banking system is also viewed as a potential problem preventing greater private investment. In this, the WP assigns a key role to the independence of the Central Bank of Egypt. The autonomy of the Bank is likely to maintain a lower interest rate, according to the WP, which will eventually “encourage investment and hence development.”\footnote{WP Political Program 2004, 16.} Note, however, that – unlike in the Islamist discourse of the MB – the WP views no intrinsic problems associated with the use of interest in the economy.\footnote{The MB opposes the use of interest in banking based on Islamic doctrines on this issue. More recently, MB leaders said that “international financial crisis [in 2008] is basically because of the rate of interest, because of riba [interest].” Al-Ghazali interview, 2008; M. Habib interview, 2008.}
On privatization, the WP takes an aggressive stance and calls for privatization of most state economic enterprises. WP official Ahmed Hamid stated as follows: “We cannot talk about privatization in this case. Why do we have six million government employees? To control the country. So, we need to continue with privatization, we cannot continue paying this many people.”

While the WP is specific in its economic observations and policy recommendations, the MB takes a more comprehensive approach and emphasizes the underlying socioeconomic divisions in the Egyptian society. For example, the MB states that, “The failed economic policies are responsible for that [severe socioeconomic divisions] because they did not take into consideration the poor, and basically cared only for the upper class, i.e., the businessmen and corrupt bureaucracy.”

In the same light, former head of the MB’s political bureau and a leading economic adviser to the group underscored the problematic nature of monopolistic practice in Egypt: “As far as market economy is concerned, we are – by our Qur’anic verses – against any monopolistic practice. One of the basic weaknesses of our economy is that it is suffering from really excessive monopolistic practices by some leaders of the regime’s party. For instance, iron and steel, which is monopolized by Ahmed Eizz who is the second man in the regime. We are against this, we are against corruption, which is in every economic activity of our society and very destructive.” The MB makes direct appeals to the periphery in Egypt.

\[531\] MB Electoral Program 2005, Third Section.  
\[532\] Al-Ghazali interview, 2008.
**Infitah** policy also takes its fair share from the MB’s critical approach to the Egyptian economy. Though in principle the MB is not against liberalization of the economy, they are unequivocally opposed to its current practice on the ground that “power and wealth are married” in Egypt: “We are against infitah as it is practiced because it does not have a program, no clear-cut program; it is a chaotic infitah, and it is molded with corrupted people and corruption. We are not against infitah as such.” Al-Ghazali continued to specify the mechanism that sustains such “corrupt” system underscoring the selective nature of the process: “Only a few select people who are taking the ticket of being an NDP member. They are also taking the membership of the Majlis Al-Sha’ab (People’s Assembly) only to benefit themselves. For example, Hani Surur who is trading in contaminated blood baths, and he was under trial. There is Mamdouh Ismail of this boat that sank in the Red Sea causing more than 1,000 casualties as if it was war. Nothing has been done. Hisham Talaat Mustafa who without any responsibility spent millions for a playgirl and ended up by killing her. These are people who are not responsible, not really feeling the problem of the ordinary Egyptian.”

These prominent Egyptian businessmen have been the face and scoresheet of the regime, for the MB.

As opposed to a liberal market economy, the MB calls for a market economy with extensive protectionist and nationalist policies of reminiscent of the 1960s and the 1970s. The state assumes an “interventionist” role. To this end, the group employed vaguely-construed concepts such as “self-sufficiency, self-industry, self-development” in its electoral program, where self-development is defined as a system “based on increasing

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533 Al-Ghazali interview, 2008.  
534 Al-Ghazali interview, 2008.
the utilization of the local resources without using them up nor resorting to loans and external aids, is our way for achieving the comprehensive development.”

In summary, the MB’s overall economic policy is far from being thorough; instead, it highlights socioeconomic conflict in broad terms and calls for a grand reorganization of the economic system along Islamic criteria.

2- Emphasis on SMEs

In view of the potential social base of the party, the WP also places great emphasis on supporting small and medium-sized enterprises (SMEs) in its program. Specifically, the WP views SMEs as the “backbone” of the Egyptian economy, and maintains that this sector of the economy should become “the basis and stimulus for other production sectors.”

Specifically, SMEs should be supported to undertake two specific functions for the party. On the one hand, the government should put in place a strategy to support “export-oriented projects” by SMEs targeting foreign markets. On the other hand, SMEs should be supported to offer viable “alternatives to imported goods”. Eventually, SMEs of both kinds will help in “sustaining development and raising the standard of living.” Nonetheless, the WP underscores several problems associated with how SMEs are currently handled in the Egyptian economy. Among these problems are 1) scarcity of

535 MB Electoral Program 2005, Second Section. In the personal interview, AbdelHamid Al-Ghazali underscored a similar point when he was discussing the MB’s economic perspective as aiming “a self-sustaining economic development.” Al-Ghazali interview, 2008.
536 Howeidy interview, 2008.
funds, 2) difficulties in marketing, 3) complicated bureaucratic procedures, 4) lack of administrative and technical support.\textsuperscript{538}

The MB is also critical of the current economic policy on SMEs and middle classes. The main problem, for the MB, however, lies in with the regressive structure of the tax law. According to the MB’s electoral program in 2005, “the new tax law needs another reform, because it reduced the stock companies’ taxes while it canceled the given exemption to the professionals such as the engineers, doctors and accountants. All the previous factors lead to the absence of trust in the economic policies management, and in those who are responsible for the economic policy due to the spread of corruption in all sectors.”\textsuperscript{539}

The MB’s position on the current economic liberalization reforms such as privatization is highly critical of the government. Though the MB has historically favored a market economy with an Islamic twist, its criticism of the economic reforms – presumably towards a market economy but mostly reinforcing the current socioeconomic structure – is aimed at the perception that the MB is standing up for the interests of the marginalized and lower-income Egyptians. Hence, at times, the tone of the MB’s critiques went as far as praising “the gains of the socialist Nasser era” with an excessively nationalist rhetoric.\textsuperscript{540}

To summarize the economic policy, the WP seems to have submitted itself to the global trend towards greater international economic integration, and wants to ensure that Egypt

\textsuperscript{538} WP Political Program 2004, 22.  
\textsuperscript{539} MB Electoral Program 2005, Third Section.  
\textsuperscript{540} Hamzawy, Ottaway and Brown 2007.
is a part of this trend. A WP official made the following statement regarding the party’s view on Egypt’s contemporary economic trend: “After current worldwide globalization, we cannot discuss globalization; there is globalization. The money is transferred over the borders, the goods are transferred over the borders. I cannot say that I will not be in the globalization movement.”

The MB, however, takes a critical perspective on the current liberalization drive and does not view it favorably for the peripheral groups in Egypt who, for the MB, shoulder the burden of this process as opposed to big businesses and other elements of the secular and central coalition. Nonetheless, it is harshly criticized in various corners because “it does not provide any specific plans or financial policies to reach these goals” beyond a mere broad perspective on the economy.

With respect to the peripheral businessmen in Egypt, distinct positions of the WP and the MB have distinct implications. The WP’s perceived over-identification with the exclusive and crony economic policies of the regime undermines virtually all favorable discourse on SMEs. The MB, in contrast, holds its unwavering position vis-à-vis the regime by its fundamental criticism of economic policies, including liberalization. Hence, peripheral businessmen should in principle relate themselves more closely with the Islamist discourse of the MB.

D – Social Policy

Egypt’s relatively poor population certainly affects the social policy of political parties in the country. Coupled with Islamic emphasis on social protection, the WP’s position on

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541 Hamid interview, 2008.
542 Antar 2006, 19.
social policy is decidedly expansionist in orientation. According to the WP program, the party believes in the principle of social equality, which “demands that basic necessities for all citizens must be fulfilled.” The party calls for the expansion of the social safety net beyond those who contribute to the system such as in the case of pensions. The main objective for the WP is to “care for” those with limited income. To this end, the party offers several mechanisms. Among the solutions are 1) tax exemptions for low-income people, 2) taxes only on production, 3) participation of civil society in the social safety net, 4) management of zakat (almsgiving) and sadaqat (donation), 5) separation of the social welfare budget from the rest of the state budget. The last measure would guarantee the protection of the poor for social protection. Charitable endowments (waqf) are also expected to partake in the provision of such services.

Zakat and Sadaqat also assume different roles in the WP program; both items in the social safety net need to provide the economic fundamental for greater SME investment and production. According to the party program, “the role of zakat could be extended to support and fund small and medium enterprises (SMEs) which would contribute overcoming unemployment and poverty.” Similarly, the program calls for “rationalizing and providing guidelines for the expenditure of sadaqat and nudhour to support SMEs and put the productive family scheme into practical implementation.”

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544 zakat refers to the compulsory almsgiving in Islam equaling 2.5% of a person’s annual disposable income. Sadaqat (pl.) is the voluntary donation a person makes, usually with an Islamic motivation.
545 WP Political Program 2004, 12.
546 WP Political Program 2004, 12.
More recently, the WP framed its discourse around the idea of Third Way following Tony Blair’s success in Britain. The problem for the WP is more intricate than simply adopting a discourse that combines fundamental elements of market economy with an extensive social safety net. The way economic liberalization is handled in Egypt clearly contradicts the interests of peripheral groups. As I have shown in Chapter Two, neither peripheral masses nor peripheral businesses benefited from the liberalization process. Nonetheless, the discourse of the WP largely fails to represent such disappointment. Instead of voicing strong criticism of the implementation of liberalization in Egypt and distancing itself from governmental economic policies, the party, by failing to stand against, appears to be a complicit in this exercise. Unlike the JDP in Turkey where the party was able to build on the success of the liberalization program and compensate for the dislocations by way of increased social spending and unemployment benefits, the WP has been unable to find a healthy balance between a liberal economy and social protection, or a constituency to support its endorsement of the status quo. The outcome is minimal support among the peripheral businesses and masses. Even though the party moved towards the left because of “the poor problem”, the economically liberal orientation overshadows the emphasis on social policies.

The MB’s program with respect to the social protection policy is structured along the same lines, and it constitutes the other side of the MB’s economic policy as it is viewed the responsibility of the state to ensure social justice. The group’s longstanding emphasis on social welfare and charity networks is a testament to the upholding of social justice.

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principle. The MB, just as the WP, relies heavily on zakat and sadaqat to structure its social spending. According to the electoral program from 2005, the MB lays out the following: “Zakat institutions should be in charge of distributing wealth and income within an integral Islamic system.”549 The MB views zakat and sadaqat an essential part of its broader Islamic economic perspective: “Our [MB’s] economic program is based on market economy in Islamic perspective, which means we believe in private ownership as long as it gives its obligations towards society paying zakah, paying other donations for the poor, this is what we call economic obligations.”550

Similar to the WP’s proposition, the MB calls for an institutional body to oversee the distribution of zakat and utilize the funds for addressing economic issues as well: “Establishing a civil institution in each governorate to collect and distribute the alms in order to guarantee a suitable standard of living for the poor. It is also possible to use this money to establish projects for reducing the rate of unemployment.”551 Unlike the WP, however, the MB unequivocally opposes the implementation of economic liberalization in Egypt and distances itself from the regime’s economic policies: “The Muslim Brotherhood watches the local and the international development, and sees that the absence of democracy, and the imposition of the emergency law since October 1981 up till now has led to the monopoly of wealth and power by a few persons; consequently, corruption has spread everywhere.”552

551 MB Electoral Program 2005, Third Section.
552 MB Electoral Program 2005, Third Section.
Business World and Political Preferences

This section offers interview data on Egyptian businessmen’s preferences with respect to the four distinct elements of a Muslim democratic party: Islam, democracy, economy, and social policy. The interviews are conducted with both peripheral businessmen and big businessmen in Egypt. In this case, I bring evidence to demonstrate that the status quo with respect to socioeconomic classes continues. As a result, the political preferences of peripheral businessmen reflect their perceived marginalization in the political-economic system of Egypt, a reaction to the status quo vis-à-vis the center. In order to show the continuity of the pre-liberalization structure, I rely on interviews from both big businesses and peripheral businesses in Egypt. The interviews demonstrate that the perceived sense of economic exclusion and the “corrupt” nature of the relationship between the state and big business constitute the key policy area that the peripheral businessmen view essential for their interests. The favorable policy preferences on Islam and democracy, for the most part, remain subordinate to their economic interests and preferences because without a resolution to the fundamental economic plight of the periphery, it is not possible to talk about other issues. For the big businesses, economic interests seem to constitute the main nexus of their political preferences. The continuation of the economic status quo is imperative; their preferences on Islam, democracy and social policy only seem to reinforce their economic interests vis-à-vis the rest of the Egyptian society.
Democracy as a political preference featured low in the agenda of several businessmen, big and peripheral alike. Theoretically, I would expect that businessmen, particularly peripheral businessmen, in Egypt should have a favorable view of democracy because in principle it ensures a political system favorable to doing business. Yet, unlike in the cases of Turkey or Morocco, in Egypt peripheral businessmen shied away from establishing direct links between democracy and the role of Islam in politics on the one hand, and economic liberalization and their businesses on the other hand. This peculiarity is an indication of a perspective on how politics and the economy are intertwined in a more complicated manner in Egypt. In a country such as Egypt where the economy is characterized by intricate relationships between politics and businessmen, crony relationships and corruption become the direct target of peripheral businesses who are left on the outside of this relationship. Democracy, as such, is insufficient to explain the problems of the Egyptian society and economy, according to a businessman. Indeed, if democracy is taken as a mechanism to hold elections and offer peaceful turn of power, might become a means to perpetuate the current political economic structure intact; such a conceptualization does not imply much in the way of the rule of law or other principles that democracy would offer. Hence, the peculiarity of the Egyptian peripheral businessmen’s views on democracy makes more sense in this light.

Some businessmen underscored the stability affect of democracy in explaining how democracy is favorable for business. EG-9-B interview, 2008; EG-6-B interview, 2008.

EG-2-B interview, 2008.
In a similar way to their preference on democracy, the interviews with peripheral businessmen revealed no clear-cut explanation as to why and how Islam in politics might affect their business in one way or another. Islam, clearly, was one of their main political preferences, yet instead of establishing discernible mechanisms on how Islam might help or undermine their businesses with a political role, they focused on the perceived corruption in the whole political system encompassing society and economy as in the case of democracy above. Without a comprehensive solution “encompassing social, economic and political issues,” no single policy change is likely to bring about desired and equitable outcomes, one peripheral businessman argued.

As to the big businessmen, the questions of Islam and democracy are more straightforward for them. Compared to the peripheral businessmen, big businessmen’s preference on democracy is more pronounced as they perceived it to be directly – and, negatively – related to their own businesses and interests. In other words, democracy implied redistribution from big businesses given the mere fact that an overwhelming proportion of the Egyptian population is poverty-stricken. Any change away from the status quo, unequivocally, implied harm to their interests. In principle, all businessmen supported a democratic regime, but when asked about its implementation to the current Egyptian society, the big businessmen hesitated to show favorable views. In a similar vein, the big businessmen I interviewed viewed political Islam as intimately connected to

555 EG-3-B, EG-5-B, EG-10-B interviews.
556 EG-2-B interview, 2008. A leading Islamist intellectual and journalist, Fahmy Howeidy, saw the issue in the same light and argued that “economic liberalization is tied to the political liberalization.” Howeidy interview, 2008.
the future of democracy; politicized Islam is perceived to be detrimental for both their own businesses and the Egyptian economy in general.

A businessman operating in various sectors of the economy with an annual turnover of more than $700 million praised democracy as a political system. He also echoed modernization theory’s rubric on the relationship between democracy and education, and highlighted potential implications of a democratic regime in a society where poverty and illiteracy reigned: “The problem with democracy is that it is something nice, everybody likes it, but due to poverty and illiteracy, in democracy [people] will be in favor of not market policy, not market economy. On the contrary, they will prefer a socialist system. Of course, as a businessman, I don’t like it so much to be honest with you. We are very unfortunate that the world has gone into this economic slump, and especially these days because this will strengthen the other party’s side [those who want democracy]. They will say, ‘see the capitalist system did not work anyway, the Mecca of capitalism has fallen down badly and even not knowing what to do.’ So, in Egypt democracy – full democracy – is not very healthy.” 557 This businessman established an explicit link about a democratic regime and redistribution. More ironically, however, a democratic regime is viewed as incompatible with a capitalist market economy, in his account.

Another big businessman and chairman of one of the major business groups in Egypt, in a similar way, called for higher levels of education in order for people to be able to make “the choice” in a democratic regime: “To have true democracy, you have to have an educated population that is knowledgeable and able to make free choices… I would

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557 EG-4-B interview, 2008.
definitely like to see a democratic regime in place coupled with a massive educational reform to allow for total eradication of illiteracy and the ability of every Egyptian to have the knowledge necessary to make the choice.”

The concern for this businessman is the potential that people might make incorrect choices – an attitude and mistrust emblematic of educated and secular elites when talking about peripheral and largely Islamic population. The businessman did not elaborate on what “the choice” is, yet the rest of the interview was clear in pointing to policies and platforms not favorable to those of big businessmen and the political elite of the center – i.e., political Islam and redistribution. He argued that “Islam should never be used as a political cover by people with political ambitions” with a clear reference to the MB. God and democracy do not go together for big businessmen: “It is not democracy anymore because when there is God, there is no democracy.”

Another big businessman leading one of the major business associations in Egypt was abundantly clear in laying out the potential future he was concerned about: “As in any country, democracy is better for business; in Islamic country, it is very difficult. You don’t want to see a full democracy; then, you will find Islamic fundamentalists in power. I am sure there will be a big chaos for the coming ten, twenty, thirty years, I don’t know how long, but sure there will be a chaos. You can see it in Iran after the revolution…in a country like Egypt, if you do not have a good program for foreign investment in the country, and encourage investors to come and work, they will not. So, if there are

559 EG-11-B interview, 2008.
560 EG-4-B interview, 2008.
Islamists in this country, then there is no tourism, there is no alcohol, there are no cinemas…democracy is very good for business, but is it good for this country? No.”

Drawing on the same analogy, a businessman challenged Islamists with respect to their economic policies: “…they will start saying ‘we will form charity organizations’ to touch the masses. But, at the end, what good will they do for the economy? I did not see Iran do something great for the economy.” Another businessman echoed the perceived weakness of Islamist discourse on economic policy: “The people from the MB have criticized everything, but I have not seen anything from them, their economic agenda; what kind of real agenda do they have? It’s only hidden agenda.”

To reiterate, peripheral businessmen’s position on democracy and Islam is certainly favorable on both but not necessarily laying out clear mechanisms on how either one would improve their interests in isolation from other political-economic issues that they perceived more directly and more crucially linked to furthering their interests. A comprehensive discourse that aims to curtail the special relationship between big business and the state is imperative.

**B – Economy**

In contrast to their positions on democracy and role of Islam in politics, the economy constitutes the main policy area where peripheral businessmen revealed an unequivocal opposition to the current state of affairs and challenged big businessmen’s stance and actions in many ways. This implies that on the one hand the cleavage between peripheral

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561 EG-8-B interview, 2008.
562 EG-4-B interview, 2008.
businessmen and big businessmen is a comprehensive one relating to the economy, politics and society. On the other hand, when the Turkish case is taken into perspective, economic conflict’s primal role becomes evident. Unless peripheral businesses are integrated into the system economically and offered opportunities to benefit from it, change, i.e., moderation, in their political preferences seems a distant possibility. The economic issues that were highlighted by the peripheral businessmen centered around three issues: 1) Problems associated with the overall process of economic liberalization, 2) privatization, and 3) the relationship between politics and the economy. I will address each issue as they relate to the Egyptian periphery’s stance on these issues.

1- Economic Liberalization

Peripheral businessmen, in principle, view economic liberalization as a process leading to the establishment and strengthening of a functioning market economy. A market economy, along the lines of Islamic economic doctrine, is the ideal economic system. Nonetheless, for many, this process is perceived as a long way toward completion due to the starting point of the liberalization process. Unlike many other countries in the developing world, Egypt is in the process of making a transition from a centrally-planned economy to a free market economy. Hence, necessary precautions and preparations must be ensured along the road. Successive Egyptian governments failed to do so, according to several peripheral businessmen. A prominent businessman from the periphery with past ties to the Islamist movements like the MB in Egypt makes the following observation: “We are coming from the very far left designed to be left, everything was

centralized; you cannot take me all of a sudden to the other side, to the far right. It is very
difficult, I am not prepared, the president, the government, the business people, the
people, no one is ready for what you are doing. In the newspapers, there are so many
people on strike, and refuse and resign; they want to share in this process.565 One of the
major concerns with the whole process of economic liberalization was the manner it was
presented to the public as an “inevitable” process rather than as a choice made by the
government. By presenting economic liberalization as “inevitable” the government aims
to prevent substantive discussions on the necessity and benefits of liberalization, and the
method it is undertaken by the government, according to this businessman.566

More specifically, the two major problems associated with the liberalization process is its
selective nature and the extensive role the state plays in the economy: “We already
started down the path of economic liberalization for a long time now; however, Egyptian
liberalization path is plagued by two issues. One, the economic liberalization that exists is
not comprehensive, it is selective. Secondly, the hand of the state is quite strong in terms
of what is liberalized and what is not. Therefore, it does to a large extent, interfere in
market forces.” The problem for this businessman in textile industry is not the process
itself, but rather the inability of the government to give “hope” that it will reach the goal
it set initially.567

565 EG-3-B interview, 2008.
566 EG-2-B interview, 2008.
567 EG-12-B interview, 2008.
Some businessmen, in the same vein, pinpointed the “gradual” nature of the liberalization as a political strategy to ensure certain outcomes, whereas others have attributed the problems associated with economic liberalization to poor organization and planning rather than political calculation: “It was just getting away from a socialist economy, central market to open market. It was a very slow process. It was unorganized and not well-planned, which actually did not give its results. Actually, on the contrary, it had some bad effects where you find some people making money out of nowhere. So, a lot of people got richer, and at the same time, it did not help the market. But it was a trial, and Anwar Sadat was really in a hurry to implement it and he wanted it for political reasons. He wanted to prove to the US that we are on the track and we are on your side after twenty years of socialism.”

