

# THE ECONOMIC AGENDA OF THE ISLAMIST PARTIES

**Ibrahim Saif and  
Muhammad Abu Rumman**

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**CARNEGIE MIDDLE EAST CENTER**

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## Summary

Islamist parties have gained newfound political power across the Arab world. Four parties in particular—Tunisia’s Ennahda, Egypt’s Freedom and Justice Party, Morocco’s Justice and Development Party, and Jordan’s Islamic Action Front—have either made a strong showing at the ballot box or are expected to in upcoming elections. Their successes have dredged up fears about their political and social ambitions, with worries ranging from the enforcement of sharia law to the implications for Western tourists on these countries’ beaches. Meanwhile, the parties’ economic platforms have largely been overlooked, despite the serious challenges that lie ahead for the economies of the Arab world.

Economic realities in Tunisia, Morocco, Egypt, and Jordan alike are quite difficult. These countries face high rates of poverty and unemployment, declining productivity and competitiveness, low levels of integration with the global economy, acute disparities between classes and regions, corruption, high domestic and foreign debt, and more. All of these challenges require radical changes in the existing order and far-sighted planning. The question, then, is whether the newly empowered Islamists can deliver the economic results their publics need.

Each of these four parties has offered policies to overcome the key economic challenges facing their countries. The proposals, while ambitious, are far from revolutionary, and their programs vary in their level of detail and sophistication—Ennahda, for instance, is by far the most thorough, while Jordan’s Islamic Action Front is still struggling to develop detailed stances. The parties are generally quite pragmatic, asserting that the basic economic system will remain the same but seeking to dramatically improve the management of economic affairs.

A number of key points can be discerned from the economic agendas of these four parties. They do not call for the nationalization of industries or the renationalization of privatized state-owned enterprises and demonstrate respect for private property rights. All of the parties welcome partnerships with the private sector to implement their proposed projects, particularly when it comes to public utilities and infrastructure. They consistently agree on the need to combat corruption, strengthen the foundations of good governance, eliminate financial and economic waste, and enact socially just policies. And all demonstrate a commitment to international economic agreements, with Morocco and Tunisia in particular focusing on relations with Europe.

The Islamists vow to support local enterprises, especially small- and medium-size businesses, but their policies regarding large enterprises are

ambiguous. The parties suggest restructuring public expenditures, particularly subsidies, so that aid can reach targeted groups while reducing the pressure on the budget, and party platforms propose enacting an alternative tax policy based mainly on the progressive income tax and eliminating tax concessions granted to certain sectors of the economy. Islamic financing is offered as one possible means to secure funding for development initiatives, though the Islamist parties say it should exist alongside the traditional financial system. They have taken a pragmatic approach to tourism as well, with party leaders providing strong assurances that business will continue as usual.

Some gray policy zones still exist, in three areas in particular: the role of the state in the economy, which proposals will be prioritized given limited time and resources, and the timetable according to which the parties will deliver promised economic results to the public. And overall, Ennahda, the Freedom and Justice Party, the Justice and Development Party, and the Islamic Action Front all fall short of presenting comprehensive and integrated programs that can realistically transform these states' economies. Lacking experience, clear priorities, and ways to build and finance ambitious growth plans, all four will face serious challenges in translating their generally reasonable and well-intentioned economic agendas into results.

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## Introduction

Islamist parties have been winning a plurality or majority of votes in Arab countries that held elections since the beginning of the uprisings and they will play a decisive role in shaping the political and economic systems of these countries. Much of the debate concerning these parties has focused so far on their political goals, but a discussion of their economic platforms is equally important.

Three Islamist parties—Ennahda in Tunisia, the Muslim Brotherhood's Freedom and Justice Party (FJP) in Egypt, and the Justice and Development Party (PJD) in Morocco—have won strong pluralities in their nations' parliaments. Ennahda and the PJD have formed coalition governments with other non-Islamist parties; the Muslim Brothers in Egypt have firm control of parliament and are laying the groundwork for a future government. The Islamic Action Front in Jordan may also participate in upcoming elections, depending on the election law that will be used, and hopes to claim a share of power if it participates. All these parties have articulated economic platforms addressing five areas:

- the role of the state and its relationship with the private sector
- the responsibility of the state to combat poverty and unemployment
- rule of law and corruption
- fiscal policy
- relations with international institutions and their bearing on international trade relationships

On paper at least, Islamist parties' ideas seem to be in line with international mainstream thinking. The Islamists are not proposing a radical change in policy in any of these areas but are simply wagering that they will be able to manage the economy more effectively than previous regimes by pursuing policies of good governance, combating corruption, and putting social justice at the heart of the process of economic development. These parties, all in some way linked to the Muslim Brotherhood, realize that the most salient challenge confronting them is delivering on economic growth, jobs, and social justice. After all, socioeconomic difficulties have been central to

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the social tension and popular anger that erupted around the Arab world. The toppling of regimes and the rise of Islamists to power has burdened these parties with high economic expectations. Success or failure in achieving the ambitious goals laid out in the Islamists' economic platforms will have serious implications for their future popularity.

In the past, these parties depended on their ideological appeal and on charitable social service networks in the areas of health, education, and social welfare. The quality of public services offered by their governments was poor, so by providing these services, the Islamists bolstered their image in comparison to that of the state. As the main players in new governments, however, their popularity will be at least partly linked to the success or failure of their governments to deliver on economic growth and public services.

## The Conceptual Framework

The economic platforms of Islamist parties in Tunisia, Egypt, Morocco, and Jordan differ from each other in the details but are all based on a common conceptual framework. Although there are no officially accredited references of economic philosophy among the Muslim Brotherhood, there are nevertheless several books by Brotherhood leaders or those close to them that cover economic matters. These writings describe the general guidelines governing economic thought in the Brotherhood, particularly at the broad, philosophical level. In that way, they define the Islamist position among the major schools of economic thought, especially socialism and capitalism, and illuminate the fundamental characteristics of Islamic economics.

