



Is there a genuine and feasible Islamic economic agenda?

Javier Albarracín is Director of Socioeconomic Development at the European Institute of the Mediterranean (IEMed)

Islamic lead governments are running out of time to deliver economically

Most of the Arab countries that are going through deep reforms since 2011 have witnessed Islamic political movements capitalizing on the discontent with the previous regime, being elected in most of the elections that have taken place since then, with the surprising exception of Libya in July 2012.

Whether Ennahdha in Tunis in October 2011, the Justice and Development Party in Morocco in November of 2011, or the Freedom and Justice Party and the Islamists salafists political movement of Al-Nur in Egypt in January 2012, fair elections have brought to the political frontline the formerly banned and inexperienced Islamic political movements.

Feelings in both political camps were intense. Expectations of those who voted the Islamic parties were very high in terms of quick changes in the political and economic domains. Those who opposed these movements, either belonging to the previous regimes structures or the secular promoters of the revolts, were frustrated with the outcome of the changes and deeply mistrusted the new authorities from the very beginning.

The challenges faced by these new authorities, whether in coalition governments like in Morocco and Tunis or one-party governments like in Egypt, were enormous in the political, security and socioeconomic fields. Financial resources were scarce and depleting quickly. National and international political constraints were considerable. These new governments had the daunting task of deeply reforming the old unfair structures of the previous regimes while delivering inclusiveness in political and material terms through redistributing wealth and creating fair jobs.

At the beginning these democratically-elected governments had certain international backing from the EU, the USA, Turkey and some Gulf countries, especially Qatar. There were high expectations regarding the potential establishment of a democratic political Islam performing economically, emulating an adapted Arab version of the 'Turkish model'.

Time has shown since then that there is no genuine Islamic economic model to be implemented by these parties except for few specific, although relevant, aspects such as the

promotion of Islamic finance in their economies. The lack of huge rents from significant energy resources (gas and oil) in the countries where so far reforms are taking place (except for the case of Libya) does not permit to structure and sustain an economic model supposedly Islamic, like in the Arab Gulf countries or Iran.

Islamic political movements have shown so far that they might have a political, and even social, comprehensive project, but they do lack a coherent and realistic economic vision and project beyond some sharia compliance precepts such as the establishment of the *zakat* (weekly ritual alms) or *waqf* (gift in perpetuity to a charitable or public institutions).

The last few years have shown that none of the Islamic political parties in power have an economic agenda that differs significantly from the Western liberal capitalist one: the private sector is the key engine for growth and the state has to lay a facilitator and complementary role. The slogan 'Islam is good for business', defended by many Islamic economic circles, defines a model where pragmatism is essential and Islam and private ownership reinforce each other as the basis.

To be fair it has to be mentioned that no government, whether Islamic or secular, can be expected to reform significantly in two or three years in an inclusive way a unfair deeply rooted system built during decades, while at the same time fulfil the economic expectations of the heterogeneous constituency that had voted for them.

In fact, these new governments had limited real economic power due to shrinking financial resources; the daily pressure from different stakeholders (the streets, trade unions, the international community...); the international economic and financial crisis (especially in their main trade partners of the EU); and the systematic opposition of the still powerful structures of the previous regime (public administration elites, judiciary system, big business, the financial sector elites...).

This adverse environment, together with the lack of experience in managing complex institutions and the inappropriate skills of many of the Islamic cadres for the

positions they were appointed, made them fail in delivering many of the commitments they had taken during their campaigns.

Many of the Islamic parties have shown their reluctance and difficulties to reach agreements and compromises with other relevant stakeholders during the definition, approval and implementation of their economic policies. These has increasingly isolated their policies from the rest of actors involved in a comprehensive decision making process. This *modus operandi* has clearly shown its limitations and dangers in the recent demonstrations in Turkey against the way the Government is taking many of its decisions, specifically the Prime Minister Tayep Erdogan.