Nonetheless, both agreed on the observation that monopolization was rampant in the new and “liberal” Egyptian economy. The oft-cited examples of such monopolization were the cases of cement and iron-steel industries. Ahmed Eizz, needless to say, topped the list. Eizz is recognized as the “second man” in the Mubarak regime. He is both a wealthy businessman and a politician close to no less than Hosni Mubarak himself. One businessman notes: “In the steel industry, we don’t have enough [competition]; Ahmed Eizz is in control of the big part of the steel industry. It is because it is a very expensive

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568 EG-7-B interview, 2008.
569 EG-10-B interview, 2008.
570 Recently, cement industry was opened to competition and 7-8 new firms were approved by the government to enter the market. EG-4-B interview, 2008; EG-8-B interview, 2008.
571 Al-Ghazali interview, 2008.
industry to establish, but also Ahmed Eizz is an influential man, nobody wants to go out and compete against him…“

The monopolization perception of the peripheral businessmen is reinforced by the poor state of the government policy on SMEs. Several businessmen claimed that until 2005, no specific policy targeted SME development and growth in Egypt, unlike many other liberalizing economies in the developing world. One businessman in medical industry, for example, cited the case of incentives offered to smaller businesses. In Egypt, the export incentives amounted to 8% of the exported goods, whereas in Turkey tax breaks provided at least 20% incentive, according to this businessman. With the beginning of the Ahmed Nazif government in 2005, SMEs became one of the targets of the government, according to another businessman: “SMEs, the light was shed on them only 2-3 years ago when people started to take them seriously. I think they [the government] are applying the Chinese model…to our astonishment, everybody is saying it was very successful because there was no bad debts; bad debts for this kind of businesses is very small. I see now more institutions, banks going towards this model of businesses and lending, supporting.”

The banking crisis throughout the 1990s and the early 2000s also drew peripheral businessmen’s anger. As discussed in Chapter Two, during this period banks extended loans to businessmen on political and personal connections instead of the credibility of borrowers. As a result, a substantial portion of loans during this period were not repaid

572 EG-8-B interview, 2008.
573 EG-7-B interview, 2008.
574 EG-8-B interview, 2008.
leading to increased public mistrust in the whole liberalization process. Overall, the perception of the liberalization process has been a rather problematic one from the peripheral businessmen’s perspective. One businessman noted as follows: “I would argue that the Egyptian economy needs two things. A level playing field and more competition. There is no doubt that those two things are to the benefit of the economy and of the consumers.” Competition certainly would benefit peripheral businessmen.

On the flip side, big business’ attitude towards economic liberalization was much different than that of peripheral businesses’. Economic liberalization is largely viewed as a “necessity” that needs to be undertaken “for a whole rethink for the issue of economic growth and economic development in Egypt.” Yet, they – like the peripheral businessmen – also complained about the implementation of the Egyptian economic liberalization. However, their complaint was focused on the tardiness of the process rather than the outcome and immediate impact of liberalization. One of the businessmen likened the liberalization process in Egypt to a “rollercoaster” where periods of reversion would follow periods of liberalization until 2005 or so. Atef Ebeid government was one such period: “From 2000 to 2005, when Dr. Atef Ebeid came to power things were almost reversed…it made a very bad impact on foreign investment, even on Egyptian investors. All the laws and regulations done in previous years was in one way or another either reversed or put into standstill.” In a similar sentiment, others characterized the

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575 EG-10-B interview, 2008.
576 EG-12-B interview, 2008.
579 EG-8-B interview, 2008.
progress of liberalization as a “system of trial and error” where the Egyptian government made mistakes on a continuous basis, and then put an effort to correct such mistakes. In one such example, a businessman recalled that, “You can even hear today our minister of investment coming out and saying ‘we made mistakes last May when we canceled some of the tax benefits of free zone operations.”

Lack of leadership in economic liberalization is also cited as a problem by another businessman: “One step ahead, two steps back, staying many years waiting to change a law, and cowardice from people’s reactions. So, they are not taking some bold economic steps. Had Sadat had been living, people would have been very different, because Mubarak is a cautious man.” The absence of an institutional mechanism and stable leadership throughout the economic reform process are, time and again, pointed out as issues undermining the whole liberalization experience. The absence of leadership is also a feature of the Egyptian setting it apart from its Turkish and Moroccan counterparts. As discussed in Chapter Two, the leadership of Turgut Ozal in Turkey and King Hassan II in Morocco proved to be the staples of economic liberalization in both countries. Another Egyptian businessman emphasized the problems associated with an uninstitutionalized liberalization process: “The economic liberalization that is taking place [in Egypt] is a process that is assisted by certain personalities in government and in politics. It is still not an institutionalized process, which is necessary for the sustainability of any liberalization. It is personalized; so, if we have one good minister of economy, he can undertake the necessary steps for liberalization. If the new minister, for example, comes, he can change

581 EG-4-B interview, 2008.
that. Until the system is institutionalized, then sustainability of such liberalization has lower impact.\footnote{582} Overall, big businessmen’s reactions to the liberalization process differed fundamentally from those of peripheral businessmen’s. While peripheral businessmen view the whole process as fundamentally flawed and structured to benefit only a subset of Egyptians, big businesses field criticism to spur liberalization without fundamentally challenging the cost-benefit calculations behind the policy. The fact that peripheral businesses oppose the Egyptian liberalization whereas big businessmen endorse is a good indication as to who the beneficiaries and loser of the liberalization policy are.

Equally important is the need for consistency in economic liberalization both over time and across sectors, according to the interviews. A businessman noted: “To have the benefit of liberalization, it needs to be sustainable and it needs to be continuous; it cannot be a situation where you open the door and close the door. It needs to be a situation like the Czech Republic. You have to prepare all the necessary steps for liberalization and there are several steps. And then liberalize, and then rehabilitate, fix what you made wrong. But if you keep liberalizing over a period of 20 plus years, you lose the core of liberalization. It becomes a process, it does not become an end-objective.” Such consistency would also assure that Egypt would be able to overcome the immediate problems and difficulties associated with liberalization just as “Turkey bit the bullet” in its own liberalization experience.\footnote{583} Another businessman criticized the exception of certain sectors from the liberalization process. “Still, some government members look at

\footnote{582 EG-11-B interview, 2008.} \footnote{583 EG-11-B interview, 2008.}
certain areas strategically, consider them untouchable. Certain industries, certain land
property, certain activities are still looked upon as the domain of the government. So, you
will see that in the area of, for example, privatizing of airports or building of airports, it is
still a very selective process.”

A businessman who established his business in the
infitah period and grew substantially in the liberalizing Egyptian economy attributed the
problems to the people rather than the Egyptian government: “Government policies are
not problematic, you cannot blame government for everything. The problem is to follow
guidelines; the people go outside the guidelines. The government says we will offer
vocational training; how many workers will show up? Ten percent? Twenty percent?”

The big business and peripheral businesses have diametrically opposed views on
economic liberalization in Egypt. While the big business perceives it to be a process of
insufficient persistence and courage to complete the transition to a fully liberal economy,
the peripheral businesses are highly critical of the outcomes of the liberalization reforms,
and the widening gap between the two groups. In view of the WP’s and the MB’s take on
economic liberalization, it seems clear that the WP’s overidentification with the current
liberalization regime in Egypt undermines the legitimacy of its claim to represent the
Islamic constituency in Egypt. While peripheral businesses did not endorse the
liberalization process in Egypt, the WP underscored its inevitability.

2- Privatization

584 EG-8-B interview, 2008.
Privatization became the most politicized aspect of the liberalization process in Egypt. Peripheral groups and big businesses demonstrated fundamentally contrasting views on liberalization. Peripheral businesses invariably opposed the practice of privatization in Egypt as well as claiming that Egyptian economy and society was not mature enough for privatization yet. One businessman with ties to the MB noted: “Why are we selling a factory? Because of bad management. Management is very cheap to buy. Why sell the factory, why sell the assets of my country. And, privatization is not like what Thomas Friedman said, a golden jacket; or, the end of history, and I have to do it. No; who said so? Then, we start to nationalize companies again, it is wrong.”

Another businessman underscored the mismatch between the program and the realities of the Egyptian society: “The government plan was probably not fit with the social, economic, political status of the country. And the private sector was not, again, ready for carrying such a big responsibility and the plan does not disinclude the major and important sectors. The government should postpone or delay, make them at the end of the road. And, invest more.”

As important as the opposition to the idea of privatization is the real world implementation of the privatization program by successive Egyptian governments. One peripheral businessman complained about the lack of transparency in privatization: “So, the environment was not designed properly to implement this privatization. Again, it was not transparent from day one. They did not inform the people what they are going to sell

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587 EG-1-B interview, 2008.
and why. And, we know stories that some ministries for example want to put a specific company into private sector…forget about monopoly and under-the-table stuff; they don’t spend money on maintenance, and they make this company make losses, so the man who comes can buy the company that is worth 100 millions [in Egyptian Pounds, equivalent of $20 million] for 20 millions [in Egyptian Pounds, equivalent of $4 million], to this extent.”

In the same way, another businessman challenged the poor management of the privatization process and below-the-market sale value of privatized companies: “I am against the way people apply this privatization. This privatization program should bring to the country – this is what the government says – LE500 billion. Do you know how much it ended up actually? LE17 billion. People ask ‘where is the money’; corruption, bad management. There are some sectors that should be managed by the government. Here [in Egypt], you cannot live without the presence of the government [in the economy]. I cannot go for privatization. So, people are not against privatization here. But people think the way they apply it, and the timing, they are improper and incorrect.”

On the whole, the sentiment in the periphery is that the process was managed badly, and it did not benefit the society as a whole: “The people who are negotiating these contracts did not do the job well. There are a lot of conditions that could be eliminated or

588 EG-3-B interview, 2008.
postponed, and you really make the benefit out of this agreement. I think, in Egypt, the experiment of privatization was not successful, people did not benefit out of it.”

Like the periphery, the big business also complained about the privatization process, but for completely different reasons. For the most part, privatization is a highly endorsed idea among big businessmen. It is seen as an essential element of the liberalization of the Egyptian economy. In this regard, one businessman praised the current Egyptian government headed by Ahmed Nazif because of its emphasis on the privatization process: “And then, we found big relief in 2005 when Dr. Ahmed Nazif came to power. Of course, with the new team there with the businessmen and with Mr. Gamal Mubarak as an organizer for this team, we found huge steps towards privatization and free economy and open markets. We are still in this process. I cannot say that we have achieved all what’s needed. It’s very difficult in a country like Egypt where bureaucracy is very much entrenched in its roots.” This stance on privatization stands in sharp contrast to the peripheral businessmen’s take on the issue.

Another businessman who bought one of his companies through the privatization of one public company in 2002 criticized the hesitancy on the part of the government: “I think it [privatization] is very important. Privatization was not a very popular exercise here in Egypt, people did not like it so much. In some cases it’s been very successful, some cases it failed. Egypt is now going back; now, they want to distribute the remaining companies

590 EG-3-B interview, 2008.
591 EG-8-B interview, 2008.
[shares] to all the population of Egypt.**592** Looking at the big picture, another businessman called for swift action and planning in completing the privatization process as a whole with an analogy to the case of the Czech Republic: “When I used to visit Czech Republic, they used to have a calendar, very clear, and they used to have a date whereby the ministry of privatization would be canceled. Because its role would end, and therefore the government would no longer own assets that interfere in the economic realm. And by doing that even when there is a crisis, the government no longer has assets that it is managing. But we have – as long as I can remember since 1991 – been privatizing, so 17 years privatizing. And, as we privatize we still create state-owned entities. A month ago, you could see the minister of investment announcing the creation of LE300 million entity for investment in Upper Egypt. There is a contradiction, and this contradiction, sadly enough, causes distortions, and these distortions have effects in the economy as a whole such as the continuous subsidization process that we have.”**593**

Once again, peripheral businessmen’s unambiguous opposition to the idea of privatization and its implementation in Egypt contradicts with the WP’s support for the idea of privatization in principle, as discussed above. The interviews made it clear that neither peripheral businesses nor peripheral masses are perceived to be among the beneficiaries of liberalization in Egypt.

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592 EG-4-B interview, 2008.
593 EG-11-B interview, 2008.
3- Marriage of Business and Politics

The crux of discussions in Egyptian public opinion with regard to the liberalization of the economy is the “marriage” between business and politics. For the peripheral businessmen, the fate of the Egyptian economy is left “in the hands of 10 or 15 businessmen,” and the public at large is excluded from all discussions.\(^{594}\) The extent of intimacy between business and politics is such that several members of the Egyptian business community are also members of the Egyptian cabinet. The perception of this intimacy, however, varies vastly between peripheral businessmen and big businessmen. For example, one peripheral businessman highlighted the difficulty in differentiating between personal and public interests of those businessmen serving as ministers in the government: “It [economic liberalization] benefitted a particular group of people. Unfortunately, in the third world countries there are common factors concerning the money, the loans, the aids, and the chances for using authority to become rich in an illegal way. Remember, members of the parliament and the ministers of this government, they are all business people. How can we differentiate between their personal interests, their mega big companies and the country’s benefits.”\(^{595}\) Indeed, the public perception of businessmen, and politicians, suffered greatly depending on the events at the time. For example, one businessman noted that in the heydays of corruption during the early 2000s

\(^{594}\) EG-2-B interview, 2008.
\(^{595}\) EG-3-B interview, 2008.
in the Atef Ebeid government, “the businessmen were looked at as traitors, as enemies, as robbers.”

One of the main criticisms fielded by the peripheral businesses was the lack of debate and engagement with the broader public. For example, one businessman pointed to the “lack of public debate” as the cause of policy shifts: “This, unfortunately, comes from lack of public debate, from lack of careful study before undertaking necessary steps and for a lack of conviction that you can engage with public opinion and find out how to take steps that you don’t have to reverse one year later or six months later.”

Another peripheral interviewee called for greater participation in the economic liberalization process in the light of the perceived failure of the reforms: “It is very important now to open the room for more people to share their economic reform and their economic view about what we really should do especially after what happened.”

For the big businesses, however, the overlap between the political and business interests was, indeed, a positive development. Instead of problems that potentially might arise in the form of public interest being overwhelmed by the private interests of the businessmen-cum-government officials, benefits and normalcy of such influences is underscored by the big businessmen that I interviewed. Several businessmen emphasized the fact that with the most recent cabinet under Ahmed Nazif, the government is discernibly open to the demands and suggestions of the business world. One businessman noted: “In the last couple of years, they [the government] reformed the tax

596 EG-8-B interview, 2008.
598 EG-3-B interview, 2008.
599 EG-6-B interview, 2008.
laws, made land available for industry, industrial zones, industry modernization program, they are giving support to all factories, supported the industry in the last five years, and offered training.”600 Another businessman cautioned that the fast pace of the reforms – thanks to the “good relations” between the business world and policymakers – might lead to “political instability”, which in turn would affect the progression of economic reforms.601

Others pointed out that the fact that in every country those businessmen with substantial wealth are more likely to have more leverage and influence; in this regard, what is happening in Egypt was no exception. One businessman stated: “Of course, in any government, there are businessmen using their influence with politicians or using their money to pose influence. It’s everywhere, and Egypt is not an exception. Of course, there are a lot of businessmen and they got a lot of leverages, which people think they should not have gotten it. But, I don’t see it something very odd.”602 Another businessman noted on big businesses’ influence: “It’s everywhere, not only in Egypt. You’re more powerful, you’re more influential. It’s the law of the business. The bigger you are the stronger you are.”603 Nonetheless, for this businessman, good relations with the political world is not a necessary condition for a successful business: “It is not as gloomy and as dark. I am working and I have nothing to do with the government. Alhamdulillah [thank God], I am

600 EG-4-B interview, 2008.
602 EG-8-B interview, 2008.
expanding. Of course, in some cases, close relationship with the government might mean favorable business.\textsuperscript{604}

Others defended the close relationship between the two on various grounds. For example, one businessman emphasized private sector’s role in the progress towards economic reforms: “They’re claiming that business and politics are married together, and the government works only for the private [business] people... At the end of the day, it’s the private sector that’s pushing the government [for reforms], but nobody wants to recognize that, and there is not a strong lobby for the private sector to advocate that.”\textsuperscript{605}

Another complained about the “anti feeling against business and businesspeople” in Egypt and its potential implications for the future of market economy in Egypt.\textsuperscript{606}

At the end of the day, the “marriage” between business and politics overshadows potentially all favorable views on a liberal market economy. The views of the WP and MB could not fundamentally be more different in addressing the same social base. The WP views it as sufficient to put an exclusion clause on corruption and almost endorse the whole liberalization experience in Egypt, whereas the MB calls the regime on this “marriage” between business and politics, and demands a wholesale reorganization of the socioeconomic system to benefit a larger group of Egyptians.\textsuperscript{607}

\textsuperscript{604} EG-9-B interview, 2008.
\textsuperscript{605} EG-4-B interview, 2008.
\textsuperscript{606} EG-8-B interview, 2008.
\textsuperscript{607} Al-Ghazali interview, 2008.
D – Social Policy

Businessmen of all stripes recognize the problem of poverty and the need for subsidies for a significant portion of the Egyptian population. For the peripheral businessmen, the mere fact that a substantial portion of the population is in constant need of subsidies is sufficient to limit the application of liberalization reforms.\textsuperscript{608} For the big businessmen, however, it constitutes to be an important problem yet it should not be allowed to prevent further liberalization in any significant way. One businessman stated the “dilemma” that the government faces as follows: “The problem is not what to do, the problem is how to do it with the circumstances [of the country] being what it is. You cannot go and say we want to make such and such. You face a lot of troubles, you cannot go and say we’re going to free the dollar. You’ll find disasters, inflation and the poor people will be affected. There are a lot of poor people; if you don’t have this poor people, you would not have as many problems running the government. But the problem is that there are lot of things that tie their hands all the way.”\textsuperscript{609} It is the expectation on the part of the people that “the subsidies will exist forever” that creates “distortion” immediately having a negative impact on the economy.\textsuperscript{610} Hence, some businessmen think it is “too late” to cut subsidies as opposed to doing it “10-15 years ago”.\textsuperscript{611}

The expectation among some businessmen was that the population would start to feel the benefits of the liberalization process alleviating some of the concerns along the way:

“The problem is that when the economic liberalization process began, it did not trickle

\textsuperscript{608} EG-1-B, EG-2-B, EG-3-B interviews.
\textsuperscript{609} EG-8-B interview, 2008.
\textsuperscript{610} EG-11-B interview, 2008.
\textsuperscript{611} EG-5-B interview, 2008.
down to the population, still not many people felt it yet. Unfortunately, now with what’s happening in the world [2008 global crisis], we will go back to this year [in terms of economic growth], FDI will be reduced substantially. So, to have this trickle-down effect, we must sustain high growth rates for five or six years, then you could feel it.”

Another businessman went further and insisted on proceeding despite the potential suffering among the population: “They [the government] know what to be done, but they’re always facing the anger in the street and they don’t have the free hand as they should do. When they privatize the companies, for example, they always find criticism that ‘they’re selling the country,’ and everybody attacks them that ‘they’re thieves and they’re stealing and they’re taking bribes under the table.’ I am not telling you they don’t, they might be, but everywhere there is a process you have to go through. I have to get rid of this big burden of public sector.”

To summarize, the WP’s political platform does not have a significant resonance with that of the peripheral groups, masses and SMEs. For the masses, the lack of emphasis on social provision fails to address the significant needs of the poor. Instead, the more substantial social provision of the MB has made that party more relevant to the needs of the peripheral masses. Importantly, peripheral businessmen are not happy with the façade of economic liberalization the causes of which are beyond a single policy area, be it democracy, Islam, or economy. Also, unlike what the WP does by reducing all problems in the liberalization process to a simple case of “corruption”, peripheral businessmen

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612 EG-4-B interview, 2008.
613 EG-8-B interview, 2008.
view the problems of the liberalizing economy in a wider perspective. A comprehensive system/structure change is necessary for the peripheral businessmen. As it stands, the WP’s stance is more representative of the big businesses than it is of the periphery.

The MB, however, maintained and built upon its sharp discourse against the regime. Specifically, the group was able to muster a broad coalition of social groups around its vague but accurate platform aimed at 1) the socioeconomic problems accumulated around the idea and practice of economic liberalization, and 2) democratic problems. Unlike the complacency of the WP in trying to become a voice of democracy and moderate Islam, the MB tapped on the concerns of its perceived social base.

