

ECONOMIC LIBERALIZATION AND CHANGES IN FUNDAMENTALISM: THE CASE OF EGYPT

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The relationship between economic liberalization and radical politics has been a key issue in Muslim countries since the 1970s. Economic liberalization policies have two important aspects: the retreat of the state from the economy and the encouragement of the inflow of foreign capital. As a result of such policies, there have emerged serious changes in so-called fundamentalist movements in Muslim countries. Because new job opportunities reduce the degree of resentment toward the regime and restrict the membership base of fundamentalist groups, regimes in Muslim countries began to have new opportunities to manipulate radical politics. Moreover, the leadership cadres of such fundamentalist groups have tried to benefit from the fruits of economic development. Thus, radical politics in Muslim countries should tend towards moderation as a result of the mitigating role of economic liberalization.

It cannot be argued that the fundamentalist groups will disappear, but they might be marginalized, as they are in most of the developed countries (though racists and religious extremists exist in developed countries as well). Economic development is expected to marginalize fundamentalist

groups as a result of compromise between the regimes and former members of these groups who have benefited from economic development. Middle-class members of the fundamentalist groups would lose their organizing role within society, while lower-class members would be transformed into marginal groups that are seen as terrorists in most cases.¹

Within this framework, I will examine the Egyptian case, in which the most significant socially-based fundamentalist group, the Muslim Brotherhood (MB), established in 1928, has been transformed in accordance with the expected results of economic-liberalization policies, beginning with the *infitah* policies at the beginning of 1970s. From the colonial era to the end of World War II, the organization was against any foreign presence in Egypt. From the socialist era to the beginning of the 1970s, the organization seemed to be a clandestine establishment aiming to overthrow the regime. In the liberal era, from the beginning of Sadat's rule, the organization has been split between moderates and radicals. Until the 1970s, because the Egyptian economy was under the control of the state (corporatism), the leadership and members of the Brotherhood had no opportunity to

operate in the economy. But economic liberalization after the 1970s created more economic possibilities for the middle-class members of the organization. State control of the economy and foreign trade were loosened.

This study attempts to find a link among the factors that might lead radicals toward compromise and separate segments of the Muslim Brotherhood away from its societal base. Although there are other factors that lead to rapprochement² between the mainstream Muslim Brotherhood and the regime, this study argues that an analysis of foreign capital and economic liberalization can help explain radical politics in Egypt.

The nature of social change cannot be explained by a single cause. Changes in the policies and nature of an organization have political, ideological, cultural, regional, religious and economic causes in addition to the policy preferences of its leadership. Obviously, the economic aspect of the problem is only one of many determinants in the transformation of the Muslim Brotherhood in Egypt. Economic development and liberalization have, however, been factors worth examining both in terms of the internal transformation of the organization and in its relationship with the Egyptian regime.

THE ECONOMY AFTER INFITAH

The Egyptian elite did not predominantly originate from the rural bourgeoisie and did not represent its interests in the pre-Nasser period, but this group was allowed to control much of the political infrastructure that Nasser introduced in rural areas. International concerns such as the financing of the Aswan Dam, the nationalization of the Suez Canal and the

Suez War of 1956 drove Nasser to impose state corporatism. During Nasser's time, self-sufficiency with respect to consumer goods was emphasized and heavy industry ignored; import substitution came to dominate both agriculture and industry; and export promotion was limited to petroleum, the Suez Canal and tourism.³ The corporatist formula that was expanded under Nasser benefited and increasingly controlled the labor force, while at the same time promoting a military-technocratic elite. This statist policy created some contradictions in furthering development and production. Public employment increased through the 1980s, but the orientation of employment shifted from agriculture to other sectors.

From the 1970s onwards, Egypt experienced a transformation from corporatism to a liberal market economy. International factors, priorities of the leadership and the demands of the global economy determined this transformation. The Egyptian economy became integrated into the world economy. This increased liberal foreign trade and cooperation with international economic institutions, attracted private and foreign capital and foreign military and economic aid, as well as rising tourism revenues and an inflow of workers' remittances.

The period of state corporatism under Nasser and to a lesser extent under Sadat was characterized as a "social compact" based on coercion by the regime in which the people and the elite relinquished political and civil rights in return for state subsidies of basic necessities. The emergence of Islamic fundamentalism may have threatened the compact, but even the Muslim Brotherhood mainstream appeared to consent to this de facto situation.

