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**POLITICAL AND ECONOMIC ISLAM**

**WORKSHOP PROCEEDINGS**

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Prepared for:

*Dr. William Cole*  
*Ms. Kristing.K. Loken*  
AID/NE/DR/HR

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**MANAGEMENT SYSTEMS INTERNATIONAL**

600 Water Street S.W., NBU 7-7  
Washington, D.C. 20024

telephone: (202) 484-7170  
telex: 4990821 MANSY fax: (202) 488-0754

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***Forward***

The Workshop on Political and Economic Islam was held in Washington, D.C, on May 19, 1992. It was organized by Management Systems International, under the direction of Dr. Alice Morton and Dr. Lynn Carter.

The workshop was coordinated by Professor Ann M. Lesch of the Center for Arab and Islamic Studies At Villanova University. Papers were represented by Professor Michael Hudson of the School of Foreign Service at Georgetown University, by Professor Clement Henry Moore of the University of Texas at Austin, by Professor Henry Munson, Jr. of the Anthropology Department at the University of Maine, and by Professor Mark Tessler at the University of Wisconsin-Milwaukee.

Dr. Philip Jones, MSI consultant, subsequently provided summaries of the workshop proceedings and of each paper. Mahassen Mara Hanna, MSI consultant, coordinated the production of this volume.

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## SCOPE NOTE

The Workshop on Political and Economic Islam was held in Washington, D.C. on 19 May 1992. It was sponsored by the Governance and Democracy Program of the Middle East Bureau at the Agency for International Development. Management Systems International of Washington D.C. organized the Workshop.

The purpose of the Workshop was to discuss the strategic implications of contemporary Islamic political movements for AID programming, particularly in the areas of social and economic policy reform in Middle Eastern states. The Workshop sponsors hoped:

- to gain a clearer understanding of the potential role of Islamic political movements in the contexts within which AID operates. This means a finer understanding of the capacity of such movements to relate to AID programming, either negatively or positively. It also means an analytical understanding of how such movements relate to the identification of those critical institutional and policy arenas where U.S. assistance can promote permanent free market reform and more responsible government.
- to gain a clearer understanding of AID's information needs in this area. The question is what does AID need to know about Islamic political agendas and capabilities in the region in order to formulate GDP programs. Here the information can extend from an understanding of key groups and their objectives within a particular country to a conceptual understanding of the terms of the debate within contemporary Islam about the requisites of rulership, representation, accountability, consensus, legislation, mediation, jurisprudence, social welfare, and external influences.
- to use the insights gathered during the Workshop to identify the next steps toward the goal of effective GDP programming in the region.

The Workshop was preceded by the preparation of one introductory paper and four topical papers by noted scholars, all with recent field experience in the region. All the papers were available to the scholars and participants prior to the workshop. The Workshop was structured to bring area experts together with AID analysts and managers, so that AID's crafting of its GDP program can be informed and fertilized by contemporary social science knowledge on the critical issues and players in the Islamic political movement -- or movements.

In the end, the papers provided background for the Workshop but were not themselves the focus of discussion. The views expressed in the papers are those of the authors. Neither these views nor those expressed by AID participants in the Workshop should be construed as the official position of the Agency for International Development or the Government of the United States.

## EXECUTIVE SUMMARY

### Major Findings

Islamic political movements are diverse and evolving phenomena. They share in common a profound aspiration to realize the ideal Islamic community, governed by divine decree as revealed to the Prophet Muhammad in the Holy Qur'an. Behind the common vision and rhetoric, however, these movements vary widely in their agendas and in their approaches to contemporary problems. Indeed, the best way to understand Islamic political phenomena is to examine each group, country by country and group by group.

Many Islamist groups are still evolving their programs as they try to recover pure Islamic principles and apply these appropriately to problems never imagined fourteen centuries ago:

- on social problems, such as on the role of women for example, these groups generally take a conservative line but differ in how much to segregate women. Some groups take the extreme view of separating women into their own domestic world, but others are more moderate, allowing women professional roles in contemporary occupations, provided the Islamic requisites of female modesty and behavior are maintained.
- on political issues, such as on the role of political parties, there is wide variation. Some groups abhor political parties as the kind of western phenomena that would divide the Islamic community (*al-ummah*) --a view that does not prevent them from behaving as political parties within their own countries, however. Other groups note that the Prophet Muhammad faced differences of views --even factions-- among "the companions" as he led the *Medina* City State and are less hostile to this kind of contemporary political organization.
- on economic issues there is considerable scope for innovation. One Turkish economist, who has examined the range of Islamic economic theory, says it adds up to nothing except assorted homilies against interest and social exploitation. Moreover, it has very little to say about how to conduct Islamic business in the contemporary world. Most Islamist groups lack well thought out economic programs.
- on nationalism versus Islamic unity, Islamic political movements emphasize the essential unity of the Muslim community worldwide, but strong themes of nationalism --Arab nationalism and country-level nationalism-- run through the polemical literatures of all these groups.

The primary aim of Islamic political movements is much more than simply the imposition of the *shari'a* (Islamic Law), but the capture of state power itself. Even in the largely *Sunni* countries of the Middle East, the Iranian Revolution still resonates because it demonstrated the capacity of an Islamic movement to take political power in a predominantly Muslim state. In many countries of the Middle East, the Islamists currently are the strongest and most outspoken part of the opposition. This is in part because other post-colonial ideologies have exhausted their appeal and in part because the mosques are a natural base from which to organize.

Demographic and economic trends, which have produced vast numbers of unemployed youth, have expanded the support base of the Islamic movements. The conjunction of economic desperation with religious protest is a potentially volatile spawning ground for protest movements that promise utopian solutions. Several scholars at the Seminar believe the Middle East is headed for an era of instability, despite having had remarkably stable regimes for the past two decades.

Regimes in the Middle East are all extremely wary of the Islamic political movements and have evolved a variety of strategies --extending from severe repression to co-optation-- to keep them in check. Led by elites with military or security backgrounds, contemporary rulers are unwilling to go beyond token political reforms for fear that a relaxed political climate will enable Islamist groups to achieve a breakthrough in the streets or at the polling booth. The assumption is widespread in the Middle East that Islamic political movements are riding a wave of popular support and in many countries probably would win free and open elections. Middle Eastern regimes have tended to be very controlling, putting a high priority on maintaining the "system", that is, the permutation of elite interest groups for whom the state generates power and wealth.

Middle Eastern governments see a direct relationship between economic reforms and political instability. They believe reforms which withdraw subsidies and require the payment of market rates for services are likely to set off street protests and urban riots led by Islamist groups. There are instances, however, of popular acceptance of austerity measures when governments genuinely take the people into confidence about the requisites of financial restructuring.

Many Islamic political movements promote principles and processes that in some degree coincide with Western notions of propriety, economic rationality, and good government. In the political sphere, these include greater governmental accountability, expanded popular participation in policy making through consultation, and sanctions against government corruption. In the economic sphere, these include respect for private property, less government control, and support for economic liberalization. Some groups also emphasize social justice, equity issues, and providing a safety net for the poor. Many of the latter operate clinics, schools, and welfare outreach programs.

Understanding the language and meaning of Islamic political movements is critically important, as is an understanding of the specific social-political-historical context out of which each has emerged. An examination limited to the economic interests of their active members is reductionist and inadequate. Understanding the language of Islam means getting inside the debate within modern Islam. The *shari'a* does require accountability of rulers, for example, but this is expressed in terms of adherence to Islamic norms. Islamists debating this point are unlikely to



sound like adherents of Jeffersonian or Madisonian democracy, but the principle that rulers can be held accountable for actions that are dishonest, unjust, and tyrannical may be just as important to modern Islamists as it was to Thomas Jefferson. It is important not to miss the possibilities inherent in Islamic discourse, either because it is so different from our own or because we are blinded by rhetoric.

How Islamic political movements come into power would determine much about the quality, styles and liberality of their rule. Radicalized groups that come to power through revolution are likely to behave very differently from more moderate Islamists who might arrive through the ballot box or even by way of a movement in the streets. But whoever comes to power will have to solve very difficult practical problems, or eventually see their ideology go the way of Arab socialism and liberalism. Moderate Islamists are likely to engage in a bargaining process over items in their policy agenda, rather than simply imposing them over all opposition.

The United States is regarded with deep suspicion by virtually all Islamic political movements. Although there may be an underlying respect for the strength and stability of American political institutions, radical Islamists regard the U.S. as the fountainhead of evil in the world and the purveyor of unrestrained materialism and moral laxity. Islamists believe that U.S. support for Israel, its bolstering of authoritarian Middle Eastern regimes, and its long effort to control Middle Eastern oil have put it historically in the anti-Muslim camp. Radical Islamists specifically want to free their countries from American influence and dependence on American assistance. To one degree or another, the U.S. is seen by Islamists as an enemy --the modern embodiment of the medieval crusaders-- and a powerful impediment to the achievement of their goals.

### **Implications For GDP Programming**

The scholars on the panel divided over whether a GDP program could be effective in Middle Eastern states challenged by Islamic political movements and, if so, where it might best put its resources. The majority on the panel appeared to believe that a GDP program could work in at least some Middle Eastern states and that a dialogue leading to cooperative contacts with moderate Islamist groups should not be ruled out. Radical Islamists are unlikely to cooperate with U.S. development aims in Middle Eastern states, although there may be room for an indirect dialogue. Some moderate Islamists, however, probably would accept a discreet dialogue to explore a commonality of interests with AID on issues such as free markets, government accountability, and more efficient social services. The main obstacle to this kind of dialogue might well be less the wariness of the Islamists and more the suspicions of the governments.

Generally, the views of the more optimistic majority emerged as a mix of caveats and possibilities rather than as specific programmatic recommendations. AID might consider the following:

- demystifying Islamism as a monolithic entity. This is another way of saying that AID needs to understand Islamic political movements in all their variety and diversity. The truth is in the details more than the rhetoric. Once AID

understands specific groups, each in its local or country context, then it will be better able to judge how USG involvement in GDP programs might promote effective solutions rather than complicate problems.

- a corollary to the above is that regional programs are unlikely to work well. The GDP focus probably should be at the sectoral level within each country.
- demystify Islam as an inevitable obstacle to AID programs, e.g., family planning, improving the status of women, charging for social services, charging water user fees. AID has found through practice that some of these constraints are not insurmountable, and it needs to examine the myths, whether they are quoted by governments or others.
- focus AID efforts on the informal sector of advocacy groups, think tanks, NGOs, etc. These groups might be more effective than formal state institutions in consensus building on GDP issues. At the local level, such groups might be better placed to channel local people's participation.
- consider the possibility of counter-intuitive results. In working to strengthen formal state institutions AID runs the risk that it will end up reinforcing the power of authoritarian regimes. A program to strengthen local government, for example, would not achieve desirable results if the franchise remained restricted or candidacies were kept entirely within the ruling national party.
- encourage a strategy of "limited accommodation" of Islamic radicals by Near Eastern governments. This seems to be the optimal strategy, not least because it is the most viable transition to more genuinely constitutional democratic governance. This would mean identifying institutions whose strengthening will enhance governmental effectiveness and contribute to the development of the rule of law, constitutional government and economic reform. Such a strategy would hold out the promise of further reform as constitutional rule is sufficiently institutionalized to prevent anti-democratic minorities from exploiting the democratic process to destroy more representative government.
- use economic reform as a basis for political pluralism. This clearly is a mid- to long-term process that looks to the consolidation of private interest groups as one result of freer markets and industrial privatization. The assumption here is that middle class entrepreneurs, merchant and bazaar interests might find new room to develop in an expanded private market. New and stronger interest groups would almost certainly seek a greater voice in policy arenas, helping to challenge the dominance of elite interests. The historic link between the bazaar and the mosque, and the spread of Islamism among the middle classes, would give Islamic political movements a natural interest in this process.
- recognize the danger that economic reforms can be distorted and dislocated by powerful interests out to benefit themselves. The transfer of state industries on



easy terms to cohorts of the ruling elites or the royal family would be a perversion of industrial privatization. The questions of who gets credit, who gets to buy the state industry and on what terms, and who gets the import and export licenses are political questions, so there is considerable room for the reform process to go awry. As part of the opposition, Islamic groups could seize on such distortions to build popular support against the government.

- use greater attention to human rights issues to defuse some of the tensions over reform and encourage the IMF and World Bank to relate structural adjustments in Middle Eastern states to Islamic concepts.

The minority view on the panel held that AID should eschew any GDP programming in Middle Eastern states. This view acknowledges considerable controversy within the academic community about the capacity of Islamic political movements to moderate over time, particularly after they have gained a share in power, but it takes an extremely skeptical view of this possibility. Islamic political movements should be taken at face value as profoundly hostile to the United States. GDP programs aimed at political liberalization or people's participation will only feed Islamist beliefs that the U.S. is a colonizing, interventionist power. The *Ayatollah Khomeini* continually harped on the theme of Iran as an American colony, a tactic that other Islamic movements would surely copy if they ever came to power.

AID is a symbol of American domination and "Western imperialism," and high profile efforts at political liberalization might well end up doing more damage than good to U.S. aims and interests. Even economic liberalization should be approached with great caution. AID should ask itself if there is any point in pushing for economic liberalization when there are millions of young people without jobs --potentially the street soldiers of the Islamists. This view holds that you cannot create a viable democracy unless more basic problems are dealt with first. Economic liberalization makes sense only if AID can find a way of transforming sclerotic state controlled economies into growing market economies that absorb the unemployed fairly rapidly. So far no one has succeeded in doing this, at least not without first creating even more unemployment as formerly state controlled industries shake off bloated work forces.

## Summary Of Seminar Papers

The Introductory Paper on Islamic Political Movements by Professor Ann Lesch is a brief examination of the sources, agendas, appeal, tactics, and support base of Islamist groups. The paper serves in part to profile the four topical papers, but it includes much of Professor Lesch's own thinking. Lesch interprets Islamist movements as reactions, first to a century of Western domination, and more latterly to the domestic and international policy failures of Arab states --both individually and as a regional bloc-- since at least the Arab-Israeli War of 1967. She sees basic issues of political identity, state sovereignty, socioeconomic systems, and cultural authenticity as still contested within and among Middle Eastern states.

Internally, centralized regimes depend on self-perpetuating bureaucratic and security elites and act to stifle real opposition, particularly from radical Islamist groups. The old "revolutionary

mass parties" have become little more than a bureaucratic and careerist apparatus. Parliaments are hollow and contrived institutions that lack any capacity to hold ruling elites accountable. Even initially radical regimes have tended to lose their egalitarian thrust and become damaged by corruption and failed internal and foreign policies. Regimes that did provide social and economic benefits at first have found their capacity to do so overwhelmed by population growth, corruption, and the industrial inefficiencies of state-ownership.

Professor Lesch appears guardedly optimistic about the usefulness of a AID's GDP initiative. In the seminar she argued in support of the notion that economic reform could help to advance political liberalization by breaking the hold of the elite on the economy. But she also rightly points out that responsible government is more than process, but also involves values --a civic culture that requires give and take, compromise, and accommodation. Professor Lesch avers that this kind of culture can "evolve out of struggle between groups that are not initially democratic in their values: groups can want to "win" but learn that they must give and take and accommodate themselves to partial success or to the hope of winning through a competitive process."

At the same time, however, Professor Lesch quotes Hilal Khashan, who urges that while governments should become more responsive to popular demands, the conditions for fully competitive political systems simply are not present today. Khashan is concerned that political liberalization would mean the weakening of the central authority of the state without achieving a "democratic" breakthrough. This could unleash centrifugal ethnic or Islamist forces. Nonetheless, as Lesch notes, governments today face the dilemma that they "can no longer buy acquiescence with economic rewards" and must now "seek to defuse pressure by marginally widening the arena of public debate and participation. And yet, deregulation of the public sector brings about processes that incubate political forces independent of the state."

How to deal with the Islamist political forces is part of this dilemma. As Lesch notes, if governments forbid them open expression, the Islamists may conclude that gaining power through participatory institutions is impossible and violent revolution is the only alternative. She observes that it is not self-evident whether Islamist parties are against the current political order because they oppose representative politics or because it is insufficiently pluralist. Some observers believe enough of the Islamist support base could be bought off by material incentives to reduce the Islamists to a permanent minority. A significant proportion of Islamist support comes from frustrated, unemployed youth, who are not motivated by religious concerns. But if governments could generate the resources to meet these needs, they would not be facing their current dilemmas.

The paper by Professor Henry Munson, Jr., Islamic Fundamentalist Movements and the Political Process, is a general overview of the views and aims of Islamist groups. The paper includes two useful appendices, the first with data on the electoral record of Islamic groups; the second with data on the social bases of various Islamist movements. Munson agrees Islamic movements need to be understood in all their diversity, in part to counter "some journalistic notions of a worldwide Muslim fundamentalist conspiracy," but he argues that none of these groups should be regarded as benign, supportive of pluralist systems, or susceptible to U.S. influence. The current resurgence of political Islam is, he believes, largely a response to Western

domination. In his view, Islamist thinkers are being wholly deceptive when they tell Western scholars and journalists of their support for "democracy." U.S. policymakers should be aware of this and should not be surprised if future Islamist governments ban secular political parties and create Iran-type political systems.

In his paper, Regime Reactions to the Fundamentalists, Professor Michael C. Hudson looks at how governments have responded to the "principal populist current of the 1990s--Islamic radicalism." Hudson observes that regime responses are neither monolithic nor consistent over time and attributes the variations to differing socio-economic environments, leadership and ruling elite structures, and even external relations. He posits a typology of regime reactions along an exclusionary-inclusionary continuum as follows:

- Forced Exclusion, that is severe repression of Islamist groups. Hudson uses Syria's suppression of the Muslim Brotherhood as a case study, but also cites Iraq against the *Da'wa*, Tunisia against the *Nahda*, Libya against thousands of Islamist dissidents, and now Algeria against the Islamic Salvation Front (FIS).
- Marginalization, that is creation of an "institutionalized consensus or 'national pact' setting out the rules of political competition." The effect of the pact or charter is to exclude national and transnational religious parties from political participation. Hudson cites Tunisia here, but notes that Lebanon, Jordan and Yemen have or are using pacts to regulate participation.
- Preemption, that is, the use of pre-existing religious authority to contain Islamist pressure. Hudson discusses both Morocco and Saudi Arabia --both long-established monarchies with claims to Islamic legitimacy-- as examples of states under Islamist challenge.
- Limited Accommodation, that is, the inclusion of moderate Islamists in participatory institutions, while using the state security organs to check and suppress the more radical Islamist groups. Egypt, Jordan, and Yemen recently have been following this course. All are "rather poor, fast-growing and quite politicized populations, each with a deeply rooted Islamic tradition. Government in these countries is under a variety of socioeconomic and/or ideological pressures that it is increasingly unable to contain mainly with threats and coercion.
- Full Inclusion, that is the institution of liberal democratic procedures. There is no case in recent years of this strategy being fully carried out in the Arab world, although Israel and Turkey in the region have done so. Algeria appeared to be moving this way, but has reversed course to forced exclusion.

Professor Hudson questions whether Algeria shows that "a nonviolent, orderly transfer of supreme executive power" is at all possible in Arab political systems at the present time. Strategies at both ends of the spectrum --full inclusion as well as full exclusion-- seem to lead to violence and instability. In present circumstances, advocates both of fully representative politics and Islamism might conclude that revolutionary force is the only way to succeed. Short

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of that, perhaps their most satisfactory outcome is what Hudson calls limited accommodation, primarily because it permits a degree of inclusion while avoiding the more costly strategies.

While he grants that limited accommodation may not be a stable solution in all circumstances, Hudson argues that it "represents an improvement over previous unadulterated authoritarianism." The failure of limited inclusion probably would mean the shift of support within the Islamist movement away from moderates and toward the "clandestine radicals." He believes the logic of limited accommodation points toward full inclusion and argues that instruments like constitutional limitations, checks and balances, and independent judiciaries can be developed to prevent Islamist groups from taking over the state. The main obstacle to progress toward political liberalization is the "unwillingness of leaders and regimes to contemplate relinquishing power by legal or any other means."

Mark Tessler's paper, The Origins of Popular Support for Islamist Movements: A Political Economy Analysis, argues that support for Islamic political movements originates primarily in the growing political and socio-economic crisis engulfing Arab states, not in the religious and cultural traditions of their inhabitants. Professor Tessler uses socio-economic and opinion survey data to examine public support patterns in Near Eastern states, with special attention to Algeria, Tunisia, and Morocco. He also includes an Appendix with public opinion from Egypt and Kuwait.

Tessler provides data on jobs, education, and housing to demonstrate the failure of middle eastern governments to keep pace with population growth and a massive shift to the cities. While these trends affect people of all ages, they conspire particularly to create "legions of unemployed youth" with limited education, who grow increasingly disillusioned and embittered, and who some experts believe constitute a "ticking time bomb."

But people do not blame "demographic and economic trends" for their declining prospects and standards of living. Rather, they "they see their problems as grounded in existing patterns of political economy, and they accordingly attribute much of the responsibility for their plight to the political regimes by which they are governed." There is particular anger at how the elites use personal and political connections to support "islands of affluence and elite privilege, often involving luxury and excess." Resources that should be used for national development are diverted to support the lifestyles of a wealthy consumer class, while the majority are confronted with "stagnation or even decline in their modest standards of living." The generation which led these states to independence three or four decades ago can no longer rely on past successes to maintain their legitimacy today.

As Tessler notes, "students, professionals and other politically conscious North Africans often describe this... as the "crisis of leadership," and frequently relate this to a "tacit alliance among domestic, regional and even international political interests committed to maintaining the status quo." Among the latter they include the United States, which they believe to be working with domestic and regional elites to preserve existing patterns of political economy. The paper suggests that broad popular support for Saddam Hussain in most Muslim countries during the Gulf War arose from the fact that he was seen to be challenging the status quo in the region.

The Tessler paper traces the rise of Islamic political movements to the 1970s, with a clear acceleration during the 1980s, as leftist and Arab nationalist movements steadily lost legitimacy. He believes these movements have grown because they provide a channel through which to protest the status quo, not because they represent a genuine revival of spiritual piety among Muslims. Indeed, survey data suggests that many pious Muslims eschew political Islam, while the supporters of Islamists as a group tend to be less pious than the average individual. Professor Tessler suggests that what Arabs really want is "meaningful political change, and above all responsive and accountable government, rather than Islamic solutions per se." Indeed, some survey data suggest that "support for Islamist movements does not necessarily reflect a belief that existing political systems should be replaced by patterns of governance based on Muslim legal codes."

Tessler ends on a note of optimism. If indeed considerations of political economy rather than religion and culture hold the key to the current resurgence of Islam, then current regimes have a chance to dissipate populist support for the Islamists by addressing the socioeconomic grievances of ordinary men and women. For Tessler, "these regimes, with active... assistance from their external allies, will have to work with increased honesty and effectiveness on behalf of all their citizens," demonstrate "greater respect for human rights," pursue a more equitable distribution of the burdens of underdevelopment and, "above all, progress toward democratization and genuine government accountability." Professor Tessler does not say, however, whether or how any of this might occur.

The paper by Clement Henry Moore, Islamic Finance, Islamic "Fundamentalism," and Political Liberalization, traces in some detail the development of Islamic Banking in Egypt, Saudi Arabia, and Kuwait. Moore describes the major transnational Islamic banking networks and provides data about their size, financial instruments, limitations and profitability. He also discusses the informal sector of Islamic investment houses. He suggests that Islamic economics is not a fully-developed theoretical system and that the major effort in the modern period has been to find Islamic alternatives to usury (*riba*), or the charging of interest --the one thing about which the Prophet Muhammad was explicit. Otherwise, Islamic injunctions which call for social equity and the avoidance of exploitation are hardly unique to Islam.

Moore believes Islamic banking and economic practice are developing in ways fully compatible with AID's interest in economic liberalization. He cites the relatively detailed economic program of the Islamic Salvation Front (FIS) in Algeria to show that Islamists are prepared:

- to support structural adjustment policies required by the International Monetary Fund (IMF),
- oppose state central economic planning,
- prefer that development priority be given to agriculture and not to state industrial "parasites,"
- favor the privatization of industry, and

- support free trade.

According to the Moore study, Islamic banks co-exist comfortably with commercial banks, including Western financial institutions. Islamic banks in Saudi Arabia in fact work closely with international banks headquartered in the Europe and the United States. Professor Moore argues that in several Arab states "financial liberalization has encouraged new channels of patronage and power which may strengthen the economic foundations of multi-party systems." The emergence of competitive "business clusters in the private sector" probably will stimulate multi-party politics and "indeed may be a necessary precondition for competitive politics." As Moore sees it,

"A strong case can... be made to relating political liberalization to financial liberalization. Commercial banks play a strategic role in the process. In any country displaying segmented and highly imperfect business information, the commercial banking system is virtually the sole source of capital... The banks serve not only as financial intermediaries, however, for they are also inevitably close to the economic policy-makers and are one of any state's principal markers of sovereignty. While they directly wield influence and power only over technical issues concerning banking regulations, their indirect influence maybe enormous, once economic planning gives way to market forces. They serve not only as important centers for patronage but also as gate keepers in the interplay of influence between government decision-makers and businesses.