**Conclusion**

Having provided evidence of the policy platforms of the WP and policy preferences of Egyptian businessmen, I move on to evaluate the electoral support for these the WP and the MB. Despite its moderate stance and extensive support for economic liberalization, the WP remains largely a marginal party in Egyptian politics. Some have called the party “elitist” and pointed its “salon” character.\(^\text{614}\) The core supporters of the party gather around a non-profit organization called Egypt for Culture and Dialogue (*Misr lil-Thaqafa wal-Hiwar*). By most accounts, the WP is a marginal party “without a mass base,”\(^\text{615}\) and the party’s support does not exceed a couple of percentage points at best.\(^\text{616}\) The

\(^\text{614}\) Wickham 2004
\(^\text{615}\) Wickham 2004, 223.
\(^\text{616}\) R. Habib interview, 2008; Howeidy interview, 2008; Hamid interview, 2008; Farid interview, 2008; Khalil Al-Anani, interview, October 27, 2008, Cairo.
fundamental reason is the nature of economic liberalization, i.e., crony liberalization, that has taken place in Egypt and the failure of the WP to align itself on the basis of its target audience. Although various liberalization reforms were largely implemented over the course of the last three decades in Egypt, they did not create a strong support base for the WP; SMEs did not register much growth or expansion, and the population at large did not benefit from liberalization at all. Thus, the WP’s conciliatory and affirmative position on liberalization and its non-confrontational discourse does not speak to the peripheral groups, who, instead, choose to support the Islamist MB for its critical discourse on the economy and the state.

The MB remains the major “dynamic socio-political force” in Egypt after phases of repression and change. Others have called the group “the nation's only real political party.” Currently, the MB holds one fifth of the seats in the Egyptian parliament, the People’s Assembly, with 88 deputies following the elections in 2005. This makes it by far the largest opposition group in the parliament. While all other secular opposition parties in the parliament hold about 10% of the seats in total, the National Democratic Party representing the Mubarak regime controls the remaining 70%.

Given the WP’s current platform, the possibility for WP to rise electorally is quite limited. On the one hand, with respect to the peripheral businesses, i.e., SMEs, positive change towards greater integration to the global economy or opportunities to that effect is virtually non-existent. On the other hand, the absence of compensation for those

617 Stacher 2002.
618 Shehata and Stacher 2006.
dislocated by economic liberalization in the WP platform undercuts the credibility of its economic program and one of the key reasons why the party was not able to muster support from the masses. The party seems to only reappropriate Islamic charity with respect to social policy.
Chapter 5

Pathways from the Periphery: Competitive Liberalization in Morocco

The Moroccan Muslim democratic party, Party for Justice and Development (PJD), has been partly successful in garnering the support of the Islamic periphery in periphery vis-à-vis the Islamist Al-Adl wal-Ihsan (AWI). This has been largely due to the state of Moroccan economic liberalization. The Moroccan liberalization is far from being a competitive model as in the case of Turkey; at the same time, with the wide array of opportunities offered to smaller businesses and new actors in the economy it proves to be more competitive than the Egyptian case. This semi-competitive character of the Moroccan economy provides a good opportunity to observe where losers and winners of liberalization among the peripheral groups have distinct political preferences. In the Turkish and Egyptian cases, distinct elements of the periphery were unified in their loss or gain as a result of the liberalization process. By contrast, in Morocco as a result of this clear separation between the losers and winners of the periphery, we are able to observe distinct, and fairly equal in size, societal support bases for Islamist and Muslim democratic parties. The losers in the periphery – mostly, the masses – identify with the Islamist Al-Adl wal-Ihsan, whereas the relative winners of the periphery, i.e., peripheral
businesses, sided with the liberal discourse of the Muslim democratic PJD. The result was a divided peripheral constituency, which weakened the PJD’s electoral strength.

The Moroccan case is an important part of my analysis analytically, as well. The Moroccan case provides a critical test of an alternative hypothesis, namely of the impact of democracy on the rise of MDPs. This is because the contrast between Turkey and Egypt in terms of popular support for MDPs may be said to have resulted from their difference in degree of democratic governance. Because Morocco and Egypt have a similar level of political liberalization, but varying levels of support for MDPs, Morocco provides an ideal case in which I am able to eliminate level of democratic governance as an alternative explanation.

The rest of the chapter is divided in five sections. The first section provides the background information on historical formation of the center-periphery division in Morocco, and discusses the effect of economic liberalization briefly. The second section introduces the development of political Islam in the country; specifically al-Adl wal-Ihsan and the rise of the PJD are discussed. The third section analyzes the political discourse of both political groups, whereas the fourth section connects the parties back with the peripheral businesses and their political preferences. The final section brings evidence for the relative standing of each party in the Moroccan society and concludes.

**Moroccan Independence**

Morocco became independent in 1956, ending its status as a French colony and protectorate. Prior to independence, however, the basic structure of the socioeconomic
and political system for post-independence Morocco had been slowly entrenched. At the time of French colonialism, the royal family was the central authority in Morocco and symbolically represented the unity of the nation, yet it was far from having a real grip of power in the country due to the local administrative authorities set up by the colonial power. Particularly, in the first half of the 20th century the sultans were highly discredited in the eyes of Moroccan people due to their complicity in the face of foreign occupation.\textsuperscript{619} The status of the \textit{makhzen} as the true center of power was only established in the struggle leading up to independence.\textsuperscript{620} Nationalist groups leading the struggle for independence increased their loyalty to the king over time as a genuine “symbol of the Moroccan nation” on the path to independence. In particular, the triumphant return of Mohammed V from exile in 1955 was a turning point.\textsuperscript{621}

As in the case of Egypt, the economic relationship between Morocco and France, and more broadly Europe, helped in the creation of a privileged class of merchant businessmen who were for the most part “protégés” of European consulates in Morocco. Among the privileges enjoyed by this merchant class were exemption from “Islamic market taxes” due to extraterritorial status, elite educational opportunities for the families of these merchants, and investment by the colonial administration in agriculture and

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\begin{itemize}
  \item \textsuperscript{619} Munson 1993, 125.
  \item \textsuperscript{620} Cammett 2007, 82. \textit{Makhzen} is a term referring to the traditional seat of central government in Morocco dating back to pre-colonial times. Following independence, the term is used to refer to the Alaui royal power in Morocco. Azzedine Layachi (1998, 92) describes makhzen as follows: “In contemporary Morocco, makhzen refers to the central power that, on the basis of religious claims, requested allegiance from territorial and religious communities throughout Morocco.” John Waterbury presents a thorough discussion of the concept of makhzen in great detail. See Waterbury 1970, 15-33.
  \item \textsuperscript{621} Shahin 1997, 34; Munson 1993, 125; Omar Bendourou 1996.
\end{itemize}
industry. This new merchant class was not alone in enjoying a favored status. The rural elite also enjoyed privileged access to resources during the colonial period; Morocco, as an agricultural economy, provided rich agricultural production resources for the French administration, and the French did return the favor by granting privileged access to the rural elite just as in the case of the new merchant class. The colonial experience in Morocco also helped in the emergence of a very small group of businessmen working in industry; during this period, an overwhelming majority of industrial business activity was directly controlled by the French colonial power.

Along with the merchant class, these businessmen were called the “Fassi” entrepreneurs and families. In the earlier part of the 20th century and following the independence in 1956, these Fassi elite dominated the economic life in Morocco. Although these elite families were not necessarily from Fes – the former capital and the traditional center of power in Morocco –, they had privileged access to political and economic power. As Waterbury puts it, being Fassi is “a frame of mind” and depends on one’s family and origins. Alongside the convergence of their economic interests was the coherence in the socio-cultural background and goals of this group of businessmen. In the words of Shana Cohen, “Social and cultural modernization, as well as the common goal of national independence, brought more coherence and structure to the elite as a social group. The older, prestigious families of Fes sent their children to the same elite French schools and used advantageous marriage alliances among themselves to promote political and

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623 Waterbury goes on to present a typology of Fassi families such as the makhzen families, the sahrifian families, and the commercial families; Waterbury 1970, 94-95. Mark Tessler, in a similar way, identifies “a series of concentric circles” to describe the elite structure of the Moroccan society. See Mark Tessler 1982.
business interests, setting up the kind of interlaced political and corporate networks that would govern independent Morocco. Eventually, Fassi elite would make up the core of the Istiqlal Party.

The homogeneity of economic and socio-cultural interests eventually led this group of Fassi businessmen to establish a common nationalist front in the struggle against French colonialism later towards the 1950s. The Fassi businessmen’s goal was twofold in their anti-colonial struggle. In the first place, they wanted to achieve an independent Moroccan state as with most everyone in Morocco at the time. In a second and more self-interested way, however, they fought against “French capital and for control of domestic industry and commerce.” The increasing favoritism offered to French businesses during Morocco’s time as French protectorate helped the native elite to rally around a united front against the French administration.

The end of French colonialism came with the global wave of anti-colonial movements in the developing world following World War II. The struggle was a combined effort of various social segments of the Moroccan society including Fassi elite businessmen, the monarchy and the Istiqlal Party. The post-colonial structure was developed by making use of the state apparatus and policies under the shadow of the influential actors of the independence struggle. Although the initial years of the independent Moroccan state were fraught with conflict between the Istiqlal Party, which favored a symbolic role for the

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624 Cohen 2004, 41.
625 Tessler 1982, 39.
626 Cammett 2007, 85; Cohen 2004, 41.
627 The Istiqlal Party was established in 1943 and owed its legitimacy to its leading role in the national struggle for independence. In particular, the party proved to be instrumental in reinstalling the king following his exile by the colonial authorities.
king, and the monarchy, which was intent on eliminating any viable alternative to its power, Hassan II’s reign (1961-1999) sorted the conflict out between parties.\textsuperscript{628}

In the aftermath of the independence, King Mohammed V ignored calls from opposition groups to change the political system towards a more pluralistic and modern polity, and consolidated his power in the form of a constitutional monarchy. Patronage networks and clientelism were the cornerstones of the “new” system. Waterbury notes the following on those assuming power after independence: “They have taken up the old defense of patrimony, not for their fathers but for their own account. Yet the result is the same. With a modern veneer they have adopted the tried and true techniques of building clientele groups and alliances with patronage, encouraging far-reaching systems of mutual obligation, and utilizing their power for defensive purposes.”\textsuperscript{629} Nonetheless, the makhzen allowed multiple parties to function in the political system, a move Cammett considers was aimed to preclude the “rise of a single influential body that could capture mass allegiance.”\textsuperscript{630}

Mohammed V, in an effort to undercut the power of the Istiqlal Party and the Fassi elite associated with it, diverted early investment funds to agricultural sectors, and thus ensured the support of the rural elite. As a skilled politician, Hassan II – who rose to power in 1961 succeeding Mohammed V – continued the policy of Mohammed V and tried to court rural elite and the military in his rule. He did so in various ways such as through the allocation of former French properties and through his economic policies,

\textsuperscript{628} Bendourou 1996, 109; Waterbury 1970, 268.  
\textsuperscript{629} Waterbury 1970, 110.  
\textsuperscript{630} Cammett 2007, 83.
i.e., favorable tariffs and monopolies. Hassan II also revived the waning religious legitimacy of the monarchy to secure his rule. This was also a move to undercut the powers of potential sources of dissent such as the *ulama* (Islamic scholars) and Sufi orders. The borders of the center and the periphery of the new Moroccan political economic structure thus were demarcated in the early post-independence period. The king, as in many other countries throughout the Middle East, forced his dominance in the religious sphere by directly controlling the public display of Islam. A good example of this religious control is the Friday sermons where the sermons are made in the name of the king.

Eventually, the new political economic structure proved to be *quid pro quo* for the leaders of the Moroccan independence; some Moroccans were more equal than others. After the early 1960s, the Fassi elite constituted what Melani Cammett calls “the embryo of a cohesive indigenous industrial bourgeoisie.” Through various means such as intermarriage, education and commerce, the core of the post-independence center of political and economic power remained intact. To use John Waterbury’s term, the rise of a “state bourgeoisie” was assured.

The special relationship between the political and non-agricultural economic elite was entrenched in two ways in the post-colonial period. In the first place, members of Fassi

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631 Cohen 2004, 44.
632 Cohen 2004, 38; Shahin 1997, 31. The royal family claims to be descendants of Prophet Muhammad, *sharifian* lineage. Based on this claim, one of the titles of the king is *Amir al-Mu'minin*, Commander of the Faithful.
633 Bourgat and Dowell 1997, 169.
634 Cohen 2004, 44.
families cultivated good relationships with the political elite enabling the former to obtain “key positions in the administration, national banks, parastatal organizations, and producer organizations.” The second way was the utilization of economic policies crafted to “appease a small network of elites.” While favorable economic policies were partly the undertaking of the political elite in an effort to cultivate a local business class to forge economic development and modernization in a newly-independent Morocco, they were also greatly helped by the new Fassi members of the political elite. The extent of informal networks between the political and economic elite was such that the boundary between the two was only “theoretical” and blurry at best. Such “dense” networks led to favorable policies in many forms. Protective trade policies, government contracts, import licenses, and easier access to bank credit were virtually guaranteed for the Fassi elite.

The weight of the royal family in the economy was sizeable and complementary to that of the Fassi elites. The king is the largest businessman in Morocco. For example, Omnium Nord Africain (ONA) is the largest holding company in Morocco with more than 25,000 employees and activities ranging from banking to mining and tourism. The royal family is the largest shareholder of the company, and effectively is in control. This economic weight of the king was also reinforced by the fact that Hassan II was a peer of the Fassi elite in terms of education, culture, and social relations. Economic power thus was tightly controlled by a small core of political and economic elites in post-independence Morocco.

636 Cammett 2007, 85.
637 Cohen 2004, 43
638 Cammett 2007, 86.
639 Waterbury 1970.
Local, Moroccan industrial bourgeoisie slowly arose beginning in the early 1960s. These industrial producers in sectors such as textiles, basic food, and construction served exclusively the domestic market. Investment in these sectors was also in line with an import substitution industrialization policy. “Built-in consumer demand” and “state incentives” were the key objectives behind private investment in these sectors.\textsuperscript{640}

Compared to Egypt and Turkey, Moroccan industrialists were in an advantageous position in the post-independence period. Whereas in Egypt (post-1970s) and Turkey (until 1980) industrialists enjoyed a good relationship with political elite and enjoyed their support, in Morocco industrialists were able to cultivate the socio-cultural ties they established in the pre- and post-liberalization period for exclusive and favorable policies. In addition, Fassi elites “leveraged their importance in the nationalist movement to penetrate the state and influence economic policy,” as Cammett notes.\textsuperscript{641}

Economic policy pursued by Morocco in the post-independence period is instructive in illustrating the preferred status of the Fassi elite of the center. Beginning in the late 1950s, trade policy progressively changed to erect trade barriers in order to shelter local producers from international competition. By the end of the 1960s, trade protection was in full swing in Morocco. Similarly, other economic policies also aimed at nurturing a native industrial business class. For example, a regressive tax system was adopted to facilitate transfer of wealth to the wealthy: “Tax collection acted as a simple change of rapport of forces at the interior of the old system: the traditional bourgeoisie assuming the advantage at the expense of the army, the city [business elite] at the expense of the rural

\textsuperscript{640} Cammett 2007, 89.  
\textsuperscript{641} Cammett 2007, 89.
areas [rural elite].”\textsuperscript{642} Policies such as “tax exemptions, incentives, and subsidies” accumulated to surpass public spending on social programs, and were devised to transfer public funds to a particular class of people, i.e., Fassi elite.\textsuperscript{643} As a result, the exclusive interest of the Moroccan political elite in promoting the economic interests of the Fassi elite led to two problems chronic in the developing world: “Both equity and the trajectory of economic development suffered from the control of the commercial and landed elite, who were relatively uninterested in and unmotivated by the potential of significant industrialization.”\textsuperscript{644}

Protective economic policy was entrenched in the early 1970s following a series of policies designed to promote the private sector. Among such policies were import duties, currency appreciation, and import licenses. Most importantly, however, the Moroccan government implemented a policy called “Moroccanization”. The policy aimed to transfer majority ownership of foreign companies to Moroccans in an effort to enable a greater percentage of Moroccans to “share in” Morocco’s wealth. In this, the main target of the government was the French companies, a legacy of the colonial past. According to various legal regulations undertaken in the early 1970s, Moroccan nationals were to hold at least 50% of “capital and managerial positions for any given commercial, financial, or industrial firm.” Moreover, executive positions could only be filled by Moroccans.\textsuperscript{645}

\textsuperscript{642} Laroui quoted in Cohen 2004, 40.
\textsuperscript{643} Cammett 2007, 92.
\textsuperscript{644} Cohen 2004, 43.
\textsuperscript{645} Two such laws were I-73 210 dated 2 March 1973, and the investment code from August 1973. See Cammett 2007, 94-95.
The Moroccanization policy did not serve its intended goal of encouraging “middle-class” ownership. Rather, it was the already better-off segments of the society who benefited from the policy. Cohen notes that, “Although the middle class profited from this decade [the 1970s] of phosphate boom and debt accumulation, Moroccanization itself reinforced the economic and political resources of the Moroccan bourgeoisie more than it promoted greater equity. High-level administrators and wealthy businessmen took advantage of international and domestic connections to secure access to capital and the sale of shares in the companies themselves.” In effect, the process of Moroccanization led to the increased concentration of capital in the hands of “prominent families” who owned “a cluster of companies linked by financial and personal relations as well as their relationships to the same decision-making center.” These “prominent families” lobbied the king and his advisors, successfully, for the inclusion of the private sector when in the early phases of the Moroccanization policy, the potential beneficiaries were limited to only the public sector. Hence, some in Morocco have called the policy “Lamranisation” and “Larakisation” after two such prominent families.

In the meantime, two failed coup attempts in 1971 and 1972 by officers with “rural origins” alerted Hassan II of the need to secure his rule by way of repositioning himself vis-à-vis domestic actors. Hassan II responded to this threat in two ways. In the first place, he strengthened his alliance with the urban Fassi elite to the dismay of the rural elite. Part of the shift from rural to urban was land distribution. In the next few years after

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646 Cohen 2004, 45.
647 Cammett 2007, 95.
648 Cammett 2007, 96.
the coup attempts, the policy of land distribution gained momentum weakening the rural elite. In one single year (1972), land distribution surpassed that of the previous 16 years of the post-independence period.649 This shift proved to be the most important indication thus far that the rural elite no longer enjoyed the advantageous position of the post-independence period vis-à-vis the urban elite. The urban elite, indeed, reinforced its position as the most important domestic group. The second way that Hassan countered the rural threat was to “occupy” the army with the newly-emerging issue of the Western Sahara.650 Though it is not clear whether Hassan II took the issue of Western Sahara specifically to tie the hands of the military, or whether he was a believer in the issue, the fact of the matter is that he utilized the issue to his own advantage.

While developments in the economic realm were unfolding, socio-cultural modernization and the creation of a national identity – as was the case with Egypt and Turkey – was high on the agenda of the center of Moroccan society and politics, i.e., the Fassi and political elite. Cohen notes that, “Regardless of party affiliation and ideological stance, intellectuals and political leaders agreed that the objective of state intervention into education and employment was to establish a model of individual fulfillment. This model would bind together all those who followed it, encouraging the ‘sameness’…that nationalist politicians and intellectuals regarded as critical to the popularization of the modern conception of citizenship.”651 The Moroccan economic policy in the post-independence era involved heavy state intervention. Political and economic power were

649 Cammett 2007, 96.
controlled by a small but dominant group of political economic elites with close connections to the government.

The Origins of Economic Liberalization

The mid-1970s saw an expansion in public spending in Morocco; the phosphates industry accounted for most of the newly-available budgetary funds. Following the sharp increase in the price of phosphates in the international markets, Hassan II increased the central government’s budget accordingly for investments and public projects. However, when the price of phosphates returned to its previous level towards the end of the decade, that was the signal of the hard times to come. By the end of the 1970s, the Moroccan government, under the pressure of the Western Sahara campaign and increasing domestic unrest, was still trying to maintain the high levels of spending that the phosphates income afforded in the mid-1970s. The debt level increased substantially and the government “half-heartedly” implemented two short-term stabilization programs, in 1977 and 1980. The programs at this time did not succeed for two reasons, according to Denoeux and Maghraoui. First, the “lack of political will” ensured that even the slightest societal resistance would hinder the complete application of the program. Second, the programs did not envision a fundamental change to the basic ISI-oriented structure of the economy; instead, demand management was the preferred method to deal with the crisis. As a

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652 Denoeux and Maghraoui 1998, 56.
result, substantial decreases in government spending ensued as part of economic restructuring program to begin in 1983.\textsuperscript{654}

The critical time for the restructuring of the Moroccan economy was the year 1983. By then, Morocco’s foreign exchange reserve was virtually depleted. At $11.8 billion, the foreign debt stood at 84\% of the GDP, and 300\% of export earnings. Effectively, Morocco was “bankrupt”.\textsuperscript{655} Although Hassan II publicly endorsed and encouraged the implementation of the earlier stabilization programs in the late 1970s and the early 1980s, he was not able to succeed in securing such reform. The bureaucratic lack of enthusiasm was characteristic of countries in a similar situation. In the Turkish case, for instance, bureaucracy’s lack of enthusiasm in the face of pressure for greater political and economic openness is regarded as an expression of the established interests’ resistance to fundamental change. In Morocco, however, by the end of the 1980s the king’s persistence resulted in a change of attitude on the part of the bureaucracy and other elements of the center towards the recognition of the need for a restructuring of the economy.