Foremost among these writings are some of the letters of the founder of the Muslim Brotherhood, Imam Hasan al-Banna. He intimated the organization's economic principles in a number of points, which include approving licit earnings and describing them as "the foundation of life itself"; declaring the inviolability of private property; affirming the need to narrow the gap between social classes; supporting a social safety net for all citizens; making the state responsible for achieving "social balance"; forbidding the exploitation of political influence to further private economic interests; and proscribing illicit sources of revenue. Al-Banna does not go into the details of economic policy but indicates that the above principles should guide Islamic economic thinking.<sup>1</sup>

Among the books that elaborated on al-Banna's first principles are *Islam and the Modern Economy* and *Islam and the Socialist Schools of Thought*, both published in 1947 by Muhammad al-Ghazzali al-Saqa, an Islamic scholar and Brotherhood leader<sup>2</sup>; *Social Justice in Islam* (1949) and *The Battle Between Islam and Capitalism* (1951) by Sayyid Qutb, a prominent and later radical Egyptian Brotherhood thinker who wrote these works before he joined the movement;

and *Islamic Socialism*, by Mustafa al-Siba'i, the first general leader of the Muslim Brotherhood in Syria.

A set of common threads ties these writings together. All give prominence to moral-ethical considerations, holding the economy to be part of a larger Islamic order with a reciprocal relationship between this life and the next, between religious duties and texts on the one hand and various economic concepts on the other. Also prominent is the centrist position between capitalism and socialism that Islam occupies. This is especially true regarding the balance between the rights of individuals and the public interest. Islamic economic thought does not sacrifice the individual for the sake of the public, nor does it go to the opposite extreme of rigid individualism. Nearly all of the rules and propositions of Islamic economics fall between these two extremes.

Thus Islam recognizes that individuals differ in their ability and dedication to work and rejects the idea that society should be homogenized into a single class. At the same time, Islamists view very large inequalities between classes as unacceptable. Similarly, Islam sanctions private property but imposes upon it certain limitations and conditions, emphasizing that it must be acquired and disposed of in a legitimate manner. And Islam awards the state the right to assume ownership of private property when there is an overriding need to achieve a necessary public good or create a more socially equitable system.

Although Islamists avoid explicitly invoking particular texts as direct sources of their economic policies, the works and concepts mentioned here are heavily debated in internal party circles. Thus they provide a general theoretical-ideological framework that can be used to understand the “economic philosophy” of Islamists broadly. This framework in turn influences the platforms of parties such as Ennahda, the Freedom and Justice Party, the Justice and Development Party, and the Islamic Action Front.

## The Ennahda Party in Tunisia

Economic performance in Tunisia after almost eighteen months of revolution has been grim, with economic growth contracting by approximately 1.5 percent in 2011. The main sector adversely affected has been the tourism industry, the largest source of foreign income for Tunisia and one of the country's largest sources of employment. Moreover, the Tunisian economy has felt the negative repercussions of revolution in Libya, Tunisia's neighbor to the southeast, and of poor economic conditions in Europe, on which 80 percent of Tunisian trade depends. This bleak outlook has led some international credit rating agencies, such as Standard & Poor's, to downgrade Tunisia's debt, which will make it difficult for the country to access the international credit market. All this has resulted in an increase in the level of unemployment, which reached nearly 14 percent in 2011, and an increase in the budget deficit to 6 percent of gross domestic product (GDP).

In describing his party's economic vision, Ennahda's leader Rached Ghannouchi said in an interview: "I believe that we must adopt the form of social democracy practiced in Sweden and the other Scandinavian states. Economics must be dominated by social values, and not simply the aggressive forces of the free market." He continued that the most prominent challenges of development lie in creating job opportunities and providing direct aid from the state to those in need. Ghannouchi also stressed that the state must eradicate the corruption—financial, judicial, administrative, or media related—that is responsible "for draining half of Tunisia's wealth." He highlighted the central role of Ennahda's efforts to "stimulat[e] both foreign and domestic investment, as well as encourag[e] full-fledged Islamic banks to enter the Tunisian market for the first time."<sup>3</sup>

Ennahda's guiding party document, the Basic Law, asserts that labor is the origin of earning and the basis of economic revival. According to the document,

**Ennahda's guiding party document advocates the abolition of disparities stemming from exploitation, hoarding, monopoly, and other illegitimate practices.**

work is both a right and an obligation, and the movement's aspiration is to build an economic life based upon humane foundations and a just distribution of the country's wealth. This belief is in accordance with their espoused principle: "To every man what he has earned; to every man what he needs." This may be interpreted to mean that every person is entitled to the fruits of his own labor, but that he is also entitled to have his basic needs met under all condi-

tions. The document also advocates the abolition of disparities stemming from exploitation, hoarding, monopoly, and other illegitimate practices.<sup>4</sup>

Furthermore, the Basic Law states that the party's overarching goal is to build a national economy resting solidly upon Tunisia's national capabilities. It aims to work to satisfy basic needs and establish a balance between the country's different geographic regions as well as to seek better integration with the rest of North Africa and the wider Arab and Islamic worlds.

### Proposed Policies

In preparation for the 2011 elections, Ennahda was forced to move beyond the political demands for civil freedoms and human rights it articulated before the uprising and draft a more policy-oriented platform of which economic issues were an important part. After the elections, in which the party gained almost 40 percent of the seats in the Constituent Assembly (the body in charge of drafting a new Tunisian constitution), thus becoming the most important party in the ruling coalition, Ennahda had to further refine its economic thinking, particularly prior to its April 2012 presentation to parliament of a supplemental budget.

Ennahda's electoral platform, which covers the 2012–2016 period, is quite ambitious. It envisages achieving 7 percent annual growth in GDP throughout that period, raising yearly per capita incomes from \$4,189 to around \$6,649 by

2016. This growth would be accompanied by a decline in the unemployment rate from the 14 percent in 2010 to around 8 percent by 2016.