While Moore cautions against direct relationships between AID and Islamic Banks --these in anycase would be rejected as they would undermine the claims of the latter to be authentic expressions of Islam-- he suggests that Islamic Banks could be included in larger programs to help develop investment subsidiaries specializing in venture capital. This would be especially useful in the area of small business lending. Islamic Banks should certainly be allowed to participate in such programs, which would include training, if they so desire. Experience in "tailoring small business lending programs to Islamic guidelines in one Muslim country...might usefully develop AID's consultative capabilities" in other parts of the Muslim world.

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## I.

### **Islamic Political Movements: An Introduction**

Ann M. Lesch\*

Many states of the Middle East and North Africa have yet to solve very basic questions about how they should be governed and how their economies should be organized. In many instances, governing elites feel insecure about the very sovereignty of their states, about the link between territory and political independence, and about powerful new interpretations of Islam that challenge the current political and social order. Rooted in a colonial past that clearly threatened their social and cultural fabric, virtually none of these states has found lasting peace, domestic stability, or economic progress. Independence amid the Cold War, the Western drive to control oil resources, and the unresolved Palestinian-Israeli conflict, seemed hollow and brought military defeat and a permanent fear of instability. The war in the Gulf is only the most recent development to highlight the Arab crisis of self-reliance and self-rule-- the inability of Arab governments to solve their own problems, leaving powerful external states to grasp the initiative and decide issues crucially affecting Arab states.<sup>1</sup>

The regional system of states, as enshrined in the Arab League, is also in crisis. The powerful dynamic of Arab nationalism was deflated not only by the Israeli victory in 1967, but also by civil wars in North Yemen and Lebanon. The growing dichotomy between rich and poor states and the lack of regional economic integration were all too visible during the Gulf Crisis. Moreover, with some exceptions, loyalties centered on the individual state have remained weak: a sense of Tunisian nationalism, for example, lacks the depth of Egyptian identity. Territorial boundaries are often perceived as illegitimate, and transnational Islamic movements intrude into internal political arenas. And finally, growing ethnic consciousness creates a dysfunctional pluralism that exacerbates internal tensions rather than promoting common civic identities and political order.

#### **Centralized, Unaccountable Regime**

Within the state, centralized regimes were established that sought to monopolize power through bureaucratic and security elites. A mass political party may have originally led the nationalist drive, or derived legitimacy from a political revolution that overthrew the previous regime, or embodied the aspirations of a struggling radical group. Such systems generally provided social and economic benefits at first; but they did not allow space for other groups and

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\*Ann M. Lesch is Professor of Political Science and Associate Director of the Center for Arab and Islamic Studies, Villanova University.

<sup>1</sup> Ann M. Lesch, "Contrasting Reactions to the Persian Gulf Crisis," The Middle East Journal, 45:1 (Winter 1991), p. 50.

perspectives, and either coopted or stifled opponents. Leaders tended to adopt a management approach to political life, impatient with debate and discord. With the passage of time, elites have become self-perpetuating, lacking accountability to the broad public, and the party has evolved into a bureaucratic and careerist apparatus. Even radical regimes have lost their egalitarian thrust and been damaged by corruption and failed internal and foreign policies. As the original sources of legitimacy waned, new generations have found no resonance in the symbols of the Algerian or Nasirite revolutions much less the Arab Revolt in World War I or the 1919 revolution in Egypt. Even nominally parliamentary systems have tended to be hollow. In Egypt, for example, the president has no opponent in the election; the legislature, dominated by the president's party, cannot initiate policy or hold the executive to account; and opposition parties can be banned or severely restricted in their operations.<sup>2</sup>

Some Arab regimes have appeared deceptively stable: King Hussein has ruled Jordan since 1953, King Hassan II of Morocco since 1961, Mu'ammar Qaddafi in Libya since 1969, Hafiz al-Asad in Syria since 1970. But that has often masked immobility in policies, the entrenchment of vested interests and power centers, and the stifling of public participation. Even the implicit social contract between ruler and ruled has frayed: the promise that, in return for remaining politically quiescent, the public would gain social welfare and economic security. Government attempts to institute economic reform from above generally did not work and prompted mass protests, in part because the public had no say in the policies. Moreover, such liberalization was limited and not intended to affect the pillars of state control. For example:

- In Algeria the regime faced multiple challenges in the mid-1980s when the severe drop in oil price cut government revenue sharply just as living standards were sinking.<sup>3</sup> The effort to shift from an inefficient public-dominated economy to private industries and agriculture had hurt industrial output, exacerbated unemployment, skewed the distribution of goods and services, and helped expand the black market. Moreover, some members of the bureaucratic and security elite made fortunes by taking over the privatized firms. Coupled with a virtual freeze in the safety-valve of jobs in France, these moves appeared a betrayal of the egalitarian promise of the revolution and made the ruling Front for National Liberation (FLN) appear ideologically bankrupt.
- In Jordan, perceived government mismanagement of the economy prompted riots in 1989. Bank scandals, the disappearance of gold reserves, the mounting foreign debt and the sudden announcement of price increases occurred in the context of an authoritarian, unaccountable and corrupt government. Moreover, the availability

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<sup>2</sup> Lesch, "Democracy in Doses: Mubarak Launches His Second Term as President," Arab Studies Quarterly, 11:4 (Fall 1989), pp. 90-92.

<sup>3</sup> Rachid Tlemcani, "*Chadli's Perestroika*," and Mahfoud Bennoune, "Algeria's Façade of Democracy," in Middle East Report, No. 163 (March 1990).

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of jobs in the Gulf had decreased as oil prices dropped, exacerbating unemployment inside Jordan.

Thus, many governments have dissipated their legitimacy by ill-advised economic policies and the failure to achieve social equity and sustained economic development. The political scientist Hilal Khashan argues that Arab publics tolerated autocracy in the past because they accepted the argument that they must first defeat Israel, attain Arab unity, gain true independence from the West, and achieve economic development. But the governments failed to accomplish any of those goals.<sup>4</sup>

In a climate where autonomous civic groups are often not tolerated by the government, dissident forces on the left and among liberals have been suppressed or curtailed for decades. When they were suddenly allowed to compete -- as in Egypt in the 1980s, Jordan in 1989 and Algeria in 1990-91 -- they lacked the structure and grassroots support needed to succeed. Moreover, the liberal model was tainted by association with the West and viewed as a means for the old elites or bourgeoisie to secure control. The Marxist model not only appeared to fail in the Soviet bloc but also bore negative connotations of atheism and class strife.

Ironically, therefore, one can argue that state repression of political forces is responsible for the high profile of Islamic groups, which are poised to fill the vacuum. Alternatively, as the North African specialist Lisa Anderson has commented, governments get the kind of opposition movement they deserve: authoritarian government gets a violent opposition.<sup>5</sup> More broadly, one could maintain that, when great expectations are frustrated and conditions become nearly intolerable, a utopian message will have strong appeal. In these particular political environments, Islamic utopianism is likely to galvanize significant elements of the publics. Nonetheless, as Mark Tessler emphasizes in his essay, the burgeoning discontent over lack of jobs, housing, and education that triggered riots in North Africa in the 1980s had socio-economic, not religious, roots. Islamist political forces did not organize or inspire them; they joined the bandwagon later.

### **The Islamists' Appeal**

The values of authenticity and sovereignty, central to the search for identity in the Arab world, are also central to the Islamist political movements. Islamist movements are often termed "fundamentalist" since, according to the historian John Voll, they seek to reaffirm the fundamentals of the Islamic faith and mission and "to reshape society in terms of those reaffirmed fundamentals."<sup>6</sup> They seek to call Muslims back to the path of Islam, according to

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<sup>4</sup> Hilal Khashan, "The Quagmire of Arab Democracy," Arab Studies Quarterly, 14:1 (Winter 1992), pp. 18-19.

<sup>5</sup> Political scientist at Columbia University. Comment at a meeting of the board of Middle East Watch, 25 March 1992.

<sup>6</sup> John O. Voll, "Fundamentalism in the Sunni Arab World: Egypt and the Sudan," in Fundamentalisms Observed, ed. Martin E. Marty and R. Scott Appleby (Chicago: University of Chicago Press, 1991), p. 347.

their literalist interpretation, in order to reconstruct the Muslim world's moral basis and social solidarity.

The attraction of such Islamist ideas is not new. Nineteenth century reformers tried to synthesize Islam and western political and economic concepts. Nationalist movements in the Muslim world generally included religious symbols in their appeal, in part because the foreign rulers were not Muslim. With independence, governments "nationalized" religion: the state ran mosques and religious schools. As a result, the public tended to discount "official" preachers as government mouthpieces and no space remained for moderate, reformist religious thinkers.

Challenges to the government were sometimes raised in Islamic terms. The Muslim Brotherhood, formed in Egypt in 1928, appealed widely as a grassroots organization seeking a righteous society and polity. The Brotherhood's educational, medical and welfare programs contrasted with the government's lack of attention to the needs of the poor. By the time it was forcibly suppressed, branches had been formed in other Arab countries. If the movement had evolved naturally, significantly different political systems might have emerged in which the dichotomy between ruling elite and Islamist groups would not have been so pronounced. Moreover, the relative weight and appeal of the Islamists would have been tested over time.

Islamist leaders cite three key turning points for the contemporary rise of Islamist movements: first, the Arab defeat by Israel in 1967; second, abrupt changes in governments' policies that undermined their legitimacy; and third, the Islamic revolution in Iran.<sup>7</sup> Islamists attribute Egypt's defeat to a lack of piety since Egyptians worshipped Nasir, a false god, and aligned with atheist Moscow. Habib Bourguiba's overnight switch from socialism to capitalism in 1970 -- and Anwar Sadat's shift from Nasirism to the "open door" policies in the early 1970s -- also precipitated identity crises, since they indicated the hollowness of the prior ideologies and were not followed by new and persuasive principles. The Iranian revolution was a powerful example of a religiously-based popular movement that not only overthrew a US-supported government but also established a new political paradigm in the region.

The slogan of the Islamist movements has been "Islam is the solution." This broadly means that the separation of state and religion is responsible for the fragmentation and decline of the Muslim world. Islamists believe that preoccupation with materialist and worldly values has led Muslims away from the "straight path" and that only by having God's word as the guide can the Muslim community attain economic betterment, social justice, and strength internationally.

Specifically, *Sharia* (God's law) must be instituted on earth. Sovereignty is vested in God, since He created humans and controls their fate, and allegiance (*bay'a*) must be given only to God. The ruler (*caliph*) executes the laws but does not make them. The values that will be promoted in an Islamic state are justice and fairness, with all believers equal before God. The

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<sup>7</sup> For example, interviews with the Tunisian activists Rashid al-Ghannoushi and Shaikh Hamid al-Nayfar in Middle East Report, No. 153 (July 1988), pp. 20, 24-26. They were also students in Paris in 1968 and noted that even western students were rejecting western civilization and discounting its superiority.

caliph engages in consultation (*shura*) with the people and can be held to account by them, but also has the right to ensure unity of the *umma* (the community of believers) and to enforce the moral codes.<sup>8</sup> Islamists differ as to whether learned men (*ulama*) must be consulted and reach consensus (*ijma*) on fundamental issues; groups such as al-Jihad in Egypt argue that their own adherents know the right path and can impose it on the society.

Such principles, however, do not answer down-to-earth problems, except to indicate that economic and social difficulties would end if all persons were devout and moral. One example of specific programs offered to the public by Islamists is the platform of the Muslim Brotherhood, in alliance with two other parties, for the Egyptian parliamentary election of 1987. The platform calls for measures that would reorient Egypt in an Islamist direction, including:<sup>9</sup>

- implement *hudud* (religiously prescribed punishments),
- orient the media, education, culture toward Islamic values and social mores, including a ban on coeducation, separate buses for women, dress codes for women in school and work, and closing nightclubs,
- decrease the role of the public sector and emphasize the private sector since productive investment is a religious duty,
- establish a non-interest bearing banking system,
- add *zakat* (Islamic tithe) to the tax system,
- close factories that produce alcoholic beverages,
- promote economic and military ties with Muslim countries rather than the West so as to enhance the self reliance of the Islamic community and counter superpower hegemony, and
- ensure that Coptic citizens have the same rights and duties as Muslim citizens.

Islamists have distinct economic principles, although their programs generally lack specificity and they disagree on some issues. The Sudanese Islamists are an exception in that they developed a detailed economic agenda even before they seized power in 1989, which called for autonomous development, self-reliance, and the combining of advanced technology with

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<sup>8</sup> Hasan al-Banna, founder of the Muslim Brotherhood, called for a harmonious Islamic society in which the upper class would not exploit the poor, the manager would not oppress the worker, and profit would be tempered by piety and good works. The state would be like the mosque, which belongs to God and embodies unity and order. All believers are equal before God and form an equal and compact mass behind the prayer leader (*imam*). But if the imam stumbles or makes a mistake, all those rowed behind him have the duty to tell him of his error and put him back on the right path, and the imam must accept their advice. Thus, the ruler is responsible before God and the people; he must protect the people's interests and be accountable to them. The ruler must be incorruptible and the nation united in its basic purposes. See Lesch, "The Muslim Brotherhood in Egypt: Reform or Revolution?," in The Religious Challenge to the State, ed. Matthew C. Moen and Lowell S. Gustafson (Philadelphia: Temple University Press, 1992), p. 183.

<sup>9</sup> Lesch, "The Muslim Brotherhood," pp. 200-201.

Islamic principles for agriculture, industry, banking, and trade. The Turkish economist Timur Kuran maintains that the cardinal principles of Islamic economics are equality and fairness.<sup>10</sup> Islamists believe that an Islamic economy will be relatively (although not completely) equal and non-exploitative, with harmony among classes. Employers will pay fair wages to their employees, merchants will make a fair deal in the prices they charge customers, and manufacturers will curtail pollution out of their concern for the public welfare. Interest payments are prohibited but corporations are acceptable since buying stocks involves risk sharing. *Zakat* will be the fundamental basis for taxation, with its proceeds aiding the poor, handicapped, and unemployed. The Islamic rules of inheritance will spread wealth among relatives and thereby promote equality.

Kuran indicates that Islamic economists differ on such issues as the limits to private property, what income should be taxed for *zakat*, and whether loans should be indexed to compensate for inflation. In Iran, for example, Islamists disagree publicly on the role of the state: some call for the government to maintain a strong public sector and subsidies whereas others call for a free market, strong private sector and foreign investment, loans and expertise. In Egypt, the Muslim Brotherhood's support for privatization can be attributed in part to its members' own standing as businessmen and bankers and in part to its hostility to statist Nasirism.

Islamic banks, the most fully developed Islamic economic institutions, are discussed in detail by Clement Henry Moore. While expressing an intent to gradually transform the banking systems in Muslim countries, they also play by the rules of the game set by non-Islamist governments and tolerate, in practice, a plurality of approaches. Moreover, they indicate the compatibility of scientific approaches and innovations with Islamist modes of thought. Even the most radically anti-western theorists have argued that science and technology can be learned from the West. They argue that the Muslim world was the scientific and medical center in the medieval era, which proves that Islam emphasizes the importance of knowledge and education.<sup>11</sup>

The issue of women's rights has been controversial and one on which Islamists have had varying views. While tending to argue that women's primary role is to guard the Islamic heritage through their role in the family, some indicate that women should not be restricted and abused by society. They maintain that a truly Islamic society will liberate women from exploitation by the current social practices in the Arab world and the moral laxity and "sexploitation" of the

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<sup>10</sup> Timur Kuran, "On the Notion of Economic Justice in Contemporary Islamic Thought," International Journal of Middle East Studies, 21:2 (May 1989), pp. 171-191. Kuran argues that Islamists are overly optimistic concerning human nature and do not realize that the principles of fairness and equality may contradict each other.

<sup>11</sup> Sayyid Qutb, for example, rejected learning western philosophy and social science (except for statistics) and rejected western philosophical interpretations of scientific findings, but argued that western technology and science could and should be utilized. See Yvonne Y. Haddad, "Sayyid Qutb: Ideologue of Islamic Revival," in Voices of Resurgent Islam, ed. John L. Esposito (New York: Oxford University Press, 1983), pp. 85-86.

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West.<sup>12</sup> Indeed, the two Islamist-ruled states in the region demonstrate the complexity of the Islamist position: women are elected to parliament in Iran (and the only two women to win seats in Sudan's parliament, in 1986, were members of the National Islamic Front) but they are banned from serving as judges or studying electrical engineering and are compelled to observe a strict dress code.

Islamists' attitudes toward democracy are particularly complex. Some denounce democracy as *kufur* (unbelief) and argue that the desires of the majority should not determine policy; rather, religious principles should guide policy. The influential Pakistani thinker Maulana Maududi urged Muslims to fight against the three principles of Western civilization: secularism, the nation-state and democracy. But he noted that democracy has positive aspects in so far as it means that no one person, family or class can impose its will on others and it upholds legal equality, equal opportunities, and opposition to oppression and discrimination.<sup>13</sup> Similarly, the Egyptian Islamist Yusuf al-Qaradawi views the parliamentary process as salutary since it enables people to choose representatives and rule themselves. Nonetheless, since God is the supreme legislator, parliaments should not have unlimited power to legislate; humans can legislate for themselves only where there is no explicit Islamic law.

Political parties are particularly criticized by Islamists, since they seek consensus and harmony within and promote division without. Some even argue that the parties themselves cause divergent views, rather than express preexisting differences: some Algerian Islamists apparently argued, for example, that if Berber parties were banned, then the issue of language and ethnicity would disappear. In practice, Iran has witnessed vigorous competition among political parties in elections and in parliament. The Egyptian Muslim Brotherhood currently stresses the importance of participating in a multiparty parliament and acknowledges the existence of multiple trends among the Islamists.<sup>14</sup>

At the opposite extreme are Islamist thinkers who argue that contemporary society and politics have diverged so radically from Islam that they cannot be reformed. Persuasion and education will be ineffective, in their view; the socio-polity must be destroyed and rebuilt according to a new plan reflecting Islamic values. The Egyptian Islamist Sayyid Qutb maintained those views during the period that he was jailed (1954-64) and the Muslim Brotherhood driven underground. He expected the Islamic vanguard, in seeking to confront the sinful system, to suffer torture and death before it would grow strong enough to be victorious and to transform

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<sup>12</sup> See, for example, Ghannoushi in Middle East Report, pp. 23-24.

<sup>13</sup> Comments on Maududi and Qaradawi from Shukri B. Abed, "Islamic Critique of Democracy," unpublished paper, April 1992.

<sup>14</sup> During fall 1990, several leaders of the Muslim Brotherhood expressed regret that they had boycotted the parliamentary elections. Moreover, Al-Nour (an Islamist newspaper) reported on 27 February 1991 an ongoing discussion among Islamist politicians concerning the need for Islamist groups to have more dialogue with each other and to unite their ranks, even though they could not expect to (or even need to) unite in one organization. Translated by Arab Press Review (Cairo), #499 (4 March 1991).

Egypt. Qutb's views were echoed by militant groups, such as *al-Takfir wal-Hijra* (which sought to flee contemporary society and establish a community in the desert) and *al-Jihad* (which confronted the government directly and violently).

Islamist thinking thus contains distinct views, but is not monolithic. It involves a politicization of Islam and, in profound ways, a transformation of its tenets. As Henry Munson argues in his chapter, the Islamists reinterpret religious texts and their views reflect the influence of the secularist ideologies that they reject. They synthesize values of the past with the real problems of the present. By cloaking themselves in the legitimacy of faith, they alter the political discourse and make it difficult for others to argue with them.

### **Bases of Support for Islamists**

Munson discusses at length the bases of support for Islamist movements. In Tunisia, for example, its leaders initially met informally in mosques and organized high school students, holding meetings during recess. When those high-school students entered the university, they were politicized by confrontations with students from the left and extreme right. Only after popular riots broke out, did Islamists begin to reach out, beyond the campuses, to blue collar workers and civil servants. Similar trajectories have been described for the Islamists in Algeria, where they capitalized on students' complaints about dead-end jobs and where the Islamists' access to the mosques was particularly important for reaching the public. Robert Mortimer points out that the Islamists did not galvanize the workers:<sup>15</sup> workers did not support the Islamists' call for a general strike in Algiers on 25 May 1991; instead, the Islamists had to call on supporters -- particularly unemployed youths -- to occupy the main squares in the city.

In Egypt, Islamists could build on the bases of the Muslim Brotherhood, which Sadat allowed to regroup informally in the 1970s. The Brotherhood published newspapers and pamphlets and established numerous clinics and other services for the poor. Moreover, the Islamists extended their influence onto the university campuses, where Sadat welcomed their presence as a counterweight to the left and Nasirites. Gaining control over the student unions, the Islamists insisted that classes stop at prayer time and pressured male and female students to sit on opposite sides of the classroom. They also provided inexpensive Islamic cloaks for female students, arranged for special buses to transport female students, subsidized the purchase of text books, and organized summer camps that combined sports and religious indoctrination.

Key components of the support for Islamists can be identified as involving:

- preaching in, holding study groups in and controlling mosques,
- mobilizing high school and university students,
- providing social services for the poor, unemployed, women, and youths,
- addressing the grievances of unemployed and underemployed workers (more than the concerns of employed workers and civil servants),
- disseminating religious literature and writings that critique contemporary society,

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<sup>15</sup> Robert Mortimer, "Islam and Multiparty Politics in Algeria," *The Middle East Journal*, 45:4 (Autumn 1991), p. 589.

- establishing both public and clandestine structures, to maintain popular support and organizational coherence, and
- enhancing their support when they are jailed, by increasing the leaders' charisma and the dedication of core adherents.

Analysis of the multiple reasons for attraction to the Islamist movements could be made along the dimensions articulated by expected utility theory. An individual finds potential private and public benefits in participating, but also potential private and public costs. Private benefits could be material (employment, money, ration of food and clothing), psychological (self-esteem, social recognition) and spiritual (salvation; even, to lose one's life for a just cause). Public benefits could include the establishment of a new ethical, social, political and legal order, a new foreign policy, and educational reforms. But the benefits have to be balanced against the costs: coercion by the police, jail sentences, economic and personal losses. The theory postulates that, where economic opportunities are limited, unemployed or ill-paid persons will have less to lose economically by participating and will perceive relatively more gain from such movements. The use of coercion against members will lessen participation by those who had primarily material motivations, but not by those motivated on religious or psychological grounds.

Thus the relative attraction of Islamist movements varies just as the motivations for supporting the movements are multi-dimensional. As Munson comments, their approaches can neither be attributed to an immutable Islam nor reduced to economic discontent. Moreover, the tactics of Islamists change in time and place, determined primarily by the political context in which they operate. The Islamists in Algeria, for example, became increasingly critical of the parliamentary system as the government and FLN manipulated the electoral system; and only after the 11 January 1992 coup did elements in the Islamist movement support armed violence against the government.

Moreover, Muslim piety and Islamic polity need not be linked in the minds of citizens. The Algerian sociologist Lahouari Addi commented that the jobless young men in the streets do not pray but do support the Islamist movement.<sup>16</sup> Mark Tessler provides data in his chapter that indicates that, in Egypt, the young men who support political Islam are not necessarily devout whereas the older men who are personally pious are not wedded to Islamist politics. Indeed, Munson maintains, by insisting strenuously that Islam is all-encompassing with no distinction between religion and politics, the Islamists are proving that most Muslims do not agree; otherwise, no effort to convince them would be required.

### **Political Prospects for the Region**

Michael Hudson points out in his chapter that governments in the Arab world have responded in varying ways to Islamist political demands. Some totally exclude them from the political arena, others seek to coopt or marginize them, preempt their claims by stating that the government itself is Islamic, or attempt a limited accommodation. Full inclusion was only attempted in Algeria and Sudan: In Algeria, however, the bureaucratic and military elites

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<sup>16</sup> Lahouari Addi, professor at the University of Oran, in his lecture at University of Pennsylvania, 20 March 1992.

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preempted the Islamists from winning elections; in Sudan the Islamist politicians, frustrated at their minority position in the parliament, helped engineer a military *coup d'état*.

Regime strategies raise a further question: are governments prepared to open up their political systems to enable alternative political forces to gain power peacefully? The issue, therefore, should not be phrased exclusively in the context of a government's relations with Islamists but in the context of the possibilities for broadening participation. Indeed, can responsible government come from the top down as a "gift" from the ruler to the ruled rather than a right demanded by the citizens? If democratic values must be learned through democratic practices, how can those practices be established?