Under Sadat's rule, the system was demilitarized and somewhat liberalized. The private sector made a comeback, but, despite reforms to bring about decentralization, the public sector remained dominant.⁴ Under Sadat the bureaucratic empire was dismantled, officers largely were depoliticized, and decentralization of public-sector enterprises and encouragement of the private sector under *infatih* policies created new opportunities for profits and capital gains. With some political liberalization, such as the emergence of professional syndicates, the state system evolved into quasi-politics under Sadat.

Sadat's October 1971 Paper recognized that a higher growth rate was required. This necessitated both financial and technological assistance from abroad. The public sector was seen as suffering from the excesses of bureaucracy and heavy expansion into areas better left to the private sector. Basic projects that could not be taken up by the private sector would, however, be adopted by the public sector. Priority was given to modernizing industry and high-value agriculture, as well as to developing the energy sector and tourism. Moreover, subsidies were to be limited to the basic needs of the poor.⁵ The initiation of the *infatih* policy aimed not only to transform the economy according to the free-market model, but also to correct the deficiencies of state control and achieve integration with the world economy.⁶

After the liberalization period, private investment began to increase, reaching 24 percent of GDP in 1986-87, in contrast to 8 percent of GDP in the mid-1970s.⁷ *Infatih* created a national bourgeoisie that lacked sympathy for state corporatism.⁸ Investments, which had been strictly controlled by the public sector, were encouraged;

foreign investments reached 2.5 percent of total investment in 1982-83. Oil companies dominated foreign investment. The private sector dealt mainly with trade, construction, manufacturing, industry and mining — except for petroleum — and services.⁹ The share of private equity in total investment increased gradually, rising 25 percent between 1983 and 1987 and 40 percent between 1988 and 1992.

With respect to the direction of foreign trade, Egypt's main trading partners under Nasser were the Eastern Bloc countries. Transactions were conducted through bilateral agreements with public-sector enterprises. But after the initiation of *infatih*, trade shifted dramatically towards the West, particularly the United States, managed by private firms and individuals. Part of the explanation for this shift is that after the mid-1970s, Egypt began to export oil to the Western market, and petroleum determined the trade pattern. The rising export capacity of Egypt, apart from natural gas and crude oil, and an inflow of foreign direct investments encouraged integration with the world economy.¹⁰

In the late 1970s, Western donors and financiers and the U.S. government after Camp David shifted the attention of Egyptian planners towards efficiency or export-promotion policies. After 1974, there was an influx of foreign capital from Arab aid institutions (investments, grants and loans), remittances from workers migrating to oil-rich Arab countries, the re-opening of the Suez Canal, the return of the Sinai oilfields and increased tourism. Following the Camp David accord, Western institutions and the United States extended credit to Egypt. In this new situation, the private sector began to play a role in foreign trade, and private capital

movement was legalized.¹¹ The 1970s was a period of unprecedented growth. By 1995, 400 transnational corporations were operating in Egypt with investments at \$8 billion.¹² Foreign investments focused on the automotive, electronics and pharmaceutical industries. Moreover, the government encouraged international oil companies to expand exploration in Egypt. The exploitation of natural gas has made it possible to release more oil for export.¹³

After 1975, the share of foreign assistance in investments, imports and GDP began to rise by an average of 35.2 percent, 37.8 percent and 9 percent, respectively, for the years from 1976 until 1980. Egypt's foreign debt was 31 percent of GNP in 1973, 66 percent in 1978 and 82 percent in 1985. This shows that Egypt depended on foreign debt, owed to governments or official organizations, for a variety of reasons including strategic political considerations.¹⁴ Such considerations gave Egypt bargaining power with its creditors without being economically dangerous. The loans were given to Egypt because of its geographical location, vital to the international calculations of dominant powers.