Commitment to rapid growth led Ennahda to take a very pragmatic position regarding tourism, rejecting the notion that some tourism practices should be banned because they contradict sharia. Party officials signaled they would protect the country's crucial tourism sector and would permit alcoholic drinks and bathing on Tunisian beaches, which draw millions of European holidaymakers every year. The party's secretary-general, Hamadi Jbeli, says tourism is too strategic a sector to be restricted: "The tourism sector is among the achievements which we cannot touch. Is it logical to handicap a strategic sector like tourism by forbidding wine or wearing bathing costumes? These are personal liberties for Tunisians and foreigners as well."<sup>5</sup>

Many of the specific policies mentioned in the party's platforms as means to achieve its ambitious goals show the influence of the general principles that guide the Islamists' economic thinking.

**Fiscal, Tax, and Investment Policy:** The party's platform pledges to reduce the tax burden on medium- and low-income groups. It also reexamines the financial incentive structure, including taxes and interest rates, with the party seeking to link these incentives to broader social and economic goals and to adapt the existing financial system to the needs of Islamic finance and microcredit.

But Ennahda is not just concerned with social justice. It also aims at transforming Tunisia into a financial hub in the region and thus supports the independence of the central bank and the improvement of its performance. The goal is for the central bank to assume an effective role in developing the banking sector.

Ennahda's platform promises to put in place laws and regulations to create a friendly climate for investment, and it promotes measures that will embolden the capital markets and modernize the products of the insurance market, with a particular emphasis on Islamic insurance. Ennahda also pledges to foster private-public partnerships and facilitate the participation of foreign investors along with domestic private entrepreneurs in the economy. In addition, the party will extend the period newly established businesses have before they must start paying taxes.

**Unemployment and Poverty:** Issues relating to unemployment and poverty are some of the most important challenges facing Tunisia, and Ennahda's platform details several initiatives related to the subject. For example, Ennahda promises to provide unemployed Tunisians who are

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actively seeking jobs with free medical insurance and a 50 percent discount on public transportation.

The main aim is to reduce the unemployment rate to 8 percent by 2016 by generating around 60,000 jobs. Ennahda pledges to provide job training to help the large number of jobless university graduates find work, especially in public administration. It will work to diversify incentives for the private sector to provide more job opportunities, to university graduates in particular.

**Governance:** Ennahda's platform pledges to combat corruption and wasteful consumption and to minimize bureaucratic red tape. The party proposes the establishment of a high commission for combating corruption and the adoption of disclosure policies for senior officials' assets. The concern with corruption will serve Ennahda well with its electorate, since transparency and accountability are very popular issues that appeal to the public at large.

**Trade and Integration:** In the realm of regional cooperation, the party seeks to revive the North African Union and calculates that closer partnership and integration with other North African countries might boost Tunisia's GDP by 2 percent.<sup>6</sup> The platform also focuses on achieving advanced partner status with the European Union.

Party platforms tend to be broad and superficial by definition, but additional indications of Ennahda's policies come from its supplemental budget submission to the Constituent Assembly. By April, Ennahda had been in power for three months, and the new government called for an increase in the budget of 2.5 billion dinars (\$1 billion) over the draft budget adopted earlier and endorsed by the Constituent Assembly. In the new proposal, the government admits that it only expects 3.5 percent growth in GDP for 2012, because the economy has remained shaky after the upheaval of 2011.

However, it has not dropped a more ambitious growth rate for the following years, assuming the country will have stabilized by then. Increases in spending will be allocated to both longer-term development projects requiring an increase in investment and what the authors of the supplementary budget call the "Keynesian" project—quickly disbursing expenditures on infrastructure and housing for poor and lower-middle-income families to create jobs in the short run. The newly adopted budget expects foreign grants from both the European Union and Arab countries.<sup>7</sup>

### Gaps in the Party Platform

Ennahda's economic program suffers from two major problems: It does not clearly define the limits of the state's economic role, and it does not specify how the money is to be raised to finance its ambitious programs. Despite

emphasizing respect for private property, Ennahda's program relies heavily on the state's role in generating investment and employment. The slogan of social justice creates wide room for intervention in economic matters. As for investment, Ennahda has an ambitious plan stretching to 2016, but it is unclear how the necessary funds will be raised to support the initiatives. The platform proposes raising money cheaply from international markets, but Tunisia's credit rating stands at the lower-medium grade of Baa3,<sup>8</sup> which suggests that the cost of borrowing will be fairly high.

Ennahda's approach is not revolutionary, but it is ambitious nevertheless. Furthermore, Ennahda is in an alliance with other parties that have different visions for the economy, and that will slow down implementation and possibly decrease the coherence of policies. The ambition of its proposals will leave the party open to easy comparisons between its campaign pledges and actual achievements, and in conditions of lingering economic recession, it will be nearly impossible to achieve the party's desired levels of growth. As a result, Ennahda is bound to struggle economically in the years to come. Subpar economic performance will haunt the party and will certainly be a key factor in Ennahda's evolving relationship with its electoral base.

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**The slogan of social justice creates wide room for government intervention in economic matters.**

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## The Freedom and Justice Party in Egypt

The Egyptian economy's performance over the past year has been sluggish. Investors have not been convinced to resume business, even after legislative elections were held. The state's deficit for the fiscal year that ends in June 2012 is expected to exceed 140 billion Egyptian pounds (\$23 billion), about 8.7 percent of GDP. Meanwhile, Egypt's foreign reserves have been shrinking by roughly \$2 billion every month, precipitated by a sharp decline in tourism and foreign direct investment since the revolution began. In 2011, the government used more than \$20 billion to prop up the local currency, and in February 2012, foreign reserves stood at \$15.7 billion, enough for just three months of imports. The prospect looms of currency devaluation and subsequent inflation that could destabilize the already vulnerable economy.