Responsible government involves both processes and values. Processes include the rule of law, accountability of government, competition among individuals and groups for positions of government power by means of regular elections, and civic and political liberties, such as freedom of expression and organization. The values that underpin those freedoms are primarily learned through the experience of democracy. As was noted in the seminar, democracy can evolve out of struggle between groups that are not initially democratic in their values: groups can want to "win" but learn that they must give and take and accommodate themselves to partial success or to the hope of winning through a competitive process.

In the Middle East, the call for responsible government remains unclear in its motivations:

- some call for government accountability to the people for the policies they formulate and execute as well as the resources they receive and spend.
- some demand that the state not intrude into the lives of citizens.
- some seek a share in decision-making power by the people.
- some view democracy as paradise: freedom, license for the individual, rather than a system with responsibilities as well as rights.

Analysts remain concerned that most Arab countries still lack the social and cultural prerequisites for democracy, which are said to include an autonomous civil society, competitive social and economic institutions and forces, and a significantly broad and active middle class. In a market economy, power is fragmented and organizational pluralism is possible. Hudson and other analysts argue that democratization is feasible, despite the numerous obstacles.<sup>17</sup> Khashan, however, is concerned that political liberalization, in the current context, means that the central authority of the state is weakened without achieving a democratic breakthrough. Centrifugal forces are unleashed, along traditional ethnic or contemporary Islamist lines. Khashan, while urging that governments should become more responsive to popular demands, argues that fully competitive political systems are "wishful thinking" today.<sup>18</sup>

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<sup>17</sup> See Michael C. Hudson, "After the Gulf War: Prospects for Democratization in the Arab World," The Middle East Journal, 45:3 (summer 1991) and Muhammad Muslih and Augustus Richard Norton, "The Need for Arab Democracy," Foreign Policy, 83 (summer 1991).

<sup>18</sup> Khashan, p. 30.

This volume cannot answer the question of whether democratization is feasible today in the Middle East. Nor can it resolve the issue of whether Islamist political movements can be accommodated in pluralist political frameworks. Rather, it can point to some of the important research findings in those areas and to some of the dilemmas that confront policymakers and citizens.

One such dilemma involves the fact that, since the governments can no longer buy acquiescence with economic rewards and promises, they must engage in some form of liberalization if not real democratization. Governments seek to defuse pressure by marginally widening the arena of public debate and participation. And yet, deregulation of the public sector brings about processes that incubate political forces independent of the state.

Another dilemma involves the dynamic interplay of Islamist movements and government policies. If governments forbid them open expression, they will be driven underground and become increasingly revolutionary. But if they are allowed to participate in the public arena, they can mobilize, gain popularity and try to change the system. It is not self-evident whether Islamist parties are generally anti-systemic because they oppose democracy or because the current system is insufficiently pluralist. In any event, they can gain support from those who decry the limited liberalization of the regime as well as others who seek a transformed, Islamic polity. It remains unknown whether an Islamist movement that came to power through the ballot box would end democracy, or maintain it and adapt to its norms and processes. The Algerian experience may, in any event, lead Islamists to conclude that gaining power through elections is impossible and that Qutb's expectation of violent confrontation has proved correct.

Finally, a further dilemma involves the issue of whether governments can take the wind out of the sails of Islamist movements by meeting their private and public material demands. If so, Addi proposes, the social base of the movements would retract and they would remain a minority opinion, supported by a few ideological firebrands. However, if material motivations are not the only source of support for the Islamists, then such government policies would not be sufficient. Moreover, as noted above, governments may lack the ability to meet even minimal material demands. Given the tenuous legitimacy of the regimes, the Islamists' appeal to values of authenticity and sovereignty may be difficult to counter. And the government cannot meet the societal demands for participation and accountability without yielding power. Thus, the interplay of regimes and Islamists remains problematic and the search for viable and legitimate political formulas remains constrained and complex.

## II.

### The Origins of Popular Support For Islamist Movements: A Political Economy Analysis

Mark Tessler\*

#### Introduction

This paper addresses the reasons that there has been growing popular support for Islamist movements in many countries of the Middle East. Further, it argues that the origins of this support are to be found primarily in the political and economic circumstances of these countries, rather than in the religious and cultural traditions of their inhabitants. The analysis stands in opposition to the assessments offered by Islamist leaders themselves, who usually insist that popular support for their movements derives principally from the religious faith of the Arab masses.

The central thesis of this political economy analysis is reflected in the following statement of a young Algerian, who was asked in June 1990 why he had supported the Islamic Salvation Front (FIS) in the local and regional elections being held at that time: "In this country, if you are a young man... you have only four choices: you can remain unemployed and celibate because there are no jobs and no apartments to live in; you can work in the black market and risk being arrested; you can try to emigrate to France to sweep the streets of Paris or Marseilles; or you can join the FIS and vote for Islam" (Ibrahim 1990).

In developing the argument that support for Islamist movements derives primarily from economic and political circumstances, this paper will devote most of its attention to Algeria, Tunisia and Morocco, although some information about the other Arab countries will be presented as well. The paper will also present original public opinion data from Egypt, and comparative data from Kuwait, in order to shed additional light on the nature and determinants of relevant popular attitudes.

#### Popular Discontent and its Immediate Causes

As suggested by the young Algerian quoted above, the government in Algiers has for some time been unable to create jobs on the scale needed to accommodate the country's expanding population. The situation is similar in many other Arab countries. In Morocco, for example, a household survey carried out in December 1984 by the semi-official *Le Matin du Sahara* reported that urban unemployment at the time stood at 18.4 percent, with 44.9 percent of those having jobs working as unskilled or semi-skilled laborers. These figures were also cited by an economic report published in 1987, which stated that they underline the severity of the urban employment problem, particularly among the young, and then concluded that "it is unlikely

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\* Mark Tessler is a professor at the University of Wisconsin-Madison

these proportions have altered much since 1984" (Quarterly Economic Review of Morocco, No. 1, 1987, p. 19). The pattern is similar throughout North Africa, and some suggest that unemployment figures may actually be higher. They are probably in the 20-25 percent range (Parker, p. 17), and among urban young men under the age of 30, especially those with primary schooling or less, estimates range as high as 35-40 percent.

Education is another critical area where demands are unmet and expectations unfulfilled. Although educational opportunities have expanded dramatically at the primary school level, this has not been matched by comparable growth at higher levels, requiring many young men and women to drop out after only six or eight years. The Matin du Sahara investigation reported, for example, that 79.3 percent of the active urban population was either illiterate or had received only a primary school education. As late 1986, only one-third of Moroccan youth between the ages of 12 and 18 were attending school, and in Tunisia the figure was only 39 percent. These figures are all the more troubling since primary schooling alone does not enable one to compete effectively for those jobs that are available, especially in a society moving rapidly toward mass literacy.

Writing in 1988, an Algerian scholar reports in this connection that "in spite of democratization, the new educational system turned out to be highly selective" (Bennoune, p. 227), and he presents statistics from the late 1970's to illustrate this point. He notes that for every 100 pupils enrolled in primary school, 20 dropped out before the sixth year and another 40 failed to pass the examination for a primary education certificate, which meant they were not allowed to stay in school. Of the remaining 40, only 18 were admitted to high school, of whom 16 were subsequently candidates for the baccalaureate examination. And with a pass rate of 25 percent for 1978-1979, this meant that "only 4 pupils out of 100 would have a chance to go to the university."

Inadequate housing is yet another source of discontent. A study in Algiers in the mid-1980's documented the problem and offered striking illustrations (Jansen, pp. 18-20). For example, "colonial houses in the center of town have been converted into groups of dwellings of one or two rooms, each rented to a whole family and connected to a central court." An entire family may have as little as 18 square meters, and five or more families may share a court with one water tap and one toilet. In addition, "shared houses are not found only in the colonial center of town ... The low income houses, planned for one family, had two rooms, a small kitchen, a toilet and a court. Most of them now have electricity but still no private water tap. The rural exodus filled them up quickly, however, and soon there were two families in each house, one in each room. More immigrants came, more children were born ... the [two-room] houses now often contain four families."

The demographic pressures contributing to these problems are well known. The population of many Arab countries is growing by as much as 3 percent a year. Moreover, this not only increases the aggregate demand for goods and services, it gives rise to an increasingly skewed age distribution and makes it particularly difficult to meet the needs of young people. In the mid-1980's, for example, over 50 percent of North Africa's population was under the age of 20, over 60 percent was under 25, and almost 70 percent was under 30.

In addition, continuing out-migration from the rural areas has meant that problems are most intense in urban areas. In Morocco, for example, the urban population grew by 61 percent during the 1970's and early 1980's, in contrast to only 17 percent in the rural areas. Two-thirds of all Moroccans now live in cities, whereas only one-fifth did so in 1965. In Tunisia, the rate of population growth in the capital was more than twice the national average from the mid-1960's to the mid-1980's, and the rate was higher still in many regional urban centers, such as Gabes.

All of this means, as noted, that the supply of jobs, education and housing has been unable to keep pace with demand and, as a result, that a steadily increasing number of individuals finds it impossible to fulfill their aspirations for social mobility and a better life. According to an Algerian newspaper editor, quoted in 1991, "Out of the entire population of this country, there are barely one million persons with a civilized cycle of life, in the sense that they have good jobs, collect a reasonable salary, deal with banks and sometimes take vacations. The rest of the country lives at subsistence levels or below" (Ibrahim 1991).

While these problems and pressures affect huge numbers of individuals and almost all sectors of society, they are probably most intense among the young and in the cities. They also appear to be most intense among those who have received some but not extensive schooling, and particularly among men in this category (Tessler 1992). Unable to compete for the jobs that are available, often because their education is limited, legions of unemployed young men in the cities while away their days on street corners or in coffee houses, becoming ever more disillusioned and embittered. In Algeria they are sometime called "wall boys," youth who have nothing to do but stand against the walls that line many city streets. Characterizing the situation more generally, a 1986 colloquium on cities and social movements in the Maghrib and the Middle East, held in Paris, concluded that the urban areas of North Africa are "accumulating a mass whose transition is blocked" and which increasingly lives at a level "below that of normal city life" ("State, City and Social Movements," p. 58). And three years later, according to a Moroccan economist, "the population/job problem" remained "a time bomb that is ticking away" (Moffett). Not surprisingly, Jeune Afrique accounts of Algeria and Tunisia at this time described the situation as explosive (Digne; Bourgi; Soudan).

And indeed there were explosions in North African and other Arab countries during the 1980's. In June 1981, tensions associated with economic and political grievances gave rise to violent riots in Casablanca, Morocco. As thousands of young men from the city's sprawling slums poured into the streets, roaming mobs attacked banks, auto dealerships, and other businesses and public buildings identified with elite privilege or government authority. In subduing the rioters, police sometimes fired into the crowd and at least 200 protesters were killed.

Disturbances broke out in Tunisia in January 1984. Pent up frustration, the result of intensifying economic and social problems, first gave rise to protest demonstrations in the oases of the south and then to rioting in many major towns. In Tunis, thousands of students, workers and unemployed young men from the city's slums roamed the streets, shouting anti-government slogans and attacking symbols of authority and wealth. Thousands more shouted encouragement

from open windows and rooftops. Protesters attacked cars and busses, tore up street signs, looted and set fire to shops, and attacked public buildings (Paul).

January 1984 was a time of similar violence in Morocco. Protests flared in many cities, including Marrakesh, Meknes and Rabat, and these were followed by riots of much greater intensity in the neglected and underdeveloped northern region of the country. Security forces used considerable violence to quell the riots. Press reports spoke of 150-200 deaths, or in some cases even more (Tessler 1986).

Algeria has also experienced serious unrest. In April 1985, following rumors that homes being built for the poor would be allocated instead to government bureaucrats, there were several days of rioting in the Algiers casbah. Fall 1986 brought additional and more widespread disturbances. In November, student demonstrations in Constantine ignited three days of rioting, and this was followed by disturbances in five other cities, including Oran.

In October 1988, Algeria was shaken by the most intense rioting since its independence in 1962 (Vandewalle 1988a). In Algiers, Oran, Constantine, and several other cities, thousands of young people came into the streets to vent their anger over worsening economic and social conditions. There was considerable property damage during the three days of rioting, with protesters setting fire to government buildings in several parts of Algiers. There were also lethal clashes between protesters and government security forces, resulting in several hundred dead and many more injured.

### **People's Understanding of their Predicament**

To the extent one can judge, it does not appear that ordinary Arab men and women see their problems solely, or even primarily, as the unavoidable result of shortages created by population growth and other demographic pressures. Rather, many seem to regard their problems as grounded in existing patterns of political economy, and they accordingly attribute much of the responsibility for their plight to the political regimes by which they are governed. Complaints thus go beyond the fact that masses of people live in impoverished conditions, and that for much of the population, especially the young, the prospects for an improved standard of living are not growing brighter and may even be declining.

Ordinary citizens in North Africa also complain about a large and growing gap between rich and poor, meaning that burdens of underdevelopment are not shared equitably and that, despite economic difficulties, there are islands of affluence and elite privilege, often involving luxury and excess. Moreover, these complaints are compounded by a widespread belief that elite membership is determined in most instances not by ability, dedication or service to society but, rather, by personal and political connections, the result being a system where patronage and clientelism predominate in decisions about public policy and resource allocation. Thus, while many are living in conditions of distress, there also exists a consumer class that is believed to support its privileged life style with resources that should be used for national development.

Scholarly observers confirm the accuracy of at least some of these popular perceptions. Specifically, a number of studies report not only the limited magnitude but also the highly skewed distribution of opportunities for educational and professional advancement. A study conducted in Algeria, for example, reported that the son of an agricultural manager has a 30 times better chance to enter university than does the son of a farm laborer, and that the son of a technocrat or businessman has a 285 times better chance (Dufour). Noting that students at Algerian universities constitute a select group drawn from the most favored sectors of society, an American scholar described them as "the 1 to 3 percent of Algerians who are destined, because of their family and personal connections, acquired wealth and influence, type and level of education, multilingual fluency, and technical-scientific accreditation, to assume the top- and secondary level positions in each of the principal institutional components of the technocratic system: government, party, military, bureaucracy" (Entelis, 1986, p. 92). Another study presents similar conclusions about Tunisia, reporting that "university students and skilled cadres come predominantly from middle- and upper-middle-class social strata" (Stone 1982, p.164).

In addition, there are also accounts of the indulgence and conspicuous consumption that characterize some segments of the elite. Describing the sources of popular discontent in Algeria, for example, a political scientist of Algerian origin writes that "in the midst of [the present] economic and managerial crisis, a few people succeeded in not only increasing their wealth but also displaying it in the form of late-model cars, new villa construction and new businesses," which in turn, understandably, "exacerbated the frustration of the masses" and "made them potentially rebellious against a state of affairs they neither liked nor understood" (Layachi, p. 3).

Other observers also make these points, citing examples not only from North Africa but from elsewhere in the Arab world as well. One scholar writes about the origins of popular discontent in Jordan, for example, that at the level of the masses "many people were not willing to tighten their belts to pay for an economic crisis which they felt was the result of widespread corruption," and that among the elite "a system of cronyism is persuasive," with opportunities for enrichment channeled by insiders to their friends and with top positions always going "to the same old faces, families and clans" (Amawi, p. 27).

Indignation over the gap between rich and poor, over privileged access to opportunities for economic advancement, and over the perceived misuse of available national resources was readily apparent in the rioting that shook North Africa during the 1980's. In the Tunisian disturbances of January 1984, for example, knowledgeable local observers described the mood of demonstrators as one of "rage," or even "hatred." This was most apparent in the attacks on shops selling luxury goods and the incursions into fashionable elite neighborhoods. Also, in at least one instance, Mercedes and other luxury cars were set on fire by roaming bands, while less expensive models were damaged little if all. Anger was thus directed not only at the government but also at the consumption-oriented middle and upper classes, population categories perceived to be prospering at a time when the circumstances of the masses were deteriorating and the regime was asking the poor to tighten their belts even more (Tessler 1991, pp. 11-12). Similar sentiments were observed in Morocco during the disturbances of January 1984. Some protesters carried pink parasols to express their disdain for royal pomp and their indignation at the excesses of the king and the elite.

The way that many understand their predicament is also illustrated by a conversation reported to the author during the Tunisian riots of January 1984 (Tessler 1991, p. 13). A Tunisian professional told of a discussion a few days earlier with several young men who worked in menial and low paying jobs at the institution where he himself held a senior position. Upon learning that there had been riots in the residential quarter where he lived, the workers expressed the hope that he had not personally sustained any losses; for while he was indeed quite wealthy by their modest standards, they believed he was entitled to the rewards of his labors. He had gone to school for many years, and he now worked long hours in a position that contributed directly to the welfare of the nation.

The problem, the workers added, was that the same could not be said for most members of the nation's privileged classes. The young workers expressed their belief that the majority of Tunisia's elite prospered because of personal and political connections, gaining preferential access to, and then spending frivolously, resources that should be invested in the country's future. Moreover, most of these individuals were said to offer the country little in return, preferring to spend their wealth on imported luxury goods and only rarely investing in ventures that either created employment or increased economic productivity. In recalling this conversation, the Tunisian professional stated that he had told his interlocutors that their view of a corrupt and parasitic elite was exaggerated and oversimplified. In fact, however, he added privately that the analysis was not as wide of the mark as he would have wished.

There is clearly a political as well as a socioeconomic dimension to these complaints. As the frequent eruption of popular unrest makes evident, citizens throughout North Africa are deeply dissatisfied with the political systems by which they are governed. They are angered by an inability to hold their leaders accountable or press for political change. Those who are more politically conscious complain that there are few legitimate mechanisms by which the populace can articulate grievances in a way that will have a meaningful impact on the political process, and none whatsoever by which it can remove senior political leaders whose performance is unsatisfactory. They note that recent political openings have been timid and halting, and that political opposition is tolerated, if at all, only to the extent that it does not threaten the established political order.

A number of analysts advance similar conclusions about the political judgments reflected in popular discontent. One observer writes of Algeria, for example, that people are no longer impressed by tales of their leaders' struggle for independence: "They want to know, as one student bitterly stated... why more than half of them are jobless 'while we earn billions per year from natural gas, and [the former head of the ruling party] lives like a king'" (Vandewalle 1988a, p. 2). Discussing the Constantine riots of 1986, another author makes the same point: the young protesters constitute a generation raised on "state corruption, social problems and political abuse." The overall cause of political alienation, he concludes, is a "system of power, patronage and privilege that entrenched interests in the party, government and the economy are unwilling to sacrifice in the name of some larger good" (Entelis, pp. 52-53).

A few public opinion surveys also document the depth and breadth of political alienation (Tessler 1992). In the case of Morocco, for example, a recent account summarizes four important survey research projects and reports that "while the state is feared, it is also often

resented, if not hated... [and is] widely recognized as not representative of the people. This produces two main reactions, either complete apathy or at least passivity (sometimes viewed as acceptance), or alienation and activism in some anti-establishment form or medium" (Suleiman, p. 113). Thus, although the empirical foundation for the interpretations offered in the present analysis is not as firm as might be desired, available evidence clearly supports the thesis that political discontent is widespread in North Africa and is in the first instance a response to systems of governance considered unresponsive at best and frequently exploitative.

Government officials often contend that complaints about regime performance are unreasonable and exaggerated. They assert that demands for rapid progress are unrealistic, with many citizens, and especially the young, failing to appreciate that development goals can only be achieved over the long haul. Many of these officials also insist that much has been accomplished, sometimes suggesting that complaints are the result not of government failures but, rather, of aspirations fostered by successful development efforts, most notably in the field of education. They sometimes argue as well that there has been progress toward the construction of democratic political systems, even though here, too, they call for patience.

Whatever the accuracy of these rebuttals, they rarely strike a responsive chord among the disillusioned and alienated segments of North Africa's citizenry, presumably because so many find confirmation in their own lives of the charge that something fundamental is amiss in the nation as a whole. They reason, logically though perhaps somewhat simplistically, that if the government were allocating resources wisely, in accordance with the true interests of the populace, they, their families and so many of their friends would not be confronted with stagnation or even a decline in their modest standards of living. But their leaders do not give highest priority to the welfare of the masses, these critics continue. They instead preside over a political and economic system that is dedicated to the preservation of elite privilege and which accordingly distributes resources and opportunities on the basis of personal relationships.

Students, professionals and other politically conscious North Africans often describe this as the problem of the "Arab regimes," or as the "crisis of leadership," but they also frequently speak in this context of a tacit alliance among domestic, regional and even international political interests committed to maintaining the status quo. Those deemed responsible for their predicament, therefore, include not only the leaders and privileged elements within their own country but also, in addition, both political regimes and classes throughout the Middle East that stand in opposition to change and the foreign powers, including the United States, believed to be working as well to preserve existing patterns of political economy.

Such sentiments were readily visible in North Africa during the Gulf crisis of 1990-91. Tunisia, Algeria and Morocco all experienced popular demonstrations in opposition to the U.S.-led coalition that went to war against Saddam Hussein. On the one hand, while Saddam's invasion of Kuwait was not defended, there was little sympathy for the states being protected by the coalition. On the contrary, from the perspective of the Arab masses, Kuwait, Saudi Arabia and other rentier Gulf states constitute national islands of privilege and represent a replication within the Middle Eastern regional system of the very pattern of political economy that exists within most Arab states and is at the root of popular discontent. A handful of privileged Arab states, like the rulers and associated elites within most Arab countries, are believed to be

dedicated to the preservation of a political and economic status quo that provides benefits for the few and is indifferent or even hostile to the well-being of the majority.

On the other hand, while Washington declared itself to be working for a new world order, many North Africans seemingly concluded that the U.S.-led alliance was actually working to preserve the status quo, the old world order, as it were, in part by coming to the defense of undemocratic and indulgent regimes whose importance derived solely from their wealth, and above all by preventing any Arab country from becoming powerful enough to challenge established political and economic arrangements.

### **The meaning of Support for Islamist Movements**

In searching for an alternative to an unacceptable status quo, many North Africans and other Arabs are turning to Islamist political movements. The current Islamic revival actually began during the 1970's. New Muslim movements emerged and there was also a sharp increase in such expressions of personal piety as mosque attendance and public prayer. A study carried out in Tunisia at this time presented evidence that the revival was being fueled, in substantial measure, by political and economic grievances and a desire for political change (Tessler 1980, p. 13), and research in the 1980's documented an acceleration of this trend (Waltz, Vandewalle 1998b, Belhassen 1989). A study by a Tunisian scholar reported that militant Muslim groups were having particular success in attracting the young, including the relatively well-educated, and that high schools and university campuses were accordingly serving as centers of activity and recruitment (Hermassi). Anti-establishment Muslim groups were effective in presenting themselves as vehicles for the expression of political discontent. They also appeared to be finding a receptive audience for their message that "Islam is the Solution," meaning that existing political regimes should be replaced by systems of governance based on Islamic law.

But support for Islamist movements, including votes cast for candidates of the FIS in Algeria and *En-Nahda* in Tunisia, does not necessarily mean that most North Africans genuinely believe Islam to be the solution to the political and economic problems they face. As one knowledgeable analyst wrote of Tunisia in 1988, "the impact of the Islamist movement on Tunisia's political agenda in the years ahead will depend largely on how the country's political and economic problems are resolved... [The growth of this movement is] only a symptom of a deeper malaise within Tunisian society" (Vandewalle 1988b, p. 617). Also lending support to this interpretation are the pro-Iraqi and anti-U.S. sentiments that were visible throughout North Africa during the crisis in the Gulf. Saddam Hussein is well-known as a secular nationalist leader, who in fact claimed to be defending the Arab world against militant Islam during his country's eight year war with Iran. Yet he, too, was cheered for his challenge to the status quo, and almost certainly by many of the same men and women who have been responding to the appeals of Islamist groups (Riding).

It may thus be the case that what North Africans and other Arabs want is meaningful political change, and above all responsive and accountable government, rather than Islamic solutions per se. For a variety of reasons, Islamist movements have been well-positioned to capitalize on discontent with the status quo. They offer effective vehicles for registering political dissatisfaction, and they have answers to the problems of their societies which, on the surface at

the least, appear coherent and plausible. But other mechanisms of political change and alternative visions of the future, to the extent they are available, might also be championed by those who have either given their votes to Islamist candidates, demonstrated in support of Saddam Hussein, or both.