In 1983, an “all-out liberalization drive” was adopted by the Moroccan government including every sector in the economy.\textsuperscript{656} At first, the reforms were recognized as “ad hoc” responses to the economic crisis that Morocco was going through, as before: “It was not until 1988 that it became apparent that the reforms were guided by the embrace of a liberal economic agenda…In his address to parliament in April 1988, the king presented the rationale behind Morocco’s neo-liberal economic restructuring. That rationale was

\textsuperscript{654} Denoeux and Maghraoui 1998, 57.
\textsuperscript{655} Denoeux and Maghraoui 1998, 57.
\textsuperscript{656} Denoeux and Maghraoui 1998, 55.
then quickly adopted by the state elite and used to justify subsequent policies.\(^{657}\) In the meantime, the ill-fated Moroccanization Law was also abrogated in 1989.\(^{658}\) In summary, the liberalization reforms that were undertaken by the government were to increase the level of competitiveness, efficiency and export-capacity of the Moroccan economy. The private sector was to be an integral part of this economic transformation.

Moroccan experience in economic liberalization is by and large regarded as a case of success.\(^{659}\) The success is attributed to several factors. In the first place, the personal involvement of the king in the face of “a recalcitrant administration and political class” proved to be decisive.\(^{660}\) Hassan II’s persistence, coupled with the objective fact that Morocco was almost bankrupt, ensured that other actors would be on board in the reform process. Importantly, the Fassi elite’s potential opposition to the end of a protectionist era was minimized by the king’s involvement. Similarly, societal dislocations were largely limited, and hence did not create popular opposition to the liberalization reforms.\(^{661}\) Finally, Morocco never implemented a fully socialist economic policy, which potentially facilitated its transition to a liberal economy relative to some other countries in the Middle East.\(^{662}\)

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\(^{657}\) Denoeux and Maghraoui 1998, 62.
\(^{658}\) Denoeux and Maghraoui 1998, 60.
\(^{659}\) Barkey 1995, 122.
\(^{660}\) Denoeux and Maghraoui 1998, 62.
\(^{661}\) Unemployment is the most important exception. See Denoeux and Maghraoui 1998, 57; Cohen 2004, 76. The major societal discontent with the onset of reforms was due to price increases in basic commodities and educational fees, which resulted in violent rioting and the deaths of 150-200 people. In the aftermath of the rioting, price increases were rescinded. See Anderson 1990.
For my analysis here, the most important outcome of the economic liberalization reforms in Morocco is the rise of a new and influential entrepreneurial class of SME owners. Thanks largely to subcontracting relationships with European markets, this new class emerged in the immediate aftermath of the liberalization of the Moroccan trade regime in the early 1980s. As in the case of Turkey, the export promotion strategy of the Moroccan government was certainly a contributing factor in this development though the Export Code and the creation of Moroccan Center for Export Promotion (CMPE). In this regard, Melani Cammett’s discussion of the textile sector, which was the most important beneficiary of trade liberalization, is useful. Cammett finds that between 1983 and 1997, the number of apparel firms increased threefold from 264 to 738. The number of employees in the same sector increased more than seven times, from 16,397 to 116,923.663 While, the figure on the number of firms clearly points to the greater involvement of non-Fassi peripheral businessmen to the global economy, the figure for employees is an indication of the greater involvement of lower classes in the liberalizing economy by way of employment.

The new class of SME owners is much less dependent on the national market and the support from the Moroccan state than the Fassi elites who were almost exclusively focused on the domestic market. Hence, what happened in the global markets was more critical to the well-being of these new businessmen. The perceived opportunities in the liberalizing Moroccan economy enabled them to take part in this new venture. Equally important is the implications of this new-found opportunity on the socioeconomic

663 Cammett 2007, 97-98.
divisions. Although the preferences of SME owners will be discussed later in this chapter, it should suffice to say for the time being that a “level playing field” and “equality of opportunity” is the most important demand of this new group of businessmen who were disadvantaged formerly by the exclusive structure of economic policies.664 Indeed, La Vie Economique magazine reports that this “new elite” was claiming “equality of opportunity” in the economy. Democracy is also quite fitting with the general outlook of this “new race” as it “demands a financial system which permits social mobility, in offering to savers different products and to entrepreneurs the financial resources responding to their needs.”665 In this regard, Moroccan SME owners resemble Turkish SME owners in terms of their modest origins, how they benefit from economic liberalization and their political preferences.

In contrast to the Turkish case where MUSIAD became the institutional representative of SMEs, the Moroccan SME owners did not resort to a separate institutional body to voice their demands and concerns despite the fact that they had distinct interests and these interests were not institutionally represented: “They [SME owners] do not appreciate the nepotism and obscure accounting of older Moroccan patrons, and certainly, they dislike the small circle of established businessmen, landowners, and intellectuals that govern political parties and exclude them from political power.”666 Nevertheless, the Moroccan SMEs joined in the existing business associations and tried to open a new block within the organization to voice their concerns.

665 La Vie Economique is quoted in Cohen 2004, 67.
666 Cohen 2004, 68.
Political Islam in Morocco

Political Islam’s ascent into the political scenery of Morocco occurred during the 1960s. Though far from being officially represented in the legal political space as in many other countries throughout the Middle East at the time, Islamist groups made headways and slowly started building their societal support bases during this period. The rise of Islamist discourse is not divorced from socioeconomic realities of the Moroccan society. Mark Tessler observes, “The religious revival is particularly pronounced among young urban men with some but not extensive modern education, and … their heightened religious consciousness derives in substantial measure from economic and political discontent…and if their intensified interest in religion reflects a belief that modern and Western political formulae are inextricably linked to bourgeois privilege and exploitation of the masses in contemporary Morocco, then an Islamic revival clearly signified latent opposition to the present political system.”667 Bourgat and Dowell agree with Tessler’s observation and view “social demands” as the central line of discontentment with the regime on the part of Islamists in Morocco.668 Unlike in Egypt and Turkey, no single dominant Islamist group existed in Morocco in a historical perspective; instead, Islamic movements remained largely “fragmented.”669 Despite efforts for unification at various times, groups preferred to continue their mission on their own; hence competition has been more significant in Morocco.670

667 Tessler 1982, 60.
668 Bourgat and Dowell 1997, 142.
669 Shahin 1997; Zaghal 2008.
670 Hamzawy 2008.
The official title of the king as *Amir al-Mu’minin* (Commander of the Faithful) and its perceived control of the religious space in the country dominates the religious discourse in Morocco, which Clifford Geertz views as the “key institution in the Moroccan religious system.” Alauí kings have used religious legitimacy since their ascent to the peak of political power in Morocco three centuries ago. Their legitimacy is also underpinned by the fact that the royal family comes from the lineage of the Prophet. Though the recourse to legitimacy has been a constant in varying degrees throughout history, it has particularly been emphasized after Hassan II’s rise to power, and gained an institutional structure with state religious institutions serving to that end. Nonetheless, Islam and Islamist groups in Morocco have had a significant and independent role aside from the king’s monopolistic claim over the religious sphere.

From a comparative perspective, however, what happened in Morocco is not extraordinary. In Egypt, the secular political authority has tried to bring religion under its direct control since independence. In this regard, Al-Azhar University – traditionally, the bulwark of Sunni Islam worldwide – was put under state control; administration of the university is being appointed by the state, and it is under the state’s direct financial control. Similarly in Turkey, the secular regime established by Atatürk wasted no time bringing the official religious discourse under its direct authority. To this end, the caliphate was abolished in 1924 – a potential rallying point against the secular regime of Atatürk – and a new state institution was established, the Directorate of Religious Affairs (*Diyanet Isleri Baskanligi*). In each case, the official religious discourse failed to bring

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671 Geertz 1968.
religious activism under complete control of the state; socially strong Islamic movements, groups and parties emerged to challenge the official discourse, nonetheless. The fusing of formal political and religious authority thus does not imply the effective centrality of both.

Indeed, in the case of Morocco, the king’s official religious discourse owes its existence in large measure to the king as a “strong man” and the government-controlled media’s propaganda; hence, there is no automatic and indispensable relationship between the official sanction over religion and the Moroccan people’s perception of this official discourse.\textsuperscript{672} Although the state tries to control the religious space and speak in the name of Islam, for the most part this effort does not resonate with the society. In the words of Bourgat and Dowell, “In spite of the specific character so often emphasized by the King in the ‘religious field,’ the Islamists appear undiminished as the most popular of its challengers.”\textsuperscript{673}

In what follows, I present a brief account of the trajectories of two contemporary dominant Moroccan Islamic groups: \textit{Al-Adl wal-Ihsan} (Justice and Charity) and \textit{Harakat al-Tawhid wal-Islah} (Movement of Unity and Reform). The PJD comes from the lineage of the former group. The analysis in this section lays the foundation for a better understanding of each group’s political discourse, which will be discussed in the following section.

\textsuperscript{672} For a detailed discussion of this question, see Munson 1993.
\textsuperscript{673} Bourgat and Dowell 1997, 181.
Al-Adl wal-Ihsan (AWI)

Under the leadership of Sheikh Abdeslam Yassine, AWI has long been one of the major Islamist and opposition groups in Morocco. Even though most other political parties are formally part of the “opposition,” what sets AWI apart from others is its direct opposition to the monarchy, instead of an implicit recognition of it as others do. The origins of Al-Adl wal-Ihsan (AWI) date back to the early 1970s. In the early 1970s, Yassine was a member of a Sufi order called Qadiri Budshishi Tariqa.674 Sufi orders, by and large, are not sympathetic towards political activism in Morocco or elsewhere. As one member of the order stated, “We do not have the pretension to change the world; all we want is to be left in peace to be able to educate and purify Moroccan society from within; we are against any political manipulation of religion; we are turuqis [brotherhood of followers], not Khomeinists.”675 In the particular case of Budshishi zawiya, Yassine grew increasingly restless about the fact that the order did not stand up against the regime and “ask for justice.”676 Yassine eventually broke with the Sufi order in the early 1970s and set out a path for himself enmeshing an Islamist ideology with a Sufi background unlike

674 Zeghal 2008.
675 Quoted in Shahin 1997, 55.
676 Munson 1993, 163; Bilal Tlaidi, interview, December 17, 2009, Rabat.
most other Islamist movements globally.\textsuperscript{677} To this end, Yassine outlined his early political thought in his own books.\textsuperscript{678}

The breaking point for Yassine and his embryonic movement was the “audacious” 1974 letter Yassine penned to King Hassan II – titled \textit{al-Islam aw al-Tufan} (Islam or the Deluge).\textsuperscript{679} In his letter, Yassine advised Hassan II to be a just ruler and follow the examples set by virtuous leaders in the Islamic history such as Omar bin Abdulaziz of the Umayyad Dynasty (ruled between 717 and 720).\textsuperscript{680} King Hassan II, notorious for being heavy-handed against challenges to his rule and legitimacy, dismissed Yassine’s letter at once and decided to take action against Yassine. At first, Yassine was put in a mental hospital; later, he was put in jail and house arrest for most of the period until Mohammed VI became king in 1999.\textsuperscript{681} Although the letter does not strike one as being anti-regime at first, what appears to be offensive to Hassan II was the undertone in questioning the religious legitimacy of the king. Yassine, essentially, accused Hassan II of using the religion to “camouflage” his “liberal” ideas.\textsuperscript{682} The movement’s current spokesperson and the daughter of Abdeslam Yassine, Nadia Yassine, summarized her father’s

\textsuperscript{677} This was indeed a rare combination. Elsewhere in the Muslim world, Islamists usually feel a strong “antipathy” towards Sufis, whereas Sufis virtually avoid political activism. The Budshishi order, indeed, viewed Islamism as fundamentally “wrong”. See Shahin 1997, 55. Also see Munson’s discussion of the issue (1993, 163).
\textsuperscript{678} Yassine’s first book, \textit{al-Islam Bayn al-Dawa wa al-Dawla} [Islam Between Dawa and State], published in 1971 revolves around the idea that Islam is not only a personal religion, but it is both a religion and a state. In 1973, Yassine published his second book, \textit{Islam Ghadan} [Islam Tomorrow], where he compared and contrasted Islamist ideology with other ideological currents of his time such as Marxism, Maoism and Liberalism.\textsuperscript{679} Munson 1993, 163; Willis 2004, 58.
\textsuperscript{680} This theme is a familiar one both among Islamists in general and in the case of AWI in particular. For example, Nadia Yassine’s book \textit{Full Sails Ahead} sets aside a whole section where Yassine discusses the political structure during the time of the Prophet and its immediate aftermath in an effort to demonstrate current political problems in the Muslim world and Morocco. See Nadia Yassine 2006.
\textsuperscript{681} Willis 2004, 58.
\textsuperscript{682} Munson 1993, 164.
“symbolic action” as follows: “He [Yassine] thought that this [letter] is the end, he does that for God knowing that he is going to die right after it. They actually did not kill him; [it was unexpected] because the king was known for killing his opponents, systematically. Especially when the fight was about religious or spiritual legitimacy since he constructed all his power on this religious legitimacy…It was a very dangerous discourse.”

Over the course of the next decade or so, Yassine tried to increase the popular base of his movement. In the late 1970s, he founded the organization called Usrat al-Jamaa. In the words of Nadia Yassine, it was just an “embryo” and an informal community. At this time, the community was formed around the movement’s magazine called Majallat al-Jamaa. The legal formation of the association and the magazine appears to contradict the conflict between the state and the movement at first; Nadia Yassine accounts for this seeming contradiction by reference to Hassan II’s political calculations: “You may wonder why the authorities allowed him [Yassine] to have a magazine right after he went out of mental institution. In the meanwhile, there was the Iranian revolution. He [Hassan II] was very cunning, very politically-cunning. So, he thought maybe it’s better to know what is going on inside their minds, inside the minds of radicals [AWI], rather than have

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683 Nadia Yassine, interview, December 17, 2009, Rabat. Munson, and Bourgat and Dowell also report that Yassine was aware of potential consequences and “prepared his burial shroud.” See Munson 1993, 163; Bourgat and Dowell 1997, 167.
the surprise that the Shah had [in Iran]. So, he gave the permission for launching the magazine.”

In 1979, Yassine tried to bring Islamic groups in Morocco to unity, but he was unsuccessful. It was not until 1987 that the movement, indeed, became a major political actor. The Moroccan government’s increasing crackdown on the group seems to have worked to increase its publicity and popularity. In particular, when the government arrested the leadership of the movement during Majlis al-Irshad’s meeting, the popularity of the group received a major boost. 1987 is also the year when the movement took the name Jamaat al-Adl wal-Ihsan (Community of Justice and Charity). The regime and the movement, however, seem to be at odds on the legality of the group. The regime claims that the group is legally non-existent as Moroccan authorities did not approve the association’s paperwork. The group, in contrast, claims that according to the legal framework at the time of application the association was legalized by the state when its paperwork was accepted by the authorities at the time of submission, which is supported with the receipt from the authorities. Nadia Yassine claimed that it was only after the whole ordeal about AWI’s official application that the state changed the regulations on associations requiring a formal approval by the state following the submission of

685 Yassine interview, 2009.
686 Willis 2004, 58.
687 Tlaidi interview, 2009. Indeed, the observation is repeated by others for Morocco: “Again, repression by the state seems to be breeding support for Islamic parties instead of eroding their influence. In fact, many researchers have put forward the idea that state repression, the lack of respect for human rights and similar factors may have had an important role in the growth of Islamic parties in the MENA region. In this article, we prove this empirically.” See Garcia-Rivero and Kotze 2007, 625.
688 Hamzawy 2008, 8.
paperwork. Hence, the regime’s effort to apply the new law retroactively in the case of AWI is against the basic logic of law, according to the movement.\textsuperscript{689}

A major development in the movement’s historical timeline is the establishment of its “political circle”, which some termed as the “heart of the organization.\textsuperscript{690} Even though right from the beginning the movement headed by Abdeslam Yassine was political, the creation of a special body charged with political activities within the organization happened only in 1998. According to the officials in the movement, the rationale for the political circle is to present an alternative to the current system, a “backup plan”: “The members who are involved in the circle are in charge of debating these issues, to propose alternatives, to create bridges with the civil society. Our basic theory is kind of radical, but the possible propositions are not radical. It is not possible to do anything with this system because it is locked.”\textsuperscript{691}

When Mohammed VI was throned in 1999 following his father, Hassan II, he ended the house arrest of Abdeslam Yassine, which was widely recognized as an effort to co-opt AWI. Against all odds, Yassine drafted another letter to the new king in 2001. This time, Yassine explicitly called for Mohammed VI to return the wealth of his family to the poor of Morocco. Following the letter, the government increased its stance against the movement to the extent that the summer camps that the movement organizes annually for

\textsuperscript{689} Yassine interview, 2009. Nadia Yassine presented another evidence to her claim that AWI was a legal entity: “Some members of the movement were arrested for possessing books of the movement [in the late 1980s]. When they went before the judge, he [the judge] said ‘this movement is legal, why should I put them in jail.’ Maybe, that was an accident [on the part of the regime], they did not have time to brief him [the judge]. Maybe the judge did not know the political dimension. But for us, it was very important because we have another proof that we are legal.”

\textsuperscript{690} Cavatorta 2007.

\textsuperscript{691} Yassine interview, 2009.
youth were not allowed. Despite state action against the movement, the “open door” policy of the movement after 2002 drew a significant social base. This new policy of the movement essentially was a way to respond to the state’s increasing containment of the organization, “a way to speak with people”. This policy enabled the movement to receive thousands of people in houses of its members and make the movement’s documents and publications available for their review. 692 The result was an expanded support base for AWI.

Despite its growing social base, AWI did not take part in Moroccan elections, which could have opened the way to a possible governmental role. It chose not to do so, however, as part of its rejection of the monarchical regime. The chief reason for AWI’s strong opposition to the regime is its demand for Islam’s decisive role to the extent that the king should be subject to revision of his powers as part of such an Islamic transformation. Essentially, the king’s overtures to Islam are viewed with great suspicion by AWI. Nadia Yassine justifies their reservation to the system as follows: “We prefer to keep our strength, our strength is on the confidence of our people, their trust; we don’t want to be puppets in the government. It is a big treason if we integrate when the system is such locked.” 693 Participation in a regime characterized by the monarchy’s tight grip on power thus would have constrained the AWI’s political scope for maneuver, and therefore it chose to remain outside of electoral politics in Morocco.

692 Tlaidi interview, 2009.
693 Yassine interview, 2009.
Along the same lines, AWI does not view the limited scope of reforms that the king has allowed to be conducive to the model it sets forth, and therefore it does not participate in politics formally. Compromise in implementing the group’s vision seems unacceptable to AWI; at the same time, they do not want to become complicit in a failed reform effort much like the PJD – the Muslim democratic party in Morocco – is: “If we do [participate], we will be like the PJD. PJD’s members are very sincere, but when they enter the system, the little waves cannot stop the currents of the big river. They are obliged to play the game, and we don’t want to play their [the regime’s] game. We believe that the real opposition is to be out of the system. The little stack of dust that stops the machine. It is the only way to counteract. We are not actually doing it, but we are trying.” Nonetheless, the group increased its political activism and involvement in the political life of Morocco. In recent years, AWI participated in demonstrations such as the ones in front of the Moroccan parliament and the mass rally in Casablanca in March of 2000 against the reforms in the family code.

In particular, the group began publishing regular political reports on issues of interest such as health care, education, and the economy. The group justifies its increased involvement and activism in politics in recent years as an effort to demonstrate that the group is “ready” for power with alternative policies. AbdelWahed Al-Mutawakkil, who heads the political circle of AWI, saw no inherent contradiction between the expression of political ideas and non-participation in the formal political space: “To participate in the

694 Yassine interview, 2009; Cavatorta 2007.
695 Willis 2004, 58.
official institutions is one thing, and to be there, to work, to express your ideas, your
views regarding many issues is something different. So, we are present. All the people,
and all the observers, know that AWI is there and many people think that if they are
talking about real change in Morocco, they cannot do it without AWI…we are working,
we are trying to do our jobs, preparing ourselves, trying to enlarge our following. And,
waiting for the opportunity when it is possible to really participate, and our participation
really has a meaning and impact. Not just to participate in some institutions that have no
real power at all.” In essence, the principal reason for AWI’s critical stance on the
regime, i.e., the monarchy, has not changed, despite its vocal role in national political
discourse. Nor is real change imminent in the group’s discourse because the leadership of
the group firmly opposes to any electoral participation as long as monarchy controls
power.

However, the increased vocal expression of views on the part of AWI seems to send a
different message to others in Morocco. According to Bilal Tlaidi, a member of PJD’s
national congress, views the change as a strong indication that AWI is moving towards
the PJD’s position, i.e., participation in the existing system: “AWI recently started to talk
about public policy; this is the first time that AWI talks about public policy. That means
that they are focused on public policy. Earlier, they were saying that there is no
difference between the regime and its policies; we don’t need to criticize the policies of
the regime because our problem is with the regime. Now, they criticize the policies; there
is a change. They used to say ‘when there is milk, you cannot separate the milk from the

cow, because it’s from the cow. If the milk is not good, that means the cow is not good.’ Also in 2009, they started to talk about the use of the language of ‘together’ which means we cannot have the solution unless we cooperate with other parties and groups.”