### Proposed Policies

The Muslim Brotherhood's FJP sees Egypt's main economic problems as stemming from high rates of poverty and unemployment, a gaping budget deficit and large public debt, the widening gap between rich and poor, the increase in prices of basic goods, and the absence of social justice. Its platform distills all of these problems into a description of the economy as "suffering

from distorted and undisciplined markets, as well as the rule of monopolies and monopolist profiteering.”<sup>9</sup>

To address these problems, the party proposes a number of policies that aims at stabilizing the Egyptian economy and regaining the momentum of growth. The main pillar of the FJP platform is premised on achieving more equitable growth with a minimum level of corruption and a sound governance system.

To ensure that the lucrative tourism sector contributes to that growth, the FJP has repeatedly issued assurances that it will not impose unreasonable restrictions on foreign tourists.<sup>10</sup> For instance, Ahmed Suleiman, the head of the party’s tourism committee, said in January 2012 that tourists would be free to wear, drink, and eat what they want in Egypt. Other proposed policies are similarly mainstream.

**Fiscal, Tax, and Investment Policy:** The FJP’s platform envisions reforming the financial sector by restructuring the tax system away from a reliance on sales and value-added taxes in favor of a progressive income tax. The party has also pledged to tackle financial difficulties by proposing policies aimed at reducing the budget deficit. Foremost among them is the reexamination of the policy of subsidizing basic goods like bread and fuel. The FJP aims to provide subsidies only to those in need and to minimize waste in government spending, pledging, for instance, to extend financial support and subsidized credit to small enterprises, institute *zakat* (Islamic tithe) payments and Islamic religious endowments, and move forward with a new law to extend the eligibility for social insurance.

The FJP welcomes foreign investment in areas that create jobs and help in technology transfer, yet they are against the kind of foreign investment that was flowing into the country during the Mubarak era.

The old privatization process, according to the FJP, hindered new, much-needed investment in the economy because after the private sector acquired assets from the public sector, investment dried up and these enterprises struggled. This mismanaged process, the Muslim Brothers argue, diverted funds that could have been channeled into other productive sectors,<sup>11</sup> and the economy was deprived of a potential stimulus to development. The FJP seeks to improve the business environment to encourage both local and foreign investment, including by reexamining these old privatization policies so that successful public-owned enterprises can still flourish after they are privatized.

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The FJP hopes that its new measures will drive the national level of investment (from both foreign and domestic sources) to 30 percent

of GDP.<sup>12</sup> The party does not directly address the subject of Islamic banking—another method of financing—which is the FJP’s way of accepting the current setup in which the traditional and Islamic systems coexist.<sup>13</sup>

**Unemployment and Poverty:** The party seeks to reduce income disparities by fixing minimum and maximum wages in the public sector and to alter the current wage structure so that employees’ salaries are tied to performance instead of parameters such as level of education or years of experience at a workplace. Its platform also advocates improving health care, education, and other public services, and increasing public spending on vocational training programs that would essentially redesign the education system to suit the needs of the labor market. Though the party pledges to “restructure” public expenditures with the intent of gradually decreasing them, that proposal is likely to remain merely a slogan.

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Regarding poverty, the FJP seems to adhere to Egypt’s current set of policies that directs subsidies to poor individuals or communities. There is less emphasis on how the economic agenda adopted by the party would empower poor communities and prepare them to benefit from expected growth by improving the level of education and building workers’ skills.

**Governance:** Combating corruption continues to be a central theme of the Brotherhood’s agenda. It seeks to curb illicit activity through a democratic regime in which the separation of powers, a strong and independent judiciary, and the free dissemination of information are core principles. The FJP also stresses the moral dimension of anticorruption efforts and emphasizes the importance of good governance and strengthening public supervisory bodies, such as the role of the state’s comptroller general, of the offices of financial and administrative oversight, and of public ombudsmen.<sup>14</sup> The party rejects the so-called Selmy Document that would have kept the army’s budget immune from oversight, although this position was not stated clearly in the party’s official documents.<sup>15</sup>

**Trade and Integration:** The FJP has not articulated a clear set of policies regarding trade and integration with the rest of the world. However, the party’s platform has affirmed its commitments to all international agreements that the previous government signed, including those related to trade and investment. The party sees no harm in having good relations with international institutions such as the World Bank, the International



Monetary Fund, and the World Trade Organization so long as such engagement with these institutions corresponds to the needs of the Egyptian people. As for the relationship with the IMF in particular, party leaders have declared more than once that they are willing to deal with this institution in order to stabilize the Egyptian economy.

### Gaps in the FJP's Platform

The FJP's plans have at times been compared to Mubarak-era statements. And one would be correct in noting that the official statements released by previous Egyptian governments—development plans, yearly economic plans, interim strategies, and the like—outlined pledges similar to those that appear in the FJP platform. Party leaders protest that the comparisons are unfair and contend that the previous government's economic performance over a period of several decades amply demonstrates its failures, whereas the Islamists have not yet had the chance to implement their programs. The question is, how will the Brotherhood's promises be translated into more successful policies, and what mechanisms will be required to do so? The party's election platforms

analyzed here fail to adequately address this issue, instead focusing on general goals whose desirability can hardly be contested.

Although economic affairs are centrally important to Egyptian leaders, there nevertheless remain several missing links in the FJP vision. Its platform lacks a clear position on monetary policy, the exchange rate, interest rates, and the role of the banking sector in lending. These are principal components of economic policy and some of the main

tools at the hands of policymakers, yet these topics require specialized, technical knowledge of the first order, something the Brotherhood's inner circles do not seem to possess.