U.S. assistance in the aftermath of Sadat's peace initiative with Israel was the motor of infitah policies and the integration of the Egyptian economy with the world market. U.S. non-military assistance to Egypt was about \$7.6 billion between 1976 and 1983. The amount of U.S. aid indicates the American patronage for Egypt's economic liberalization. With this liberalization, Arab oil patrons began to invest in Egypt in the late 1970s. Moreover, the World Bank, Japan and Germany along with the United States contributed to development projects, increasing direct

foreign investment to the country.¹⁵

The most visible effects of economic liberalization in the 1970s were a revitalized private sector¹⁶ and the presence of 4 million Egyptian workers in other countries.¹⁷ During the 1990s, the Egyptian government appeared to be more willing to implement IMF recommendations.¹⁸ The government showed its intent to liberalize the economy through its rearrangement of the foreign-exchange system, interest rates, the budget deficit and reduced subsidies.¹⁹ Macroeconomic performance improved dramatically following the Gulf War in 1991.²⁰

The tourism sector is an important part of the Egyptian economy, contributing 1.5 percent to GDP. Despite some terrorist activities, and with the support of the government, this sector seems to contribute significantly to the economy.²¹ By 1992, the prosperity of about 5 million Egyptians was tied indirectly to this sector.²²

With respect to privatization,²³ the proclaimed purpose of the Business Sector Law passed in June 1991 was to transform public-sector companies into independent companies run along commercial lines and competing on equal terms with the private sector.²⁴ At the beginning of the privatization program, 314 state-owned companies were designated for privatization. At the end of 1994, the formal targets had been met through sales worth 5.1 billion Egyptian pounds. Moreover, it was estimated that privatization had created new job opportunities for 450,000 people.²⁵ The World Bank and IMF are encouraging the government to press ahead with the privatization program and liberalize the trade system. The privatization program has attracted foreign capital inflow. Privatization revenue was expected to be

\$4 billion at the end of 1997.²⁶ As a result of the initiation of the privatization program, individual Egyptians' wealth overseas (estimated at over \$75 billion) has been on the way to internalization.²⁷

Because Mubarak has tried to achieve a balance between the socialist economic rigidity of Nasser and the free economy of Sadat, the *infatih* policies initiated under Sadat have been to a certain extent halted, and the expected progress toward reaching a free economy has been delayed. Mubarak's government has stated that economic reforms may be realized gradually.²⁸ Since the early 1990s, the economic liberalization policies have gained speed in the form of privatization and the provision of a more liberal arena for free entrepreneurship, following the imposition of conditions set by the IMF and other international financial institutions.²⁹ Moreover, the economic assistance provided by international financial institutions and patrons in the Arab oil countries has removed the negative effects of the Gulf War on the Egyptian economy and provided an opportunity to enhance liberalization policies.

The attempts at liberalization in the Egyptian economy and its integration with the world economy have had an impact on radical politics in Egypt. A liberal economy has inevitably enhanced the opportunities for the economic activities of middle-class members of the Muslim Brotherhood.

LIBERAL ECONOMY AND THE MB

Sadat, via *infatih*, was trying to widen his basis of political legitimacy by providing new opportunities for the Egyptian middle class. *Infatih* policies were characterized as a "re-traditionalization" process. Under Nasser, the urban middle class had been

excluded from power. This policy had been identified with the appeal to the lower classes and the suppression of the urban and landed bourgeoisie, who were to an extent represented by the Muslim Brotherhood. By *infatih*, Sadat aimed to address the Muslim Brotherhood and gain the support of the urban and rural middle class to remove the ruins of Nasserism.³⁰ Despite the fact that he could not achieve his final aim (due to negative aspects of *infatih* like rising costs, unemployment, inflation and foreign debt), the implications of that policy for Sadat-MB relations are crucial. It has been mentioned before that the MB leadership was drawn mainly from the urban middle class of civil servants, merchants and professionals. When the organization was banned and its members prosecuted under Nasser, some of them escaped to other Arab countries, where they entered into economic enterprises.³¹ When Sadat forgave the members of the organization as he came to power, those expelled Muslim Brothers came back to Egypt and continued their economic activities. The policy of *infatih* and the interests of the middle-class members of the MB were complementary and mutually supportive.³²

Economic-liberalization policies in Egypt enhanced the regional attributes of Islamism and helped it to disintegrate more easily.³³ In that sense the northern Islamists, who are culturally and economically developed, benefited from *infatih*, while the southerners, who benefited from Nasser's land reforms and free education, were damaged.³⁴ The educated young Islamists came to the cities with neither family connections nor capital and once in the cities, tended to become more radical under the economic liberalization. *Infatih*

challenged the coherence of the Muslim Brotherhood drastically. The poor southerners lost hope when Sadat initiated *infatih*, which favored the south's feudal families. In some cases, *fallahin* (southerners) who under Nasser had been given land that had belonged to former feudal owners were forcibly evicted.³⁵ In the 1970s, the bourgeoisie's support for Sadat was enhanced, and there was a compromise between the regime and the moderate members of the MB. At the same time, the political resistance by radical Islam rose and gained strength, although it remained confined to certain sections of the educated youth in the student movement,³⁶ who came mostly from the lower classes. This trend triggered the emergence of radical Islamist groups that were differentiated from the mainstream MB.