Some incoherence has also been shown in several relevant economic policies. A significant case was when the Egyptian President, Mohamed Morsi, cancelled a series of tax increases just hours after they were approved on the 10th December 2012. This generated nationally and internationally a sense of improvisation and incompetence, questioning their capabilities and credibility in key economic issues.

Main features of the Islamic economic project

Facts have demonstrated that there is no unique and common understanding of the idea of Islamic economy, and that every party and government decides their priorities according to their national constraints, resources and needs.

The size of the population and its demographic growth; the diversification of the economy and the share of the agriculture; the still unclear relationship between the national main economic actors and their Islamic lead governments; being a coalition or a one-party government; who are the main international economic and trade partners; if the country has suffered a rupture or an evolution or the maturity of the financial sector and the relations with the international financial institutions (IFIs), are all determining factors that define different socioeconomic priorities and strategies of the Islamic parties.

Despite this, there are three issues were most of the mainstream Islamic parties coincide:

- The fact that it has to be the private sector who leads growth and job creation, giving the state a secondary role;
- Their strong commitment to fight corruption, both in the public and private spheres and at all levels; and
- The role the Islamic finance should play in the new economic scenario.

These commonalities in the discourse find very different implementations when it comes to concrete policies, differing by country, government and the political moment.

Private sector as the central engine of the economic development

This is a key issue were all the relevant Islamic parties agree when it comes to defining their project for a national economic model.

“Islamic political movements have shown so far that they might have a political, and even social, comprehensive project, but they do lack a coherent and realistic economic vision and project”

The prioritization of private property as a central factor for economic development finds its roots in the fact that many of the cadres of the Islamic parties are small and medium bourgeois composed of middle class professionals, shopkeepers, traders and the like. This socioeconomic background has shaped the importance of private businesses and market rules in the minds of the main economic leaders of these movements. The promotion and protection of economic freedom, entrepreneurship and the rights of the small and medium enterprises is at the core of the economic thinking of the Islamic parties.

Many of these political movements have evolved in parallel to Islamic businessmen associations which have been able to agglutinate most of the entrepreneurs with Islamic sensitivity. Organizations such as ASMECI (*Association Marocaine d'Études et Recherches en Économie Islamique*) in Morocco, ASTECIS (*Association Tunisienne de l'Économie Islamique*) in Tunis or EBDA (the Egyptian Business Development Association) in Egypt have been created and expanded in recent years and have inspired the economic thinking of the national Islamic political movements in their countries. These business associations have even provided cadres to manage the economic institutions governed by the Islamic parties.

In this regard, the Islamic parties ruling in Tunis and Egypt defend the central role small and medium enterprises (SMEs) should play in the economic development of their respective economies. This policy derives from the fact that these two counties have gone through revolutions willing to change the previous regimes upside down, thus seeing the big businessmen as beneficiaries and needed accomplices of the previous regimes. Meanwhile, the PJD of Morocco defends the key role of the big enterprises as needed tractors to promote SMEs, being essential to their promotion. This is not alien to the fact that Morocco is going through a non rupture process of political and economic reform, thus having a symbiosis of the economic interests of the elite with those of the new government.

One of the most conflicting issues in the socioeconomic domain is the mounting tension between the Islamic movements and the trade unions, traditionally leftist and secular. The Islamic movements have been able to increasingly establish themselves as relevant players in the economic field (through associations, a growing bourgeois...) and in the politic one (through Islamic and salafists parties), but they haven't been successful in entering significantly in the workers structures. Trade unions have a long tradition in



the Arab Mediterranean countries as relevant stakeholders, although in some cases have become a sort of transmission belts of the values and policies of the regimes.

But in today's context of urgent need for social dialogue, both bilaterally between the governments and the workers and also with the inclusion of the businessmen representatives, the difficulties and reluctance of the Islamists to deal with trade unions is increasing social tension. A dramatic case was the assassination in Tunis the 6th of February 2013 of Chokri Belaid, a Tunisian politician and worker's activist, by Islamist radicals degenerated in massive and violent demonstrations amid accusations of Ennahdha's silent complicity.