This underlying concern for an alternative to the political and economic status quo was forcefully articulated during the Gulf crisis by a journalist in Jordan, who wrote of an "essential message reverberating throughout the Arab world" and who castigated the United States for failing to understanding the content of this message: there are everywhere "signs of a profound desire for change -- for democracy and human rights, for social equity, for regional economic integration, for accountability of public officials, for morality in public life, for the fair application of international law and U.N. resolutions, and for a new regional order characterized by honesty, dignity, justice and stability" (Khouri 1990). The problem, he wrote in another article, is the pervasiveness of "autocratic rulers and non-accountable power elites [who] pursue whimsical, wasteful and regressive policies," and it is this situation that "will be challenged by the will of the Arab people" (Khouri 1991).

Describing the situation in the Arab world more generally, another analyst reports that "the demand for human rights, participation and democracy comes from across the political spectrum ... The call for democracy is the subject of meetings, conferences and academic studies" (Kramer, p. 23). And another scholar, a political scientist from the United Arab Emirates, makes explicit the relationship between these calls for political change and support for Islamist groups. "As long as governments in the Arab world resist political participation and the tolerance of different political opinions," he writes, "the strength of Islam as a political ideology will continue to be a serious alternative" (Sanad, p. 13).

Empirical evidence based on survey research in the Middle East, as well as the analyses of several scholars, also points to the conclusion that support for Islamist movements does not necessarily reflect a belief that existing political systems should be replaced by patterns of governance based on Muslim legal codes. In particular, this evidence and opinion indicates that considerations unrelated to the faith and religious attachments of ordinary Muslims are producing much of the support for contemporary Islamist groups.

An original public opinion survey conducted in Egypt and Kuwait in 1988 found only a weak relationship between a scale measuring support for political Islam and contemporary Islamist groups on the one hand and, on the other, a scale measuring personal piety and attitudes toward the social salience of Islam. Surprisingly, perhaps, 45 percent of those who expressed greater support for Islamist political movements had lower ratings on the scale measuring religious piety and social salience. Moreover, this was the case in both Egypt and Kuwait, suggesting that the pattern may apply broadly throughout the Arab world. Conversely, fully one-third of those with higher ratings on the scale measuring piety and social salience, and almost one-half of the Egyptians with such ratings, expressed less favorable attitudes toward political aspects of Islam. More information about the research on which these findings are based is presented in the appendix.

These findings are consistent with a central argument advanced in Henry Munson's contribution to the present collection. Munson insists upon distinguishing between traditional religious attachments on the one hand and the ideology of Islamist political movements on the other, arguing that the latter "is not how most Muslims understand their religion" and that "a politicized conception of Islam differs radically from how Islam is normally understood by ordinary Muslims." A similar point is made by a scholar from the United Arab Emirates, who conducted additional survey research in his own country and concluded that "ideologically, the reasoning of religious groups and their socio-political programs are too political to appeal to traditional mainstream Muslims" (Sanad, p. 14).

Other findings from the 1988 survey in Egypt and Kuwait lend additional support to this thesis. For example, again in both Egypt and Kuwait, those expressing greater support for Islamist movements but having lower personal piety and social salience ratings are disproportionately likely to be disagree with the statement that "Western values have led to moral erosion in my society." Further, in Egypt, younger individuals and men are over represented among those who support Islamist groups but are not personally pious. Younger men constitute the most volatile sector of society and the demographic category among which political and economic grievances appear to be most intense. All of this, again, suggests that it is the search for an alternative to the political and economic status quo, rather than an attraction to the content of Islamist slogans, that has produced much of the support which Muslim political groups currently enjoy.

### **Why Islamist Movements are Filling the Void**

Although non-Islamic challenges to the status quo would in theory find support among the discontented social classes of North Africa and other parts of the Arab world, it is in fact the case that large numbers of ordinary citizens are concluding they can best work for political change by giving their support to militant Muslim movements. And in large part this is because of the organizational and ideological advantages that Islamic groups enjoy.

For one thing, in the undemocratic environment that until recently prevailed in most Arab countries, and which still prevails in many instances, mosques and other religious establishments offer opportunities to recruit and organize followers that are unavailable to more secular movements. Indeed, this is precisely the role that Islamic institutions played during the pre-independence period, when nationalist movements in North Africa and elsewhere were seeking to build mass organizations capable of challenging colonial domination. In Morocco, for example, the nationalist movement was built on a foundation established at the Qarawiyyin Mosque University in Fes. In Tunisia, where the resistance movement was in fact led by men who had received a Western-style education and whose normative orientations were largely secular, nationalists held clandestine meetings in mosques and *zawiyas* and urged followers to pray five times a day for the martyrs of the revolution.

Analogous developments took place in the late 1960's and throughout the 1970's, during a period marked by authoritarianism in North Africa and elsewhere in the Arab world. For example, a journalistic investigation conducted in Tunisia reported in 1979 on the crystallization

of a political tendency that characterized its platform as the "revival of Islam" ("L'Islam contestataire"; Tessler 1980, p. 12). It had begun with formation of the Association for the Protection of the Koran, a group that in 1970 gained legal status as a "cultural" organization and then established an important center in the theology faculty of the University of Tunis. Over the course of the decade, while the political climate of the country was becoming more repressive (Tessler 1981), this tendency developed and organized itself into a "parallel society with its own laws and rules." French was not spoken, for example, and men and women did not shake hands. The "movement" held meetings devoted to the study and discussion of religious themes, organized theater groups, and operated a bookstore and publishing house.

In some countries, and in Egypt in particular, Islamic groups also build support through the provision of social services and through community assistance projects carried out under the banner of religion. Such activities require a measure of organization that political authorities are usually required to tolerate, even though these activities may foster a belief that Islamic groups are more dedicated to helping ordinary men and women than are government officials. Under such circumstances, Islamic groups have the additional advantage possessed by all opposition groups: they are free to criticize but have no statutory responsibility for delivering services, which means they can derive significant political advantage by making even modest contributions. This advantage would disappear should Islamists come to power. Indeed, after the FIS scored victories in a number of Algerian municipalities in the elections of June 1990, the party began to be criticized for serious shortcomings in the operation of local government (Ibrahim 1991). Similar complaints were heard in Jordan after leaders of the Muslim Brotherhood took control of several ministries following the November 1989 parliamentary elections.

Perhaps the most important factor working to the advantage of Islamist movements is the absence of alternative opposition parties with a credible platform. In particular, although Morocco is a partial exception, it is generally the case that North Africans and other Arabs no longer regard parties of the political left as suitable vehicles for the expression of opposition to existing regimes. This was evident in the Tunisian elections of April 1989, for example, where the leading socialist party received less than 4 percent of the vote and where the absence of any credible legal opposition contributed directly to the success of Islamist candidates who ran as independents. The situation was summed up in Summer 1991 by an Egyptian socialist, who told the author that his party was finding it increasingly difficult to counter the Islamists' appeal. "Islam may not be able to solve this country's problems," he stated, "but the Islamists at least have a credible slogan. They may be without a real solution, but we are without even the name of a solution."

Under these conditions, those who wish to register opposition to the government have little choice but to support Islamist movements, and it appears that in recent elections in Tunisia and Algeria, and presumably elsewhere, some voted for the candidates of these movements for precisely this reason. While it is impossible to determine the extent to which those who voted for the FIS or En-Nahda did so merely to express discontent, rather than because they genuinely consider Islam the solution to their country's problems, it is probable that the former explanation accounts for a reasonable number of the votes these parties' candidates received. An illustration from the 1990 Algerian elections is provided by an American journalist, who was told by an informant that "I voted for the FIS out of revenge" (Ibrahim 1990). Another recent example,

coming from outside the Maghrib, is provided by an account of the March 1992 election for the Chamber of Commerce in Ramallah in the Israeli-occupied West Bank. Candidates associated with the Islamist Hamas movement handily defeated those identified with secular nationalism and the PLO. According to press reports, Palestinians complained of PLO officials who live lavishly and whose bank accounts contain funds that should be spent in the occupied territories, and it is for this reason, at least in part, that Hamas was victorious in "a city with a large number of Christian Palestinians who normally would never vote for an Islamic fundamentalist" (Ibrahim 1992).

Although this analysis has stressed the instrumental considerations producing support for Islamist movements, the assertion that Islam is the solution strikes a responsive chord for other reasons as well. Islam is an indigenous belief system, familiar to almost all Arabs, even those who are Christian. It has shaped the Arabs' history, it helps to define their collective national identity, and it gives spiritual meaning to the lives of millions, even many who are not personally devout. Equally significant, by its very nature, as a culture and a legal system, as well as a religion, Islam presents Muslims with a complete and coherent blueprint for the construction of a just political community. All of this makes it an attractive ideology to Arabs and other Muslims who are searching for an alternative political formula.

Nevertheless, growing popular support for activist Muslim can be explained only secondarily by Islam's familiarity and considerable normative appeal. On the one hand, as discussed earlier, there is only a weak association between the strength of personal religious attachments and the degree of support for Islamist groups and their political program. On the other, the salience of Islam as a religious faith and cultural system transcends historic swings in the strength of Islamist movements, suggesting once again that the present-day success of these groups is due primarily to recent political and economic developments rather than to the nature of Islam and its abiding importance in the lives of many ordinary Arabs. As one scholar argues in the case of Tunisia's En-Nahda party, "feelings of dislocation and alienation among Tunisia's Muslims gradually turned the essentially apolitical group into an activist organization" (Vandewalle 1989-90, p. 5).

If this assessment is correct, if it is indeed political economy rather than religion and culture that holds the key to a proper understanding of the current Islamic resurgence, then the popular anger producing support for the FIS, En-Nahda and other Islamist movements will begin to dissipate if Arab governments display new vision and dedication in addressing the grievances of ordinary men and women. These regimes, with active encouragement and assistance from their external allies, will have to work with increased honesty and effectiveness on behalf of all their citizens, and this in turn will require greater respect for human rights, a more equitable distribution of those burdens of underdevelopment that cannot be avoided and, above all, progress toward democratization and genuine government accountability.

## APPENDIX

### Public Opinion Data from Egypt and Kuwait

Public opinion surveys carried out in Egypt and Kuwait in mid-1988 deal with issues of religion and politics and may accordingly shed additional light on the origins of popular support for Islamist movements.

Data from Egypt may provide clues about attitudes in North Africa, as well as those in Jordan and other Arab countries where much of the population lives in impoverished conditions, where there has been some movement toward democratization in recent years, and where Islamic-tendency movements made major gains during the 1980's. Comparisons between Egypt and Kuwait will be helpful in determining whether particular attitudes emerge in this kind of environment or, alternatively, whether the normative patterns observed apply more generally throughout the Arab world and thus are not dependent on economic and political conditions.

Stratified samples of adults were selected in Cairo and Kuwait. Each sample includes both men and women and each is heterogeneous with respect age, education, socioeconomic status and neighborhood. Although better-educated individuals are somewhat over-represented, the samples are generally representative of the active, adult, urban population.

The distribution of each sample with respect to gender, age and education is presented below.

	Total (N=592)	Egyptians (N=292)	Kuwaitis (N=300)
<b>Gender:</b>			
Male	51%	52%	48%
Female	49	48	52
<b>Age:</b>			
Under 30	62	55	57
30-39	29	32	27
40 and over	9	13	6
<b>Education:</b>			
Intermediate or less	19	25	13
High school	78	27	28
Some post-secondary	22	17	28
University	31	31	31

The surveys were carried out under the direction of Prof. Jamal Sanad of the United Arab Emirates University. Interviews were conducted by teams of research assistants, or "intermediaries," who were selected on the basis of previous experience in survey research administration. Intermediaries were also given a four-day orientation and the survey instrument was pre-tested in both countries.

The validity and reliability of survey items selected for subsequent analysis were evaluated through a technique known as factor analysis. Factor analysis identifies clusters of items that vary together, and which thus may be analyzed in combination since they reliably measure the same concept. In the present instance, factor analysis has been used to measure two distinct dimensions of attitudes toward Islam, personal-social and political, as well as attitudes toward domestic politics, toward the U.S. and the West, and toward the local application of Western norms.

Nine items dealing with Islam were selected for subsequent analysis, and through the use of factor analysis it was determined that these items constitute two distinct attitudinal clusters. One deals with personal and social aspects of religion. The other deals with political aspects of Islam. All of the items and the strength of their association with each cluster are shown below.

#### **1. Personal and Social Aspects of Islam**

- 30. Would you support anyone in your family who wants to study in a religious institution?
- 32. How often do you refer to religious teachings when making important decisions about your life?
- 31. Do you support the application of Islamic law in social life?
- 15. Do you support the application of Islamic law to deal with civil and criminal matters?
- 36. How often do you read the Koran?

#### **2. Political Aspects of Islam**

- 38. Do you agree or disagree that religion and politics should be separate?
- 62. What do you think of the following statement: religious practice must be kept private and must be separated from socio-political life?
- 72. Do you support current organized Islamic movements?
- 69. What do you think of the religious awakening now taking place in society?

<b>Item</b>	<b>Factor 1 (Per-soc.)</b>	<b>Factor 2 (Political)</b>
30	<b>.72945</b>	.00153
32	<b>.68098</b>	.13009
31	<b>.67403</b>	.21164
15	<b>.66808</b>	.22825
36	<b>.55939</b>	.11639
38	.01436	<b>.80070</b>
62	.12740	<b>.76350</b>
72	.16159	<b>.61355</b>
69	.32806	<b>.53887</b>

Two attitudinal scales have been formed by combining the items in each cluster: a five-item scale measuring personal piety and social salience, and a four-item scale measuring support for political Islam and contemporary Islamist groups. Further, the strength of the association between the two dimensions of Islamic attachments has been examined and, as discussed in the text, attitudes toward personal-social and toward political aspects of Islam do not covary to the extent that might be expected. This is shown in the table below, which cross tabulates dichotomized ratings on the two attitudinal scales.

Taken together, the two dichotomized dimensions of attitudes toward Islam produce a four-category typology of religious attachments. Respondents may be (a) higher both on measures of personal piety and social salience and on measures of support for political Islam and contemporary Islamic groups; (b) higher on the former set of measures but lower on the latter; (c) lower on the former set of measures but higher on the latter; or (d) lower on both sets of measures. The table shows that respondents are found in meaningful proportions in all four categories.

### Personal Piety and Social Salience of Islam

	Count			
	Exp Val	Lower	Higher	Row Total
	Row Pct			
	Col Pct			
<u>Support for Political Islam and Contemporary Islamic groups</u>	Higher	138 166.5 44.7% 45.8%	171 142.6 55.3% 66.3%	309 55.3%
	Lower	163 134.6 65.2% 54.2%	87 115.4 34.8% 33.7%	250 44.7%
	Column Total	301 53.8%	258 46.2%	559 100.0%

The four categories of religious attachments may be compared in order to determine whether any is more likely to be found in either Egypt or Kuwait, to determine whether any is associated with a particular set of demographic attributes, and to determine whether demographic correlates are similar or different among the two national samples.

As shown in the table below, there are significant national differences for three of the four categories. Specifically, (a) Egyptians are under represented among respondents with higher ratings on both the personal-social and the political dimensions of Islam, (b) Egyptians are also under represented among respondents with lower ratings on the personal-social dimension but higher ratings on the political dimension, and (c) Egyptians are over represented among respondents with higher ratings on the personal-social dimension but lower ratings on the political dimension.

The table also shows that support for political Islam and contemporary Islamic groups is lower in Egypt than in Kuwait. While it is possible that this is due to the differing cultural and religious traditions of the two countries, it is also possible that the difference is due, at least in part, to the more open and competitive political environment that exists in Egypt.

<b>Count Exp Val Row Pct Col Pct</b>	<b>Egypt</b>	<b>Kuwait</b>	<b>Row Total</b>
Personal-Social: Higher Political: Higher	70 83.5 40.9% 25.6%	101 87.56 59.1% 35.3%	171 30.6%
Personal-Social: Higher Political: Lower	66 42.5 75.9% 24.2%	21 44.5 24.1% 7.3%	87 15.6%
Personal-Social: Lower Political: Higher	50 67.4 36.2% 18.3%	88 70.6 63.8% 30.8%	138 24.7%
Personal-Social: Lower Political: Lower	87 67.4 36.2% 18.3%	76 83.4 46.6% 26.6%	163 29.2%
Column Total	273 48.8%	286 51.2%	559 100.0%

The next table presents summary information about demographic correlates of the four categories of Islamic attachments. It indicates, for both the Egyptian and Kuwaiti samples, whether any attributes associated with either gender, age or education are over represented in each category, thus presenting a partial demographic profile of the kinds of individuals who are disproportionately likely to possess particular attitudes toward Islam.

An interesting finding is that in Egypt those with higher ratings on the personal-social but not the political dimension of Islam are disproportionately likely to be older men, and that those with higher ratings on the political but not the personal-social dimension are disproportionately likely to be younger men. In Kuwait, neither gender nor age is associated with differing religious attitudes, whereas level of education helps to differentiate between those with higher ratings on one attitudinal dimension but not the other.

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**Over Represented Attributes of Gender, Age and Education  
by Categories of Islamic Attachment**

	Egypt	Kuwait
Personal-Social: Higher Political: Higher	High School	
Personal-Social: Higher Political: Lower	Male Older	Intermediate School
Personal-Social: Lower Political: Higher	Male Younger	University
Personal-Social: Lower Political: Lower	Female	

The data may also be used to examine normative correlates of differing Islamic attachments. Ten items dealing with attitudes toward (1) domestic politics, (2) the U.S. and the West, and (3) the local application of Western economic and cultural norms were selected for further analysis. The validity and reliability of these items were again established by means of factor analysis, which grouped the items into three unidimensional clusters. For purposes of parsimony, only two items from each cluster are examined at present. These are listed below, grouped in the manner established through factor analysis.

1. Domestic Politics

- Do you agree or disagree that the government usually ignores the needs of the people? (Agree: Egypt-68%, Kuwait-39%)
- Do you agree or disagree that public officials usually pursue their own interests first? (Agree: Egypt-71%, Kuwait-51%)

2. The U.S. and the West

- Do you agree or disagree that your country should have a strong relationship with the United States? (Agree: Egypt-57%, Kuwait-47%)

- Do you agree or disagree that Western development is an accomplishment worthy of great admiration? (Agree: Egypt-59%, Kuwait-43%)

3. Local Application of Western Norms

- Do you agree or disagree that Western values have led to moral erosion in your society? (Agree: Egypt-67%, Kuwait-68%)
- Do you agree or disagree that Western (capitalist) economic forms have been a major cause of inequalities and social problems in your country? (Agree: Egypt-54%, Kuwait-71%)

The table below presents summary information, for both the Egyptian and Kuwaiti samples, showing whether particular responses to any of the six items are over represented in any of the four categories based on attitudes toward Islam. The table thus presents a partial normative profile of individuals who possess a given set of religious attachments. One interesting finding, discussed briefly in the text, concerns the differences between more religious and less religious supporters of political Islam. The former but not the latter appear to have negative views about Western values. Another interesting finding is that judgments about Western economic forms do not appear to be influenced by religious attachments.

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**Over Represented (% above mean) Views about Domestic Politics, the West and the Local Application of Western Norms by Categories of Islamic Attachment**

	<b>Egypt</b>	<b>Kuwait</b>
Personal-Social: Higher Political: Higher	Gov't ignores-16% West values erode morals-19%	Not strong relat. with U.S.-7% West values morals-20%
Personal-Social: Higher Political: Lower	Officials self-serving-10% Strong relations with U.S.-8% West development not admirable-12%	Not strong relat. with U.S.-8% West values erode morals-11% West economics not cause prob.-18%
Personal-Social: Lower Political: Higher	Officials not self-serving-8% West development admirable-7% West values not erode morals-14%	West values not erode morals-9%
Personal-Social: Lower Political: Lower	Gov't cares-11% West values not erode values-17%	Officials self-serving-9% Strong relations with U.S.-9% West values not erode morals-25%

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### III.

## Islamist Fundamentalist Movements and the Political Process

Henry Munson, Jr.\*

### Islamic Fundamentalist Movements: An Overview

Since Iran's Islamic revolution of 1978-79, there has been worldwide interest in Islamic fundamentalist movements that demand a "return" to a strictly Islamic polity and society. With respect to AID's Governance and Democracy Program, these movements pose a number of key questions. First of all, what is the likelihood that the Iranian revolution will replicate itself? If the various fundamentalist movements demanding a strictly Islamic polity were to come to power, would they be any more palatable, from an American perspective, than Iran's Islamic Republic?

Let me begin by saying that my own views differ from most of those of the other academics participating in the AID workshop on Islamic movements. I do not view fundamentalist movements as benign and I think it would be absurd for the government of the United States to do so. It is true that the fundamentalist movements of the Islamic world are not homogeneous or united. The more moderate movements, like the Muslim Brotherhood of recent decades, tend to be sympathetic to private enterprise and are quite willing to cooperate with the West despite their endless vilification of what they see as the decadence and "licentiousness" of Western civilization. Thus whereas the Ayatollah Khomeini routinely condemned any cooperation with "the great Satan," as he liked to call the United States, close ties existed between the US and the relatively fundamentalist Pakistani regime of Zia ul-Haqq from 1977 until 1988. One can also point to the close ties between the US and Saudi Arabia, where the fundamentalist values of the 18th-century *Wahhabi* movement still prevail -- to some extent (see Munson 1988).

The cases of Iran and Saudi Arabia are perhaps the best illustrations of the inadequacy of some journalistic visions of a worldwide Muslim fundamentalist conspiracy. Both the governments of Iran and Saudi Arabia portray themselves as "truly" Islamic. Yet they routinely condemn each other as enemies of Islam. This is in part a sectarian matter, the Iranians being, by and large, Shi'ites, the Saudis being, like about 85% of all Muslims, Sunnis (although there is a small Shi'ite minority in the oil-rich eastern province of Saudi Arabia). In the wake of the Iranian revolution of 1978-79, both Sunni and Shi'ite fundamentalists have tried to overcome the traditional tensions that have existed between the two sects. One frequently hears fundamentalists blaming these tensions, as well as every other problem in their societies, on Western imperialism. But the tensions remain very much alive.

The *Sunni-Shi'i* dichotomy is distinct from that between moderate and radical fundamentalists. But it affects it nonetheless. Whereas many moderate Sunni fundamentalist groups, like the mainstream Muslim Brotherhood, have traditionally depended on the Saudis for

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\* Henry Munson, Jr. is an Associate Professor in the Department of Anthropology at the University of Maine.

financial and political support, more radical groups (both Sunni and Shi'ite) have turned to post-revolutionary Teheran rather than Riyadh for help. As the Iranian regime has become more pragmatic, it has become more cautious in its support for such groups. But the links are still there and, significantly, remain especially strong when reinforced by sectarian ties as in the case of the Shi'ite groups in Iraq and Lebanon. The radical fundamentalist groups, whether Sunni or Shi'ite, almost invariably revile the Saudi regime as a caricature of the egalitarian, classless society they advocate. The Gulf War served to weaken the Sa'udi ties to even relatively moderate fundamentalist groups -- all of which opposed the US-led coalition against Iraq.

Tensions between radical and moderate groups exist throughout the Islamic world, with the radicals typically being university students or recent graduates while the more moderate groups are often supported by middle-class professionals (see Appendix II). The radicals dismiss the moderates as windbags seeking to decorate the status quo with Islamic trimmings. The moderates in turn condemn the radicals as fanatics who are distorting Islam into a Marxist-like ideology.

The distinction between moderates and radicals raises the issue of the term fundamentalist, which many Muslims dislike because of its American Protestant rather than Islamic origins and because of its connotations of bigotry and zealotry. One could argue that the term is misleading insofar as some of the more radical Islamic movements appear to have more in common with Latin American Liberation Theology (in their attempt to articulate Marxist ideas in a religious idiom) than they do with the fundamentalism of a Jerry Falwell. But as a practical matter, the term fundamentalist is so embedded in Western discussions of Islamic movements that it cannot be eradicated. And on intellectual grounds, I think this usage can be justified insofar as most of the Islamic movements we in the United States characterize as fundamentalist do share a number of features in common with comparable movements in Christianity, Judaism, Hinduism, Sikhism, and Buddhism (see Munson 1988, 1993).

To begin with, although fundamentalist movements are always ostensibly attempts to "return" to the original texts and doctrines of a religion, they always reinterpret those texts and doctrines in ways that reflect the influence of secularist ideologies they ostensibly reject. Their conceptions of religion are, in other words, remarkably novel -- and secular.

Consider the following statement of the Ayatollah Khomeini's in 1979:

My Muslim brothers and sisters! You are aware that the superpowers of East and West are plundering all our material and other resources, and have placed us in a situation of political, economic, cultural, and military dependence. Come to your senses; rediscover your Islamic identity! Endure oppression no longer, and vigilantly expose the criminal plans of the international bandits, headed by America! (Munson 1988, 3).

Or we may consider the following passage from an editorial in a review published in 1981 by a radical fundamentalist group from Morocco:

...our present and our future are caught between the hammer of American imperialism and the anvil of its agents represented by the corrupt monarchical regime and those who support it...