Overall, similar to the Muslim Brotherhood (MB) in Egypt, AWI is formally banned, yet tolerated by the king, therein enabling the group to take part in social and political life. It is this social and religious activism that yields strong societal support for the group in Morocco reinforcing its political discourse. Also, despite its strong criticism of the monarchy, AWI does not condone the use of violence; rather, the movement undertakes its political activism through “legalistic and pacifist action.”

AWI, the Islamist movement in Morocco, attracts a large popular support base, but does not participate in electoral politics. As we will see, this meant lower support base among the lower classes for the Moroccan MDP, the Party for Justice and Development (PJD).

**The Movement for Unity and Reform (MUR) and the PJD**

*Al-Shabiba Al-Islamiyya* (Islamic Youth Association) – the predecessor of the MUR (Movement for Unity and Reform) and the PJD – was established in 1969 under the leadership of Abdel Karim Muti’ and Ibrahim Kamal. Based on various accounts, Muti’ is considered as being heavily influenced by the Egyptian Muslim Brotherhood’s influential and highly controversial leader in the 1950s and 1960s, Sayyid Qutb. The influence of Qutb was to the extent that Muti’ viewed Moroccan society in a state of

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697 Tlaidi interview, 2009. Indeed, Nadia Yassine emphasized the idea of “constructing bridges with all the people” to reach solutions to Morocco’s problems; Yassine interview, 2009.

“jahiliyya” (pre-Islamic ignorance) legitimizing the use of force to reach the goal of an Islamic state if necessary. Similarly, political participation was viewed as un-Islamic. In the aftermath of the assassination of a socialist daily’s editor, Omar Benjelloun, several members of the organization were implicated in the event including Muti’. The king took decisive action by banning the organization in the late 1970s and persecuting many within the group. The group’s leader, Abdel Karim Muti’ left Morocco in 1975, but maintained its control over the group for several years to come.

In 1981 following the dissolution of the Islamic Youth Association, many in Al-Shabiba turned to a new and legal organization established by the younger leaders of the group at the time such as Abdelilah Benkirane, Abdallah Baha and Mohamed Yatim: Al-Jama’a Al-Islamiyya (the Islamic Group). The formation of this new group entailed a number of revisions in the basic organizational structure, ideology and practice. The most telling change was in the ideology of the group. This new group decided to break with the ideas of Qutb, and its former leader Muti’. According to this new ideological structure, the society is Muslim despite its many mistakes and some deviation from Islam, but not jahili. The group saw it its duty “to contribute to the reform of the society and the state…its application of Islam is not complete. So, our duty is to push the decisionmakers to apply Islam step by step, not all at the same time.”

699 Tlaidi interview, 2009; Shahin 1997, 182.
700 Despite the implications, Muti’ rejected any part in the killing of Benjelloun. See Bourgat and Dowell 1997, 172.
701 Wegner and Pellicer 2009, 159. Even though the group was formally outlawed in 1975, members continued its activities for several years. See Shahin 1997, 188.
702 Munson 1993, 161.
704 Tlaidi interview, 2009.
and Miquel Pellicer note that the organization’s goals during this period were along the lines of classic goals of Islamist discourse: “According to a charter published in the late 1980s, the organization’s goals were to renew the understanding of religion, to advocate the implementation of sharia law, to achieve a comprehensive cultural renaissance, to work on accomplishing the unity of Muslims, to confront ideologies and ideas which they believed were subversive to Islam, and to raise the educational and moral level of the Moroccan people.”

The new organization’s foundational principle complements the change in its ideology. Unlike the discourse in the 1970s, the group officially recognized “the political and religious legitimacy of the monarchic regime” mindful of the recent history and its conflict with the regime. The decision to remain in the legal framework of Moroccan politics is a natural extension of this shift in the group’s foundational principle.

In another radical break with its past, the group deliberated on political participation in the current Moroccan political system. Although the notion of political participation was still viewed as un-Islamic (haram) by many members of the group, the leadership published a report called “The Paper of Political Participation”. The report thoroughly explained the rationale behind political participation, which included 1) the desire to reach a wider population, 2) to break the “siege of secularists” who constantly pointed the legality issues of the group, and 3) to obtain parliamentary immunity for the group’s

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leadership, which would ensure safety of “dawa” activities.\(^{707}\) It is clear that at this stage the group is only interested in securing the religious mission (dawa) activities rather than achieving other political goals. Such a stance fits squarely with an Islamist discourse, the spread of dawa.

The report also outlined potential strategies to realize this goal of political participation. Such strategies included establishment of a political party, alliance with an existing party, running as independents and establishment of a pressure group. In the meantime, the Islamic Group changed its name to Harakat al-Islah wal-Tajdid al-Maghribiya (the Movement for Reform and Renewal in Morocco) in a formal move to reassert its commitment to the rules of the political game in Morocco. The change in the name came in 1992.\(^{708}\)

**The Party for Justice and Development**

The Party for Justice and Development (PJD) followed a distinct route to its current platform as a moderate and Muslim democratic party as compared to its counterparts in Egypt and Turkey. The PJD in Morocco experimented in formal politics in different forms throughout the 1990s. The first initiative for a political party came in 1992 when the group proposed the establishment of National Renewal Party (*Hizb Al-Tajdid Al-Watani*). The government swiftly refused to grant license to the initiative.\(^{709}\) One of the reasons for this refusal was the events unfolding in the neighboring Algeria. The civil war

\(^{707}\) Tlaidi interview, 2009. The account of “the Paper of Political Participation” rests on Bilal Tlaidi’s reading and analysis of the report.

\(^{708}\) Shahin 1997, 191.

\(^{709}\) Mustapha El-Khalfi, interview, December 8-9, 2009, Rabat.
that began in 1991 following the Islamist FIS’ (Islamic Salvation Front) lead in the first round of parliamentary elections made the political situation very difficult for Hassan II to allow an Islamist party at the time.\textsuperscript{710}

Upon refusal by the government, the group sought an alternative mechanism for political participation without contesting the governmental decision on the issue. Instead of establishing a brand new party, the group resorted to joining an existing party’s legal umbrella. After talks with parties such as the Istiqlal Party, National Union of Popular Forces (Union Nationale des Forces Populaires, UNFP) and Democratic Independence Party (Parti Démocratique et de l'Indépendance) failed, the Movement for Reform and Renewal concentrated its efforts to secure the cooperation of Abdelkarim Al-Khatib’s moribund party, \textit{Mouvement Populaire Démocratique et Constitutionnel} (Constitutional and Democratic Popular Movement – MPDC).\textsuperscript{711} Al-Khatib proposed three conditions for a potential merger between the two: The acceptance of the monarchy, denunciation of violence, and an Islamic identity. None of these constituted a problem for the movement, and they agreed to Al-Khatib’s conditions. The merger would enable Al-Khatib’s party to gain popularity one again and to revive its position in Moroccan politics, whereas the Movement for Reform and Renewal would have legal access to political participation.\textsuperscript{712}

In 1996, the national congress of MPDC convened following the agreement between the

\textsuperscript{710} Tlaidi interview, 2009.  
\textsuperscript{711} Desrues and Moyano 2001, 30; Tlaidi interview, 2009.  
\textsuperscript{712} Hamzawy 2008, 8; Tlaidi interview, 2009.
movement (MUR) and the party (MPDC) to choose the new leadership cadres composed of both. In 1997, the MPDC participated in legislative elections, and won 9 seats.

The current form of the party (PJD) was finalized in 1998 with a name change. Formerly a part of Al-Islah Wal-Tajdid (Movement for Reform and Renewal) and Mouvement Populaire Démocratique et Constitutionnel (Constitutional and Democratic Popular Movement), the new PJD made its political platform both substantively and substantially distinct from its predecessors. Islam became a “point of reference” for the party, but not the central tenet of the party platform. Emphasizing the pragmatism of the party, PJD parliamentarian Abdelkadir Amara maintained that the “idealist model” gave way to the current platform of the party in order to be able “to find solutions to the daily problems of citizens, especially in economy, social life, education, and health.”

PJD official Mustapha El-Khalfi pointed to the “public policy framework” the party employed after 2002; the “functional separation between religious activities and political activities” has been critical to this end, according to El-Khalfi.

While the movement’s political opening unfolded, there were other developments on the dawa branch. Many Islamic groups across the country were having discussions to have a union among themselves in the first half of the 1990s. The most concrete progress was recorded between two major groups in 1994: Harakat al-Islah wa al-Tajdid al-

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713 El-Khalfi interview, 2009.
714 Willis 2004, 55; Desrues and Moyano 2001, 30. Although members of the group contested the local elections in 1997 as independents and won 100 seats in local city councils nationwide, it is the 1997 parliamentary elections that is generally accepted as the group first official political participation. Tlaidi interview, 2009.
716 Amara interview, 2009.
717 El-Khalfi interview, 2009.
Maghribiya (The Movement for Reform and Renewal in Morocco) and Rabitat al-Mustaqbal al-Islamiyya (The League of the Islamic Future). Although the discussions were proceeding positively towards a union, one issue remained contentious between the two sides. The League raised its concerns over the impending political merger between the Movement for Reform and the MCDP arguing that the merger with MCDP would present them with a condition they had not negotiated in their unification discussions. Against this, the Movement for Reform pressed its concern that they did not want to lose their unique opportunity for political participation when the circumstances were favorable. At the end of negotiations, with the exception of one group (al-Dawa of Fes) the League agreed to the union with the Movement for Reform and Renewal in 1996. The union led to a new name and the nation’s largest Islamic movement at the time: Harakat al-Tawhid wal-Islah (Movement of Unity and Reform).  

The PJD’s platform evolved from political Islam towards a Muslim democratic platform in the period after 1998. In 1998, the main discourse of the party was focused on issues related to Islamic identity, and Islamization of the state and society, as we would expect from an Islamist discourse. Even though the separation of the political party from the main body of the Islamic movement was complete, functional boundaries appeared to be less clearly-demarcated between the two. The 2002 and 2007 electoral programs are more successful in delineating the “public policy framework” that the PJD officials underscore.

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The programs clearly demonstrate that “public affairs” and problems around corruption take precedence over issues of Islamic identity (*al-Huwiyya al-Islamiyya*).\(^{719}\)

Bilal Tlaidi, a member of the PJD’s national council and a researcher on the Islamic movement, shed light on the party’s internal discussions on this issue: “For PJD in 2002, there was a discussion. They evaluated the experience and they found that the PJD focused on Islamic identity, morals. The question arose ‘are we an Islamic party, or a political party with an Islamic reference?’ The PJD, in the final analysis, chose to be a political party with an Islamic reference. When you say an Islamic party, the issues of Islamic identity and morals should be the main priority for the party. When you say you are a political party with an Islamic reference that means the priority is public policy, but the solutions suggested by the PJD is based on Islamic values, not political Islam.”\(^{720}\)

For party officials, the profound transformation of the party from its advocacy of political Islam to a party with an Islamic reference was reflective of changes taking place at the societal level. As former PJD leader Uthmani stated, “It is impossible for societal changes not to change parties.”\(^ {721}\) In essence, the change in the name of the party was more than a mere cosmetic change. Rather, it revealed a fundamental reorientation. Others in the party confirmed: “In reality, what happened in 1998 was a change in the name of the party that reflects change in policy.”\(^ {722}\) One of the female legislators from the PJD, Nezha El-Ouafi, underscored the changes taking place both in Morocco and the

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\(^{719}\) El-Khalfi interview, 2009; Tlaidi interview, 2009. Samir Amghar notes that the union brought together around 200 different groups. See Amghar 2007, 2.

\(^{720}\) Tlaidi interview, 2009.

\(^{721}\) Saad Eddin Uthmani, interview, December 8, 2009, Rabat.

\(^{722}\) El-Khalfi interview, 2009.
world, and the concomitant necessity for the party to transform itself in order to “keep up” with the changes in their own constituency. Major issues arising in Moroccan society included economic development, democracy and social justice. Interviews with party officials make clear that they put a careful effort in formulating the new platform, and the new party was the product of a serious effort to match the party program with the agenda of the people. In other words, it was the product of a shift from an “idealist” model to a “pragmatic” model. One PJD official noted, “As a political party we have to do our best in our programs to be close to the citizen and propose solutions to the daily problems. And, we considered that it is a good jump from the view of Islamist movement to a political party.” Nonetheless, Islam continues to be one of the central tenets of the party as it offers the identity and value base for the party: “And, these two issues [justice and development] should be based on our Islamic authenticity. [Islamic authenticity] It is Islamic references, Islamic values, new interpretation of Islam that allow us to connect modernity with Islam.”

The critical question is whether the new platform of the party, indeed, coincides with the preferences of the people. The PJD officials claimed it does. In particular, two critical groups constitute the target audience of the PJD. On the one hand, the poor in Morocco are in need of “good governance to fight corruption, and social justice”, while on the other hand the middle class including SME owners demand an “improved social and

723 Nezha El-Ouafi, interview, December 23, 2009, Rabat.
725 Amara interview, 2009.
726 Amara interview, 2009.
727 El-Khalfi interview, 2009. Other officials from the PJD also confirmed El-Khalfi’s account on this point; Noureddine Karbal, interview, December 23, 2009, Rabat; El-Ouafi interview, 2009; Driss Bouanou, interview, December 10, 2009, Rabat.
economic condition” in Morocco.\textsuperscript{728} Moreover, what brought these two distinct socioeconomic groups together was their shared identity and conservative values, their constituency thus included, “The religious people in the society who are thinking that our party [PJD] is not only a credible party, but a party that is defending Islamic values of the society.”\textsuperscript{729} The PJD, with its new platform, claims to have addressed major issues in Morocco while submitting itself to the values of the society. Very briefly, the new mantra of the party captures the sentiment of its own constituency while striving to be “a party of all Morocco”: Asalah, Adalah, Tanmiyah (Authenticity/Origins, Justice, Development).\textsuperscript{730}

An important aside must be made on the PJD’s political participation as it constitutes a critical distinction between the party and AWI. Although AWI criticizes the PJD for being part of the system with their political participation,\textsuperscript{731} the PJD thus far acted carefully to make a crucial distinction between two kinds of participation. On the one hand, they are fully supportive of being part of the official opposition as a legal party and have competed in parliamentary and local elections since the mid-1990s. On the other hand, they have repeatedly declined formal and informal invitations to be a part of Moroccan government at different times. For example, in 1997 when Abderrahmane Al-Youssoufi invited MCDP (PJD’s predecessor) to be part of the government led by Al-Youssoufi, the party turned down the invitation due to the uncertainty surrounding the

\textsuperscript{728} Uthmani interview, 2009; El-Khalfi interview, 2009; Karbal interview, 2009. 
\textsuperscript{729} El-Khalfi interview, 2009. 
\textsuperscript{730} El-Khalfi interview, 2009. 
\textsuperscript{731} Nadia Yassine and AbdelWahed al-Mutawakkil criticized the PJD for being part of the system and try to change it from “within.” Al-Mutawakkil interview, 2009; Yassine interview, 2009.
true capacity of the new government “to change things”. Instead, the party chose to be in the opposition while retaining a position of “critical support”; such a position would ensure that the party could “distance itself from possible failures and difficulties” of the new government.\footnote{Willis 2004, 56.} Similarly, following the 2002 general elections the PJD decided to not participate in the government as “the benefits of being the strongest opposition party outweighed any gains to be made by becoming part of a governing coalition.”\footnote{Willis 2004, 73.} Had the PJD decided to take part in the government, it would have received six or seven ministerial posts in the cabinet.\footnote{Wegner and Pellicer 2009, 165.} To AWI’s credit, however, the PJD emphasized the fact that its opposition was on specific policies and not “systematic”.\footnote{Willis 2004, 73.} Despite the party’s refusal that it has been part of the system, in a circuitous way it accepted the claim.

**PJD Platform**

**A – Islam**

The PJD’s emphasis on Islam in its party discourse has decreased over time. The party program from 1997 and 1998 put strong emphasis on “identity issues” envisioning a major role for Islam in political and social life, which ultimately made Islam the principal concern of the party. Hamzawy notes that between 1997 and 2002 PJD legislators

\footnote{Willis 2004, 56.}

\footnote{Willis 2004, 73. A similar observation is made by Wegner and Pellicer: “Rather, they feared a decrease in future electoral strength caused by being part of a government that was unlikely to improve the socio-economic grievances of those new voters whose support it had gained in the elections. Along the same lines, party leaders were aware that cabinet participation would make it more difficult to maintain its image as non-corrupt challengers of the Moroccan elite.” Wegner and Pellicer 2009, 165-166.}

\footnote{Wegner and Pellicer 2009, 165.}

\footnote{Willis 2004, 73.}
brought up issues mostly related to Islam and Islamic identity such as “non-Islamic banking, alcohol consumption, Islamic education, immoral practices in the tourism industry, and reforming the cinema industry to ensure that it complied with Islamic teachings.”

However, the 2002 electoral program downgraded identity issues in the platform, and instead prioritized more socioeconomic and democratic problems in Morocco, according to El-Khalfi. Indeed, the policy agenda of the party prior to the 2002 elections reflects this change. Only one of the main policy issues is related to Islam, and the rest deal with the more immediate needs of the Moroccan society. The transformation was complete with the 2007 platform, which was announced prior to the legislative elections that year. According to the program, Islam (asalah – authenticity) as an element of the platform was discussed only after more pressing issues such as education, investment and economic production. The order of the issues as discussed in the electoral program was not a coincidence, according to El-Khalfi; it was to demonstrate the priorities of the party itself. Nonetheless, many seculars in Morocco continue to “think negatively of the PJD as a threat to their secular lifestyles,” complained Driss Bouanou, the youth leader in PJD. This skepticism underscores the depth of the divide between the secular center and more Islamic periphery. Even as the PJD downplayed the role of Islam in the party’s platform, it was viewed with suspicion by secular members of Moroccan society.

736 Hamzawy 2008, 12.
737 These five issues discussed in the “Towards a Better Morocco” program are authenticity (Islam), sovereignty, democracy, justice and development. For a similar discussion, see Willis 2004.
738 El-Khalfi interview, 2009.
739 Bouanou interview, 2009.
The PJD in Morocco defines itself as a political party with “Islamic reference” along the same lines as the Wasat Party in Egypt.740 Officials in the party likened the concept of “Islamic reference” to a core system of values and ideas in forming the party platform; the policy positions devised within the party conform to the Islamic base of reference. One PJD official drew an analogy with other ideologies and stated, “It [Islamic reference] means that the reference is Islam as if you say, for example, for another party the base of reference is communism or socialism.”741 Essentially, the party’s emphasis on Islam as a point of reference amounts to being a guiding principle rather than specific policy initiative or the methodology in the application of the guiding principles. To this end, the party avoids using the term sharia in its discourse despite the fact that they conceive it more as a guiding principle than specific regulations.742 Along the same lines, PJD official Mustapha El-Khalfi challenges those charging the PJD with a “narrow” focus on Islamic issues: “Islam is calling for social justice, economic development. So, indirectly by working on social justice, economic development, we are working to implement what Islam in principle is calling for. We think that as a party we are not a sectarian party, we are not a party for only religious people. We are a party for all citizens. And, we defend the idea of citizenship.”743 Close to how the JDP in Turkey defined the values it upholds as part of its conservative platform, the Moroccan PJD underscores issues such as the

740 Amara interview, 2009; El-Khalfi interview, 2009.
742 Uthmani interview, 2009; Bouanou interview, 2009.
743 El-Khalfi interview, 2009.
family, education and societal values\textsuperscript{744} in addition to the principal attachment to the “Islamic identity” of the Moroccan society.\textsuperscript{745}

The formal separation between the PJD and its founding organization, the Movement for Unity and Reform (MUR) is an important indication of the PJD’s credentials on their distinct Islamic discourse.\textsuperscript{746} The MUR, in contrast to the PJD, strictly engages in \textit{dawa} – roughly translated as Islamic missionary activity – and religious education activities devoid of political activism. The PJD, on the other hand, addresses a more comprehensive audience and engages in political activities only: “The movement will focus mainly on religious activities, education, culture, social welfare and so on. And, the party will focus on the management of public affairs, political activities, and public policies. The relationship between the two takes the form of political partnership based on strategic cooperation but functional separation of each one.”\textsuperscript{747}

Wegner and Pellicer, in a thorough analysis of the extent separation of the movement and the political party, make important observations on the issue. Formally, membership in the movement was not a condition for membership in the party. Wegner and Pellicer show that in practice the separation was genuine. In 2002, out of the 179 PJD candidates for a parliamentary seat only 56 were MUR members (31%). Of those 42 PJD officials

\textsuperscript{744} El-Khalfi interview, 2009; Bouanou interviews, 2009.  
\textsuperscript{745} PJD 2007 Electoral Program (Together to Build a Just Morocco); Amghar 2007.  
\textsuperscript{746} The Moroccan daily \textit{Al-Tajdid} – a part of the MUR network – reported explicitly on the separation of the movement and the party. Similarly, the newspaper reported on the functions of the PJD and the MUR as distinct organizations. For example, see the extensive report in the newspaper on the MUR’s position on various Islamic issues that differ from that of the party such as the caliphate. “Al-Tamayuz Bayna al-Haraka wal-Hizb Masar La Raja’ah Fihi” [The Separation between the Movement and the Party Now Irreversible] \textit{Al-Tajdid}, 28-29 August, 2007.  
\textsuperscript{747} El-Khalfi interview, 2009.
who were elected to the parliament there were 22 MUR members (52%). This figure stands in sharp contrast to the 1997 elections when all MPs were MUR members, save for one. Reinforcing the authenticity of the separation is the fact that currently a lower percentage of intermediate-level and local-level officials in the party are members of the MUR. Wegner and Pellicer also point to other issues that attest to the autonomy of the party from the movement among which are financial independence, institutionalization of party structure, parallel structures, and “independent mobilization resources”.