The fallahin had made the best of the free education under Nasser. Being an educated group with no ties to the land, many fallahin migrated to urban centers because of poverty and a lack of development projects in the south. These people were given government positions during the public employment era under Nasser. However, under Sadat and Mubarak, they no longer received government jobs and were likely to face discrimination in the private sector, where employment usually was gained through family connections.³⁷ Nasser's revolution allowed the rural population to go to free public schools but denied them access to social and economic power; this lack of economic power contributed to the emergence of radicalism in Islamic form.³⁸ Against this tendency, the southerners took refuge in radical Islamism, which is very different from the northern version of the Muslim Brother-

hood in the liberalization period.

Citing the program of the 1987 tripartite alliance (the MB, Labor and the Liberal party), we can identify the following as the Brotherhood's requirements for economic development: cutbacks in the government bureaucracy and public sector; official adherence to standards of high production; encouragement of the private sector as the backbone of the economy; a non-interest-bearing banking system; *zakat* as a tool of social justice; and independence from foreign economic intervention.³⁹ Because they did not clash with these aims, Sadat's plans to privatize the Egyptian economy through *infatih* were not opposed by the MB. In fact, many members of the organization were primary beneficiaries of *infatih*, having become wealthy through foreign trade and the establishment of economic enterprises.⁴⁰ They established businesses, Islamic banks, investment companies, factories, large-scale farming enterprises, and social institutions such as health clinics.⁴¹

The Mubarak government tolerated the rising power of Islamic companies and banks.⁴² The Muslim Brothers comprised mostly members of the middle class, artisans, merchants, officials, teachers and university graduates. After *infatih*, however, this composition somehow was transformed. Middle-class members became more moderate, and the other segments became more radical because of the externalities of a developing economy.⁴³

Few of the managers of Islamic investment companies had much education, either in business or in Islamic studies, but they did have marketing skills. This was a result of an open economy, which provides opportunities for free economic activity.

Moreover, Islam became a marketing tool for some of them. Some of the earnings of those companies were used to finance the activities of their political partners. Abd al-Latif Sharif, for example, was the head of the Sharif Group for Investment and Development and a member of the Muslim Brotherhood Organization.⁴⁴

The business of working with money requires political and economic stability, so the investment institutions are not formally part of Islamic political movements. In fact, the mutual interest of Islamists and the money dealers may have also diverged. In a liberal economy, political conflict may transform into a

conflict over capital. From a comparative perspective within the Arab world, Egypt has advanced the farthest toward combining political pluralism and a free-market

economy. Some interlocking networks of banks,⁴⁵ businesses and politicians already seem to be competing for influence and power, possibly accelerating flows of reliable information about borrowers.⁴⁶ Islamic banks perform short-term trade financing in the form of leasing, which in most cases carries little business risk. The amount of deposits in the Faisal Islamic Bank and the Islamic International Bank of Investment and Development increased in the 1980s. For this reason, conventional banks in Muslim countries began to set up "Islamic" branches by the second half of the 1980s, but the profitability of their activities was less than the interest rate offered by conventional banks.⁴⁷ In Egypt,

it was officially estimated in 1989 that 33 Islamic investment companies, holding 95 percent of Islamic investments, had 435,000 accounts containing \$1.47 billion.⁴⁸ The banking business creates a patron-client relationship between the bankers and the political elite, in addition to the relationship between lenders and borrowers, because the political elite has a determining impact on banking.⁴⁹

One result of *infatih* was the emergence of a hidden economy: informal economic activities and black- and gray-market operations. The transfer of workers' remittances to Egypt, most of which had been managed by Islamic financial institutions, is one of the largest components of the hidden economy. Most Islamic companies are established through attracting a large number of small