Your review appears in these circumstances to be, God willing, in the vanguard of an authentic Islamic revolution in Morocco; a revolution that enlightens the horizons of this country and liberates its people to bring them back to the Islam of Muhammad and those of his people who have known how to follow him -- not the Islam of the merchants of oil and the agents of the Americans. (Munson 1991, 340)

Both of these statements demonstrate how the more radical advocates of a return to the Islam of Muhammad actually borrow much of their rhetoric from secular leftist ideology. The more moderate groups also reinterpret Islam in a manner that directly reflects Western influence. Among the most striking examples of this is their reliance on the classical *shibboleths* of twentieth-century European anti-Semitism. Thus the review published by Algeria's Islamic Salvation Front (which has both moderate and radical elements) declared in 1989 that:

The Jews, in turn, grasped the importance of information in preparing minds to receive ideas and opinions, in orienting and deceiving public opinion. This led them to lay their hands on the majority of newspapers and magazines throughout the world, in addition to the big publishing houses, the printing presses, and the control of the big movie studios, of the television networks, and of radio. All of this within the framework of their general plan outlined in The Protocols of the Elders of Zion.... (Al-Ahnaf, Botiveau, and Frégosi 1991, 227).

This sort of rhetoric is commonplace among both the radical and moderate fundamentalists (ibid., 89, 138-39). And it demonstrates why I disagree with those academics who call these movements benign.

In referring to some fundamentalist groups as "moderate," I do not mean to suggest that they are genuinely committed to the ideals of religious tolerance and democracy. I simply mean that such groups generally shun violence, and favor participation in electoral politics -- so long as such participation is in their interest. Such groups, as already noted, are also generally in favor of free enterprise and are, when self-interest so dictates, willing to cooperate with the West. One thinks, once again, of Zia ul-Haq's willingness to accept billions of dollars in American aid and Saudi Arabia's willingness to allow the United States to protect it from Saddam Hussein.

### **Commitment to Democracy**

American academics who study the Middle East frequently argue that the United States should encourage the governments of the Islamic world to allow fundamentalist movements to participate in democratic elections. I shall not debate that assertion per se. But I do want to discuss an argument often linked to it, namely that at least the moderate fundamentalists are really committed to democracy. This I believe is myopic nonsense. Let me illustrate why I say

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this by citing the case of 'Aba' as-Slam Yasin, the leading fundamentalist in Morocco, who is certainly more moderate than some of his fellow advocates of a truly Islamic state in Morocco (see Munson 1993). In a famous "epistle" he sent to King Hassan II in 1974, Yasin condemns the king's dictatorial rule and the state of fear that prevails in Morocco. But in this same text, Yasin speaks of the people being in need of a "just imam" to guide them on the path of righteousness. He does not advocate democracy in his epistle. Instead he advocates a "council elected in an Islamic manner" after all political parties have been banned (1974, 109). People advocating a secular form of government, or "the party of Satan" as Yasin sometimes calls them (1981, 4), would not be allowed to participate in the elections for this council. Elsewhere, Yasin has written that those who reject the idea of a strictly Islamic polity, will be entitled to "firm but humane solicitude" (1982, 57). That is to say that they have been "led astray" by Satan, and have to be "firmly but humanely" taught "the truth." People who think think this way are not benign.

Yasin says that "general repentance" (*al-tawba al-'amma*) can only occur "under a repentant ruler" (pp. 110-11). This illustrates to what extent Yasin's vision of an Islamic polity revolves around a wise and just ruler. In his book Islam Ghadan (Islam Tomorrow), Yasin declares that God will select such a ruler to guide the Muslims, with the assistance of "the men of the call to God" (1973, 862-63). This is a far cry from democracy. Indeed, Yasin has repeatedly stressed that the truly Islamic state he envisions will not be a democratic one (ibid., 870-79; 1982, 29-30). Despite his condemnation of Hassan II's authoritarianism in al-Islam aw al-Tufan, Yasin's conception of the proper political role of the people is ultimately not all that different from the king's.

Yet when I interviewed Yasin in 1987, he told me that he wanted the government to allow him to establish an Islamic party to participate in free elections. Anyone who has read what Yasin has to say about democracy and political parties knows this is a ploy, and a reflection of his inability to overthrow Hassan II as he had hoped. And when other fundamentalists attempt to convince Westerners of their commitment to democracy, they too are deliberately seeking to mislead Western governments and Western public opinion. The sad thing is that so many American academics have unwittingly become a party to such deception.

If the U.S. government is going to encourage the governments of the Middle East and North Africa to allow fundamentalist parties to participate in free elections, it should do so without any illusions as to the commitment of these parties to democracy. Once in power, these groups will see to it that secular parties cease to exist, as happened in Iran. That certainly does not mean that the US should not encourage democratization. But it should do so without illusions.

## **The Distinction Between Politicized Islam and Islam the Religion**

Those academics who stress that we should not "demonize" Islam are entirely correct. Traditional stereotypes about Islam are obviously inadequate and need to be overcome. But we must not confuse the politicized Islam of the fundamentalists with Islam the religion in terms of which ordinary Muslims interpret their lives. One of the principal fundamentalist shibboleths is that Islam is an all-encompassing way of life so that there can be no distinction between religion and politics (Munson 1988, 37). The very frequency with which the fundamentalists feel compelled to harp on this point demonstrates that this is not how most Muslims understand their religion (as any anthropologist who has lived among flesh-and-blood Muslims can attest). The advocates of a strictly Islamic state and society do not constantly stress that Muhammad was the prophet of God or that bad people go to hell because they know all Muslims take these things for granted. But they do constantly stress that "true" Muslims are committed to the creation of a strictly Islamic state because they know that this notion is not a part of the popular Islamic imagination. (This does not mean that it cannot be used as a successful means of political mobilization.)

*Hassan al-Banna*, the founder of the Egyptian Muslim Brotherhood, once wrote that "our mission is in reality but an assault on familiar habits and a transformation of customary practices" (Munson 1988, 37). Unlike many Western journalists who echo the fundamentalist claim that Islam does not distinguish between religion and politics, al-Banna knew that his politicized conception of Islam conflicted with the more strictly religious conception that exists in the minds of most Muslims. This is not to deny that Islam was indeed "an all-encompassing way of life" at the time of the Prophet Muhammad. But this is definitely not how most Muslims interpret Islam in the twentieth century.

It is thus essential to distinguish between personal piety and commitment to fundamentalist ideology. The fact that a Muslim prays five times a day and fasts during the month of Ramadan does not mean that he or she endorses the idea of a strictly Islamic state (a notion that has different meanings to different people) or the severing of the hands of thieves. This point cannot be stressed enough.

### **Why Have Fundamentalist Movements Become so Significant?**

Throughout Islamic history, men have periodically emerged to urge their fellow Muslims to return to the Islam of the Prophet Muhammad (see Munson 1993). Such men invariably attributed the problems of their time to the fact that their fellow believers had deviated from the laws of God. Thus returning to the pristine Islam of the Quran was not simply a means in and of itself. It was a means of resolving whatever problems happened to be afflicting the Muslims of the day. This is the basic logic of twentieth-century Muslim fundamentalism.

The Islamic movements of the Middle East and North Africa are articulating widespread grievances which are in turn rooted in fundamentally non-religious problems, notably the fact that economic development is not keeping pace with population growth, so that more and more young people cannot find jobs. These movements also articulate widespread resentment of Western

domination, especially American domination. The *Ayatollah Khomeini* has declared: "It is the disregard of the noble Quran by the Islamic countries that has brought the Islamic community to this difficult situation full of misfortunes and reversals and placed it in the hands of the imperialism of the left and of the right" (Munson 1988, 12-13). 'Abd as-Slam Yasin, the most prominent of Morocco's fundamentalists, declared in 1979:

And the Muslims of the earth are weak, defeated and unsuccessful. They suffer from worldly pressures and roll along on the margin of the struggle of the giants [the United States and the Soviet Union] while their countries are poor. And they are under the oppressive burden and threat of exploitative desires because in their countries are resources that the feverish *jahili* [i.e., Western] economy pants for. [Yasin 1979b, 11)

Statements like these pervade the fundamentalist literature and suggest that resentment of the domination of the Islamic world by the West is among the most conspicuous grievances of Muslim fundamentalists. Unlike earlier revivalist movements in Islam, twentieth-century Islamic fundamentalism is a response to Western domination. The more moderate movements tend to focus primarily on the cultural aspect of this domination whereas the more radical ones place equal stress on the economic and political dimensions. But some such resentment pervades all these movements. Anyone shaping US policy should be aware of this. The idea of the US funding some of these groups, as suggested by one participant in the workshop, strikes me as bizarre to say the least. Moreover, most fundamentalist groups would reject any such aid from AID since it would be seen as a sign that they had been "coopted" by many of their supporters.

## Conclusion

Academics sometimes feel a sense of paternalistic obligation to defend the people whose societies they have studied for years or decades. This sometimes leads them to defend practices and beliefs they would never accept in their own societies. One sees this in the tendency of many scholars of the Middle East to plead for greater tolerance of Muslim fundamentalist movements. I certainly endorse the idea that instead of demonizing these groups, we as scholars should be trying to understand the reasons for their appeal. And as already noted, I also endorse the idea that we should not demonize Muslims in general. But people who speak of the advocates of secular governments as "the party of Satan" are most definitely not benign.

## APPENDIX I

### **Does Democratization Entail Electoral Victories By The Fundamentalists?**

Some evidence seems to suggest that the answer to this question is no. It should be recalled that in Pakistan, which has one of the oldest and best organized fundamentalist movements in the Islamic world, the *Jama'at-i-Islami*, this party has never succeeded in winning more than an infinitesimal number of votes. In Pakistan's 1970 elections, for example, the *Jama'at-i-Islami* won only 1% of the seats in the National Assembly (Mumtaz 1991, 476). In the elections of 1985, it was only able to boost its share of parliamentary seats up to 3.5% (ibid., 484). Mumtaz Ahmad writes: "from 1970 to 1988, four national elections were held in Pakistan. The Jamaat participated in all of them but failed to obtain more than ten seats in any contest... (ibid., 509). Benazir Bhutto, on the other hand, who was (and is) seen as the embodiment of evil by Pakistan's fundamentalists, won the elections of 1988, albeit by a narrow margin.

One should also remember that when free (or relatively free) elections were possible in Syria, the fundamentalists were remarkably unsuccessful there as well. The Muslim Brotherhood won less than 3% of the contested parliamentary seats in 1949, less than 4% in 1954, and less than 6% in 1961 (Munson 1988, 84). One might argue that all of this is far removed, either spatially or temporally, from what are often described as the resounding fundamentalist electoral successes in Jordan and North Africa during the past decade. Well, let's examine just how successful Muslim fundamentalists actually were at the ballot box in these areas: in the late 80s and early 90s -- keeping in mind of course that electoral results in most of the Third World must be taken with more than a few grains of salt.

In Jordan, fundamentalists are often said to have won 34 (or 42.5%) of 80 parliamentary seats in the November 1989 elections (Duclos 1990, 75; Hudson 1991, 419). This is indeed impressive. However, two of these deputies were apparently members of a Sufi group unrelated to the fundamentalist mainstream (Duclos 1990, 59). And even most of the deputies belonging to the Muslim Brotherhood remained, by and large, docile supporters of King Hussein -- as has generally been true of the members of this organization in Jordan (ibid., 66-72). Another crucial point concerns the large number of Jordanians, primarily Palestinians, who boycotted the elections altogether. The French political scientist Louis-Jean Duclos contends that when one takes into account those who did not even bother to register to vote, only 39% of the potential Jordanian electorate voted in the 1989 elections, (ibid., 57). That would mean that less than 20% of Jordan's total electorate actually voted for fundamentalist candidates. On the other hand, it is quite possible that the fundamentalists might have been even more successful if more Jordanians had voted and if the elections had been less controlled. But in and of themselves, Jordan's 1989 elections do not provide persuasive evidence that truly free elections in that country would result in a fundamentalist regime.

In Egypt, the Muslim Brotherhood, in alliance with the *New Wafd Party*, won only 12 seats in the 1984 parliamentary elections (Hudson 1991, 430). In 1987, the Brotherhood (now in alliance with the Socialist Labor and Liberal Parties) won a total of 36 parliamentary seats, only 8% of the total (Lesch 1992, 202). The Brotherhood boycotted the elections of 1990, the results of which are thus not especially enlightening with respect to the problem at hand (Farak

1991, 20-21). But even if we concede, as we must, that the Egyptian government did its best to minimize the fundamentalists' chances in the elections of 1984 and 1987, the fact remains that the Brotherhood's electoral record does not suggest overwhelming popular support for their political agenda in Egypt. One should also recall that the fundamentalist insurrection after the assassination of Anwar Sadat in 1981 failed to win the support of more than a handful of university students (Munson 1988).

As for Tunisia, fundamentalists won about 14.5% of the popular vote in the parliamentary elections of April 1989 -- (Esposito and Piscatori 1991, 431). They received higher percentages in the cities (Leveau 1989, 10). And, as in Egypt, the government did its best to minimize their success. But once again, there is no persuasive evidence that the fundamentalists would have won a majority of votes even if the Tunisian elections of 1989 had been entirely free.

With respect to the Algerian elections themselves, it has often been noted that only 65% of the electorate voted in 1990 and 59% in 1991 (Burgat and Leca 1990, 6-7; *Jeune Afrique*, 9-16 Jan. 1992). But that it is a better turnout than one finds in many American elections. And the Algerian Ministry of the Interior eventually revised its original estimate of the 1990 turnout from 65 to 75 percent (Burgat and Leca 1990, 7). Thus those appalled by the results of the Algerian elections, as I am I might add, cannot find much solace in the percentages of Algerian voters who did not vote.

Many observers have also said that the FIS victories were to a large extent more of a repudiation of the FLN than an endorsement of the FIS. It is hard to know to what extent this is true. But there is undoubtedly some truth to this claim. However there were other alternatives to the FLN, secular alternatives. The most popular of these secular alternatives, Hocine Ait Ahmed's Front of Socialist Forces (FFS), boycotted the 1990 elections and received only 7% of the vote in 1991 (*Jeune Afrique*, 9-16 January, 1992).

One could argue, as have many Algerians, that one reason for FIS's success was the fragmentation of the secular opposition to the FLN. And perhaps the FFS, like the smaller RCD, was too identified with the Kabyle Berbers and the 44 other basically secular parties were too small to mobilize large numbers of voters (ibid.). Maybe. But it should be noted that in addition to the 47% of the popular vote won by FIS in 1991, a smaller fundamentalist party led by *Shaikh Nahnah* won another 5%, thus giving the fundamentalists over half the popular vote and over twice as many votes as the FLN and over seven times the votes of the FFS - the only other party to win a significant percentage of the 1991 vote (ibid.). In short, unlike the elections in Jordan, Egypt, and Tunisia, those of Algeria were very real victories for the fundamentalists. That does not mean, however, that the majority of all Algerians were committed to the fundamentalist goal of a "truly Islamic" state.

A party that portrays itself as the embodiment of Islam, and its opponents as its enemies, is going to win a certain degree of support on this basis alone. And if it articulates widespread social grievances in an Islamic idiom, it also has a tremendous advantage.

## APPENDIX II

### **Social Bases**

Of particular relevance to the widespread misconception that fundamentalists are primarily motivated by their opposition to all forms of modernity is the fact that university students in the applied sciences, as well as professionals trained in such fields, are among the most conspicuous participants in Muslim fundamentalist movements all over the world.

The most salient event signalling Jordan's fundamentalist movement's new strength and radicalism in the 1980s occurred in May of 1986 at Yarmouk University, the Jordanian equivalent of MIT. Student protests evolved from a small "warning strike" by a few dozen engineering students into a virtual insurrection involving 3,000 students, about 20% of Yarmouk's student body (Satloff 1986, 23).

In Egypt, a famous study of thirty-four members of radical Islamic groups imprisoned in the 1970s found that 85% were either university students or recent graduates when arrested (Ibrahim 1980, 437-39). Of the 18 who were students at the time of their arrest, 6 were in engineering, 4 in medicine, 3 in agronomy, 2 in pharmacy, 2 in technical military science, and 1 in literature (ibid., 439-40). In student elections at Cairo University in 1986-87, fundamentalists won 60 out of 60 seats in the Faculty of Engineering and 71 of 72 seats in the Faculty of Medicine (Rubin 1990, 69).

In Tunisia, a leader of that country's Islamic movement (*Salah al-Din al-Jurshi*) has noted that in the early seventies, when the fundamentalist tendency began to spread, over 70% of its supporters were students (al-Hirmasi 1985, 83). Tunisia's Islamic movements continued to derive their greatest support from the educated young in the 1980s and were especially strong among university students in the applied sciences (ibid., 88-84; Hermassi 1984, 41-42). A survey of some 800 Tunisian supporters of the Islamic Tendency Movement (MTI) found that the typical member of this group was a highly educated young person slightly over twenty years old (Hermassi 1984, 46).

In Algeria as in Tunisia and Morocco, although we find some older teachers and civil servants leading the Islamic movements, the committed fundamentalists have once again primarily been the educated young. During the 70s and 80s, there were repeated clashes between Marxist and fundamentalist students at Algerian universities - where, as elsewhere, they were competing for much the same audience (Rouadjia 1990, 117, 163). Just as the protests of May 1986 were a milestone in the evolution of the fundamentalist movement in Jordan, so too a huge student rally at the University of Algiers in 1982 marked the emergence of the Algerian fundamentalists as an important political force (*al-Ahnaf, Botiveau and Frégosi* 1991, 62-63, 309).

After Algeria's October riots of 1988, which primarily involved young men, the Algerian fundamentalists managed to reach beyond their original campus bases and win the elections of June 1990 and December 1991 parliamentary elections. But university and high school students have remained the most active supporters of the Islamic Salvation Front since the coup of January 11, 1992. In the winter and spring of 1992, whereas most Algerians passively submitted

to (and in many cases enthusiastically supported) the regime ushered in by the coup, students at universities, and to a lesser extent high schools, staged countless demonstrations and strikes to protest the cancellation of the second round of the elections that would have led to a Salvation Front government (*Le Nouvel Observateur*, 26 March - April 1992). Among the strongholds of Algeria's student fundamentalists is the faculty of science and technology at the University of Bab Ezzouar in Algiers (*Jeune Afrique*, 2-8 April 1992). The social base of Algeria's Islamic Salvation Front also conforms to the general pattern elsewhere in another respect. In both the 1990 and 1991 elections, FIS was weakest in rural areas (Fontaine 1990, 93). This corresponds to the lack of success fundamentalists have generally had among peasants (Munson 1986; 1988, 102).

The social base of Moroccan fundamentalism also conforms to the pattern we have described as typical elsewhere. That is to say that the more radical wing of the movement (which is fragmented by internal conflicts as is true in all of the countries we are discussing) is strongest among university students whereas its more moderate wing tends to attract middle-class professionals, especially teachers and other civil servants (Munson 1986, 1991). The fundamentalists are especially strong in faculties of applied science, as demonstrated by their "sit-in" in the Faculty of Medicine of Hassan II University in the spring of 1991 (Lévy 1991).

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**TABLE 1**

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Bahrein (BIB)	1.03%	1.38%	2.86%	3.45%	3.91%	6.42%	6.65%	7.41%	7.66%	
"Egypt (FIBE, IIBID)"	2.39%	4.48%	6.14%	8.64%	9.47%	9.29%	9.68%	8.87%	9.05%	7.31%
Jordan (JIBFD)	1.90%	3.35%	3.90%	5.40%	6.82%	7.73%	8.60%	9.81%	9.07%	
Kuwait (KFH)	5.70%	8.21%	12.32%	17.33%	17.13%	17.64%	18.02%	19.00%	19.17%	18.99%
Qatar (QIB)	6.71	7.98	10.37							
Sudan (4-6 banks)	7.00%	11.15%	15.26%	15.89%	17.84%	16.88%	16.98%	20.19%	19.38%	
Tunisia (BEST)	0.14%	0.12%	0.21%	0.23%	0.36%	0.40%				
"Turkey (FFI, ABTFH)"	0.41%	0.76%	1.13%	1.47%	1.82%					
UAE (DIB)	1.32%	1.28%	1.35%	2.08%	2.36%	3.06%	3.24%	3.59%	3.85%	

**TABLE 2**

**Market Shares of Islamic Banks in Egypt  
(in percentage)**

<b>Deposits</b>	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Commercial Banks	25.5%	35.3%	33.9%	28.2%	27.9%	28.6%	29.9%	28.7%	27.2%	26.3%
Commercial and Investment Banks	25.8%	23.5%	28.5%	26.9%	29.5%	26.1%	25.6%	22.0%	19.1%	

**TABLE 3**

	1982	1983	1984	1985	1986	1987	1988	1989
Faisal Islamic Bank	100.00%	89.24%	75.89%	44.87%	41.71%	33.40%	29.79%	
Islamic Bank of Sudan	8.27%	nd	15.27%	16.91%	17.68%			
Tadamon	10.76%	12.15%	nd	15.73%		20.80%	22.61%	
Cooperative Development Bank	3.68%	nd	9.99%	10.04%	7.10%			
Al Baraka			11.10%			12.78%	15.01%	
West Sudan			6.20%			6.06%	7.81%	
<b>Total</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
<b>Islam's total share</b>	15.26%	15.89%	17.84%	16.88%	16.98%	20.19%	19.38%	

**TABLE 4**

	1985	1986	1987	1988	1989	1990
Egypt American Bank	8.05%	8.42%	7.47%	7.53%	8.85%	8.46%
Commercial International Bank	7.23%	7.95%	7.78%	7.54%	7.93%	7.85%
Faisal Islamic Bank	6.70%	5.59%	5.24%	6.37%	6.58%	6.62%
National Bank of Egypt						
Banque Misr	6.18%	6.70%	5.66%	5.01%	4.61%	4.71%
Banque du Caire						
Bank of Alexandria	7.14%	6.20%	5.74%	5.02%	5.27%	5.57%

## IV.

### Regime Reactions to the Fundamentalists

Michael C. Hudson\*

#### Introduction

In the contemporary period (since World War II) the relationships of Middle Eastern states to their societies have taken a variety of forms. While most of these states have been governed by authoritarian regimes (either monarchical or "republican"), a few, such as Turkey, Israel, and Lebanon (until its civil war), have had considerable periods of parliamentary electoral politics. Among the authoritarian monarchies some have been more accessible to the populace than others: for example, Kuwait periodically has a functioning parliament; Morocco has allowed parties to function, albeit under restrictions; and recently Jordan has moved toward a more liberal system. And among the "revolutionary republics," one would certainly want to distinguish the current situation in Egypt as one of greater openness than that in Syria or Iraq; and one would also want to note the very interesting transition to multi-party politics and elections now underway in unified Yemen. Indeed, some political scientists have even discerned a process of democratization beginning to occur in a region of the perhaps more vulnerable to Islamist criticism than regimes whose ties to the U.S. are cooler (such as Yemen).

Islamic radicalism is not entirely a monolithic force either (see, e.g. Dessouki, 1982, Esposito, 1982, Sivan, 1985; Wright, 1985; Stowasser, 1987). While there is much that binds Islamic movements from the Maghrib to Iran together ideologically, and while there appear to be significant intellectual and organizational linkages among these groups, there are also differences in doctrines, objectives, tactics, and constituencies among them. The Muslim Brotherhood of Egypt is not a carbon copy of the Islamic Salvation Front of Algeria or the *Hizballah* of Lebanon. Islamists in Morocco cannot adopt the operational code of the *Nahda* of Tunisia if only because the function of Islam in the legitimacy formula of those two regimes is so markedly different.

Bearing in mind the complexities both of regimes and Islamist movements, it may be helpful to compare regime responses to the growing strength of radical Islam on a spectrum of exclusionary to inclusionary strategies. At the exclusionary extreme we find a strategy of forced exclusion, based on the assumption that Islamist organizations pose an unacceptable threat to regime security and **domestic stability**. This is a strategy of head-on conflict, of "radical surgery." A more sophisticated yet still essentially exclusionary strategy is marginalization. It has two aspects: one dimension is the creation of a national consensus, typically through the promulgation of a pact among the various contending political tendencies, that lays down rules for political contestation in which overtly religious parties, or parties with external affiliations, are banned. The other dimension is attrition: the constant application of pressure tactics, low-level harassment, bureaucratic obstacles, etc. A third strategy which is also essentially exclusionary is preemption. This strategy combines the prohibition of non-regime-sanctioned

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\* Professor Michael C. Hudson teaches at the School of Foreign Service, Georgetown University.