Another issue all Islamic mainstream parties agree on is the need to deeply reform the public administration, seen as one of the main structures that created and perpetuated the crony capitalism prevailing in these countries.

This reform requires, among other issues, the professionalization of the civil service, the establishment of meritocracy as the system to ascend, a public oriented performance of the services provided, and above all a comprehensive and systematic fight against corruption.

A key factor to improve economic performance and social dignity: the fight against corruption

Islamic and secular political forces agree that economic justice should be one of the driving forces of change. This new inclusive socioeconomic scenario will take a long time because it needs comprehensive and resourceful reform policies, which can't be implemented in today's context of political instability and economic and financial scarcity.

But strict policies to fight corruption can go in the right direction and start delivering in terms of generating

economic attractiveness, inclusiveness and social dignity. Different regimes should behave differently; and they significantly interact with their society through their public administrations. These are the government's facades and the executors of their policies.

Consequently, in Egypt a 'transparency and integrity' commission was created, and the Central Accounting Agency was reformed to be more transparent. In Tunis a Ministry for Administrative Reform and fight against corruption was created, although its Minister Mohamed Abbou, from the Congress Party, resigned on the 30th of June 2012 to denounce the scarcity of means given to this Ministry and the lack of political support.

Islamic parties claim that the anti-corruption policies should be applied to both the public and the private sector. In the case of Egypt this meant the retroactive revision of many suspicious public contracts awarded by the previous regime, even internationally. This policy also meant the trial of relevant businessmen as well as former ministers, such as former Minister of Trade and Industry Rasheed Mohamed Rasheed, and their imprisonment, such as the case of the former finance minister Youssef Boutros-Ghali.

However, in these economies corruption is widespread as a complement to the low salaries in the public and private sectors, making it very difficult to combat unless a battery of comprehensive social policies are simultaneously implemented.

Islamic finance as a means to finance governments and SMEs

The other basic of Islamic economy is the promotion of Islamic finance as a way to canalize money from the more pious Muslim believers to the state and to the private sector.

All the countries in the region with Islamic lead governments have adopted or reinforced their legislative and tax framework to promote these kinds of financial instruments and institutions. Tunisia introduced in 2012 a new favourable tax system for Islamic finance products. Morocco is finalizing the publication of a new securitization law that will allow the state and companies to issue *sukuk*, the Islamic equivalent of bonds and is expected to launch this 2013 *sukuk* sovereign bond. In February 2012 the Egyptian Financial Supervisory Authority modified the capital market law to facilitate the emission of this kind of Islamic obligations.

By doing so the authorities try to generate tools that could provide loans to the private sectors, specially to the SMEs, due to the fact that this sharia compliance funds are more linked to the 'real' economy, not charging interests but sharing the risks and benefits of the entrepreneurial projects.

They also expect that with the creation of some national charity institutions, such as one centralizing the *zakat*, the governments will have more resources to develop much needed social policies.

Due to the combination of scarcity of available financial resourced in the traditional markets and the philosophy and ideological affinity with the new governments it is expected that international players of the Islamic banking sector will

have a bigger role in the financial sector of these economies. The Islamic Development Bank, based in Saudi Arabia, has been recently more active in some of these countries, such as Morocco. Several Islamic financial institutions from the Gulf have also shown greater activism in these economies than before.

Unfulfilled expectations

The non delivery of inclusive socioeconomic results after some years of Islamic lead governments in the region, together with the persistence and aggravation of economic disparities, has quickly banished the illusions that these new regimes brought with them.

Worker's demands haven't been attended to; no permanent and binding social dialogue has been established; no real material gains are felt by the excluded of society or by the middle class; unemployment is increasing and a lack of better perspectives have all increased tensions in the streets and in the parliaments.

The military coup d'état in Egypt the 3rd July 2013 has cast a regional shadow over the Islamic government's democratic experience and their capabilities to cope with the problems of their societies. But the complex and deep rooted socioeconomic challenges of these societies won't be solved in any case by the militaries. ■