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depositors, the majority of whom are Egyptians working abroad.⁵⁰ While the Islamic companies are private and involve no government control or investment, high-ranking government officials have been engaged as consultants to the Islamic companies.⁵¹ Another important area of the hidden economy is land trading, which has been performed both by Islamic companies and by the military, due to the value of the rent available in that activity.⁵²

One important dimension of the hidden economy is the provision of social, health and education services to Egyptians, primarily by Islamic organizations.⁵³ This social policy is an important element these organizations use to penetrate the social

strata from which they gain supporters for their political appeals. The hidden economy may be seen as having a stabilizing effect on political order, as income and wealth are privatized outside the control and influence of national planning directives and policies. In Egypt, because the state bureaucracy could not have disappeared through implementation of *infatih*, this barrier between the state bureaucracy and the liberal economy has been removed through the regime's tolerance of the hidden economy. There was no need to bring the economy's resources into the wasteful and inefficient public sector.⁵⁴ The existence of a hidden economy has therefore been tolerated by the political elite. Informal operations are a way of compensating for the failure of the public sector and central government to provide necessary goods and services.

Economic liberalization policies resulted in the usual class divisions and tensions of an open economy. The economic interests of social classes shaped their political tactics. *Infatih* policies created new circumstances for private entrepreneurship, and this development path caused rapid social mobility after the 1970s. This phenomenon culminated in the rising power of young Islamists around cities, which were deprived of the fruits of economic development.⁵⁵ These conditions have provided the right circumstances for middle-class members of the Muslim Brothers to pursue economic activities supported both by *infatih* policies and the existence of the hidden economy.

The radical Islamist movement has become further radicalized and intensified because it increasingly reflects the interests of the lower classes rather than those of the middle class.⁵⁶ The youth most

negatively affected by Egypt's developing free-market economy are those likely to be Islamist insurgents.⁵⁷ They assumed that they could gain supporters more easily. Moreover, during the 1990s, the process of privatization seems to have strengthened the rapprochement between the mainstream MB and the Egyptian regime. The Islamic threat to the Mubarak regime originated from the young educated groups who had been hurt by the outcomes of *infatih*.⁵⁸ The Muslim Brotherhood is characterized as sympathetic to both Sadat and Mubarak, the killer of Sadat having belonged to a radical southern faction of the Islamic movement⁵⁹ called Jihad. The violent actions of extreme groups accelerated disintegration within the fundamentalist movement in Egypt and the moderation process of the mainstream. The extreme Islamists' criticism of the inflow of foreign capital and the erosion of traditional values marginalized them further⁶⁰ due to the economic gains of the members of the middle class.

Moderate tendencies, stressing the affirmation of non-violence, began to dominate the MB in the 1980s. The repressive acts of the government broke the remaining link between the mainstream and the extreme youth, widening the split within the organization. The pragmatism of the Muslim Brotherhood reassured the bourgeoisie that any political change imposed by Islamic revivalism in line with the ideology of the MB would cause little pain to society. Consequently, this expectation reinforced the influence of the Brotherhood among the bourgeoisie.⁶¹ For this reason, in the 1990s, the organization emphasized peaceful means and participation in the system through every open door, possibly drawing the mainstream Brothers

and the regime even closer.⁶² But on at least one occasion a spokesman of the MB also addressed the regime's repression of the radical Islamists and warned that, if this violent policy were sustained, Islam's moderates might go over to the other, militant side.⁶³

CONCLUSION

Economic liberalization both strengthened the views of the moderate wing of the MB and differentiated it from the radical groups. The regime put the moderates under its protection and did not hesitate to crush the rest, executing some of the radical leaders, such as Mustafa Shukri and Saleh Sirrya, in the 1970s. The regime's enemies became more clearly definable, making it possible for harsh measures to be taken against them without disturbing the moderate wing. Infitah policies may therefore be said to have strengthened the differentiation between the moderates and radicals.

During the transformation period, the Muslim Brotherhood Organization, which previously had a broad social base, began to disintegrate and to lose its lower-class base after the 1970s. The moderate mainstream began to facilitate economic development and to be integrated into the system through economic activities. The marginalized radical groups developed their own strategy of struggle and have been transformed into so-called terrorist organizations, which are deprived of widespread social roots.