Islamist activity with a vigorous assertion that the regime itself exclusively embodies Islamic political legitimacy. We move next to the strategy of limited accommodation, which is inclusionary of Islamist participation, but under conditions designed to insure that such groups are prevented from achieving dominance. Such conditions may include electoral rules, districting, and licensing procedures that would inhibit Islamist strength, as well as the regime's encouragement for "moderate" Islamic organizations over "extreme" ones. Finally, we have at the most liberal end of the spectrum the strategy of full inclusion. Regimes taking this position treat Islamic political organizations on the same level with other opposition groups; they accept the idea of loyal opposition and assume that Islamist opposition will also play according to the constitutional rules.

The terminology we use for convenience can convey unstated value judgements. Such may be the case with an inquiry about regime responses to Islamist activity, in which it may appear that Islamic activism is implicitly "bad" -- a force that "good" regimes are trying to cope with. It is not my purpose to convey moral judgements about Islamism in Arab politics, implicitly or explicitly. At the same time, there appears to be a widespread perception on the part of ruling elites in almost all Arab countries that Islamist movements are in fact bad, and a threat to incumbent regimes. In their view, radical Islam is a force to be curbed in one way or another, be it through forced exclusion, marginalization, preemption, or limited accommodation. To most incumbent elites, the fifth strategy, full inclusion, is a strategy leading to defeat. It is beyond the scope of this paper to examine regime-Islamist relations from the Islamist's point of view, but one can imagine an equally interesting set of questions: short of accepting a regime's invitation to enjoy full and equal access to power (the regimes' "full inclusion"), is it in the interest of Islamist organizations to accept marginalization, preemption, or limited accommodation in order to avoid their own "forced exclusion" -- i.e., repression at the hands of the regime?

Let us now examine each of these regime strategies, taking in each case one or more examples. Syria will be cited to exemplify the strategy of forced exclusion; Tunisia exemplifies the strategy of marginalization; Saudi Arabia and Morocco are in a position to practice preemption; Egypt and Jordan are following varieties of limited accommodation; while Algeria up until the palace coup of December 1991 represented, perhaps uniquely in the contemporary Arab world, a government prepared to accept Islamist participation in democratic contestation.

### **Forced Exclusion**

Almost every Arab regime has engaged in repression of radical Islamic organizations. Regimes that I have classified as pursuing a strategy of preemption or limited accommodation have been quite egregious in persecuting Islamic militants. But some regimes have been more repressive than others and have pursued repression as virtually the only method for dealing with Islamic challengers. These include Syria, Iraq, Tunisia, Libya, and (recently, following the December 1991 coup) Algeria. All of them have dealt crushing blows to Islamist challengers: Syria against the Muslim Brotherhood, Iraq against the *Da'wa*, Tunisia the *Nahda*, Libya against "thousands" of Islamic dissidents (The Economist, March 7, 1992, p. 42), and Algeria against the Islamic Salvation Front.

Perhaps none of these regimes has been more ruthless or effective than Syria's in confronting the Islamist challenge. It should be noted that the Islamist challenge itself was ruthless. In response to a campaign of terrorism inspired by the Muslim Brotherhood in the late 1970s and the early 1980s, the regime of President Hafiz al-Asad used draconian measures to suppress an Islamist rebellion in the city of Hama in February 1982. In addition to massive material damage, it was estimated that at least 10,000 people died. Asad's regime was doubly vulnerable to the Islamist challenge: the President himself and key members of the ruling establishment are Alawites -- members of a Shi'ite Islamic sect whose "deviation" from mainstream Islam is abhorrent to orthodox Sunnis. Furthermore, his regime is *Ba'thist*; and the Ba'th Party's ideology stresses Arab nationalism over religious loyalty (indeed, one of the Party's founders was a Greek Orthodox Christian).

Since 1982, the Syrian regime has enjoyed greater stability. It has sought to deflect new Islamist protest by persuading the "official" Islamic clergy to endorse the regime's religious credentials and by including Sunni Muslims in many important government posts, except those responsible for internal security. In the June 1990 parliamentary elections, only regime-approved parties and independent candidates were allowed to participate, and Islamists were simply not present. In December 1991, President Asad won 99.9 percent of the popular vote on a plebiscite to renew his mandate. One can only speculate as to how many other Arab heads of regime, threatened by Islamist opposition, have drawn the conclusion that the best way to deal with this kind of challenge is to liquidate it physically -- and totally.

Two questions, however, arise with respect to the feasibility of forced exclusion as a strategy. First, under what circumstances is such an approach necessary, given the heavy moral and human costs? Second, does the regime have the power to carry it out successfully? In the two clearest cases of this kind, Syria and Iraq, the regimes seemed to be fully convinced that the Islamic opposition was a mortal threat. They both also calculated -- apparently correctly -- that they had the strength to destroy (or at least cripple) the Islamist opposition. But the strategy is not successful in all cases: other regimes have attempted it with less decisive results. Egyptian president Anwar Sadat tried it in 1981, when he summarily jailed thousands of opponents, Islamists and others; but soon afterwards he was assassinated by an Islamist cell in the Egyptian army. Libyan president Qadhafi, from the scant information available, may be attempting a similar liquidation, but it is far from clear that he has broken the Islamist opposition. Algeria presents the most recent and dramatic case, one in which a strategy of full inclusion was aborted in midstream. But there too it is doubtful that the new regime's sustained campaign against the Islamic opposition will succeed; indeed, at the moment it seems probable that there will be a long period of instability, rather than a "clean kill." Similarly, Tunisia, which embarked on a strategy of marginalization after Zine Abidine Ben Ali assumed power in 1987, hardened its stance and today appears to have declared war on the main Islamic movement. The outcome, however, is in doubt.

## Marginalization

The idea behind the strategy of marginalization is to create some kind of institutionalized consensus about the rules of political competition -- usually by means of a "national pact" or

"charter" -- to which all the significant political forces in the country are a party. Middle Eastern regimes that initiate such pacts are pursuing a hidden as well as public agenda. The public agenda involves committing the main parties and personalities to behave as a loyal opposition. At the same time, the pact also defines the criteria for inclusion -- and exclusion -- from the political arena. Organizations with religious names, or which utilize essentially religious symbolism, can be excluded from formal participation even if they are not actually outlawed. Similarly, parties or movements of a transnational character may also be excluded. Islamist organizations such as the Muslim Brotherhood can be (and are) denied formal participation both because their names are religious and because they are obedient to an externally-based organization with branches in several other countries. The Tunisian and Jordanian regimes have each recently promulgated national pacts and have used them to try and marginalize Islamist groups. Yemen too has worked to create a similar kind of charter. Tunisia has been strict in interpreting its national charter so as to marginalize -- indeed, suppress, Islamist participation. In Jordan and Yemen, however, Islamist groups have been allowed to compete in elections and enter parliaments; that is why we consider those regimes as pursuing a strategy of limited accommodation rather than marginalization or exclusion.

(In a somewhat different way Lebanon functioned under a National Pact whose purpose was to fix formal power-sharing arrangements among sectarian communities; however, the purpose was not so much to marginalize religious-sectarian forces but rather to regularize their participation. Lebanon's pact obviously did not prevent religious radicalism among both Muslims and Christians in 1975 from overwhelming the rules of power-sharing and contestation and fueling a catastrophic civil conflict that may not be over yet.)

The Tunisian case is interesting because the *Ben Ali* regime came to power with relatively liberal credentials and initially appeared determined to reach some kind of accommodation with the rising Islamic populism rather than to suppress it by force. Indeed, the precipitating factor in Ben Ali's removal of the ailing President Habib Bourguiba in 1987 was Bourguiba's own heavy-handedness toward Islamist challengers. Ben Ali's takeover was accompanied by his rescinding of death sentences against Islamist militants; and even though some Tunisians were apprehensive about his career background in internal security, they welcomed his apparently liberalizing and democratizing intentions. The national pact hammered out in 1988 appeared to observers as an inclusionary, liberal document (see Anderson, 1991, p. 260); but in reality it masked the regime's intention to weaken opposition to the ruling RCD (Rassemblement Constitutionnel Democratique) in general, and Islamist opposition in particular.

The first year and a half of Ben Ali's regime seemed to bear out the expectations of liberal reform generated by his takeover. The new president issued amnesties for over 10,000 political prisoners, and committed Tunisia to observe international standards on the trial and punishment of suspects. But the government's promises to democratize were never kept. As early as January 1988, Ben Ali insisted on retaining the leadership of the RCD, over the objections of opposition leaders. The RCD was able to retain total control of the Chamber of Deputies, and the opposition boycotted municipal and provincial elections in June 1990. Not only did the government refuse to permit the Islamic party, *Al-Nahda*, to be officially registered, it began to arrest large numbers of the movement's supporters. Amnesty International, having initially welcomed the new government's liberalization policies, issued reports highly critical of the

government's suppression of human and political rights, the most recent in March 1992. According to this report, the government had arrested at least 8,000 *Al-Nahda* sympathizers since September 1990, holding thousands of them in prolonged incommunicado detention (Amnesty International, 1992, p. 30). It also reported hundreds of allegations of torture. Other independent external observers, as well as Tunisian officials and intellectuals, also insist that there is a climate of political repression in Tunisia today, with particular emphasis on what officials see as the Islamic threat.

This is not the place to discuss the substance of these reports or the Tunisian government's vigorous efforts to refute them; what is more germane is to ask why the government has adopted such a strategy and whether it is likely to promote political stability. Interviews with Tunisian officials reveal deep suspicion of the intentions of the *Nahda*: an unshakable perception that it is a subversive organization aiming at an Iranian-style revolution--not just in politics, but in all aspects of life. The *Nahda* was accused of having external linkages with an "Islamist International." Twice since June 1991 the government has claimed to have uncovered a *Nahda* plot to overthrow the government, although these charges are greeted with skepticism by many observers. Perhaps the President's background as an internal security official and his entourage of like-minded people predispose him to such an outlook. Perhaps the continuing problem of Tunisia's poor, unemployed, alienated, and youthful lower classes sensitized them to the problem of urban rioting. The outbreak of the Iraq-Kuwait crisis in August 1990, and the ensuing results, also possibly increased the nervousness of the ruling elite.

At bottom, perhaps, is the regime's sense that it lacks a robust legitimacy formula: it cannot claim to inherit the legacy of *Bourguibism* (although this legacy has lost much of its potency for younger Tunisians); nor can it claim to be broadly representative or untarnished by the perceived corruption of the state and the RCD. In short, the regime appears to maintain a very pessimistic view of the risks of democratization, and the threat of Islamism. Its pessimism has led it essentially to abandon its own blueprint for an opening to "risk-free" democracy as set forth in the National Pact. Of course, the possibility that the *Nahda* would in fact act in a subversive or revolutionary manner should it achieve any formal power cannot be ruled out, notwithstanding its leaders' commitment to play by democratic rules. But by promising democracy and then throwing down the gauntlet to a populist Islamic movement, it may have committed a self-fulfilling prophecy. Whether a strategy of marginalization by attrition will work depends on which side has the most stamina for the long pull. The evidence so far is inconclusive. According to The Washington Post in June 1991, "Tunisia Appears to Have Defused its Militant Fundamentalist Surge;" but six months later the same paper (and the same writer) declared, "Tunisia Faces Renewed Threat from Islamic Fundamentalists" (Jonathan C. Randal, The Washington Post, June 6, 1991 and January 11, 1992).

## Preemption

In the Middle East today there are four regimes -- in Saudi Arabia, Morocco, Iran, and Sudan -- that can, and do, make a claim to exceptional Islamic authority. The latter two are governed by radical Islamic movements that came to power relatively recently through revolution or coup; for the immediate future, at least, they would seem to have preempted any foreseeable

Islamist opposition challenge. The first two, however, are long-established monarchies, staffed by ruling elites not only long accustomed to power and privilege but also from social and cultural backgrounds very different from the present-day Islamist constituency: the poor and lower-middle classes, semi-educated, unconnected with the West. But the Saudi and Moroccan regimes ground their authority in Islamic legitimacy too. The Saudi-Wahhabi dynasty prides itself (although pride itself is sinful to Wahhabi Muslims) on an Islamic puritanism that abjures what it sees as the laxity, luxury, ostentation, and corruption of the historical Islamic mainstream. Operation Desert Storm revealed for Americans the austere Islamic ideology practiced in the Kingdom. As for Morocco, the King is more than a monarch: he is "Commander of the Faithful," an Islamic title fit for a ruler whose dynasty claims descent from the family of the Prophet Muhammad. The uneducated Moroccan masses, influenced perhaps by the heterodoxies of North African Islam, are said to believe that the King possesses magical God-given powers and that he enjoys divine protection. One might suppose, then, that these two regimes are, as it were, inoculated against any radical Islamic challenge. Yet such challenges exist, and each regime has deployed an array of tactics to coopt or override the challengers.

The Moroccan case, which I shall mention only briefly is instructive inasmuch as it juxtaposes a regime that enjoys traditional Islamic legitimacy against a society that displays all the traits of Third World socioeconomic volatility. Anti-regime protest in the past has emanated from the nationalist left, from Marxists, from ambitious military officers, and perhaps from the Berber minority. Mass protest has been rooted more in socioeconomic discontent than Islamist anger. In the riots of January 1984, according to one observer, Islamic radicals played only a marginal organizational role and were weakened owing to their fragmentation into as many as 20 different groups (Seddon, pp. 117-18). Moroccan diplomats claimed that reports of demonstrators displaying banners with Ayatollah Khomeini's picture were greatly exaggerated. *King Hassan II* appeared to enjoy widespread respect as chairman of the Islamic Conference. But the regime's policy toward Islamist (as well as other "unacceptable" opposition groups) has its coercive side as well. In 1990, for example, Amnesty International reported "scores of arrests" of members of an Islamic organization known as *Al-Adl w' al-Ihsan* (Justice and Charity). During the Gulf war King Hassan was challenged by hundreds of thousands of pro-Iraqi demonstrators, and he continues to have to cope with a formidable debt and massive unemployment. So far relatively little of this latent discontent has taken an Islamist form, and his preemption of Islamic legitimacy continues to be successful. However, as Munson remarks, "...it would be a mistake to assume that militant Islam will remain as politically impotent as it now appears to be... militant Islam in its more populist forms remains a tremendously powerful mode of political discourse" (Munson, 1986, p. 284).

The Saudi regime's Islamist "problem" is quite different from that of Morocco's. Saudi Arabia has a small, dispersed population, and an enormous oil income. But the regime's legitimacy rests historically on a particularly austere form of Islam, one with which today's super-affluent society seems far removed. In 1929, King **Abd al-Aziz ibn Saud**'s bedouin army, the *Ikhwan*, rebelled against the king's royal authority and rejected his pragmatic accommodations with Britain and the insufficiently puritanical *'ulama*. The *Ikhwan* were suppressed, but 50 years later a member of a leading *Ikhwan* family, *Juhayman al-'Utaybi*, led a two-week insurrection against the Saudi regime by occupying the Grand Mosque in Mecca. In addition to whatever personal scores he wished to settle, *Juhayman* and his followers were protesting the alleged

corruption of the royal family, the presence of alcohol in the country, and the "liberation" of Saudi women (Ochsenwald, 1981, p. 276). Anti-government demonstrations also erupted among the sizeable, and persecuted, Shi'ite minority in the oil-rich eastern province. Although the disturbances were finally put down (with French and perhaps American assistance), the events aroused understandable alarm in ruling circles, representing as they did the confluence of historic ideological cleavages and contemporary tensions arising out of the extraordinary development of Saudi society resulting from the oil bonanza.

The regime's response was, first, to tighten up the security apparatus, and second, to reassert its Wahhabite Islamic credentials. The Kingdom's most prominent Islamic jurist, *Shaykh Abd al-Aziz bin Baz*, began to play a more prominent role, both as advocate for stricter Islamic observance and as supporter of the regime. The *'ulama* (Islamic scholars) and clergy also assumed a more visible public role. The *mutawwifin* (guardians of public morality) were given greater latitude to enforce prayer and other observances. The King himself expanded his title to "Conservator of the Two Holy Places" (Mecca and Medina). In the Gulf crisis of 1990-91, King Fahd was persuaded to permit the stationing of a very large non-Muslim military force in eastern Saudi Arabia. Some members of the royal family reportedly were apprehensive about the possible negative consequences for the regime's Islamic credentials, and the regime quickly squelched the well publicized "drive" by Saudi women protesting the prohibition of women drivers. Nevertheless, tape cassettes strongly attacking the regime for its corrupt activities and collaboration with the immoral Americans apparently are widely circulated. King Fahd's announcement in March 1992 of his intention to establish an Advisory Council and undertake other reforms was seen both as a response to petitions from the Islamic and other sectors of Saudi society for greater participation. At the same time, powerful members of the ruling establishment, including Shaykh bin Baz, began to utter public criticism of the alleged excesses of the *mutawwifin*, and pledged to protect the sanctity of private homes from religious zealots. Saudi Islamists complained that the regime had begun a campaign of arrests of Islamic militants in January 1992, rounding up Saudis who had served in Afghanistan as *mujahidin* fighters against the communist government in Kabul. Shi'ites in eastern Saudi Arabia came under attack from certain Wahhabi clerics as heretics. Ironically, radical Islamists in other Arab countries (for example, Algeria) that Saudis had been financially supporting ridicule the idea that Saudi Arabia is an Islamic society.

To date, the regime has been successful in containing radical Islamic challenges, whether from the militant Ikhwan tradition, from Shi'ites, or from more modernist, alienated anti-Western elements. But Ochsenwald's observation is worth noting "... the traditionalism of Saudi theologians does not seem to offer any substantial answers to the new challenges facing their society." (Ochsenwald, p. 285). Notwithstanding its intensely Islamic legitimacy formula, its virtually unlimited financial resources and its demonstrated American security umbrella, the Saudi dynasty appears to feel itself on the defensive against new murmurings of Islamist protest and is scrambling to preempt the challengers.

## Limited Accommodation

Regimes that lack the capabilities for outright suppression or marginalization by attrition of Islamic movements and that also lack the ability effectively to preempt the Islamic agenda can turn either to a strategy of full inclusion, with all its perceived risks, or to a strategy of limited accommodation. The rulers of Egypt, Jordan, and Yemen recently have been following this course. It is not insignificant that these are rather poor, fast-growing and quite politicized populations, each with a deeply rooted Islamic tradition. Government in these countries is under variety of socioeconomic and/or ideological pressures that it is increasingly unable to contain mainly with threats and coercion.

In Egypt, President Hosni Mubarak's predecessors, Nasser and Sadat, each tried to "solve" their Islamist "problem" by repression: executions of leaders, mass arrests and detention. Sadat, having at first courted the relatively compliant Muslim Brotherhood, eventually became alarmed at the growing radicalized groupings (*gama'at*), tried to suppress them and in 1981 was murdered by an Islamist assassination team in the army. Mubarak set out to bring the "moderate" Muslim Brother leadership into the political arena as part of his modest liberalization program. Although not allowed to run as a political party, Muslim Brother candidates in alliance with other parties won small numbers of seats in the 1984 and 1987 National Assembly elections. But the Muslim Brothers along with all the other opposition parties (except the *Tagam'a*) elected to boycott the 1990 elections in protest over what they considered to be the unfair advantages given to Mubarak's ruling National Democratic Party.

The hiatus in formal Islamist participation has probably worked against the interests of the regime and the Brotherhood alike and casts a certain shadow over the "limited accommodation" strategy. Nevertheless, the strategy has saved the regime from a head-on confrontation with political Islam in general. Public expression and freedom of the press still provide an outlet for Islamist and other kinds of opposition opinion. Another advantage of allowing some Islamist elements success to the public arena is that they have to compete on equal terms with other parties and programs. Their own organizational problems help serve as a check on their growth. The Islamists are probably not more factionalized than other Egyptian opposition groups, but as Springborg notes, the Muslim Brotherhood has been weakened by internal divisions (Springborg, 1989, pp. 231-38). In terms of his own policy behavior, Mubarak has maneuvered deftly to mollify and defuse Islamic protest, for example by backing restrictions on women's employment, while pursuing other policies (out of *raison d'état*), such as the American connection, that are anathema to many Islamists.

If an inclusionary posture defines the political dimension of the regime's strategy, the security dimension involves full-time surveillance of the dozens of clandestine Islamist organizations that are capable of resorting to violence. The food riots of 1977 and the police riots of 1984 revealed how such groups can inflame socioeconomic tensions. The Egyptian government has been quite heavy-handed in its treatment of certain Islamist groups, as several human rights reports demonstrate (e.g. U.S. Department of State, Country Reports on Human Rights, 1990, p. 1366; Amnesty International, Egypt, January 1992). Notwithstanding the zealotry of certain Interior Ministers, the sheer size and density of Egyptian society makes it

difficult to guarantee security from the kind of violence that was directed against Sadat and several other officials.

Sporadic and recent attacks by Islamic militants on Egyptian Coptic Christians are another indication of the tensions beneath the surface of Egyptian society. Most recently (on June 9, 1992), Egyptians were shocked by the assassination of the prominent writer *Farag Fouda*, an acerbic critic of the radical Islamists, at the hands of a member of the *Jihad* (Holy War) organization. It brought to mind the murder by Islamists of *Rifaat al-Mahgoub*, the speaker of the Egyptian parliament, in December 1990, and revealed yet again the continuing seriousness of the radical Islamist challenge. At the present time, newspapers report that hundreds of Islamic militants are in detention. Mubarak (unlike several other Arab leaders) seems to be aware that the costs of outright suppression may be greater than the state can afford. And while analysts (e.g., Springborg, p. 244) give him high marks for a sophisticated approach to the Islamist phenomenon, they also caution that Islamic radicalism could spill over the institutional channels that he has constructed to contain it.

Jordan is so small compared to Egypt that the whole country could be swallowed up in one of the districts of Cairo. But within its scale it is in its way an even more politicized society than Egypt. Ruling in the vortex of the Arab-Israeli conflict and inter-Arab politics, King Hussein entitled his autobiography, *Uneasy Lies the Head*. With a population now two-thirds Palestinian and the economy in shambles as a result of the sanctions on Iraq resulting from the Gulf war, Jordan at first glance would not seem to be a suitable place for an experiment in democratization. Yet the King -- perhaps the shrewdest of all the Middle Eastern leaders -- decided following the economic riots of April 1989 that the kingdom's survival depended on a political opening (Abdul-Rahman and al-Khouri, pp. 144-46).

In November of that year Jordan held its first full and free legislative election in three decades. Islamists won 34 out of 80 seats in the lower chamber, more than any other political bloc. It is said that the King and his advisors were shocked by the strength of the Islamist showing, but they did not panic. Instead, they allowed its representatives to participate in the cabinet as well as the parliament, and they resisted the temptation to curb the somewhat sensationalist Islamist press. This political opening made it possible for the regime to recover from the economic stagnation, public disgust over governmental corruption, and the paralysis in the Palestinian Israeli "peace process." The astuteness of this move could only be fully appreciated a year later when the Iraq-Kuwait conflict broke out, creating one of the most serious crises Jordan had ever faced. Buffeted by Saddam Hussein's aggression, Kuwait's expulsion of thousands of Palestinians and Jordanians, Washington's anger over King Hussein's criticism of U.S. military involvement, and Israel's menacing stance, the King emerged more popular than he had ever been. Despite their deep differences with the Palace on other issues, the Islamists -- now with a stake in government -- demonstrated their solidarity.

The King kept his nerve because, in the first place, he possesses powerful Islamic legitimacy as a *sharif*, a lineal descendant from *Beni Hashem*, the tribe of the Prophet Muhammad. Second, he also possesses an efficient and feared internal security agency, the General Intelligence Department (*Mukhabarat al-'amma*). As a small state, Jordan is easier to police than Egypt or the north African countries. Third, he may well have found it useful for

a sizable Islamist bloc to emerge as a counterweight to the nationalist-leftist tendency, which has historically been more troublesome to the Palace than the Islamists. Fourth, he was convinced that he could write and enforce institutional rules designed to prevent an Islamic (or any other party) from gaining too much control. To that end, Islamists along with other political tendencies participated in the drafting of a National Charter in 1991 to set forth the political "rules of engagement". Among other things, political parties are forbidden to have external linkages and they are not allowed to organize within the armed forces or security bureaucracies. The question of external linkages is directly germane to the Muslim Brotherhood, which has a trans-national leadership based in Germany and branches in several Arab countries.

A campaign anecdote may illustrate how that question figured in the 1989 elections and, more generally, how Islamists and (relative) secularists debated each other. A hotel manager (and ally of the Palace) who was elected from *Aqaba* described how in the campaign he was attacked by his Muslim Brotherhood opponent as a secularist, a man of loose morals (being a hotel manager), and corrupted by Western habits; but the hotel manager counterattacked, accusing his Islamist opponent of being obedient to a foreign-controlled organization. And he quoted King Hussein who had said that since all Jordanians are Muslims they don't need a Muslim party to represent them. Both candidates won seats.