The FJP is also ambiguous about how an increase in government expenditures to cover proposed programs can be reconciled with keeping the budget deficit and the public debt within acceptable limits—that is, 3–5 percent of GDP. The deficit is currently 8.7 percent of GDP while the public debt is estimated at around 82 percent of GDP. Proposals for streamlining public outlays do not take into consideration the potential loss of jobs and downsizing of certain public institutions. The public sector's share of the workforce in Egypt is one of the highest in the world; restructuring it while the economy is fragile would be an exceedingly delicate affair, both politically and socially. Similarly, these types of policies will most likely harm professionals and middle- and low-income earners, the Brotherhood's traditional bases of support.

The FJP's platform does not take a clear position on how to deal with international institutions or how to cope with the global economic crisis,<sup>16</sup> and it does not clarify the context within which economic growth will be resumed.

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This applies particularly to the sectors of tourism and foreign investment, considered among the main engines of growth and job creation for the Egyptian economy. It is likely that hesitation on the part of investors will continue until fuller political stability is restored, with FJP rhetoric underlining the state's right to interfere in many areas under the banner of "social justice" further worrying investors who might be considering putting their money into Egypt.

All of this means that delivering on promises will be extremely difficult for the FJP. Economic performance so far, the response of domestic private investors, and the position taken by various international organizations dealing with Egypt do not lend themselves to the FJP vision. Neither tourism nor FDI have returned to previous levels, and it is not clear when the economy will start to recover. Indeed, so far the Egyptian parliament, dominated by Islamists, has not been able to exercise oversight on government spending and advance its economic plans.

## The Justice and Development Party in Morocco

The agenda for the Justice and Development Party's Sixth Annual Conference issued on January 2011 described Morocco's economic difficulties. Among them were systemic structural weakness that slows the pace of development, the inequitable distribution of the fruits of growth, a decline in the growth rates of non-agricultural sectors, and the deterioration of political and economic governance, which has led to social, economic, and developmental disorder. In addition, the party cites poverty and a widening income gap between rich and poor on one hand and between the Kingdom's various regions on the other as sources of Morocco's current economic distress.

Morocco's economy remains reliant on agriculture, which accounts for about 15 percent of GDP, and tourism, accounting for about 10 percent. Both of those sectors have been severely hit recently, with the central bank cutting its own economic growth predictions to less than 3 percent of GDP because of the ongoing crisis in Europe and impending drought in Morocco. This means that most of the PJD's projections for reducing poverty and unemployment must be revised in light of the new economic realities.

In establishing benchmarks for progress, the PJD expresses considerable interest in the key indicators employed in the World Economic Forum's Global Competitiveness Reports, the World Bank's Doing Business Report, and Transparency International's Corruption Perceptions Index. These indicators reflect a neoliberal approach to economics that views societal outcomes

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as extraneous to the development process rather than a constituent part of it—something that is reflected in the party’s platform. Indeed, the slogan “good governance” appears more frequently in the PJD’s electoral platforms than in those of any other Islamist party.

Though the party looks to Turkey and Brazil to serve as economic role models, its economic platform defies easy classification. Advocating “freedom” in dealing with the means and modes of production while simultaneously calling for the equitable distribution of wealth, the party also claims to favor “a cooperative-socialist approach in production and distribution.”<sup>17</sup> Its proposed policies stem from various sources, including the Islamist conceptual framework examined earlier.

### Proposed Policies

Operating in a 2012–2016 time frame with long-term projections extending to 2025, the PJD promises to raise Morocco to the 90th position in the world in the Human Development rankings (it is currently 130th). With an estimated 40 percent of the population currently illiterate, the PJD pledges to reduce that rate to 20 percent by the beginning of 2015, with a further reduction to 10 percent by 2020. It also vows to raise the minimum wage from approximately \$250 per month to nearly \$300 and to put a floor on retirement allowances at a level of \$120.

To help foster growth, the party takes a moderate position on tourism, with official statements declaring that the PJD will support a vibrant tourism sector and refrain from banning tourism practices that run counter to Islamic sharia. As businessman Abdellatif Kabbaj, managing director of one of the largest hospitality groups in the Moroccan Kenzi Hotels Group, put it, “Promoting the PJD’s image of moderate Islamism is a key task and a real challenge,” adding that “state and private bodies working in the sector really need to focus on that if they want to keep customers coming to our country.”<sup>18</sup>

**Fiscal, Tax, and Investment Policy:** In order to increase state revenues, the PJD will rely on a tax policy that will encourage economic activity and minimize tax evasion, which is currently depriving public coffers of at least 50 percent of tax revenues. The party seeks to both upgrade tax collection capacities and limit discretionary power given tax personnel while speeding up the pace of tax dispute arbitration. Additionally, the PJD pledges to revisit the value-added tax with the intention of reducing the rates imposed on some basic and primary goods and waving cumbersome procedures related to the tax. And though the PJD pledges to reduce taxes on lower-income groups, it also wants to reduce the tax rate for the top bracket of taxpayers—corporations and organizations—from 30 percent to 25 percent, in effect

signaling that, unlike parties in Tunisia or Egypt, it will not shy away from offering support to large corporations.

The party intends to enact a new investment law establishing a clear plan for growth that will take Morocco through the end of 2025. These plans will depend on a financial system that incorporates Islamic financing, since such loans will come at reduced cost according to the party's expectations. The PJD asserts that this will address Morocco's poor liquidity and low savings rate. The party hopes to put in place a strategy for attracting foreign investment with an emphasis on cultivating local expertise and transferring technology.

**Unemployment and Poverty:** The PJD originally pledged to improve the living conditions of Moroccan citizens, particularly the poor, by achieving a 7 percent annual rate of growth through 2015. It also vowed to reduce the poverty rate throughout the country by 2 percent annually through employment and antipoverty programs and to raise the average individual income level by 40 percent within five years.

The PJD is determined to support Moroccan companies in various private sector fields so that they can fulfill their role as engines of growth. The party emphasizes entrepreneurship by promoting economic empowerment through self-employment initiatives, as well as through the provision of funding or making loans more accessible. It calls for reexamining the guarantees and conditions for offering funding to small- and medium-sized enterprises as well as to the youth in an effort to make it easier for them to gain access to loans.