In order to prevent a misunderstanding about the fluctuation of the MB membership at a time of corporatism and liberalization, one should pay attention to its membership base. According to the common wisdom, the scope of the Brotherhood's

membership within the society should have decreased under corporatism (because public employment increases). This process should have been reversed by liberalization policies; the membership base of the Brotherhood should have increased due to the public-employment cutbacks. However, the leadership and many of its members comprised middle-class people with their own jobs and professions. These groups, who could not act freely under corporatism, found ways to enhance their economic gains in the liberalization period. For that reason, after the 1970s, the mainstream Muslim Brotherhood tended to integrate with the system and increase their capital gains. This situation obviously decreased the membership possibilities among the working class, resulting in the separation of the moderates from the radicals.

After this disintegration, radical politics began to change the MB's nature from religious ideology to class struggle, as in developed countries. This indicates that in most third-world countries, radical politics originate from the fact that the ruling elite deprives the middle class of economic gains within the system. The middle class plays the organizing role of the opposition against the regime.⁶⁴ In such cases, middle-class fundamentalist movements cloak their postulates in political ideology to gain the support of the masses. But in a liberalization period, the middle-class members try to maximize their economic potential. Moreover, because of their class background (low-level income and rural), poor but educated Islamist youth have tended to commit themselves to radical activities.

Under state corporatism, the probability of radical politics increases due to the

elimination of all political, economic and civil institutions. People are not allowed to run private economic activities and are deprived of their political and economic benefits. The target of fundamentalist groups then obviously becomes the state itself for two principal reasons: (1) people have no other fields of activity and, (2) the state controls all economic activities. When the state is taken over by a fundamentalist movement, all economic means are to be brought under the control of its members.

In a liberalization period, however, people are allowed to run private economic transactions, and the state does not control all the wealth of the nation. The members of fundamentalist movements find new economic opportunities and cease to make the state apparatus a target of their wrath. The attractiveness of the state decreases. In a liberalization period, the state can't

restrict the political activities of fundamentalist movements, but the regime is hardly able to restrict their economic activities on a discriminatory basis. Wealthy conservative Islamists whose outlook and class background predispose them to support and benefit from economic liberalization have come to dominate the Brotherhood.⁶⁵

A legitimacy crisis characterized by fundamentalist movements can be expected to lose strength under economic liberalization. Beneficiaries redefine their priorities in line with their gains, and victims question the legitimacy of the regime, not on the grounds of religion, but on the grounds of their losses. Social, political and economic delusions produced by state corporatism will be revealed, and religious appeals will be liberated from being used as political slogans to mobilize the masses against the regime.

¹ The terms "radicals" and "militants" are used interchangeably to refer to the extreme wings of the fundamentalist movements.

² I use the term "rapprochement" to refer to compromise between the Brothers and the regimes, and the permission of the regimes for the legal existence of the Brothers. I call "tension" the conflictual relations between the Brothers and the regimes. The term "disintegration" is used to refer to the internal schism within the Brothers. The term "organization" is used to refer to the Muslim Brotherhood.

³ Bent Hansen, *Egypt and Turkey* (World Bank, 1991), pp. 111-28.

⁴ *Ibid.*, p. 110.

⁵ *Ibid.*, p. 119.

⁶ N. Nazih Ayubi, *The State and Public Policies in Egypt since Sadat* (UK, Ithaca Press, 1991), pp. 222-3.

⁷ Hansen (1991), p.129.

⁸ Ayubi (1991), p.224.

⁹ Hansen, pp.149-63.

¹⁰ *Egypt Economic Profile* (1996), pp. 99-100, *Egypt's Perspective* (1995), p. 38.

¹¹ Hansen, p. 200.

¹² *Egypt Economic Profile* (1996), p. 6.

¹³ *EFG-Hermes Research*, "Egypt, Economic Review," October 1996, *MEED*, 4 October 1996.

¹⁴ Hansen, pp. 204-18.

¹⁵ Marvin G. Weinbaum, "Egypt's Infitah and the Politics of USA Economic Assistance," *Middle East Studies*, Vol. 21, April 1985, pp. 212-5.

¹⁶ The growing role of the private sector in the economy is indicated by changes in its share of gross fixed investments. In the 1960s and early 1970s this share was less than 10 percent, for the period 1977-82 it was 19 percent and for 1982-87, 26 percent. See Habu Handoussa, "Egypt's Investment Strategy, Policies and Performance Since Infitah" in *Investment Policies in the Arab World* by Said El Naggar (ed), (Washington D. C., 1990), pp. 156-7.