So far the Jordanian regime's strategy of limited accommodation is holding. But the stresses on the system are growing. In 1990, as the King prepared to join the U.S.-sponsored "peace process" with Israel, the Islamist partisans loudly objected. Subsequently 50 members of the lower house (including the Islamists) expressed no confidence in the government of Palestinian-born *Tahir al-Masri*; although the petition had no legal standing since parliament was not in session, Masri resigned anyway. The Islamists also voted no confidence in the newly appointed government of the King's cousin and longtime troubleshooter, Major-General *Sharif Zayd bin Shakir*; but the government won the vote. With no Islamists in ministerial positions, the new government continued actively to participate in the peace talks.

Another ominous development was the arrest in 1991 of 60 Islamic radicals for acts of sabotage carried out by two clandestine organizations, the Holy Warriors in the Name of God and the Prophet Muhammad's Army. With the prospects of a long-term economic crisis news sources reported earlier this year that domestic political tensions were rising and that Muslim fundamentalists in particular were complaining of secret police surveillance, harassment, and arrests (The Middle East Reporter Weekly (Beirut), February 22, 1992, p. 15). An academic specialist stated that "the country faces growing polarization, both between the regime and the opposition (leftist and Islamist) and between secularists and Islamic militants." She went on to contend that the Muslim Brotherhood wanted to use democratic forms to gain power and then "alter the political and socio-economic structure" (Amawi, 1992, p. 8). Thus, even the most successful example of limited accommodation provides scant confidence about future stability.

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## Full Inclusion

We conclude with a brief remark about the fifth and final regime strategy for dealing with radical Islam: full inclusion. Our remark is brief because there is no case in recent years of this strategy being fully carried out. A strategy of full inclusion means simply that a regime institutes liberal democratic procedures, with majority rule coupled with protections for individuals and minorities and more stringent voting procedures for constitutional amendments and the like. Full inclusion means taking responsible Islamist spokesmen at their word when they insist (as do Jordanian Islamists, for example) that they will abide by democratic practices and constraints; moreover, there should be rules in place to ensure that they do so whether they wish to or not. It also means terminating the interference of internal security services in normal political life, especially their campaigns against Islamist or other oppositions that a regime regards as strong and threatening. The only Middle East regimes where something approaching this model exists (with qualifications in each case) are in Turkey, Israel, and Iran; there are no Arab cases.

The only Arab regime to approach this model was Algeria between October 1988 and December 1991. During that period, the government and (reluctantly) the ruling National-Liberation Front of President Chadli Benjadid instituted a new constitution and sweeping liberal reforms that paved the way for provincial municipal and then legislative elections under a multi-party system with a newly free press. The process was aborted after the first round of legislative elections when a cabal of security and military officials forced Benjadid's resignation and set about to reverse the substantial political gains made by the Islamic Salvation Front (FIS). In a truce Algeria moved from one end of our spectrum to the other, and the regime is now attempting to liquidate the FIS altogether.

The immediate lessons of the collapse of the process are easier to calculate for Algerians than for the rest of the Arab world. In Algeria itself, the FIS and likeminded organizations appear to have drawn the conclusion that protracted armed struggle is the only course open to them, while the government is struggling first to suppress Islamism and then to reconstitute a "democratic" political order without them. But it will be more difficult for the Algerian authorities to eradicate the movement as effectively as the Syrian government emasculated its Islamist opposition owing to factors as basic as size and distribution of population, geography, topography, and even perhaps the "embeddedness" of Islam in the political culture.

In the longer term, everything depends on which side wins -- or, indeed, whether either side can win at all. As for regimes and ruling elites across the Arab world that must be watching the Algerian drama with the greatest attention, most, I suspect, are applauding the crackdown and arguing that it should have come sooner; and some non-Islamist opposition groups may have similar views -- for the moment. But if the crackdown cannot be accomplished decisively and the costs of suppression begin to mount without any end in sight, the virtues of accommodation may become more apparent. Islamic forces elsewhere in the Arab world may "learn" from the Algerian experience that they cannot expect to attain real power through democratic procedures. But that does not necessarily mean that they will cast their lot with "armed struggle," if only because it too may not be successful. Contemporary Arab regimes may lack legitimacy but they do not lack formidable coercive power, so there may be rational grounds for Islamists to consider accommodations at least as a tactic. In this respect, it is plausible to imagine that some Islamist

analysts are now faulting the FIS (or at least its more extreme spokesmen) for having articulated too revolutionary a program, thus gratuitously frightening the ruling establishment. Until the ongoing struggle between regime and Islamic opposition in Algeria comes to some kind of resolution, one way or the other, the lessons of Algeria will be ambiguous.

## Conclusion

One can debate the moral, philosophical, and political merits (or demerits) of the abortion of Algeria's democratization experiment. Without doing that, let us simply raise the question whether it shows that a nonviolent, orderly transfer of supreme executive power is, for all practical purposes, impossible in Arab political systems at the present time. If the answer is yes, then there are interesting -- perhaps depressing -- implications for democrats and for Islamists. Either end of our spectrum of strategies -- full exclusion or full inclusion -- seems to lead to violence and instability. Advocates of genuine democracy and of Islamist government might draw the conclusion that they can only fully succeed if they can muster sufficient revolutionary force. Short of that, perhaps their most satisfactory outcome is what we have called limited accommodation. Regimes might draw similar conclusions. If full inclusion means to Arab ruling circles some probability that they will have to abdicate power, and if they refuse to accept that outcome, then they should try something else. But full exclusion, or even marginalization by attrition may prove to be very costly strategies. They too, perhaps, should see the wisdom of limited accommodation.

But is limited accommodation a stable solution? Only to the extent that the rules of accommodation are perceived by mainstream Islamist and other opposition parties as legitimate. At the moment in Jordan, Egypt, and Yemen it would seem that the terms are acceptable -- there is some (but not much) access to influence if not power, and there seems to be a perception that greater influence might be possible in the future. If such perceptions seem naive, remember the context: limited accommodations represent an improvement over previous unadulterated authoritarianism, and so even cynical participants might be pardoned for harboring the illusion of an ongoing process of liberalization. But if the illusion -- not to mention the reality -- of future theoretical full inclusion fades, then the center of gravity in the Islamist sector is likely to shift away from mainstream organizations toward the clandestine radicals.

The logic of limited accommodation points in the direction of full inclusion. Full inclusion need not be a license or springboard for Islamist or any other opposition groups to take over governments and (re)introduce authoritarianism: constitutional limitations, checks and balances, and independent judiciaries are the instruments for preventing such outcomes. It is by no means clear that Islamist groups fully included in a liberal democratic political process would have the ability to form governments singlehandedly or bring about constitutional changes legally, as the limited popular and parliamentary strength of such parties in Jordan, Egypt, Yemen, Lebanon today indicates.

The main obstacle to the process toward full inclusion is the unwillingness of leaders and regimes to contemplate relinquishing power by legal or any other means. The patrimonial regimes, notably Saudi Arabia, balk at all but the most cosmetic gestures toward power-sharing.

The ruling family of Kuwait, which for a time had gone farthest toward liberalization, backtracked even before the Gulf war, not because of an Islamist threat but because it could not countenance any serious challenge from any source to its authoritarianism. The leaders of "republics" like Syria, Iraq, and Libya seem equally unlikely to permit liberal-democratic power sharing unless they are forced to, either by domestic pressures that become too costly to suppress or through international pressures -- or both. Pressures from both sources appear to be increasing. Limited accommodation, therefore, would seem to be a modality worth encouraging, not as an end in itself, but as a transition phase toward full inclusion of all parties (Islamists included) prepared to play according to liberal-pluralist rules of the game. Difficult as it may be to pursue this process, it may be the best way to promote future legitimacy and stability.

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## V.

### **Islamic Finance: Islamic "Fundamentalism" and Political Liberalization**

Clement Henry Moore\*

#### **Introduction**

As Henry Munson has indicated, Islamic "fundamentalism" takes many political forms far removed from images of fanaticism or the "fascism" Manfred Halpern projected three decades ago.<sup>1</sup> Labeling them all as "fundamentalist" is misleading<sup>2</sup> and may play into the hands of local tyrants (and external adversaries of the Arab Islamic world) who would conjure up the specter of a totalitarian monolith as an excuse for staying in power and abusing human rights. Specters, too, of a "resurgent" Islam since the early 1970s may obscure the Islamic impulses that underlay previous nationalist movements in the various Muslim countries and in the Arab world as a whole. Nevertheless, major opposition movements, disenchanted with Arab nationalism, socialism, and other "western" ideologies, have attempted in recent years to appropriate Islam to their respective causes in various Arab countries. The example of the Iranian revolution encouraged these opposition movements and stirred fears in ruling circles of the Islamic tide that they had originally tried to use for their own ends. Were elections to be conducted as freely in Egypt and Tunisia as they were in Algeria in 1990 and 1991, the results might well be similar. But should the American government be as fearful of these Islamist ("fundamentalist") movements as some of the target governments?

It is argued here that:

- Islamist movements in North Africa have tended to favor the economic liberalization policies of the World Bank and other free market oriented international agencies such as AID.
- Islamist movements do not have any blueprint for economic reform but the Islamic "solution" calls for interest-free banking.
- Islamic financial institutions have developed constructive patterns of coexistence with western institutions, notably in the commercial banking sector.

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\* Clement Henry Moore, University of Texas at Austin.

<sup>1</sup> Manfred Halpern, The Politics of Social Change in the Middle East and North Africa, Princeton University Press, 1963.

<sup>2</sup> See Robin Wright, "Islam and Democracy," Foreign Affairs 71:3 (Summer 1992), p. 131, for the useful observation (among others) that Islamist movements share more with Catholic Liberation theology than with Christian "fundamentalism."

- Patterns of coexistence in the banking sector may encourage further institutionalization of political pluralism.
- AID might usefully collaborate with Islamic financial institutions in areas of mutual interest such as small business startups.

### Islamist Economic Policies

While there is only one Islam, it takes many contemporary forms, only some of which are politically radical in the sense of aspiring to political power with the purpose of making society totally to conform to Islam, whatever that might mean. Far from being monolithic, radical or totalistic, Islamist movements do not share a common political praxis but rather tailor their strategies and policies to the respective national environments in which they operate. Few of them have much to say about economic policies, however, and the corpus of contemporary "Islamic economics" offers few concrete guidelines from which one might infer a particular set of policies. Tunisia's *Nahda Party*, for instance, articulated a constitution and a program but offered only three general economic guidelines, each of them utterly vague and uncontroversial in Tunisia's context.<sup>3</sup>

On 7 March 1989, however, Algeria's *Front Islamique du Salut* (FIS) released an amazingly detailed program which had probably been elaborated in exchange for formal recognition by the authorities as a political party. It is all the more significant as a clue to Islamist economic thinking in North Africa because Algeria had practiced a more extreme form of state socialism than Tunisia or Egypt. Islamist parties normally adapt their prescriptions to their local environments, but the FIS program marked a sharp break with mainstream thinking about economic policy within the governing Front of National Liberation (FLN). It also constituted tacit support for the bold economic reforms President Benjedid was introducing against the political mainstream, following massive riots of October, 1988, in which at least four hundred lost their lives. It is hard, in fact, to understand how the presidency could have accelerated Algeria's reform process in 1989 and 1990 without this tacit support from the FIS.

In addition to supporting Algeria's new multi-party system and denouncing the "egoism, corruption, and individualism" of the old regime, the program called for a basic reorientation in economic policy. It bitterly attacked the old system of economic planning which had favored large-scale industrial "parasites" and urged that priority be given to agriculture. Without explicitly calling for the return of agricultural lands to their former Algerian owners (implemented in 1990-91), the FIS insisted on an end to "abusive expropriation," citing an appropriate *hadith* (reported citation of the Prophet Muhammad). While favoring "industrializing industry" to complement agriculture, the FIS also called for "precise limits to state intervention

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<sup>3</sup> The three economic goals are 1) to build a strong and cohesive national economy...2) to accomplish cohesion and complementarity between the private and the public sectors in order to serve the national interest, and 3) to emphasize the importance of work...See The Renaissance Party in Tunisia: The Quest for Freedom and Democracy, Washington, D.C., July 26, 1991. An earlier version of the second goal was "to promote the complementarity and equilibrium between the public, private, and cooperative national sectors to better serve the national interest." It echoed programs of the ruling party propounded since 1964.

in industrial property to protect the private sector while seeing to it that the latter not be transformed into monopoly against the public interest and open the door to social, political and economic parasitism." State monopolies on commerce were also to be abolished "except to safeguard major political or economic interests." Free trade was to be encouraged "gradually, so as to prevent a disequilibrium between imports and exports." Subsidies were also to be gradually eliminated. The Algerian dinar, then selling in Paris for less than one-fifth of the official exchange rate, was to be "revalued in the sense of equalizing monetary value at home and abroad in light of financial conditions and those relative to imports and exports which are the real stimulation to production" -- in other words, **devalued**. Finally "it is imperative to review relations with the IMF and other financial and commercial organizations responsible for the current world crisis. The question of [Algeria's foreign] debt must be raised in light of the new political, economic, and social policies proposed by the FIS." Indeed the Algerian government wrote its first letter of intent to the IMF in April 1989, one month following the elaboration of the FIS program. It promised a progressive devaluation of the dinar which Benjedid pressed a succession of governments to implement in 1990 and 1991 in the face of an FLN dominated parliament.

If the president ultimately proved incapable of keeping his old military cronies in line, he seems in retrospect to have had a sensible political as well as economic strategy. In return for allowing free municipal elections in the summer of 1990, before Algeria's many other political parties had time to organize, the FIS acquiesced in his policies of structural adjustment. The FIS program was published in the *Tribune d'Octobre* (a monthly generally sympathetic to Ahmed Ben Bella, Algeria's former president) in Switzerland, not Algeria, but FIS confined its criticism of Algeria's highly controversial economic policies at home to matters of form rather than substance. In Algiers its official weekly, *Al-Munqid*, mocked the legislation establishing a strong central bank, a core element of the reforms, for copying certain French legislation verbatim but did not challenge the reform (issue no. 19, 21 Dhi Al-Kaada 1410, i.e. 14 June 1990, p. 8).

It may be objected that the tacit support of the FIS for Algerian structural adjustment programs was merely a tactic for achieving power. Once the military ousted Benjedid, in January, 1992, to prevent the FIS from winning the second round of the legislative elections, the elements of the FIS leadership which survived the military crackdown are reported to have repudiated the program. Unfortunately it will never be known whether Benjedid, a multiparty system, and structural adjustment might have survived a large FIS majority in parliament. Amid rumors of negotiations between Benjedid and the FIS, the army had moved swiftly to preempt any "cohabitation. "

### **Islam's "Solution": Interest-Free Banking**

Rhetoric and tactics aside, radical Islamist movements claim to have a blueprint, derived from the Quran, *hadith*, and contemporary science, of the Islamic society they are so intent to create. "Islam is the solution," Islamists insist, and the slogan implies that Islam is a complete system of commands and norms that should govern all aspects of human existence. "Islamic economics" is one aspect of this total social vision, and it has generated an immense

multi-disciplinary literature (Kuran, 1986, 1989). Much of it is written by scholars specializing in Quranic studies, in the *hadith*, or sayings of the prophet, and in Islamic ethics and jurisprudence, but western trained Muslim economists, too, have contributed in recent years to the growing body of literature. In fact "Islamic economics" incorporates most of the econometric techniques of mainstream economics, but there seems to be little that is distinctively Islamic in its principles of equality and fairness. Islamists also naturally tend to vary in their emphases, depending on the national context in which they operate and the constituencies they are attempting to mobilize. The postulate which stands out as the most distinctively Islamic, shared by the most Islamists in the contemporary world, is the equation of usury, which Christian doctrine also condemns, with any form of lending that obligates the borrower to pay a fixed rate of interest. Islam's prohibition of interest is indeed "the most celebrated" of the homilies and injunctions that constitute Islamic economic theory (Kuran, 1989, p. 174). Its practical application has also generated the most attention among Muslims and non-Muslims alike and may offer the most useful way of understanding the impact of Islamist theory and discourse on contemporary Muslim societies. Not all practitioners of interest-free banking are radical Islamists, nor do all radicals make common cause with the bankers who currently practice it, but Islam's new financial institutions are central to any Islamist vision of society that contains an economic dimension.

Unlike other businesses that happen to be run by Muslims, Islamic financial institutions are distinctively and self-consciously Islamic. "Islamic" banks distinguish themselves from the mainstream of conventional western-style banks operating in Muslim countries by rejecting the conventional banking practices of charging interest on loans and paying interest for deposits. Levying any fixed cost on the use of money is viewed as *riba* or usury. Like other financial intermediaries, however, Islamic banks make profits from putting the savings of investors at the service of borrowers. Instead of charging fixed rates to borrowers, they share in the profits -- and risks of losses -- of the latter's business transactions, and they divide up their share of the profits, in turn, with investors who have deposited funds in the bank. Rates of return, calculated *ex post facto*, are variable, a function of the complex of business transactions, rather than a predetermined, fixed rate which would be tantamount to interest.

These institutions did not exist in medieval Islam, where various financial functions were carried out by trading houses. Rather, they constitute an effort to apply principles of Islamic justice to the contemporary world by Islamizing certain of its aspects. Far from being "traditional," they have attempted to project distinctively Islamic financial instruments into the specialized world of modern finance. While advocated in the program of the FIS discussed above as well as by other Islamist political movements, they have also served the political strategies of authorities as well as Islamist oppositions. Indeed, Egyptian President Gamal Abdul Nasser was the first major politician of any Muslim country to sponsor and try to use them for his political purposes. He was seeking ways in the early 1960s of neutralizing the appeals of the Muslim Brotherhood, four leaders of which he had executed in 1955.

Nasser permitted Dr. Ahmad Al-Najjar to pioneer the concept of Islamic banking in an Egyptian province in 1963. Najjar's experiment in *Mit El Kom, Dakahlia*, was based upon the German credit cooperatives, the Sparkassen, which he had encountered as a student. As late as 1966, after Nasser had cracked down a second time against the Muslim Brotherhood, Najjar

recalls enjoying official support and publicity for opening a branch in Heliopolis, Cairo. Although this first attempt at interest-free banking failed, Sadat sponsored the establishment in 1970 of the Nasser Social Bank along similar Islamic lines. Just as Nasser had earlier promoted his own political agenda by supporting Najjar's efforts, Sadat, too, harbored political designs (courting Islamist opinion against the apparatchiks of Nasser's Arab Socialist Union). They converged with those of some of the conservative Gulf states which already in 1970 had promoted a resolution at the Second Conference of Islamic Foreign Ministers recommending a feasibility study for an Islamic Bank. The Islamic Development Bank was set up in 1975 as a consortium of 44 members of the Conference of Islamic States. During the same year the Dubai Islamic Bank became the first privately owned bank to be established on Islamic principles. By the end of 1991 at least 68 banks had spread across the Muslim world from Senegal, Mauritania, and Algeria to Bangladesh. Moreover since 1980 the Central Bank of Egypt permitted conventional banks to open Islamic branches to supplement the activities of the Faisal Islamic Bank of Egypt, which would become Egypt's largest privately owned bank. By the end of 1991 some 58 Islamic branches of eleven commercial banks were functioning in this country alongside three Islamic banks.

Most of the banks belong to two transnational networks which compete with one another: Prince Mohammed Al-Faisal's *Dar al Mal al Islami* and Sheikh Salah Kamel's *Al Baraka* Group. Both are owned by private sector Saudis -- Prince Mohammed is a member of the royal family but does not enjoy official support from the Saudi government -- although their applications to establish official commercial banks in Saudi Arabia were still pending in 1992. The prince is a respected but controversial son of the late King Faisal who studied business in the United States and who once suggested harnessing an iceberg to meet Arabia's water needs - an idea which some engineers now believe should have received more serious attention. He is an innovator who also shares his father's reputation for piety. Sheikh Salah, by contrast, is a self-made businessman who developed an international bank in tandem with his business enterprises. He, too, is a determined and principled innovator. Two other major centers of Islamic financial power deserve mention. The Kuwait Finance House, roughly twice the size of Islam's next largest (Faisal Islamic Bank of Egypt), took its first international steps in 1988, following Dar al Mal and Al Baraka by investing in Turkey's third "special finance house." That year the giant Al-Rajhi Company for Currency Exchange and Commerce also entered the formal sector of Islamic banks. Obligated to become a bank so as to continue investing its clients' deposits, Al-Rajhi had insisted on a special Islamic status and, suitably restructured, held its first shareholders' meeting on October 27, 1988. It has not yet moved out of Saudi Arabia to form joint ventures in other Islamic countries.

These Islamic institutions all belong to what I call the formal sector in that they are subject to regulations of the financial authorities of the countries where they operate (although the holding companies of the Dar Al Mal Al Islami (DMI) and Al Baraka Group are domiciled in the Bahama Islands and Luxembourg, respectively). They should not be confused with the informal investment companies which emerged in Egypt and Jordan in the mid-1980s out of the parallel foreign exchange markets fueled by workers' remittances from the Gulf. Virtually all of the Egyptian so-called "Islamic" investment companies subsequently collapsed, once the Egyptian government imposed legal procedures for their reform in 1988. However, their marketing techniques built on Islam's mobilizing capacities. Some of them sought to certify their

"Islamic" character by applying in the mid-1980s for membership in the **International Association of Islamic Banks**. The IAIB was founded under the auspices of the Conference of Islamic States in 1977. Chaired by Prince Mohammed, it is a voluntary association to which twenty Islamic banks, including most of the DMI group, the Dubai Islamic Bank, and the Kuwait Finance House (but only one member of Shaikh Saleh's Group, Al Baraka Bank of Sudan) were affiliated in 1991. Despite the efforts of Dr. Najjar, its secretary general until 1991, the IAIB rejected the applications of three major Egyptian investment companies. In other words these companies failed to obtain any independent certification of their "Islamic" practices that might have helped them integrate into the formal Islamic financial sector.

Many Islamic financial institutions nevertheless belong to the formal sector without paying steep membership fees to the IAIB. Some Islamic investment companies, too, are officially recognized and regulated by their host country governments but do not take the form of commercial banks. For instance, in Morocco Al Baraka has a leasing company but no bank, for the existence of an Islamic bank might imply that His Majesty's economy is not Islamic. Technically the Kuwait Finance House is not regulated like a commercial bank. It is guaranteed by the Kuwait Investment Authority and subject to the regulations of the General Investment Organization of the Ministry of Finance rather than the Central Bank of Kuwait.

Only three central banks in the region, those of Jordan, the United Arab Emirates, and Turkey, have developed special regulations for their official Islamic sector. In the other countries the Islamic banks must conform to commercial or investment bank regulations like any other bank. In practice, however, they have worked out informal arrangements. In Egypt, for instance, Faisal Islamic Bank does not keep as high a proportion of deposits on reserve with the Central Bank as other commercial banks -- on the ground that they are investments, not deposits; however, a full third of its depositors' "investments" are farmed out to the Central Bank which acts as a *mudarub*<sup>4</sup> importing basic foods and sharing the profits with them. In Tunisia BEST Bank (Al Baraka Group) was originally set up offshore but then permitted, after an amendment to offshore banking regulations passed in 1985, to transact a certain amount of business in local currency.

Islamic banks of what I call the official sector also subject themselves to Islamic regulations. Banks affiliated with the IAIB have devised general procedures, including religious advisory councils, to apply sharia law to issues of contemporary finance. On occasion these councils have significantly redefined a bank's strategy. Faisal Islamic Bank of Egypt, for instance, was obliged in 1987 to terminate forward contracts in international markets. The more cohesive Al Baraka Group, by contrast, sponsors seminars for exchanges of ideas between religious authorities and professional bankers. All of the Islamic banks have recruited professional nonIslamic bankers to manage their operations. In fact the IAIB's efforts to develop a specialized institute in Turkish occupied Cyprus to train young Muslims to be Islamic bankers

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<sup>4</sup> In a *mudaraba* the bank supplies the capital and receives a prearranged share of the borrower's (mudarrub's) eventual profits. Other distinctively Islamic financial instruments include *musharaka* and *murabaha*. *Musharaka* is a flexible form of equity financing: the bank holds shares in the borrowing firm's equity and participates in its management but may be bought out by the other partners' shares of subsequent profits. *Murabaha* is a form of short term trade financing whereby the bank sells a good to the borrower for the deferred payment of a marked-up price. Most Islamic lending takes this latter form.

had to close its doors in 1984 for lack of students. Nevertheless all of the official Islamic banks, however diverse their procedures and in some cases their financial practices, seem determined gradually to transform the conventional banking system into an Islamic one by altering the balance of financial power. Such gradualism -- a readiness to work within the system and to tolerate different points of view -- should be appreciated by political liberals of all religious persuasions.