Revenue sources for such schemes include offering direct state funding, providing tax incentives to banks to award loans to startup contractors, or mobilizing an alternative source of funds by creating joint funding schemes between the private and public sectors. The party has also pledged to support small and midsize domestic contractors to help them bid for and acquire no less than 30 percent of government tenders.

**Trade and Integration:** In the area of foreign trade, the PJD has pledged to continue existing policies, including opening the economy to the European market and signing a free trade agreement with the United States, while attempting to diversify Moroccan exports. The party encourages investors to take advantage of free trade agreements with other states, seeking to link trade agreements with investment and the labor market, and to put in place indicators to measure progress in both fields.

### Gaps in the PJD's Agenda

The PJD's economic agenda is complicated by the fact that it must operate within a governing coalition, and the head of the Ministry of Economy and Finance is a former opponent: Nizar Baraka, the son-in-law of Morocco's previous prime minister. When the coalition government was formed, the expected growth rate fell from the 7 percent anticipated in the PJD's platform to 5 percent in the government's platform and recently to 3.5 percent. This will have many important repercussions, including a drop in expected tax revenues.

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**It is unclear how the PJD will increase public spending and reduce poverty without simultaneously widening the budget deficit and/or increasing the foreign debt burden.**

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As with many of the Islamist parties, it is unclear how the PJD will increase public spending and reduce poverty without simultaneously widening the budget deficit and/or increasing the foreign debt burden, which is now estimated at around 43 percent of GDP. The party is pinning a lot of hope on its plans to restructure government spending, minimize waste, and reduce corruption, but that will not be sufficient to put the Moroccan economy on a new path.

In early March, the Moroccan parliament approved the 2012 budget, which aims to reduce the budget deficit to less than 5 percent of GDP.<sup>19</sup> But according to projections in the new budget, the economy is only expected to grow between 3 and 4 percent (it grew by 4.9 in 2011), reflecting downgrades brought about by bad weather conditions that have negatively impacted the agricultural sector and by the slowdown in the European Union that has affected Moroccan exports to that market. It is unlikely that the PJD will meet expectations that were based on higher growth rates. The PJD will find it difficult to justify discrepancies between what its platform promised and actual outcomes.

Moreover, the party platform does not specify the mechanisms for funding either new initiatives to create jobs for unemployed youth or small- and medium-sized enterprises. This raises questions regarding the limits of the public sector and to what extent it can be expanded.

Adhering to indicators such as the Global Competitiveness Reports, the PJD appears to have more of a private sector mentality than Ennahda in Tunisia or the FJP in Egypt. The party has embodied this position through the tax policies it has adopted and through its commitment to making large Moroccan corporations key drivers of growth and development. Perhaps the greatest challenge that the PJD will confront is how to reconcile the desire to advance the Moroccan economy's competitiveness and improve Morocco's standing in international rankings with its calls for social justice that so resonate with its electoral base. Moreover, how the private sector is going to respond to these seemingly contradictory policies remains to be seen.

In the face of adverse weather conditions and a struggling tourism sector, the party will clearly have to revisit its ambitious plans and confront the hard economic realities that will surely upset its electoral base.

## The Islamic Action Front in Jordan

The Jordanian economy has been slowing down over the last two years. GDP growth, which was estimated to be around 3.5 percent in 2011, is not adequate to create jobs and improve the living conditions for many Jordanians. The budget deficit is 10 percent of GDP, and the public debt is estimated to be 63 percent of GDP. Unemployment remains at 14 percent (20 percent among youth), and the poverty rate is estimated to be about 13 percent. The country lacks a clear economic vision, with many protesters taking to the streets of Jordan to demand improvements in living and working conditions.

Generally speaking, the Islamic Action Front's program is the least detailed of all the Islamist parties in this study, and it hardly addresses the above challenges facing the Jordanian economy. With roots in Muslim Brotherhood economic theory, the Islamic Action Front tries to strike a balance between individual interests and the public good; between private property and the role of the state; and between economic liberty and social justice. But its platform has not evolved much over the last twenty years, as evidenced by its election platforms of 1993, 2003, and 2007 as well as its 2005 "Islamic Movement's Vision for Reform in Jordan" initiative. The platforms are almost exact duplicates, though the 2007 version omits a provision that calls for bringing economic and financial legislation in line with Islamic law. In effect, the party has signaled its general acceptance of the existing legal and legislative framework.

According to one of the movement's leaders, the IAF has never drafted comprehensive economic programs because its leaders never expected to reach power. He acknowledged that the IAF did not have a real economic platform prior to the Arab Spring.<sup>20</sup> In response to those popular upheavals, relevant IAF committees have been busy drafting comprehensive economic programs that outline the party's stances on key issues such as foreign trade, regional cooperation, and fiscal and tax policy, as well as its strategies for tackling the disparities between Jordan's regions. Through recent statements and press releases, the party's positions on a number of issues can be discerned.

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**The IAF has never drafted comprehensive economic programs because its leaders never expected to reach power.**

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### Policy Positions

**Fiscal, Tax, and Investment Policy:** The IAF proposes to overhaul the Jordanian tax system, arguing that the current tax code overburdens regular citizens with fees and taxes while offering extensive tax exemptions and loopholes for large corporations, such as those in the

banking and telecommunications sectors.<sup>21</sup> The party is betting on its ability to restructure the tax system, implementing one based on the progressive income tax, as well as public expenditures. It also pledges to open debate on “secret items” in the budget, including items that were not disclosed to the public or even to the parliament, such as military spending and the expenses of the Royal Court.

The party’s economic discourse does not reject privatization in principle, nor is it opposed to free markets; however, it criticizes the process by which privatization of some state-owned enterprises was executed in the past. The party demands that the economy be regulated in a way that takes social concerns into consideration when economic liberalization measures are introduced. Moreover, the party emphasizes the desirability of local investment over foreign investment, calling

for investors to become “national champions” of large national enterprises to drive economic growth.