The implication of this “functional separation” is the absence of a monopolistic claim to speak on behalf of Islam in the political arena, or, in El-Khalfi’s words, they are not presenting “the truth”. The separation enables the party to be able to open up to others in the society and “learn” from them if necessary. This openness resulting from functional separation between the party and the movement sets it apart from Islamist groups’ integrated approach to politics and religion such as the AWI. A PJD parliamentarian, Amara, claimed that the AWI’s current position – that “before starting to participate they have many conditions” – poses the biggest problem for their discourse and gives the impression that “they are the only actor having the truth.” The PJD’s approach prevents “dividing the society in two parts” as the party abstains from employing using polarizing discourse on the basis of Islam.

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748 Wegner and Pellicer 2009, 159-161.
749 For a detailed discussion of the separation of the party and the movement, see Wegner and Pellicer 2009.
750 Wegner and Pellicer 2009.
751 El-Khalfi interview, 2009.
752 Amara interview, 2009.
753 El-Khalfi interview, 2009.
Willis observes the PJD’s political priorities, and continues to quote former PJD leader as follows: “Both [Uthmani and Benkirane] went on to stress, probably not disingenuously, that the party’s real priorities lay with the issues of justice, corruption and economic development rather than the veil or amputations, Othmani stating that: ‘We have already said, and we repeat, to the Moroccan people: our party wants to prioritize the economic and social development of the country, not the Sharia.’”

Islam constitutes the main reference for AWI much like in the case of the PJD. In building its political discourse and ideology, Islam has been the principal yardstick with which the movement – both Abdeslam Yassine himself and the political circle more currently – outlined its position on various issues ranging from democracy to the economy. The movement’s head of political circle Al-Mutawakkil stated that, “We are Muslims and we live in a Muslim country, and we believe that we have many ideas and many principles if they are really applied, the situation of our country, of our people will be better.”

A key difference between the discourse of the PJD and AWI concerns the issue of moral education. Much like in the case of the MB in Egypt and the NOM in Turkey, for AWI the moral education of individuals – as Muslims – is the priority before any discussion of the application of Islamic law can begin. For example, Nadia Yassine stated that, “Right now, Muslims are in dire need of much change. This is the actual work, work on the person – dawa. My father said many times that we have to change this Wahhabi attitude

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754 Willis 2004, 66.
To this end, the movement organizes spiritual retreats (ribat) where those who attend – members and non-members alike – engage in fasting, zikr (remembrance of God), silence, and sufi education. In contrast, the PJD has no such agenda. The main reason behind this difference is the separation of the religious and political activities of the movement between the PJD and the MUR.

On the issue of sharia, AWI’s position shows a marked difference with conventional Islamist discourse. The group is certainly committed to the principles of sharia, yet it makes a distinction between the principles and specific laws of sharia. Nadia Yassine underscores the dynamic nature of sharia, and cautions against a static and “patriarchal” interpretation: “Last week, I saw some men and women being stoned; it’s not my sharia. The sharia that we know, the Muslims know and the people come to know by is nothing but jurisprudence chosen by autocratical power, patriarchal reading of Islam, chosen by autocrats. Sharia in Arabic means to dig a path, especially through water. The water is the symbol of rahmat [mercy], not of coercion, not to stone this one or that one… I think that we need to rediscover the rights of Muslims and forget a little bit about their obligations.”

Al-Mutawakkil concurred with Nadia on sharia, and emphasized the necessity of having all the conditions in place prior to any application of a specific law. For example, when talking about theft and the punishment for it according to sharia, Al-Mutawakkil commented as follows: “Before we talk about thieves or something, you have to give people enough to eat, to provide enough for them… Once, Omer bin Khattab [second caliph in Islamic history] did not apply this law because there was starvation and

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756 Yassine interview, 2009.
757 Yassine interview, 2009.
people did not have enough to eat. When in Morocco you have about six million people that live on $1 everyday, can you talk about sharia in that situation? And eight million people are threatened to fall into that category. In Islam, you don’t apply a law blindly; if you want to apply a law, you have to take care that all the circumstances are there in order to apply the law, or it’s going to be against Islam.”

In brief, AWI favors sharia, but with important conditions before any application of it can even be considered.

In summary, the PJD adheres to an Islamic identity in its political platform as it constitutes the social fabric of Moroccan society; yet, does not view it as part of its agenda to increase the level of Islamic morality of the people. AWI, however, views it important for the society to have an increased level of Islamic moral education.

**B – Democracy**

The Moroccan PJD shows a similar characteristic to the Turkish JDP and the Egyptian WP in its commitment to a democratic regime with guarantees of individual liberties. Amara defined democracy from the perspective of the PJD as follows: “Democracy for us [PJD] means transparency, it means clean elections, it means also to respect human rights, to respect freedom of expression and so on.” Former party leader Saad Eddin Uthmani emphasized the participation of the people in “elections and decisionmaking mechanisms” with which Amara concurred.

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759 PJD 2007 Electoral Program.
760 Amara interview, 2009.
761 Uthmani interview, 2009; Amara interview, 2009.
In this formulation of democracy, democratic principles and pluralism constituted key elements of the party discourse. For example, as a party, “we value both people’s opinions and their individual rights and liberties,” stated Uthmani.\textsuperscript{762} Another PJD official, Amara, stated, “to be sure, other rights such as freedom of expression and rights of minority should be taken in account.”\textsuperscript{763} Nezha El-Ouafi concurred with the emphasis on individual rights, and expressed full support.\textsuperscript{764} In the words of one PJD official, the PJD is a party that “believes in democracy like Christian democratic parties do.”\textsuperscript{765} Nonetheless, El-Khalfi clarified the party’s position on individual liberties: “We believe in individual liberties, but we are making a difference between private sphere and public sphere.” The individual is completely free to act as he wishes in the private sphere; in the public sphere, however, other individuals’ rights are also involved in determining the limits of individual freedom. The difference essentially applied only when individual actions impinged upon others’ rights, El-Khalfi underscored.\textsuperscript{766}

A concrete example sheds light on the PJD’s democratic stance. In 2004 during the family code, the Mudawana, reform discussions, the PJD objected to the reform efforts on the grounds that they were against society’s Islamic values.\textsuperscript{767} The perception on the part of the conservative sections of the Moroccan society including the PJD’s base was

\begin{itemize}
\item \textsuperscript{762} Uthmani interview, 2009.
\item \textsuperscript{763} Amara interview, 2009.
\item \textsuperscript{764} El-Ouafi interview, 2009.
\item \textsuperscript{765} El-Khalfi interview, 2009. Former leader of the party, Uthmani, also made a similar statement when he was asked about the PJD’s Islamic reference: “We would compare it to Christian Democratic parties in Europe that base their platforms upon the principles of Christian faith although their platforms may be civil in nature. These parties make decisions according to civil political realities, but viewed through a Christian lens. It is the same with the PJD, which is a civil, Moroccan nationalist political party.” Quoted in Arab Reform Bulletin vol. 3(10), December 2005.
\item \textsuperscript{766} El-Khalfi interview, 2009.
\item \textsuperscript{767} Willis 2004, 56.
\end{itemize}
that the new bill would “strip the country of its Islamic identity and heritage”, and the “secularist and francophone elites” were supporting the bill. The PJD was left in the middle – between a socially conservative constituency and the need for reforming an outdated family code – in choosing its position on this issue. Although the MUR was “strongly opposed” to the bill, the party barely opposed the proposed bill. In the National Council of the party, the vote on the issue was very close; 11 more votes to oppose the bill out of 280 total votes.\footnote{Wegner and Pellicer 2009, 165.} The legislation was accepted despite the PJD’s objections in the parliament. The party, however, accepted the reforms \textit{ex post facto} on the grounds that it was the outcome of a democratic process.\footnote{Al-Tajdid, October 13, 2003. Also see Hamzawy’s discussion (2008, 9). Saad Eddin Uthmani contends that the PJD gave its support to the bill only after its views were incorporated into the legislation. See Uthmani 2005.} The critical point is not the PJD’s opposition to a secular family code; instead, it is the party’s “willingness to compromise when faced with political issues that might appear to conflict with its interpretation of Islamic values,” a feature in contrast with AWI’s insistence on the supremacy of Islamic nature of the code over the democratic deliberation process.\footnote{Glennie and Mepham 2007.}

Like the PJD, \textit{Al-Adl wal-Ihsan} endorses democratic procedures without hesitation. Even more importantly, the endorsement comes despite AWI’s reservations against Western influence and dominance in Morocco and beyond: “Democracy is freedom of speech, freedom of assembly, possibility to organize free elections, possibility to elect your leaders, to elect your representatives. All these mechanisms, I think, are very important, and we have no reservation regarding these things. We think humanity has managed to

\footnotetext[768]{Wegner and Pellicer 2009, 165.}
\footnotetext[769]{Al-Tajdid, October 13, 2003. Also see Hamzawy’s discussion (2008, 9). Saad Eddin Uthmani contends that the PJD gave its support to the bill only after its views were incorporated into the legislation. See Uthmani 2005.}
\footnotetext[770]{Glennie and Mepham 2007.}
find a way to deal with dictatorship and that is very important to learn. Even if it [democracy] originates in the West, it is not something that belongs to the West. It belongs to the humanity, and everybody should be able to benefit.”\textsuperscript{771} The political context that AWI operates under is certainly an important factor in shaping the group’s preference on democracy, as with any other political party. Democracy is useful insofar as providing a mechanism for accountability in the system, which incidentally aims to curtail the extensive powers at the disposal of the regime formed around the persona of the king.\textsuperscript{772} Nonetheless, the current practice of procedural democracy in Morocco is meaningless, and the elections are a “non-event” as they function to buttress the current system.\textsuperscript{773}

When the question is the values and principles of democracy, the picture becomes blurry for AWI. AWI’s stance on democracy and individual liberties takes the form of a vaguely-defined notion of Islamic democracy without clear-cut implications. AWI opposes “taking” of values and principles from the West and “applying” them in the Moroccan context, specifically referring to the issue of democracy. The culture and ideas in Morocco are different from those of the West, and, hence, require a different synthesis, according to the movement.\textsuperscript{774} For the movement, an invention needs to be made with respect to the application of democracy in Morocco; more specifically, Nadia Yassine underscores the spiritual legacy of Islam in order to create the new democratic

\textsuperscript{771} Al-Mutawakkil interview, 2009.
\textsuperscript{772} Glennie and Mepham 2007. Amghar also notes that AWI’s support for democracy is a demonstration of opposition to the regime and for “tactical reasons.” See Amghar 2007.
\textsuperscript{773} Willis 2004, 61.
\textsuperscript{774} Al-Mutawakkil interview, 2009.
Although AWI respects individual choice and freedom, two issues complicate their conceptualization of a new democracy. On the one hand, AWI emphasizes the religious and spiritual aspect of a new and Islamic democracy, but the contours of such a new model are not clearly laid out. Cognizant of the potential problems such an interpretation might pose, Yassine outright rejects analogies to the concept of _velayat-e faqih_ in post-revolutionary Iran. At the same time, however, she is not able to offer a concrete alternative to it as to how the spiritual and temporal authorities might have their own spheres.

On the other hand, unable to come up with a specific formula to address the quagmire above, AWI seems to rely on the Islamic sensitivity of the people and their innate capacity to find a middle ground between Islam and democracy; this would occur mechanically, for AWI. In a way, an invisible hand of the Moroccan people of some sort will address the issue. For example, Al-Mutawakkil maintained that, “There may be certain things that are not allowed from an Islamic point of view [in a democracy]. But, again, despite such a thing, we believe that our people would make the right choice and would enact laws that are not against their own religion, that is automatically. People are Muslims inside, they love Islam and they are not after to make laws against Islam…You

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775 Yassine interview, 2009.
776 On various occasions, AWI expressed the impossibility of imposition in Islam with respect to both religion and individual preferences (Al-Mutawakkil interview, 2009; Yassine interview, 2009). Moreover, the Sufi origins of the movement makes it least likely to opt for imposition compared to other interpretations of Islam such as Salafism.
777 _Velayat-e faqih_ (guardianship of the jurist) is the religio-political position created in the aftermath of the Islamic revolution in 1979. The position represents the highest post in the new Iranian state, and held by a clergyman elected by a council of Islamic scholars. The position is regarded as the guarantee of the Islamic nature of the regime in Iran.
778 Yassine interview, 2009.
don’t expect such a thing.” On the same issue, Abdeslam Yassine also envisions a “democratic equilibrium” where the spiritual and temporal spheres do not violate each other’s “turfs” where the exact mechanism is unsubstantiated. The problem here is not that AWI might undertake action against a majority decision that is against Islamic values in an undemocratic fashion; AWI expressed its respect for the choice of the majority on different occasions and its adherence to formal elements of democracy provides ample evidence to that end. Rather, the problem stems from the fact that AWI puts its full faith to secure the envisioned Islamic nature of the regime in the hands of the electorate rather than coming up with an institutional solution to the dilemma. It is this uncertainty that puts seculars at unease in a similar way to the uncertainty emanating from the relationship between Islamic and democratic discourses of the Muslim Brotherhood in Egypt.

In summary, the PJD adheres to a democratic political system both in terms of its procedural elements, i.e., elections, turn of power, and its principles, i.e., individual liberties, pluralism and protection of minority rights. AWI’s democratic discourse, however, remains somewhat ambivalent due to its emphasis on Islamic spirituality and inability to clarify potential implications of such an emphasis over democratic principles.

C – Economy

The particular kind of liberalization undertaken in Morocco – semi-competitive liberalization – affected the economic discourses of the PJD and of its key rival, AWI. In

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780 Yassine interview, 2009.
view of peripheral winners – i.e., SMEs – and losers – peripheral masses – of the liberalization process, each tailored its economic policy to with an eye on their critical constituency. The JDP adheres to a liberal economic discourse without reservations, while at the same time drawing attention to the problems associated with Morocco’s integration to the global economy. Similar to the economic discourse of the WP in Egypt and the JDP in Turkey, the PJD in Morocco recognizes the “reality” of greater economic globalization and Moroccan integration to global markets, and underscores Morocco’s “need” to be a part of this process. One PJD official summarized the party’s position on economic liberalization as follows: “Globalization, we [PJD] think, is a phenomenon we cannot stop. What we shall do is to prepare our economy, our companies and businessmen, and face this globalization and to take part in this globalization. But we think, unfortunately, the government did not do anything special to take part in this globalization.” PJD legislator Lahcen Daoudi explained the “need” for Moroccan economic liberalization as follows: “In Morocco, economic opening is a necessity because we are a small state. It is not possible for us to develop with our domestic market only; we don’t have oil, minerals, or gold.” Noureddine Karbal, also a member of the Moroccan Parliament, stated that as a party they are “believers in [economic] liberalization.” Another PJD official went further and claimed that “everyone is

781 Amara interview, 2009; El-Ouafi interview, 2009.
782 Amara interview, 2009.
783 Daoudi interview, 2009.
784 Karbal interview, 2009.
benefiting from economic liberalization,” and hence as a party they are happy with economic liberalization as an economic policy.\textsuperscript{785}

More specifically in the Moroccan context, free trade agreements (FTAs) that Morocco signed in recent years have been a point of contention. Among the FTA partners of Morocco are the US, the EU and Turkey. The PJD carved its position on these FTAs carefully mindful of their socioeconomic implications in Morocco. For example, Amara criticized the government for its perceived failure to undertake necessary measures ensuring an optimal outcome for Morocco instead of outright rejection of signing FTAs, what many Islamist parties choose to do: “As a political party, clearly, we [PJD] are not against FTA, but to conclude and sign an FTA with the US, which is economically a big country, means that our state has to prepare for this agreement. That’s what our government did not do. And if you see the results of the economic balance between the US and Morocco, you will find that for Morocco it is always negative; and also when you see this balance with Turkey, it is always negative.”\textsuperscript{786} Another PJD official underscored Moroccan SMEs’ participation in the liberalization process: “We have a good relationship with them [SMEs] because as a party in our platform we called for that the country should have economic openness toward the West and Europe in a way that takes into account the interests of the small and medium businesses in the country. For

\textsuperscript{785} Bouanou interview, 2009.
\textsuperscript{786} Amara interview, 2009.
example, having a free trade agreement with the US, having a free trade agreement with the EU that will help this part of the Moroccan business. So, we defend these ideas.”

The PJD formulated its economic discourse on the basis of a “public policy framework” oriented toward “tackling the priorities of the society.” Such a framework enables the party to be cognizant of various aspects of the Moroccan society and economy in a time of increasing economic liberalization, and move beyond zero-sum views of opening, which characteristic of Islamist discourse. In other words, the party adopts a liberal economic discourse wholeheartedly while at the same time pointing out the problems in the way Morocco is integrating to the global economy. To this end, the latest PJD electoral program (2007) spotlights issues such as investment and production before identity issues. As in the case of the Wasat Party in Egypt, the program made a reference to Morocco’s placement in global development index as well as highlighting specific development issues with reliance on statistical data.

El-Khalfi added that the public policy framework of the party lays out detailed measures on the problems faced by the Moroccan economy: “Measures that tackle all levels related to how we are going to finance funds for these measures, what the implications of these measures on the legal, and legislative framework are, who is going to be in charge of these measures, at the institutional level, at the legislative level, at the financial level, the interactions between all these institutions that could be related to specific measures.”

Reinforcing the public policy framework adopted by the PJD is also attested by the

788 PJD 2007 Electoral Program.
actions of a PJD mayor. As in the case of the JDP in Turkey and the WP in Egypt, PJD officials are much less reprehensive of the use of interest in financial transactions. Upon criticisms that he used interest to finance certain development projects, even from within the MUR, the mayor responded as follows: “I don’t even realize, for me that’s fine, this is not really what we are concerned about…Now, we realize that it is not enough to have principles to be able to set up a budget. The citizens judge you on the basis of your efficiency.” 790 Others in the party pointed out the fact that there were regular meetings with French trade chambers in Casablanca as evidence of the party’s economically liberal stance. 791 Clearly, pragmatism prevails over ideology for the PJD in economic affairs. 792 PJD officials did not hesitate to point out the government as the culprit in the problems of the economy: “Since the 1980s, in Morocco we started to talk about making the economy effective, productive by modernizing the law, the statute of companies, from family companies to modern companies, by giving more facilities and funds for companies, by education and formation, a lot of things that are well-known. The problem is that the government did not prioritize this.” 793 Outgoing PJD leader Uthmani, in the same spirit, pointed to three problems of the Moroccan economy preventing greater integration to the global economy: Economic management, legal framework, and education. 794 In the same

792 Amghar 2007, 2.
793 Amara interview, 2009.
794 Uthmani interview, 2009.
vein, the program of the party called for specific economic goals such as in GDP growth rate, public debt and government budget.\textsuperscript{795}

One key component of the PJD’s economic platform is the call for a solution to the economic problems of small and medium businesses. The chief reason for this call is the party’s identification with SMEs, and the perception that small and medium businessmen in Morocco constitute an integral part of its social base. The trend of closer identification between the PJD and SMEs has been more pronounced since the mid-1990s, according to PJD officials.\textsuperscript{796} The concentration of SMEs in urban areas partially accounts for the PJD’s strength in urban areas, one party official argued.\textsuperscript{797}

The party’s approach to the question of SMEs is two-pronged. On the one hand, SMEs should be supported as they constitute the main element of Moroccan businesses; without a stronger SME base, the economy is likely to suffer. On the other hand, SMEs’ participation in the liberal Moroccan economy would guarantee a competitive Moroccan economy vis-à-vis competitors. Hence, “positive discrimination” should be applied for SMEs, which would “allow them [SMEs] enhance their competitiveness against big economies who use liberalization to enter to our [Moroccan] market.”\textsuperscript{798} Amara, for example, highlighted the need for greater involvement of SMEs in the economy: “They [SMEs] shall be included in this development by giving them the possibility to participate in this [liberal] market… to facilitate to this category of population [SMEs] to have

\textsuperscript{795} PJD 2007 Electoral Program.
\textsuperscript{796} El-Khalfi interview, 2009; Amara interview, 2009.
\textsuperscript{797} El-Khalfi interview, 2009.
\textsuperscript{798} El-Khalfi interview, 2009.
money from banks… the transformation from family companies to new forms of companies.”