Did informal "Islamic" financiers share these objectives, even though the IAIB did not accept their bids for membership? The most notorious of the Egyptians certainly sounded like an Islamic banker. "Islam will in the end impose itself as an economic power with which others will have to reckon. This system is quite capable of presenting new solutions to economic problems in countries which apply it integrally in a coherent manner..."<sup>5</sup> Or so *Mohammed Tewfik Abd Al Fatah*, the director general of The Rayan Company for Investment claimed shortly after his firm had been caught short on the international gold market, losing nearly \$ 100 million of its "Islamic" investment deposits and prompting a run on the remaining funds. His pronouncement of course excused any poor performance on the part of Islamic financial institutions -- even downright mismanagement -- as long as his country's economic system was not fully Islamized. Official Islamic banks had sometimes made similar mistakes and suffered even greater losses in commodities markets and, in 1991, investments with the Bank of Commerce and Credit International (BCCI).

Ideologically, however, there was little interaction between the official and informal, outlawed sectors. They differed not so much in their religiosity (who but God might know?) or strategies of change-gradualist versus radical -- as in their educational and professional backgrounds. The Egyptian money-changers had little formal education or familiarity with the world of modern organization, whereas the managers of the formal sector shared the same professional backgrounds of other bankers. With some exceptions, like the Sharif Group headed by a Muslim Brother, Egypt's informal Islamic financiers simply lacked the organization or expertise needed to record and handle large sums of money over long periods of time.

## The Coexistence of Islamic with Western Financial Institutions

The formal Islamic banking sector has illustrated constructive patterns of coexistence with western-style banks and businesses in a number of Muslim countries. The Islamic banks have been able to survive in a conventional banking environment despite major self imposed limitations. A conventional bank can deploy any of the Islamic bank's financial instruments, whereas Islamic banks cannot lock into fixed returns or promise their depositors a fixed income. Their Islamic appeal, however, enabled them to attract new depositors and capture others from conventional banks. By 1990 they had gained up to 15 or 20% of the commercial bank deposits in some of the Arab countries and almost 2% of the deposits outside government and the public sector in "secular" Turkey (Table 1) -- where they were growing faster than the banking system as a whole (CBRT, AR 1990, p. 50). In Egypt they had gained almost 30% of the deposits of

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<sup>5</sup> Cited by Stéphanie Parigi and Isabel Malowany, "*Une solution islamique pour l'économie égyptienne?*" *Médias France Intercontinents*, no. 063 (18 March 1987).

private sector banks by 1985, their high point before other Islamic competition cut into their market share (Table 2). The competition had come from the informal sector, the "Islamic" investment companies that had mushroomed in the mid-90s in Egypt and Jordan with the help of remittances from workers in the Arab Gulf states. Evidently the formal sector managed to survive the collapse of the investment companies, though their collapse tended to discredit "Islamic" finance in the eyes of hundreds of thousands of Egyptian depositors deprived of expected dividends and of access to their principal after the companies ceased payment in May, 1988.

Faisal Islamic Bank (FIB), by far the biggest in Egypt's formal Islamic sector, had difficulty not so much in attracting deposits as in finding creative ways to invest them within the confines of practices acceptable to its religious supervisory board. Without adequate investment outlets there could not be sufficient profits to reimburse the depositors with competitive rates of return -- prevailing interest rates at other commercial banks plus, perhaps, a risk premium for the uncertainty of the return. Islamic banks could not usually earn as much as conventional ones because of the risks associated with their methods of long-term lending (Moore, 1990). FIB claimed, however, to have placed 80% of its domestic "investments" (i.e. loans, not shareholding in other companies) in medium or long term operations (FIB, 1990, p. 24). Its annual reports do not break down the distribution by instrument, but those Islamic banks that provide such information generally lend over 90% in the form of murabaha (trade financing). In any event, when FIB's financial performance is compared with that of other private sector banks, it turned out to be mediocre but nevertheless a cut above many of Egypt's private sector banks which will probably soon be dissolved, obliged to merge with other banks, or bailed out by the public sector in accordance with Egypt banking law passed by the People's Assembly on June 1, 1992. On the revenue side (Total interest or equivalent income earned, divided by total assets), FIB did not quite keep up with Egypt's highest performing joint ventures. On the other hand, with as many deposits as the two of them combined, it could not confine its services to Egypt's top multinational and local businesses. Compared to the larger public sector banks, FIB held its own, as Table 3 suggests.

Like many Egyptian banks, FIB had difficulty keeping up with Egypt's interest rates since they were deregulated in early 1991. The bank's quarterly payment to depositors in the winter of 1992 was calculated to be about 16% on an annual basis, more or less the prevailing rate. It was evidently being squeezed, but no more so than other banks adapting to new Egyptian preferences for high interest on local currency over the safety of lower rates on foreign currencies. FIB suffered from the same lack of productive investment outlets in Egypt that afflicted so many conventional Egyptian banks. In the desperate search for adequate revenues it had sometimes invested poorly on international commodities markets. In 1987 the Central Bank removed FIB's governor for losing at least \$50 million on foreign markets. In 1991 the bank experienced the misfortune of entrusting the notorious Bank of Credit and Commerce International (BCCI) with "a forward contract on goods," as an Islamic banker described it. The deal may have been part of a larger exposure of DMI to the BCCI rumored to have cost the Faisal Group some \$400 million. But the authorities could be expected to favor FIB much for the same reasons they had chosen in 1988 to crack down on the informal Islamic sector. Mubarak's overall political strategy was to absorb and incorporate moderate Islamist elements

into the regime while cracking down on businesses as well as political groups that evaded government regulations.

Egypt's other seasoned Islamic bank, however, was in more serious trouble. Plagued by shareholder disagreements, IIBID had twice been put into government receivership. Sherif, the respected informal financier, had bought into the bank in 1988 but then his investment company suffered liquidity problems and suspended payments. In 1990 IIBID lost over half its deposits. From having just over half FIB's deposit base in 1985, it now had less than one tenth and risked being surpassed in the early 1990s by Al Baraka's new bank. The Egyptian Saudi Finance Bank, as *Al Ahram* was renamed, was saddled with debts from the previous management. In 1990 the balance sheet still featured loans (almost half of which were irrecoverable) amounting to twice its deposits. However, the bank was quite small and well capitalized, and Sheikh Salah already had a substantial if languishing group of businesses in Egypt which could be a nucleus of reliable borrowers.

Islamic bankers of the formal sector did not share any distinctive professional profile that might distinguish them from other commercial bankers in the region. In fact both the Faisal and Al Baraka groups have without exception recruited experienced bankers or economic bureaucrats to staff their respective joint ventures. In Egypt, for instance, a former central bank governor (from Nasser's time) chairs FIB, after Prince Mohammed had attempted to recruit one of Egypt's top professional bankers, rather than an administrator, to fill the position. Islamic bankers seem as committed as other professionals to transitions to a market economy, and the extent of the commitment varies with economic and financial traditions of the respective countries. Egypt, commanded by state planners only briefly between 1960 and 1970 or so, inherited more liberal banking traditions, for instance, than Algeria. As agents of change, Islamic bankers could only be as effective as the respective banking systems in which they were integrated. The Islamic banks nevertheless offered an official focus and potential patronage networks for moderate fundamentalists as well as other conservative business actors. Their shares of deposits were a crude barometer of relative Islamist economic successes.

From Table 1 it may appear that the status quo no longer favors these banks. Reflecting some of the petrodollar surpluses from Saudi Arabia, they were losing market share as petrodollars dried up in the late 1980s. Perhaps, too, their novelty was wearing thin, and their imitators in Egypt and Jordan had hurt the official sector's reputation after capturing some of its deposits and losing them. The Islamic banks nevertheless remained relatively strong in some of the poorest as well as wealthiest Arab countries, and their assets tended to be disproportionately distributed in the private sector. Islamic bankers made common cause with other commercial bankers in both the public and private sectors who favored economic reforms toward more market-oriented economies.

In Algeria, where Al Baraka had invested \$200 million in revolving credits for trade with Tunisia, Turkey, and various other Muslim countries to convince the local authorities to consider a joint venture bank,<sup>6</sup> the overtures also served President Chadli Benjedid's economic and

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<sup>6</sup> Revolving credits had totaled 700 million pounds sterling worth of facilities to Algeria, the London manager of Al Baraka claimed to The Banker, December 1990, p. 10.

political purposes. It is unlikely that Al Baraka had any direct links with Algeria's Islamist parties, but its dealings with Benejedid paralleled the political trade-off discussed earlier between the Algerian reformers and the FIS. Al- Baraka was the first foreign financial group allowed to set up a joint venture bank in Algeria. Islam became an essential symbol for economic liberals determined to break the hitherto sacrosanct state monopoly. Eventually other joint banking ventures and private banks might follow.

These financial institutions may also play an educative role, encouraging wider popular participation in the banking system by teaching people to save and to share risk in investment projects. Dr. Najjar, who had launched the Muslim world's first experiment in Islamic banks in 1963, had targeted provincial constituencies outside the modern banking sector. He then worked with Prince Muhammad al Faisal and the IAIB but, after being retired in summer of 1991, he accused the formal sector of having betrayed his educational principles. Though hundreds of thousands of people deposit their savings in Islamic banks, he argued that the banks had compromised their distinctive character in the interests of commercial success. Such discourse should not be altogether dismissed as sour grapes. Islamic banks and Islamic branches of conventional banks have indeed adapted to a new market economy which favors quick profits by wealthy middlemen over small, long-term community investments. Neither conventional nor Islamic banks have found ways of replacing the money-lender at the local level, for small loans have high overhead expenses whether the funds are committed through Islamic or more conventional lines of credit. Dr. Najjar's concerns are shared by AID, Save the Children, and various other international agencies.

As long as the Islamic banks continue to hold their markets, however, their very survival augurs a further opening of the commercial banking systems in which they are embedded. These banks are privately owned and share common interests with the other privately owned banks coexisting with the public sector in a number of Arab countries. While there is no sharp polarization between the public and private sectors, the privately owned banks seem to be gradually transforming public sector practices by their more profit-oriented approaches to credit allocation.

### **Synergies Between Islamic Finance, Economic Liberalization, and Political Liberalization**

After years of state socialism in Algeria, Egypt, Tunisia, and various other Arab countries, banking systems are gradually climbing back to the commanding heights of their respective political economies. Financial liberalization has encouraged new channels of patronage and power which may strengthen the economic foundations of multi-party systems. The more competitive a banking system becomes, the more it may support competitive business clusters in the private sector (who are typically allied with elements of the public sector as well). Since businesses are the principal source of support for any organized political activity -- whether in Egypt or the United States (cf. Lindblom, 1977) -- it follows that strong and competitive private sectors may stimulate multi-party politics and indeed may be a necessary precondition for competitive politics (Huntington, 1984). A strong case can therefore be made for relating political liberalization (but not democracy, which raises a different set of issues about political participation which are not dealt with in this paper) to financial liberalization. Commercial banks

play a strategic role in this process. In any country displaying segmented and highly imperfect business information, the commercial banking system is virtually the sole source of capital, however much stock exchanges may be officially encouraged. The banks serve not only as financial intermediaries, however, for they are also inevitably close to the economic policy-makers and are one of any state's principal marks of sovereignty. While they directly wield influence and power only over technical issues concerning banking regulations, their indirect influence may be enormous, once economic planning gives way to market forces. They serve not only as important centers for patronage but also as gate keepers in the interplay of influence between government decision-makers and businesses.

Whether Islamic or conventional, however, banks usually shy away from any overt identification with partisan political forces. They publish little information about their borrowers or depositors, though their boards of directors occasionally include identifiable politicians. By definition the official Islamic banking sector works with host governments, through their respective central banks, whereas the informal sector escapes regulation. It would be too facile to argue, however, that the informal sector finances radical Islamist oppositions while the formal banks support tame Islamist or governmental parties. Very little material on the financing of Islamist movements has come to light, and none of it points to any special division of labor whereby the official sector financed the Muslim Brotherhood and the informal sector financed more radical associations or candidates in parliamentary elections. Banks and investment holdings, Islamic or not, rarely exposed themselves openly to political relationships.

Only in the Sudan do there appear to be relatively overt relationships between banks and political factions. The Faisal Islamic Bank seems closely tied to Hassan Touraba's Muslim Brotherhood (though the bank denied any political connections after President Numeiri's ouster in 1985 put the Brotherhood on the political defensive), and the Sudanese Islamic Bank was aligned to the Mirghany faction of the Democratic Unionist Party until the politicians fled to Egypt after the military coup of 1989. I do not know whether Sudan's four other Islamic banks are also identified with political factions. Table 4 shows how the newer banks, encouraged by legislation favoring Islamic banking in 1983, gradually eroded Faisal's share of a relatively stable market for Islamic deposits. Islamist politics might have been evolving toward greater pluralism, had a military coup not interrupted the process.

Little of the financing of Islamist political movements seems to be funneled through the official Islamic banking system. Saudi Arabia and Iran are alleged to have financed fundamentalists in Algeria, Tunisia, Egypt, and Turkey, but the Saudi money trails that pass through Islamic banks--most recently into Central Asia through Al Baraka -- have supported governments, not oppositions. Al Baraka's joint ventures in Algeria and Tunisia, for instance, are managed by their respective host countries' nominees. In Tunisia the liberal democrat who manages BEST Bank avoided any association with the Nahda or any other Islamist movements like the plague and managed with the help of Ben Ali (before he became president) to avoid being framed by elements of Bourguiba's police. With advanced degrees from the United States as well as France, he is a highly trained professional who plays down any Islamist identifications that might be construed as political while assiduously implementing his principal shareholder's rules of "participatory" banking. Al Baraka's joint venture in Algeria is also managed by experienced Algerian functionaries. Its only discernible political ties concerned Saudi Arabia and

President Chadly Benjedid, not Algerian political oppositions. The fact that the bank finally opened in the autumn of 1991 may be evidence of its independence from the FIS, for the Saudis by then had apparently cut off any support for Islamist political movements in North Africa. The Gulf War had delayed the bank's formal opening as Shaikh Saleh waited for official Saudi dissatisfaction with Algeria to dissipate. Conversely, Al Baraka probably received official encouragement to move quickly into Central Asia to counter Iran's bids for influence.

Turkey displays some of the clearest links between "tame" political fundamentalists and Islamic banks. *Turgut Ozal* took advantage of the military's bizarre restructuring of political parties in 1983 to attract elements of Erbakan's National Salvation Party into the Motherland Party. The "Holy Alliance" of up to 100 Islamically minded deputies constituted a significant fraction of Ozal's ruling coalition. Ozal's "special finance houses" were one of a number of a sources of patronage for keeping his unlikely coalition of secular liberals and fundamentalists intact. Leading Motherland politicians and other prominent right wing personalities found their way on to the boards of directors of the Faisal Finance Institution and Al Baraka Turkey. The banks, however, preferred doing business with blue ribbon corporate clients rather than with Islamist sectors. Their scholarship programs do not seem to have been oriented toward Islamic institutions, which Saudis financed in other ways. The Motherland's Islamist facade crumbled with the Gulf War, as Erbakan's more "fundamentalist" party opposed "Saudi America" supported by President Ozal's Islamist followers.

It is more difficult to correlate political factions with Islamic banks and informal investment companies in Egypt, where government and opposition Islamists are so commingled as to obscure the factions. The crisis of the informal Islamic investment companies between 1986 and 1988 produced an outpouring of polemics. Elements of the secular leftist opposition argued in the pages of *Ahali* that these companies were part of a monolithic international conspiracy. But shortly before much of the informal sector ceased payments in 1988, volumes of publicity associated its most notorious managers with prominent government politicians and even with President Mubarak (Springborg). The seven largest of them had together accumulated some \$ 1.5 billion in deposits by 1988 (Abdul Fadhil, 1989, p. 17) -- as much as the Faisal Islamic Bank and from an equally diversified public, including Copts and at least one Jew. Possibly their collapse also served Mubarak's *raison d'état* because they had escaped state control and might have promoted freer financial markets in Egypt. Since much of the public associated them with Islamism, their collapse also facilitated Mubarak's efforts to domesticate these political forces. Hundreds of thousands of depositors were still screaming for relief from the government in 1992, when President Mubarak finally took steps toward liquidating the companies and paying off their investors. Yet one of the most respectable of the new money managers was an established holding company, the Sherif Group, headed by a former Muslim Brother. Perhaps he had supported opposition candidates, but surely not very radical ones, in parliamentary elections.

Some political personalities also, as in Turkey, found places in the official sector. *Salah Abu Ismail* served on the religious board of Faisal Islamic Bank, allegedly collecting \$50,000 per year for his advice. He had run as an independent candidate for parliament in 1984 under the Wafd alliance he had engineered but then failed to be elected until 1987, when he engineered the break with the Wafd and a new alliance with the Liberal Party and the Social Labor Party. He

had become famous for his testimony in the 1982 trial which acquitted most of the 302 rounded up after Sadat's assassination. Like the bank, he clearly worked within the system.

Aside from anecdotal evidence there are good reasons to believe that Islamic banks tend, so far as they may be involved in politics, to service moderate rather than radical politicians. The indirect links, apart from board memberships, consist of the enterprises which receive loans or "investments," as the Islamic bankers prefer to call them. Anyone large enough to receive a commercial bank loan is also vulnerable to discretionary applications of the government's panoply of regulations, especially fiscal ones. The bankers, of course, are equally vulnerable; indeed most banks along the Mediterranean's southern crescent of internationally indebted countries are virtually bankrupt and highly dependent upon state favors. Any combines and networks they encourage are therefore almost bound to be circumspect and respectful of authority. For sympathetic observers seeking relationships between Islamic resurgence and trends toward political and economic liberalization, the banks offer a compelling focus.

Among the North African countries Egypt has moved furthest in the twin processes of financial and political liberalization, though it has yet to take the decisive steps to multi-party politics effected in Turkey between 1945 and 1950 when there were real alternative parties and a genuine transfer of power. The political transitions of Algeria and Tunisia are temporarily blocked, but it should be noted that Islamic banks now exist in the two Maghreb countries and could become available for financing Islamically-minded business sectors once the political authorities find formulae for coexisting with their respective Islamist political movements.

Islamic financial institutions played a major role in the economic and political transitions Egypt had gradually undergone. Supported as early as 1974 by Dr. *Abdul Aziz Al Higazy*, the liberal prime minister and *infitah*'s chief proponent, the Faisal Islamic Bank opened in 1979. Sadat thereby consolidated his policy of *infitah* by giving conservative Islamist opinion some stake in this process which in the early years primarily concerned financial institutions rather than productive enterprises. The bank quickly became Egypt's largest full service commercial bank in the private sector and by 1989 had attracted nearly 485,000 depositors (FIB, 1990, pp. 13, 21). In 1980 the Islamic International Bank for Investment and Development became Egypt's second Islamic bank (technically an investment and business bank, rather than a commercial bank, but the distinctions were minimal). In 1988 *Sheikh Salah Kamel* acquired a controlling interest in the ailing Al Ahram Bank and converted it into Egypt's third Islamic bank, a member of the Al Baraka Group. Since 1982, moreover, other banks were permitted to open Islamic branches. By 1990 Banque Misr claimed 24 (out of 342 branches), and the National Development Bank had 17 (out of 50), distributed in many provinces where FIB had not received permits to open branches. In addition the Principal Bank for Development and Agricultural Credit (PBDAC), which manages some 800 village banks, carried deposits in 1991 of 82 million L.E. (5% of the total) in an unspecified number of Islamic banks. The Suez Canal Bank, the Arab Investment Bank, Mohandes Bank, Egypt Gulf Bank, Nile Bank, Alwatany Bank of Egypt, Bank of Commerce and Development (Al Tegariyoon), and the Bank of Cairo and the Far East (plus Delta, BCCM?) had all established Islamic branches, mainly in Cairo.

While FIB remained by far the largest, the other Islamic branches helped extend the new financial practices across a full spectrum of Egyptian society. Presumably the National

Development Bank and PBDAC reached new rural constituencies of the sort Dr. Najjar had tried to penetrate in the 1960s. FIB, though limited by the Central Bank to branches in Greater Cairo, Alexandria, Suez, and six provincial capitals (Damanhur, Benha, Tanta, Mansura, Assiut, and Sohag), also made efforts to attract small depositors by setting the minimum for an investment account at \$200 or its L.E. equivalent. "This attracted investors which the traditional banks failed to attract," FIB claimed (*ibid.*, p. 22).

The Islamic banks, still enjoying 20 to 25% of the private sector's business, reflected the political regime's strategy of accommodating moderate Islamist opinion. At stake was not only a liberal economic policy but the regime itself. Gradual economic liberalization -- too gradual, perhaps, to privatize the private sector as quickly as international donors desired -- corresponded to a political strategy of controlled pluralism. The coexistence of an Islamic banking sector, a state sector, and a private non-Islamic sector, including joint ventures with public sector banks, encouraged various alliances. In the Union of Egyptian Banks, for instance, Islamists could work with public as well as private sector bankers toward greater autonomy for their respective institutions. Their principal drawback as political and cultural intermediaries might be that they appeared too transparently liberal and submissive to authority to be plausible rallying points for some radicals bent on recreating an Islamic society. Yet in the political sphere other Islamists worked gradually toward making positive law conform with the sharia, much as the Islamic bankers worked toward a more dominant role in the banking system and its eventual transformation. Further progress along both tracks might be a modest price to pay for functional pluralism and political stability. Egypt is already so Islamic in many respects that eventual Islamist majorities might make little difference to bankers, businessmen, politicians, or citizens at large, including the various minorities. Economic patterns of coexistence seemed to be reinforcing political patterns which USAID and other putative liberalizers might support.

### **What is To Be Done?**

AID might usefully consider ways of encouraging Islamic financial institutions in the context of its mandate to promote free societies as well as free markets. Special programs singling out Islamic banks for training or other forms of assistance cannot be recommended because any formal association of AID would probably help to undermine their claims to be authentic expressions of Islam and hurt America's image among other constituencies opposed to Islamic "fundamentalism." General programs for developing private sector financial institutions, however, could include Islamic as well as conventional entities. For pilot projects in Egypt and Jordan, for instance, local banks could be selected on bases of market share and other pertinent performance criteria rather than ideology and operating principles, as long as these are compatible with free markets and private sector growth.

There are also certain areas of financial development in which Islamic banks have a special interest. A major paradox underlying these banks is that their most distinctively Islamic financial instruments, *musharaka* and *mudaraba* (see note 3), are equivalent to equity financing, yet survival in an environment of commercial banking requires a primary focus on trade financing. Commercial banks are not supposed to tie up more than half their core capital in equity investments even if they meet the Basel standards for capital adequacy. By these standards FIB, which is relatively well capitalized, had already invested too much of its capital

in the shares of other companies. Practicing its ideology of sharing the risk with the borrower would mean becoming an investment company specializing in venture capital. Commercial banks cannot engage in such activities, but they may set up subsidiary companies. Islamic banks have special ideological incentives to do so and to acquire the requisite investment skills. Special lending programs to small businesses also interest Islamic banks as well as some of the more progressive conventional ones, provided that the lending be carried out with Islamic instruments such as *murabaha and ijara* (leasing).

Developing capital markets through stock exchanges is more controversial. Some Islamic banks, such as Al Baraka Turkish Finance House, have registered on local stock markets, whereas other Islamic banks consider that they cannot deal in companies which engage in unIslamic practices, much less risk some of their own equity falling into pagan hands. All of them share a belief in free enterprise, however, and hence an interest in reforms of the business environment that facilitate productive investment.

These Islamic financial institutions express Muslim and moderate Islamist economic aspirations that are closest to those of Western capitalism (and the Puritan ethic?). While determined to forge a new Islamic economy, they have displayed a remarkable ability to compete and coexist with other modern financial markets, especially in Egypt. In place of stereotypes of economic dualism pitting a traditional against a modern sector, they project an image of healthy economic pluralism, with an Islamist economic sector helped by some wealthy Gulf Arabs peacefully interacting with other modern sectors of the local and international economies. As major actors in the banking community, they also reinforce other private sector actors and may thereby indirectly contribute to the development of political pluralism.

While AID and other international agencies are clearly ill equipped to develop specialized programs for Islamic banks, they should view these institutions without prejudice and enable them participate, if they so desire, in ongoing programs to develop the financial sectors of their host countries. Program planners should be aware of their potentially constructive political roles and should carefully revise any internal administrative guidelines that might discriminate against these institutions. The inhouse exercise might prove mutually beneficial. Experiences of tailoring small business lending programs to Islamic guidelines in one Muslim country, for instance, might usefully develop AID's consultative capabilities for others, in Central Asia as well as in the Near East and North Africa.

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