The IAF also argues that current subsidy policies involve distortions and must be reformed. Its argument is premised on the fact that subsidies do not reach their targeted groups. However, the IAF does not suggest a detailed plan on how subsidies can be restructured and what tools and institutions can be utilized to introduce their proposed policies.

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**The IAF argues that the economy cannot be fixed under the rule of an autocratic regime, and that democracy is the key to turning the country around.**

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**Governance:** According to the IAF, economic challenges, their causes, and appropriate remedies are tied to the political system that governs Jordan, which suffers from weak governance and institutions. The party argues that the economy cannot be fixed under the rule of an autocratic regime, and that democracy is the key to turning the country around.

The issue of corruption in particular has elicited the most attention. A special section of the IAF’s website entitled “Corruption-Related Complaints” is devoted to the subject, and the party has established an internal anticorruption committee. All of the IAF’s economic statements or press releases in the last three years mention the issue of corruption as a central obstacle to sustainable and equitable growth.<sup>22</sup>

**Trade and Integration:** The Jordanian Brotherhood also considers economic liberalization with Israel to have been detrimental to the Jordanian economy. The IAF did, and still does, reject the 1994 peace treaty Jordan signed with Israel as well as its annexes, including the economic protocols aimed at expanding trade relations between the countries. It is not hard for the IAF to make this case; the Jordanian economy has performed poorly since Jordan signed the treaty, and Jordan has seen few real economic benefits from the free enterprise

zones set up between the two countries. But exactly how the party will deal with Jordan's official treaty obligations should it come to power remains unclear.

### **Gaps in the IAF's Agenda**

Rather than presenting a comprehensive, detailed vision concerning its economic policy, the IAF has focused on broad economic goals and general principles. Its economic discourse typically occupies a limited portion of the party's public rhetoric and falls short of adequately responding to the complex economic concerns preoccupying the Jordanian public.

While the IAF correctly identifies the Jordanian economy's many challenges, it does not offer a well-thought-through strategy to extricate the country from its economic crises and to achieve the goals articulated in the party's election statements: Rejecting increases in the price of goods, the party does not identify alternative methods for turning the Jordanian economy around or reducing the country's high level of imports and thus sheltering the Jordanian economy from changes in prices on the international market. It demands that the state reduce budget deficits and national debt but rejects additional taxation to solve those problems. It criticizes the government's subsidy policies but has not proposed another approach, contrary to other Islamist parties, such as those in Egypt and Morocco, which have articulated clear and detailed positions regarding the issue of subsidies. And the IAF has criticized Jordan's privatization policies without offering new suggestions for increasing the efficiency of the public sector. The FJP in Egypt, for instance, has harshly criticized certain divestments of state-owned assets but has proposed specific alternative methods of privatization, by, for example, increasing the number of people who can purchase small shares in the privatized entities.

The IAF is certainly aware of the need to develop its economic agenda further, particularly as it prepares to participate in Jordan's parliamentary elections, which are anticipated before the end of 2012. In order to run a convincing campaign it has to persuade Jordanian voters that it has realistic solutions to the country's wide range of problems. It is likely that the IAF will learn from the expertise of the other parties discussed here as it moves forward in the election process.

## **Islamist Economic Discourse and the Way Forward**

Economic discourse among these Islamist movements has progressed in the last few years, both due to rising popular socioeconomic demands that were simmering even before the Arab Spring and to the liberated political space that has opened up in the wake of authoritarian regimes. In the immediate



past, just before elections were held in Tunisia, Egypt, and Morocco, economic concerns did not receive much attention. Recently, the parties have refined their platforms to highlight economic issues and have attempted to position themselves closer to the concerns raised by the Arab street. Economic issues have even come to regularly overshadow political concerns.

Ennahda, the Freedom and Justice Party, the Justice and Development Party, and the Islamic Action Front all use the economy as a campaign tool, eager to show their leadership in this critical area. Statements mention the need for improving economic performance, achieving social justice, combating poverty, reducing unemployment and corruption, strengthening the rule of law, and dealing with disparities between different classes and regions, all within an Islamic context that calls for balancing public and individual interests. The parties concur on the general approach to economic policy, and this doubtless stems from their shared theoretical and conceptual framework of Islamist economics.

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**All the parties fall short of presenting comprehensive, integrated, and prioritized programs that would realistically confront their economic challenges and transform their economies.**

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However, there are differences in the level of detail and expertise they exhibit. Ennahda's program is quite advanced, and the party mainly just needs to move toward a prioritized and elaborated implementation plan. The remainder of the parties are less sophisticated. The PJD, for instance, wants to improve Morocco's competitiveness yet has not laid out a meaningful road map for doing so. The Egyptian FJP is contemplating tax restructuring, but it needs technical assistance in this field; in Jordan the IAF is still in the early stages of formulating its economic vision.

Each is confronting difficult economic realities. Common challenges include high rates of poverty and unemployment, declining productivity and competitiveness, low levels of integration with the global economy, acute disparities between classes and regions, corruption, high domestic and foreign debt, and more. All the parties fall short of presenting comprehensive, integrated, and prioritized programs that would realistically confront these challenges and transform their economies.

It remains unclear, for example, how funding will be secured for many of the proposed programs. The parties assume that it will be possible to secure funding for various initiatives at a reduced cost, whether through interest-free Islamic loans or through the traditional financial system. But in reality, the credit market is currently very weak; interest rates in Egypt exceed 10 percent while the interest rate on Jordanian treasury bonds is about 6 percent. The situation is similar in Morocco and Tunisia. Some additional funds could be found if corrupt practices are curbed and public spending is reformed, yet these sources will not adequately fund all the ambitious programs proposed, and certainly not within the three- to four-year timetables put forward by most of these parties.