Unlike the PJD, AWI takes a highly critical stance on economic liberalization specifically, and the overall economic policy more broadly. Its stance is almost identical to that of the MB in Egypt; corruption and a wholesale change of the system is necessary to be able to talk about the benefits of a specific policy, according to the movement. In the face of all problems that Moroccans are facing, AWI is hopeful that all these problems might be overcome, with one condition, however: “The problem is that we can overcome the present predicament but not with the present regime; we need change in order to overcome this imbroglio. We need a different system. You want to talk about development, people should endorse you. People are marginalized, they have lost all trust in political parties and political regime.” And, the main reason for the change is the fact that the regime poses “a problem of mismanagement” and the political system is “corrupt to the core”. As an example, Al-Mutawakkil cites the case of foreign aid to Morocco. He argues that because the government is corrupt and the foreign aid money goes to “the pockets of some people” instead of the intended projects, foreign donors more recently choose to directly deal with civil society organizations rather than the state.

As to the process of economic liberalization in Morocco, the attitude of AWI is no less critical: “Neoliberalism is not Mother Teresa. It’s made to benefit some group of people, others are left out. It’s the law of the jungle. In Morocco, it’s the already rich ones [who

800 Al-Mutawakkil interview, 2009.
are benefiting from it] who represent about one percent of the population. And, the rest is starving. Liberalism is a good thing if there is equality. We are in the underdeveloped world, so we don’t have much chance in this competition.\(^801\) Another official from AWI points to a small group of big businessmen as the beneficiaries of the form of liberalization that has been undertaken in Morocco: “There are 20 families or so. These are businessmen closely associated with the regime. Those people are close to the regime, and many of them have some functions within the regime. [Since the time of Hassan II] You cannot make money or become rich unless you have the agreement of the regime. It is impossible. You have to deal with them in order to do your business. Otherwise, it is not possible for you to do anything. So, those people are the beneficiaries, but the rest is suffering.” The implication is that competition in the Moroccan economy is minimal as “the businessmen are afraid” to compete with the monarchy, which is “everywhere”.\(^802\) Nadia Yassine thinks that the issue of the economy is a challenge beyond the national borders of Morocco; it is, in other words, international. The level of inequality is not sustainable and no solution exists in the given parameters of the international economic system; hence, it is not possible for Morocco to address the issue by itself. For Yassine, it is only “spirituality”, i.e., Islamic spirituality, that can help humanity to “change the reality”\(^803\). Overall, the economic outlook of Morocco is not bright, and economic liberalization is not delivering what was said that it would deliver, according to AWI.

\(^801\) Yassine interview, 2009.
\(^802\) Al-Mutawakkil interview, 2009.
\(^803\) Yassine interview, 2009.
This sharp and critical stance on the economy is in direct contrast to the PJD’s position as I discussed above.

D – Social Policy

Both the PJD and AWI have favorable views on social spending and the protection of the less fortunate in the society. Favorable opinions on social justice are attested by the mere fact that both parties have “justice” as part of their names. The justification for such a policy differs, however. For the PJD, the issue of poverty is an outcome of economic modernization and integration to the global economy. In this regard, it is considered as a necessary evil and needs to be addressed by the government. The social policy of the PJD calls for minimizing poverty and addressing the issue of unemployment, a principal source of poverty. Universal coverage in healthcare and a progressive tax system are among other issues that the PJD addressed in its 2007 platform. Specifically, the party draws a connection between its popularity in the urban areas of Morocco and its economic discourse: “Within urban areas we are the first party, we are weak in the rural areas. This reflects that the party is the product of the challenges, the contradiction between modernity and our identity, Islamic identity, identity of the country. And this reflects that the intellectual core that guides the movement has emerged in urban areas, within universities, schools, high schools and they developed a discourse. That is in some way related to the needs and challenges of the urban people.”

804 PJD 2007 Electoral Program.
For AWI, however, poverty is rampant and the economic disparity between a small minority of businessmen and politically well-connected group, and the rest of the people is worsening each day: “When you look at social statistics, you will see that the situation of the Moroccan people is going back; it is deteriorating. If there are any benefits, only a small minority would benefit from those, but the crushing majority is really suffering.” In order to support his case, Al-Mutawakkil referenced the deplorable living conditions of many Moroccan families; family houses in alleys of one meter wide, 2-3 families living in one house with a single toilet, and hospitals of “poor quality”.⁸⁰⁶

AWI’s social dimension (al-Adl) also has an intricate relationship with its spiritual dimension (al-Ihsan). In the words of Abdeslam Yassine, “an angry stomach has no ears”; hence, unless a certain level of “social equality” can be established, the ideological message of AWI is unlikely to find a welcoming audience: “We are not seeking paradise on earth, but a certain social equity. Only then we can transmit honorably this message [of Islam], and have it accepted by the people.”⁸⁰⁷

When the PJD’s and AWI’s discourses on the economy and social policy is considered in tandem, each group’s somewhat distinct societal base becomes more intelligible. Observers note that the PJD’s support is largely middle-class, urban and SME owners, whereas AWI speaks to the poorer sections of the Moroccan society and commands a more “popular base” than the PJD does.⁸⁰⁸ The observation is also shared by Nadia Yassine of AWI: “They [PJD] are very selective in choosing their members, and there are

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⁸⁰⁷ Yassine interview, 2009.
⁸⁰⁸ Willis 2004, 71.
subjective and objective reasons. Subjective reason is that they choose to have a special kind of member; they prefer to have intellectual, middle class membership – a certain profile, not like us. We have a wide variety of people. [Objective reason is that] The people do not appreciate the discourse of the PJD because they are not against the regime. They have started to lose their popularity because they are more and more in the system.”

Emad Eldin Shahin, a scholar on Islamic movements in North Africa, concurs with Yassine and notes that, the MUR and PJD appeal more to intellectual and middle class groups when AWI has a stronger base among the lower classes.

SMEs and Political Preferences

A – Islam

The peripheral businessmen I interviewed showed unequivocal support for Islam in Moroccan politics, and specifically a party emphasizing “Muslim values”. Particularly striking was the commonality in why the businessmen saw it important for Islam to have a role in politics. Several businessmen expressed the sentiment that Islam had “good” values to offer, and Morocco could benefit from it. One businessman working in home textiles industry considered it essential for the continued Islamic character of the Moroccan society; hence, he stated that, “Muslim values should be integrated to the state and government.”

Another businessman in the yarn industry approached the question in

809 Yassine interview, 2009.
810 Shahin 1997, 195.
811 MA-14-B, MA-4-B, MA-7-B, MA-2-B interviews.
a more self-interested manner and dismissed any possibility of secularism: “Personally, I am a Muslim, and I would like to give the same education I received to my kids in a Muslim environment. I am against laicite.”

In an effort to identify the exact way Islam should be in politics, one businessman, for example, noted that the utilization of “tolerant” Islam is certainly a “good” use of Islam. The reference was to the non-politicized use of Islam as we would expect from a Muslim democratic party.814 A businessman was quite explicit in the way how religion should be included in a democratic political system by drawing an analogy with confessional parties of Europe: “For example, in other countries Christians may create a political party and they are not using the name of the religion to force people. They are just taking principles and they are using it in a good way.”815 Another businessman, who is in the apparel sector working in subcontracting arrangements with European companies, also underscored the need for Islam, and pointed out one specific example: “I think Islam should not be out of politics. Some rules in Islam are very good. Now, Islamic banks are very good in comparison to banks in Europe; and, the [global financial] crisis is from the banks. But Islamic banks are good and work very well.”816

Although it is possible to make an argument that the royal title of Amir al-Mu’minin (Commander of the Faithful) may be the primary reason for a favorable opinion on Islam in Morocco, not all businessmen actually “buy” the king’s use of Islam in his political discourse. A businessman who started his own business after many years working for an

813 MA-7-B interview, 2009.  
814 MA-4-B interview, 2009.  
815 MA-3-B interview, 2009.  
816 MA-14-B interview, 2009.
international company in Morocco challenged the king’s Islamic legitimacy: “The king is Amir al-Mu’minin. Maybe he is using it to show off or to be respected. It’s another way to be respected. Army, money, companies, religion…that’s another form of legitimization [for the king].” One businessman argued that it should actually be the political parties who “defend” Islamic values and Islam; hence, a specific party’s position on Islam is not to be regarded as “extraordinary.”

SME owners responded overwhelmingly positively about the discourse and policies of the PJD. One businessman argued that he saw the party in a venture to reconcile Islamic values in a modernizing social and political context: “This party is trying to bring some answers where they try to say ‘Islam is not in opposition with modernity and we should integrate it.’” A businessman, who most likely identifies himself with AWI, referred to an Islamic role in politics as a “need”: “There are many associations that are trying to do the same. This is a need. Whoever is practicing his religion has a need to say ‘I am practicing my religion, but also I don’t want to feel in opposition like in Europe [as a Muslim]…I want to feel part of this.’ They [the PJD] are going in the right direction.”

Another businessman highlighted the economic discourse of the PJD and compared it to the JDP in Turkey: “I think they [PJD] have some very good things for us, both Moroccans and businesses. There are very good economic policies from this party. Uthmani [former PJD leader] emphasized the economy and offered good ideas...Like the JDP in Turkey, they’ve developed so many things in economy.” He continued on to say...

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818 MA-6-B interview, 2009.
819 MA-8-B interview, 2009.
that the PJD “listens” and is “flexible, adaptable, practical”. Most importantly, the party made the Moroccans feel that “we are on the same boat”, according to this businessman.⁸²¹

Peripheral businessmen showed an overwhelming support for a political discourse encompassing Islamic values in the way that the PJD has done. Islamic values are, hence, are preferred to a more politicized and pronounced version of an Islamic discourse, much like political Islam.

**B – Democracy**

Moroccan businessmen expressed great support for a democratic regime as it pertains to their businesses, although the exact rationale for their support showed variance across the interviewed businessmen as well as their perception of the state of Moroccan democracy. One businessman declared that “democracy is good for business”⁸²² while another concurred and underscored the progress in Moroccan democracy over time: “Democracy always benefits people. We are very satisfied by our democracy right now; it is not like in the days after independence.”⁸²³ Another businessman from Fes seemed to find comfort in the relative standing of democracy in Morocco. He also viewed democracy as leading to political stability, which he considers as the underlying cause of foreign investment in Morocco: “Democracy always brings benefits to the economy, to social life…In a country without democracy, we cannot find political stability. Investors are always

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⁸²² MA-7-B interview, 2009.
looking for stability, political stability, and democracy affords that. Morocco is a
democratic country, it surely is not like a European country. But compared to Tunisia,
Egypt we are more democratic. That’s why we attract more investment."824 Another
businessmen agreed with the political stability effect of democracy, and stated that,
“Stability helps business, it encourages investments.”825

In the same vein, a businessman from Ain Sabaa neighborhood in Casablanca viewed
democracy as an “essential” element of the economy. Nonetheless, unhappy with the
level of democracy in the country, the businessman claimed that lack of democracy is a
key cause of mismanagement: “It [democracy] is essential in the economy. Democracy is
good management, and we cannot do good business in bad management all around us.
Administration, many enterprises of the state, the laws are not good; to be fair, not to give
this money and this favor to someone…this is democracy. Democracy is a good
management for the state. We ask the companies to have good management, we also ask
the state to have good management. Democracy is the guarantee of this good
management.”826

One of the businessmen I interviewed challenged the purely formal definition of
democracy in Morocco stating “democracy is multiple parties and parliament; does that
mean we are a democratic country? No.”827 He continued on to emphasize the “rule of
law” as the gist of a democratic regime: “At the end, what does democracy mean? There
is law, and everyone respects the law. Of course, there is the practice, people choose

824 MA-5-B interview, 2009.
825 MA-4-B interview, 2009.
826 MA-14-B interview, 2009.
whom they want etc., but the main issue is this justice, laws and everyone following the same laws.”

Along the same lines, the owner of a textile company in Fes claimed that democracy’s emphasis on the rule of law is likely to prevent “cheaters” in the business world: “The more democracy, the better. Democracy helps stop the cheaters first of all in the business – rule of law.”

Education and freedom of expression were also among the issues mentioned by businessmen as they relate to the business world: “More democracy for me means easier way to express my demands, and possibly be listened and affect some decisions to be taken. Democracy is also helping the level of the conscience of all people in my country and improve education and such. I need better education for my business.”

The contribution of democracy to the growth of a middle class in Morocco was another issue brought up by a business owner: “In the past years, we had the very rich people and the very poor people, no middle class. With democracy we are noticing that we have this middle class growing and it is beneficial for the whole economy.”

Other businessmen took a larger view of democracy and evaluated it from the country’s overall perspective. For one businessman, democracy is the gateway to becoming a “modern” country, while at the same time it guarantees “open markets” in Morocco. The “survival” of Morocco is dependent on democracy, according to this businessman.

829 MA-3-B interview, 2009.
830 MA-8-B interview, 2009.
831 MA-3-B interview, 2009.
832 MA-6-B interview, 2009.
C – Economy

SME owners should be beneficiaries of economic liberalization in competitive contexts. Where cronyism persists, their growth is stymied and so is the strength of this critical base for MDPs.

Economic Liberalization

The views of Moroccan SME owners on economic liberalization varied in great measure in accordance with their businesses’ orientation, i.e., export vs. domestic market. A businessman in textiles who exports all his production to various European countries expressed favorable views on liberalization citing his own case: “Economic liberalization was very beneficial for all Moroccans. As I stated before, I started as a simple businessman and now have my own companies. For the Moroccan economy, textile is not the first industry [benefiting from liberalization], we have tourism, agriculture, services as well.” Others maintained that economic liberalization should be “defended”, and the government should try to “take off barriers” in front of free trade, which will eventually lead to “less problems” in the economy. The mere fact that Morocco is one of the few countries globally to have free trade agreements with both the US and the EU contributes to Morocco’s developing economy, for a businessman. Specifically, the new and liberal economic environment was deemed conducive to doing business. One

835 MA-14-B interview, 2009.
businessman said, “The economic conditions are healthy, all the conditions [are favorable] to make your business”\textsuperscript{837}, whereas another reinforced the earlier statement when he said, “Whenever you think there is an opportunity, you go for the opportunity” referring to the opportunities offered by the opening economy.\textsuperscript{838}

An immediate impact of a liberalizing economy is the increased level of competition both from domestic and foreign companies. In this regard, several businessmen underscored the increased domestic competition, their eventual dissatisfaction with it as Moroccan industries are deemed “weak and fragile”.\textsuperscript{839} One businessman in Casablanca attributed the increased domestic competition to the following condition: “Many people understood that there was an opportunity to invest and they started to do that. And, also because there are no entry barriers. They could start with old machines. Investment was not important.”\textsuperscript{840} The need for decreasing the costs of production was raised as an important outcome of this increased competition in order to remain competitive.\textsuperscript{841} Another businessman was more concerned about foreign competition with a yearning for pre-liberalization conditions: “We are suffering from competition coming from countries like Egypt, Tunisia, or Turkey. Coming from an international company, emphasis on improving your product and productivity is crucial. I will compare myself to 10 or 15 years ago, and I prefer 15 years ago. There was less competition, well-protected by the government with duties and similar. You could do your business very easily.” He also

\textsuperscript{837} MA-8-B interview, 2009.  
\textsuperscript{838} MA-9-B interview, 2009.  
\textsuperscript{839} MA-4-B interview, 2009.  
\textsuperscript{840} MA-7-B interview, 2009.  
\textsuperscript{841} MA-6-B interview, 2009.
added that the liberalization policy might have been a “bad choice” for Morocco. In particular, privatization policy seemed to offer little to the Moroccan society other than increasing the level of “competitiveness” of the privatized companies, according to this businessman: “The bad thing [about privatized companies] is the money these businesses make is collected outside of the country instead of using them in Morocco.”

Government Performance in the Economy

Moroccan government’s performance and problems of the Moroccan economy as voiced by businessmen are helpful in outlining the views on economic liberalization and its perception among the peripheral businesses. The state in Morocco, according to some businessmen, has a “positive approach” to globalization, and they recognized government efforts to establish a business-friendly environment in an open economy. Infrastructural work in transportation, legal framework, social security and taxes were among the steps taken by Moroccan government recounted by the businessmen, which eventually offer a “good climate” for economic competition despite the fact that subsidies offered by the Moroccan government are almost non-existent or provisional on a myriad of conditions.

A leading figure in the AMITH business association, which represents the textile sector in Morocco, expressed the responsiveness of the government to their concerns: “Before

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843 MA-8-B interview, 2009.
2004, we were just complaining [about our problems]. In 2004, we started to change our way of communication with the government and tried always to propose solutions to our problems and be more constructive. I think government officials are trying their best to address these problems.”846 Another businessman offered similar thoughts on the issue: “The state has always been with the companies, [offering] technical help. Now, it is offering financial help, commercial help, and also training. Now, we are working about taxes.”847

Nonetheless, businessmen pointed out multiple problems in the Moroccan economy that begged for a solution. When analyzed more closely, however, it is striking that most of the problems identified by the businessmen were strictly related to specific economic policies, but not fundamentally political problems such as state-business marriage and corruption, as in the case of Egypt. Some of the businessmen in exports were specifically concerned with their international competitiveness and complained about what they perceived as unfair conditions at home in Morocco. A textile company owner in Casablanca complained about the “laws and regulations from 20-30 years ago” and called for modernization of “the duties, the [customs] administration, the rules, the problems of the workers.”848 Another businessman, in a similar spirit, stated that, “We ask not for money; we ask for facilitation, administration, transportation, logistics, communication…this is fair competition.”849 The most illiberal aspect of the Moroccan

846 MA-6-B interview, 2009.
847 MA-3-B interview, 2009.
economy, the financial system, was also the target of a businessman to complete the liberalization of the Moroccan economy.\textsuperscript{850}

Another businessman explicitly described the major problem they face as exporters: “In textiles, if we are exporting to Europe, this is mainly thanks to proximity. Our customers in Europe are expecting from us to be able to ship their orders in two weeks. This is a big challenge because the garment factory has to plan its raw materials, accessories, try to create everything two weeks later. Sometimes you have buttons missing, and you cannot ship on time. If you buy this from Turkey, and your supplier ships it to you by DHL, it is blocked at the airport because of customs problems or something like that, and you will lose your business. If you do everything and ship on time, your shipment is blocked in Tangier for customs control; then you lose your customer satisfaction. So, logistics should be fluid. This is an issue the government has not been active yet.”\textsuperscript{851}

Judicial system is also another issue that some businessmen pointed out as problematic. Unlike an earlier comment, however, this businessman deemed the judiciary and not the legal system as troublesome: “Justice, we still consider justice – not enough action has been taken in this field. Give your money, and you can get different decisions from justices; that’s not enough. They have to make a big effort on this to establish the rule of law. The law is there, they just have to practice it. In this country, I think we have good laws. The problem is with the judiciary.”\textsuperscript{852}

\textsuperscript{850} MA-1-B interview, 2009.
\textsuperscript{851} MA-6-B interview, 2009.
\textsuperscript{852} MA-8-B interview, 2009.
As is the case with exporters in the rest of the world, Moroccan exporters complained about the “high” Moroccan currency (dirham), social security costs, energy costs, ISO costs and taxes. For example, on taxes one manager in an export firm voiced his concerns regarding the taxes they were paying for management staff: “We ask for decreases of tax for employees. Two years ago, we were paying 44% for all the management staff. If you hire engineers, you have to pay 44% taxes. We were asking them [the government] to decrease taxes in order to encourage companies to have good middle management. Today, we are paying 40%, and we have promises for 2010 we’ll pay 38%.” The lower management costs will lead to more qualified personnel, and thus higher quality products, according to this manager.

**Economic Conflict**

Moroccan economy displays three, non-exclusive kinds of conflict: Formal vs. informal sectors, export vs. import-competing sectors, and big business vs. SMEs. All three conflicts have cross-cutting elements, and, hence, are difficult to disentangle to identify the fine picture. Big businesses engage both in exports and produce for the domestic market, a characteristic similar to SMEs despite the fact that a sizeable portion of exporting companies are SMEs. Many informal companies target the domestic market,

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855 MA-6-B interview, 2009.
857 MA-6-B interview, 2009.
but at the same time many also engage in subcontracting business for European companies and are short-lived by their nature. I will discuss each conflict in turn.

The Moroccan informal sector drew the ire of some businessmen as a major source of problem because of their perception that informality offers an unwarranted advantage for informal businesses. Specifically, it is an issue concerning the Moroccan domestic market. One businessman stated, “In Morocco, informal economy is the biggest issue in business world. Moroccan companies have many taxes to pay, but the informal businesses can evade [these taxes].” Another businessman called for government action on the same issue: “In the local market, we have a lot of informal businesses, people who are not paying any tax. These companies make it very difficult for normal companies to do business. So, we ask the government to do something against these informal companies to bring them to the formal sector.” A business owner with 75 employees and $3 million in annual sales opposed the informal sector and said, “I don’t want to see small companies working in non-legal ways.”

Another conflict is between exporters and import-competing businesses. In big business associations like CGEM (General Confederation of Moroccan Businesses) and AMITH (Moroccan Association of Textile and Apparel Industries), a visible and major source of conflict is about the level of protection the association will demand from the government.