¹⁷ *Economist Intelligence Unit*, "Egypt: A Country Profile 1990-91," p. 17.

- ¹⁸ Hans Löfgren, "Economic Policy in Egypt: A Breakdown in Reform Resistance?" *International Journal of Middle East Studies*, Vol. 25, 1993, p. 407.
- ¹⁹ Löfgren, p. 409; *MEED*, 17 May 1991, p. 7.
- ²⁰ Cassandra, "The Impeding Crisis in Egypt," *Middle East Journal*, Vol. 49, Winter 1995, p. 11.
- ²¹ *EFG-Hermes Research*, "Egypt, Economic Review," October 1996.
- ²² Cassandra, p. 19.
- ²³ Josh Martin, "One Step at a Time," *The Middle East*, Issue 226, September, 1993.
- ²⁴ *MEED*, 17 June 1991.
- ²⁵ *EFG-Hermes Research*, "Egypt, Economic Review," October 1996.
- ²⁶ *MEED*, 4 October 1996.
- ²⁷ *EFG-Hermes Research*, "Egypt, Economic Review," October 1996.
- ²⁸ Denis J. Sullivan, "The Political Economy of Reform in Egypt," *International Journal of Middle East Studies*, Vol. 22, 1990, p. 327.
- ²⁹ Derek Hopwood, *Egypt: Politics and Society* (London, Routledge, 1991), p. 193; Brian Scudder, "Keeping a Steady Course," *The Middle East*, Issue 231, February 1994.
- ³⁰ Hamied Ansari, *Egypt: The Stalled Society* (State University of New York Press, 1986), p. 237.
- ³¹ Shukrallah (1989), p. 99. Attainment of specific data covering the economic activities of the members of the Muslim Brothers is a crucial and difficult problem due to the fact that the Muslim Brotherhood has neither a legal existence nor did its members establish a businessmen's union with that name. Rather, there are some sample cases in which some businessmen and Islamic companies have close relations with the unofficial leadership of the organization. But I think this problem is easier to tackle in the case of Turkey, for example, where there is a more liberal political and economic system in which fundamentalist-oriented businessmen reveal their political preferences more clearly. For that reason, the integration of the Turkish economy with the world after the 1980s provided a convenient circumstance for middle class members of the fundamentalist movements, who were deprived of economic fruits under a command economy. Many so-called Islamic holdings and companies emerged under the liberalized economy. For members of the middle class, the political party strategy is one of the most important tools to reach more economic means, where the public sector is still controlled by the party in power.
- ³² Abd al-Monein Said Aly, and M. Manfred Wenner, "Modern Islamic Reform Movements: The Muslim Brotherhood in Contemporary Egypt," *Middle East Journal*, Vol. 36, Summer 1982, p. 353.
- ³³ See "Egypt's Islamic Group: Regional Revenge?" by Mamoun Fandy, *Middle East Journal*, vol.48, Autumn 1994, pp. 607-625. Fandy draws attention to the regional diversification in Egypt's Islamic groups, mainly to the northern and southern groups, where the former is culturally and economically more developed and in which the Brotherhood is a party, while the latter displays rural characteristics and radical groups are present dominantly.
- ³⁴ Saad Eddin Ibrahim, "Egypt's Islamic Militants," *Merip Reports*, February 1982, p. 11.
- ³⁵ Mamoun Fandy, "Egypt's Islamic Group: Regional Revenge?" *Middle East Journal*, Vol. 48, Autumn 1994, p. 616.
- ³⁶ Hani Shukrallah, "Political Crisis and Political Conflict in Post-1967 Egypt," in *Egypt Under Mubarak*, by Roger Owen and Charles Tripp (eds.) (London, Routledge, 1989), p. 94.
- ³⁷ Fandy (1994), p. 617.
- ³⁸ Mamoun Fandy, "The Tensions behind the Violence in Egypt," *Middle East Policy*, Vol. 2, 1993, pp. 25-34. Fandy argues that the class prejudice and class favoritism that operate at the universities become obstacles when the young graduates try to find employment in Cairo. He also sees the necessity of a reform program of equitable distribution of goods and services between the rich and the poor and between the regions. In Ibrahim (1982), p. 13, Saad Eddin Ibrahim states that young leftists and young radical Islamists have similar social profiles. He claims that the key factor that shapes their different ideologies is that the former have an urban background while the latter a rural background.
- ³⁹ Ann Mosely Lesch, "Contrasting Reactions to the Persian Gulf Crisis: Egypt, Syria, Jordan and the Palestinians," *Middle East Journal*, Vol. 45, Winter 1991, p. 201. The economic view of the radicals is that excessive wealth and excessive poverty have no place in a Muslim society, they reject both capitalism and socialism; Ibrahim (1982), p. 7.
- ⁴⁰ Sana Abed-Kotob, "The Accommodationists Speak: Goals and Strategies of the Muslim Brotherhood of