Similarly, the assumption that the public sector's institutions are ready to internalize and implement the anticipated reforms will surely clash with a recalcitrant reality. Among the likely obstacles are rigid and antiquated laws and regulations that will not be easy to change overnight, and building public sector capacity to oversee these new programs will take a great deal of restructuring and retraining. Other difficulties include the complexity of likely ruling government coalitions and the narrow time frames that the parties have set themselves for achieving results to satisfy their electoral bases.

Many in the Muslim Brotherhood point to the Justice and Development party (AKP) in Turkey as an example of an Islamist party that has had success with its economic policies. But are the economic platforms of the Arab Muslim Brotherhood parties comparable to those of the AKP?

The AKP has indeed achieved exceptional economic successes over the last decade, and Arab countries can draw useful and practical lessons from the Turkish experience.<sup>23</sup> From the beginning, the AKP drew clear lines between its overall political platform on the one hand and the economic crisis and ways to tackle it on the other. It balanced a vigorous policy of privatizing state-owned assets, developing relationships with international institutions, and attracting investment with a serious program to combat corruption. Each of these measures—whether related to taxes, the budget, or spending and investment—constituted an essential tool in pulling Turkey out of its economic crisis.<sup>24</sup>

The AKP's allies included dynamic and successful business entrepreneurs who believed in economic liberalism and free markets and had effective institutions built on these principles. They tied the AKP's adoption of certain economic programs to their support for the party, which provided the AKP with important leverage to influence and engage with stakeholders especially the business community. This has not been the case in Egypt, Jordan, or Tunisia. Morocco might be the closest to the Turkish model with its proposal to establish a tax system that would openly support large businesses and create linkages with the rest of the economy.

Yet, one has to be careful when drawing comparisons between the AKP's experience and that of the Arab countries, particularly when observers attribute Turkish economic success to the policy adopted by the AKP during the last ten years. Turkey's traditional and industrial modernization program dates back several decades to a time when Ankara's hopes to join the European Union were high. Expectations that, for example, Egypt could achieve the same impressive economic growth are flawed.

And in general, the Islamist parties' inclinations toward large corporations and the role that will be entrusted to them in the near future remain ambiguous. Their social bases consist mostly of educated professionals such as engineers, doctors, and lawyers and of middle- to low-income earners. Big

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**Arab countries can draw useful and practical lessons from the Turkish experience.**

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enterprises such as banks and communications companies are not traditional supporters of these parties. It is not clear how investors would respond if the Islamists in power decided to favor certain groups at the expense of others, and what impact that might have on economic activity. None of these parties articulates how political coalitions will be forged with businessmen, the middle class, or even opposition unions representing wide swaths of workers. Instead, they adopt general slogans of social justice and anticorruption.

## Policy Conclusions

The general character of the platforms proposed by Islamist parties and the large number of disparate goals that they aim to achieve makes it difficult to judge these parties' efficacy before they are practically tested. What is clear

is that all of the challenges confronting these countries require radical changes in the existing order and far-sighted planning.

Tunisia's Ennahda, Egypt's Freedom and Justice Party, Morocco's Justice and Development Party, and Jordan's Islamic Action Front all appreciate the central role the economy will play in their future success or failure. Yet most of

these parties lack experience in administering the affairs of the state. They will thus require assistance in developing the necessary administrative and executive capacities to put into effect the programs that they have promised.

In addition, it is unclear what sort of relationship will develop between the new governments and various economic stakeholders. So far, the Islamist parties have given mixed signals to the private sector, which has in turn been hesitant to invest. These parties must be pushed to distinguish between the duties of the private sector toward its employees, toward the public tax and regulatory framework, and toward civil society as part of corporate social responsibility. Investors fear that new demands will be placed on them and that they will have to shoulder the burden of governmental failure. The parties must thus also draft a clear covenant that defines the extent to which the state can interfere in economic matters.

The parties may benefit from the experience of other countries in the realm of laws and institutions that limit corruption, such as freedom of information acts, transparency systems, independent anticorruption commissions, and ombudsmen. It would also be useful if these parties reconsidered the way in which budgets are prepared, executed, and monitored and evaluated by independent bodies. Currently, all three of these phases of the budget process are conducted by the government itself and so the opportunities for correcting and improving budgets are very small.

Externally, these Islamist parties have evinced interest in regional cooperation and joint projects and have called for the adoption of open trade policies,

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**The challenges confronting these countries require radical changes in the existing order and far-sighted planning.**

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but this position is not explicitly addressed in their platforms. The parties stop short of identifying certain projects that could enhance regional cooperation. Arab and international institutions could help identify a number of potential regional projects in areas such as tourism, energy, and water and begin building agreement on steps toward implementing them.

Tunisia, Egypt, Morocco, and Jordan all suffer from large budget deficits and will require financial assistance to meet their budgetary commitments. The parties are quite optimistic that they will be able to secure the necessary funding from international markets at reduced interest rates. Unfortunately, there appears to be little basis for such optimism given the current global economic environment. Still, major Arab and international financial institutions should cooperate in securing the necessary funding for some initiatives, especially in the areas of health and education. Those initiatives must be accompanied by a clear road map for governance, adherence to the rules of democratic practice, and transparency in disclosing information. Since the level of economic discourse varies with each country, external partners interacting with these parties must vary their levels of involvement.

All of these parties acknowledge that without cooperation and engagement internally with various stakeholders and externally with international actors they will not succeed in meeting their goals. This engagement should be pursued with the objective of enhancing sustainable inclusive growth while ensuring adherence to good governance and the democratic process that brought these parties to power.

Though the Muslim Brotherhood platforms suffer from shortcomings and gaps, the four parties clearly believe that dealing with economic challenges is key to their success if they hope to be reelected. Their overreaching promises reflect their lack of experience in public administration. Compared to just a year ago, each country is facing deteriorating economic conditions. If the Islamists in power are blamed for the gloomy economic conditions or are unable to turn things around, they too could face a bleak electoral future.



## Notes

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