858 MA-6-B interview, 2009. Melani Cammett’s analysis of the Moroccan businesses in a historical perspective is one of the most authoritative analyses on the subject. In particular, Cammett’s analysis of the conflict between old businesses and new businesses thoroughly discusses the conflict between “fat-cats and self-made men” of the Moroccan business world. Cammett 2007.
859 MA-4-B interview, 2009.
860 MA-7-B interview, 2009.
861 MA-8-B interview, 2009.
One businessman noted, “If we are two members of CGEM as exporters and importers, I want the currency to decrease as an exporter, for example. The other wants the currency to increase, and eventually CGEM does not know what to do or what to say to the government. Another example, I am an exporter and I get advantage from a program created by the government; they [the government] will pay me back a part of the social [security] expenses. But other companies which are not exporters, they will certainly be displeased.” 862

The conflict between exporters and import-competing companies is most visible in AMITH, the sectoral business association in textiles. 863 Within AMITH, the textile producers mainly produce for the domestic economy in a historical perspective. Hence, these businesses are mostly older and are politically well-connected. The garment producers, on the other hand, overwhelmingly produce for foreign customers, and most garment producers are newer companies established in the post-1983 period following the liberalization of the Moroccan economy. In the words of an exporting businessman, “The conflict is about protection. The textile asks for protection, and the garment asks for no protection and no duties because it facilitates the business with Europe. Because we import and we should make fast, the time is more important. Because if the duties are high, the customs will block it to control anything. If there are no duties, they will not

862 MA-5-B interview, 2009.
control, and it will facilitate business. We win time. If we win two or three days, it is in our interest.”

Another aspect of the conflict between the two sides, i.e., garment and textile producers, is more forward-looking, and based on the changing behavior of the European customers: “The garment industry used to sell minutes – the garment companies don’t buy the raw materials, they don’t buy the accessories, the customer gives them everything and they will sell only minutes, just assembling. Now, their customers [abroad] are changing their buying behaviors; they don’t want to do that [providing all material for production] for them anymore. They ask the Moroccan companies to propose the product. These garment companies say ‘how can we propose if we don’t have the material. We should decrease the customs in order to be able to buy/import our own material from abroad.’ So, the few companies who are producing the raw materials are not happy with that.”

The source of dissatisfaction on the part of the domestic raw material producers is that the exporting companies are not satisfied with the quality and price of domestic production. The exporting companies can find the same raw material abroad with higher quality and for a better price. The other side of the problem is that Moroccan producers do not want to change their production behaviors, i.e., quality and price, because of the captive market they enjoy in Morocco: “These companies who are in textiles have good market in Morocco, they have good business. Why should they work with some exporters who are demanding in quality? They would ask for small quantity; maybe, they will pay in 90 days or 120 days. They do not care about all this. This is the real problem, the conflict of

865 MA-6-B interview, 2009.
But, according to another businessman, the endgame for the import-competing firms is drawing closer as customs duties are decreasing: “Morocco signed many free trade agreements. If you import yarn in Morocco, you pay 10% customs. In 2010, we’ll pay 5%. If you import some fabrics, you will pay 10-17.5% for fabrics. And these garment factories are asking the government to decrease from 17.5% to 2.5%. In 2012, it will be 2.5%. So companies in textiles who are not competitive today, they won’t be competitive tomorrow if they don’t do something. They want to be competitive in basic products only. There is no way. They can only be competitive if they compete on other bases, like the quality and creativity. The big players are old and not able to adapt [to competition].”

The final conflict is that of between big businesses and smaller businesses. The big businesses are usually older, of Fassi origin and politically well-connected, as I discussed earlier in the chapter. One businessman was clear in how he perceived the socioeconomic conflict in Morocco: “King, big businessmen, army, security and police are all powers…they are one in terms of their interests.” As a result of this interconnected structure, big businessmen try to use their influence to affect decisionmaking mechanisms in a liberal economic setting: “Those [big] businessmen are connected with some government or army officials in order to get decisions…This is making some people richer and richer, and making things more expensive for normal people. This is a bad

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866 MA-7-B interview, 2009.
867 MA-6-B interview, 2009.
thing, businessmen related to politics and trying to take easy opportunities in this country…Old powers are trying to hold on their interests using their connections.”869

However, other businessmen partly contradicted the sharp picture presented by these businessmen. More specifically, there is an important distinction between the king as a big businessman and other big businessmen. Even though the king continues to use his power and influence in implicit ways as the country’s biggest businessman, opportunities for other big businessmen to use political connections to tilt the balance in their favor in an ever-liberalizing Moroccan economy is running extinct. For example, a businessman in Casablanca was defiant of big businesses in his own sector in the face of their opposition to decreasing barriers to free trade. However, when the discussion came to the king as a big businessman in the industry, the reaction was that, “The king, we don’t touch that.”870 Another businessman in Rabat made a similar observation with a specific example: “The liberalization reforms, of course, do not affect the big groups like ONA [which belongs to the king]. Recently, a big supermarket chain was about to enter the local market here in Morocco. You always act carefully, why? Because the competition is Marjane. Who owns Marjane? The king. Therefore, you try not to step on some toes in the process. No one will ever come and question you about your business, yet you feel it all the time.”871 Overall, the businessman summarizes his observation of the Moroccan

economy as follows: “The big businesses continue to dominate Moroccan economy, but the SMEs make important headways in the business world.”

Support Level for Parties

Both AWI and the PJD remain important political actors, even if their significance has been questioned in recent research. Although there are no formal accounts of how strong the Islamist AWI is in Morocco, based on various accounts and interviews, it is fair to say that the group enjoys broad support in the Moroccan society. Observers call AWI the “most popular Islamist group in Morocco”, “very strong and organized”, and note that AWI has a “greater rallying capacity” and “larger support base than the PJD.” AWI officials echoed such observations. Nadia Yassine stated that, “Al-Adl wal-Ihsan is the major Islamic group in Morocco.” Similarly, AbdelWahed Al-Mutawakkil noted, “According to many people, Al-Adl wal-Ihsan is the largest movement in Morocco. It is well organized and despite continuous harassment, despite continuous repression; and, we have no newspapers, we cannot apply to do any public activities, yet every year people are coming to Al-Adl wal-Ihsan. This is not just an

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873 See Maghraoui 2002 for an account downplaying the political significance of both groups.
875 Layachi 1998, 98.
876 Tlaidi interview, 2009.
877 Desrues and Moyano 2001.
878 Willis 2004, 57.
879 Yassine interview, 2009.
impression, this is according to statistics. We keep our own statistics. In every town, city you go, you will find *Al-Adl wal-Ihsan.*

AWI’s support base consists largely of the poor and marginalized in the society in line with the expectations based on AWI’s extensive network of social services. The reactionary and non-conformist stance of the group represents the exclusion of the peripheral groups from centers of economic and political power. Just as in the case of the Muslim Brotherhood in Egypt, AWI has a “growing number of followers among the educated young people unable to find work.” In other words, losers in the liberalization process identify more with AWI. Also reinforcing this conviction is the fact that the group views the well-educated and economically better off segments of the society, inclusive of the members and representatives of the peripheral groups such as the PJD, as part of the “system,” i.e., the compromised power structure of Moroccan society that they so heavily criticize. Glennie and Mepham provide an estimate of the membership of the AWI, claiming the group has 30,000 registered members. Cavatorta, however, claims that the membership of AWI is estimated between 50,000 and 600,000. Despite its abstention from formal politics, the group is recognized as an Islamist force to be reckoned with.

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880 Al-Mutawakkil interview, 2009. Despite my request, Al-Mutawakkil stated that the statistics were for internal use and not available for the public.
882 Munson 1993, 173.
884 Cavatorta. 2006, 213.
Another indicator of the group’s influence in Moroccan politics is its clout over the peripheral, i.e., Islamic, constituency. An important test of this influence was the 2007 elections. The PJD was projected to win the 2007 legislative elections with a slight chance of an absolute majority of the votes. For example, Wegner and Pellicer state that prior to the elections, estimates were made that the PJD “would gain up to 40% of the vote.” Even the PJD officials claimed that “seventy to eighty seats were within reach and that the party would be the strongest bloc in the parliament.” The AWI called for a boycott of the elections on the grounds that the elections were illegitimate. Despite the pre-election projections, the PJD obtained only 10.9% of the votes being the plurality winner, and 46 seats becoming the second largest party in the legislature – five seats less than the winning Istiqlal Party. Some claim that the failure of the PJD to meet pre-election projections was due to AWI’s calls for a boycott. PJD officials attributed their relative poor performance in the elections to the slanted nature of the electoral system and gerrymandering. For example, Bilal Tlaidi argues that, “In 2007, they [the government] decided to make another political map in Morocco because they saw that the PJD is a strong party in Morocco. If we have the real results of the elections, you will find that the PJD had a higher vote percentage. Many analysts stated that more than 10

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886 Hamzawy 2008, 18.
888 El-Khalfi interview, 2009. Amr Hamzawy states that the current electoral system makes it almost impossible for any single party to win a majority of the votes. In addition, he also observes that the current districting favors rural areas at the expense of urban areas. This is an important problem as the PJD views itself as an overwhelmingly urban party. See Hamzawy 2008, 5. Other observers concur with the statements of PJD officials. See Wegner and Pellicer 2009, 168; Willis 2004, 68.
seats of the PJD was stolen. Wegner and Pellicer observe that the poor performance of the PJD was due to the measures taken by the Moroccan state to ensure a divided legislature, and opposition. In a political context where governments are made up of multiple parties, a party winning a sizeable percentage of the votes, i.e., 40%, would enable the party “to assert the prerogatives” of the party vis-à-vis the makhzen: “If an elected government is assertive and defends its prerogatives, it is uncomfortable for the regime, irrespective of the policies pursued by any particular party. However moderate the PJD might have been in office, for the regime, a party with such strength would have hampered the pursuit of divide-and-rule politics, an important pillar of regime stability in Morocco.”

The outcome of the 2007 election meant that the PJD was able to increase its electoral support by only a slight margin compared to the 2002 elections when it received 13% of the votes and 42 seats in the parliament. Considering the highly-fragmented and “profoundly atomized” nature of the Moroccan political system, these percentages are significant. According to the 2007 election outcomes, the top four parties obtained between 9.3-10.9% of the vote, and between 12-16% of the seats.

With regard to the PJD’s societal support, the numbers above are only partially helpful. Self-censoring on the part of the PJD during the elections is also important to consider when interpreting these data. In recent parliamentary and local elections, the PJD did not

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889 Tlaidi interview, 2009. A similar point is also raised by Willis. See Willis 2004, 69.
890 Wegner and Pellicer 2009, 169. Also, see Ellen Lust-Okar’s (2004) and Emad Eldin Shahin’s (1997) analyses on the monarchy’s ruling tactic in Morocco. John Waterbury presents the tactic of segmentation of elite factions and controlling the competition in a historical perspective. See Waterbury 1970, 268.
891 Desrues and Moyano 2001, 30.
field candidates in all districts due to concerns over state reprisal for an overly successful performance. For example, in 2002 parliamentary elections, the PJD fielded candidates in 55 of the 91 electoral districts, roughly 60% of the seats. Even though some claim that the decision was imposed by the Ministry of Interior, party officials declared that the decision for limited participation was taken long ago “within the party.” The party’s statement, however, contradicted with later statements from the party. Referring to the increased vigilance against Islamic activism in the post-September 11 world, the party recognized on an informal basis that “massive gains, or even victory, for the PJD in the elections was not in its own interest.” Similarly, following the terrorist attacks in 2003 in Morocco, in the face of increased pressure from secularist circles, the PJD contested only 15% of the districts in local elections of 2003 winning 700 seats nationwide.

893 Willis 2004, 63.
894 Willis 2004, 60.
895 Tlaidi interview, 2009. Wegner and Pellicer also discuss the same dynamics prior to the 2003 elections.
Conclusion

In this dissertation, I have shown that Islamist and Muslim democratic platforms are responses to the changing preferences and interests of the society. Specifically, I offered an answer to the questions of why Islamist parties moderate into Muslim democratic parties, and what makes such Muslim democratic parties viable political actors. Unlike most of the literature on Islamist moderation, I offered a social theory of Muslim democracy, and argued that changes in the constituency of Islamist parties are the driving force behind the moderation and viability of a Muslim democratic platform. The change in the Islamic constituency is brought about by the economic liberalization process. However, this change is not automatic; it depends on the nature of economic liberalization. I therefore emphasized the role of politics in economic liberalization by showing that social divisions, i.e., the center-periphery cleavage, in fact, interacts with the process of liberalization in creating the support base for MDPs in some cases, but not others. In this, I introduced a new conceptual framework to distinguish between different types of economic liberalizations: competitive liberalization and crony liberalization. Where Islamic peripheral groups find opportunities to benefit from the liberalization process – itself an outcome of competitive liberalization, then the chances of seeing the emergence of a successful Muslim democratic party are high. This is because the Islamic
periphery’s political preferences on the role of Islam, economy and democracy are formed to ensure the continuation of their benefit from the globalized and liberal economy.

However, when the economic liberalization process does not go beyond reinforcing the current socioeconomic divisions and continues to marginalize the Islamic periphery, a successful case of Islamist moderation towards a Muslim democratic party is highly unlikely. Crony liberalization is the kind of liberalization sustained under such conditions. The Islamic periphery is unlikely to endorse a more moderate and liberal political discourse, i.e., Muslim democracy, as it does not challenge the existing socioeconomic “system.”

Empirically, I analyzed three countries from the Middle East: Egypt, Morocco and Turkey. In Chapter Two, I examined economic liberalization processes pursued by each country in order to categorize them according to the crony vs. competitive typology. In the following three chapters I presented case studies of all three cases. In Chapter Three, I analyzed the Turkish economic liberalization – a case of competitive liberalization – and its impact on the transformation of the Islamic periphery. I demonstrated that competitive liberalization enabled peripheral businessmen – small and medium businessmen – to find opportunities to integrate to the globalized and liberal economy in the post-1980 period, eventually leading to change in their political preferences. Peripheral masses also benefited from economic liberalization in Turkey by way of increased prosperity and cheaper consumer goods. In addition, masses were partly compensated by higher social spending throughout the post-liberalization period. As a result, the coalition of peripheral
businessmen and masses lent their electoral support to the more moderate platform of the Justice and Development Party in Turkey as opposed to their former electoral representative, the National Outlook Movement and the Felicity Party.

Chapter Four on Egypt offered the complete opposite case of Turkey. The economic liberalization process in Egypt, an example of crony liberalization, failed to create the support base for a Muslim democratic platform. The highly distorted nature of liberalization favoring a small group of big businessmen minimized opportunities for both peripheral businesses and masses to benefit from globalization and liberalization. *De facto* perpetuation of pre-liberalization socioeconomic structure left the political preferences of Egyptian Islamic periphery intact. This continuation translated politically into continued support for the Islamist Muslim Brotherhood, and insignificance of the Muslim democratic Wasat Party.

Chapter Five presented a middle case between Egypt and Turkey with respect to both the independent and dependent variables. The Moroccan economic liberalization process, which was categorized as semi-competitive in Chapter Two, most clearly distinguished between the diverging interests of peripheral businessmen and peripheral masses. Economic liberalization, in a similar way to Turkey, enabled smaller businesses to integrate to the global economy and benefit from the new economic structure; as a result, their preferences changed towards a more moderate Islamic platform. Peripheral masses, however, have largely remained the losers of the liberalization process in the absence of an increase in their level of well-being. Moreover, the Moroccan government did not compensate the poor with an extensive social safety net. The outcome was that the
Muslim democratic Party for Justice and Development was able to secure partial support of the Islamic periphery; only those who benefited from the economic liberalization process – including peripheral businessmen – lent their support to the Party for Justice and Development. Those who deemed themselves the losers of liberalization in the periphery were associated with the Islamist discourse of *Al-Adl wal-Ihsan*. Morocco was also an important case for analytical reasons. As a case study, Morocco enabled me to control for democracy as an alternative explanation. Because Egypt and Morocco have similar levels of democratic governance, the variance in the dependent variable, i.e., societal support for Muslim democratic party, can only be explained by another factor, which I demonstrated to be the kind of economic liberalization.

The contributions of this dissertation are threefold. First, moderation of Islamist parties does not necessarily mean the moderation of Islamist politicians and their leadership cadres. Moderation is more than the level of “tolerance” of Islamists to other political ideas. In this dissertation, I demonstrated that Islamist moderation towards Muslim democracy is quite specific in its policy platform with respect to the role of Islam, economy, democracy and social policy. Unlike behavioral/attitudinal moderation, such an ideological moderation is consequential to the development of a liberal and democratic political environment. This brings us to the second contribution, which is that Islamic parties are rooted in the society. A social theory is imperative to understanding the moderation of Islamist parties in the first place. Islamist parties, like any other party, have an audience in the society, and hence these parties aspire to reflect their constituency’s political preferences. To this end, I introduced social cleavages to my analysis to
conceptualize the changes taking place in the Islamic constituency as a result of economic liberalization. By initially focusing on the changes taking place at the societal level, I was able to outline how well the moderate platform of Muslim democratic parties matched the preferences of the Islamic peripheral masses and businesses.

Finally, I underscored the politicization of the economic liberalization process. Unlike others, however, I treat the politicization of economic liberalization in a more systematic way by focusing on both economic policies and their outcomes in each of the three case studies. By conceptually distinguishing between a competitive and a crony type of liberalization, I analyze economic liberalization’s impact on Islamic periphery and its preferences.

The implications for the Middle East and beyond are twofold. First, globalization may introduce a new, independent and important socioeconomic actor, namely, owners of SMEs, in the Middle East with a vested interest in a liberal political and economic order as many have argued. However, in contrast to the expectations of many in the West, this new group is also conservative in terms of the social values it adopts. In other words, the Islamic constituency makes a deliberate choice in favor of a democratic and liberal system not because of the values it upholds, but rather because of the material interests a democratic regime is likely to sustain. Ironically, the key dynamic behind liberalization and democratization in the Muslim world in the long-term world might be the socially-conservative Islamic sector of the society rather than secular groups. The way that social cleavages were structured in the post-liberalization period initially enabled secular elite to benefit from the socioeconomic structure, but subsequently this structure left them in a
position where they became the defenders of status quo; liberalization reforms are currently being opposed by mainly secular elite in most of the Muslim world.

Second, the future course of party systems in the Middle East will be shaped by the lasting impact of economic liberalization models adopted, contingent on social cleavages in each country. Socioeconomic divisions emanating from different economic liberalization policies and Islamic identity are the two key elements of such cleavages. In this regard, peripheral groups and the moderation of Islamist parties into Muslim democratic parties are critical elements of a democratic path in the Middle East. The real issue facing democratization, then, is not the fear of “one man, one vote, one time” should Islamists be allowed to contest free and fair elections; rather, it is one of creating the socioeconomic conditions that may be conducive to a democratic regime. Such conditions, I have shown, are nurtured by the strengthening of hitherto peripheral Islamic groups under competitive economic liberalization. A crucial implication of this analysis thus is that leaving Islamists and their social base out of democratization efforts may only defeat such a goal.

An extension of this point is that the relative dearth of democracy in the Muslim world is not a question about the compatibility of Islam and democracy. Islam is an expansive religion with a broad set of interpretations on many political issues in a similar way to major religions of the world. What matters, more critically, is why a certain kind of interpretation, i.e., fundamentalist and exclusive, becomes dominant over other interpretations, which potentially are more likely to promote a liberal and democratic political system. Socioeconomic factors carry the potential for a convincing answer to
this question. Under conditions of economic and political marginalization, a sharper and exclusive Islamic discourse becomes the last resort for an overwhelming change. Islam offers the tools and the discourse as viewed appropriate by those marginalized.

Future research on the topic may follow two directions. First, building on the theoretical framework presented in this dissertation, a regionwide analysis of economic liberalization policies and their impact on Islamist parties may broaden the conclusions reached here. In particular, by statistically controlling a wide array of factors and alternative explanations, the accuracy of the theory I present above can be tested rigorously in cross-national data. Following such a research avenue is critical to the understanding of liberalization policies and democratization initiatives in the Middle East.

Second, the cross-class coalition behind MDPs consists of two groups: peripheral businesses and masses. The support of the second group, that is the peripheral masses, for a Muslim democratic platform should be the subject of further analysis. Although extant research has been conducted on the religious bases of masses’ support for an Islamist platform, the economic foundation of their support remains largely an uncharted territory for research, and thus is a fertile subject for future research as well.
Bibliography


373


Appendix 1 – List of Interviews

Egypt

Ibrahim Al-Bayyoumi Ghanim, professor, Cairo University; Cairo, October 27, 2008.

Khalil Al-Anani, scholar on Islamist movements, Al-Ahram Center; Cairo, October 27, 2008.

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Cumali Onal, journalist; Cairo, November 30, 2008.

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EG-2-B, Businessman; Cairo, November 11, 2008.

EG-3-B, Businessman; Cairo, November 12, 2008.

EG-4-B, Businessman; Cairo, November 23, 2008.

EG-5-B, Businessman; Cairo, November 23, 2008.

EG-6-B, Businessman; Cairo, November 25, 2008.

EG-7-B, Businessman; Cairo, November 26, 2008.

EG-9-B, Businessman; Cairo, November 26, 2008.

EG-8-B, Businessman; Cairo, November 27, 2008.

EG-10-B, Businessman; Cairo, November 28, 2008.

EG-11-B, Businessman; Cairo, November 30, 2008.

EG-12-B, Businessman; Cairo, November 31, 2008.

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Saad Eddin Uthmani, former secretary general, PJD; Rabat, December 8, 2009.

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