Egypt," *International Journal of Middle East Studies*, Vol. 27, 1995, p. 327; Lesch, p. 203. For effects of economic liberalization on the moderation of violence in Egypt, see "Egypt Faces its Moment of Economic Truth" by Adnrew Album, *The Middle East*, Issue 247, July 1995.

⁴¹ Janine A. Clark, "Democratisation and Social Islam: A Case Study of the Islamic Health Clinics in Cairo," in *Political Liberalization and Democratisation in the Arab World*, Rex Brynen, Bahgat Korany and Paul Noble (eds.), (Lynne Rienner, 1995), pp. 167-186.

⁴² Ayubi (1991), p. 233.

⁴³ *Ibid.*, p. 246.

⁴⁴ Clement H. Moore, "Islamic Banks and Competitive Politics in the Arab World and Turkey," *Middle East Journal*, Vol. 44, Spring 1990, pp. 251-3.

⁴⁵ Simon Brindle and Amin, Nadia, "Banking and Finance in Egypt," *The Middle East*, Issue 213, July 1992, pp. 35-37.

⁴⁶ Moore, p. 254.

⁴⁷ *Ibid.*, pp. 236-7.

⁴⁸ *MEED*, July 7 1989. For informal banking in Egypt, see "Informal Finance in Egypt: Banks within Banks" by Mayada M. Baydas, Zakaria Bahloul and Dale W. Adams, *World Development*, Volume 23, 1995, pp. 651-61.

⁴⁹ Moore, p. 242. In Turkey under the framework of governmental policy to detach the Islamists from the extreme wings, the establishment and operations of Islamic banks were encouraged in 1980s.

⁵⁰ Delwin Roy, "The Hidden Economy in Egypt," *Middle Eastern Studies*, Vol. 28, October 1992, pp. 689-93.

⁵¹ See, for example, Abdel Rezzak Abdel Meguid, former minister of planning and minister of economy under the Sadat regime, is a consultant to the Rayyan Group; Roy, p. 694.

⁵² Roy, p. 695.

⁵³ Sullivan, p. 329.

⁵⁴ Roy, p. 708.

⁵⁵ Galal A. Amin claims that infitah was one of the important factors of social mobility in Egypt, in "Migration, Inflation and Social Mobility: A Sociological Interpretation of Egypt's Current Economic and Political Crisis", in *Egypt Under Mubarak* by Charles Tripp and Roger Owen (eds), (London, Routledge, 1989), pp. 103-21.

⁵⁶ Gilles Kepel, "Islamists versus the State in Egypt and Algeria," *Deadalus*, Vol. 124, 1995, pp. 109-27.

⁵⁷ Cassandra, p. 20.

⁵⁸ Nazih Ayoubi, "Government and State in Egypt Today," in *Egypt Under Mubarak*, Charles Tripp and Roger Owen (eds.), (London, Routledge, 1989), pp. 1-20.

⁵⁹ Fandy (1994), p. 606.

⁶⁰ Weinbaum, p. 219.

⁶¹ Shukrallah, p. 98.

⁶² Abed-Kotob, p.336.

⁶³ *The Middle East*, Issue 224, June 1993.

⁶⁴ The role of the middle class in such a country resembles the role played by the bourgeoisie on the eve of French revolution in 1789. See *The Bourgeoisie in 18th Century France* by Elinor G. Barber (Princeton, Princeton University Press, 1955), *The Watchdogs of Established Order*, by Paul Fittinoff, translated into English by Paul Nizan, (Monthly Review Press, 1971)

⁶⁵ Robert Springborg, "State-Society Relations in Egypt: The Debate over Owner-Tenant Relations," *Middle East Journal*, Vol. 45, Spring 1991, p. 242.