

Islamic Business and the State: The Cases of Turkey and Egypt

Introduction:

In November 2006, in the Central Anatolian province of Kayseri, *Time Magazine* interviewed Celal Hasnalcaci, a local manufacturer of denim jeans for export. In his office decorated with photographs of young models striking provocative poses in low-cut denim outfits, Hasnalcaci expounded on the interplay between Islam and business. According to *Time*, the region is at once a heartland of Muslim conservatism and Europe's biggest supplier of lingerie. When asked to comment on this seeming anomaly, Hasnalcaci merely shrugged and said "Business is business." His response, like none other, encapsulates the attitude of the successful provincial religious business elite in Turkey.

Hassan Malek, an Egyptian businessman, offers a stark contrast to Hasnalcaci's serene success. Malek, the owner of the biggest computer company in Egypt in the 1990s and a member of the Muslim Brotherhood was arrested and charged with financing and belonging to an illegal organization and attempting to support a coup in 1992. His company was closed, and he was thrown in jail. After his release, he restarted his business and established several enterprises, including some furniture and clothes factories. In December 2006, at the outset of a pilgrimage to Mecca with his family, he was arrested along with 39 other Muslim Brotherhood businessmen on charges of funding the Brotherhood's activities and of threatening public order.

Celal Hasnalcaci and Hassan Malek, who share the same strong Islamic beliefs, are both products of Turkey and Egypt's respective economic liberalization programs. Even though both countries started to open their economies around the same time, their market reforms, liberalizing the economy, affected Islamic businessmen in radically different ways.

In November 2002, the pro-Islamist Justice and Development Party (AKP), a successor of the fundamentalist Welfare Party (RP), came to power in Turkey by receiving 34.6 % of the votes and 366 of the seats in the National Assembly. By the July 2007 elections, the AKP continued to remain the strongest party, increasing its share of the vote to 47 %. The AKP, in its party program and various publications, defines itself as a conservative democratic party which accepts the secular framework of the state, democratization and liberalization on political life, and conservatism in social life. Due to the rigid understanding of secularism outlined in the Turkish Constitution that excludes religious groups from political life, the AKP insisted that it had departed from the anti-systemic and confrontational Islamist National Outlook (Milli Gorus) Movement.¹ Since then, Turkish political life has been shaped by the inclusion of pious outsiders into the organization of the secular state. For some scholars such a shifting relationship between the Turkish Islamic actors and the secular state represents the Gramscian concept of “passive revolution” (Tugal 2009) or “silent revolution” (Yavuz 2009) in Turkey.

Unlike Turkey, the tense relations between the Egyptian state and political Islam have not significantly changed until the January 25th revolution. The Muslim Brotherhood which was excluded from the political system since the 1950s, has now formed the Justice and Freedom Party, and will run in the parliamentary elections. *Hizb al-Wasat* (Center Party), rejected four times by the Political Parties Committee (PPC) under Mubarak regime, was granted official recognition in February 2011.² Since the January 25th, the internal splits along generational and

¹National Outlook Movement under the leadership of Necmettin Erbakan stated Islamization of Turkish state as its ultimate goal.

²In 1996, a moderate and less confrontational wing, named the *Hizb al-Wasat* (Center Party) emerged within the larger organization of the Muslim Brotherhood. ²This group espoused a clear stance against violence, respect for democratic procedure and for the views of others (*al-ra'y al-akhar*), and acceptance of religion as a framework of values (Utvik 2005, Wickham 2004). Since its inception, the *Wasat* Party has applied four times to the Political Parties Committee (PPC) for legal status as a party. However, each time the appeal was rejected by the PPC, on the

ideological lines within the Brotherhood have become apparent. Ibrahim al-Zaafarani, a former member of the Muslim Brotherhood's legislative body, along with at least 15 young members launched an online campaign to attract supporters to the tentatively-named *Nahda* or Renaissance Party (*Al-Masry Al-Youm*, March 27, 2011).

To what extent will the recent revolutionary movement be a turning point for the relations between the Egyptian state and political Islamic groups is still an open question. It remains yet to be seen whether Egypt's new political order will be accommodative enough to prompt a change in the state-Islam relationship in Egypt. The new order has serious work ahead.

My dissertation research analyzes how Islamic business groups could flourish in countries with restricted political environments, where secular regimes have limited the space for Islamic groups to organize in both civil and political society. I examine how such business groups have created their own opportunities to influence policy outcomes. I analyze how various Islamic actors and state shape each other and the political map of the country. This approach would enable me to see the state-Islam relationship not as a zero-sum game, but as the ongoing engagement over the rules for daily behavior. Business is one area where we can see the interactive relationship between state and Islamic movements. I evaluate how state policies and Islamic business responses mutually condition one another.

Islamic businesses are an integral part of the Turkish and Egyptian economies, and required to follow the rules set by the secular state. The term "Islamic business" is problematic, since there are no specific rules concerning the conduct which noticeably separates Islamic

pretext that the *Wasat* Party was conspiring to simply attempting to create a legal front for the outlawed Muslim Brotherhood.

economic activities from their secular counterparts in Turkey and Egypt. Additionally, making such blanket generalizations about “Islamic business” is complicated because there are important ideological and organizational differences amongst various Islamic business groups. I employ the categorization “Islamic business groups” to refer to various individuals and economic groups who are affiliated with Islamic parties, religious communities, and business associations. I also employ this term to denote business people who see Islam as a solution to major political and socioeconomic problems.

I specifically investigate two variables, which may have an effect on the strength of Islamic business groups in Turkey and Egypt: The nature of market coalition during the economic liberalization and the nature of Islam.

On the basis of the comparison of the Turkish and the Egyptian experience I hypothesize that where economic liberalization has been geared to accommodating provincial, medium-sized businesses (which have been dominated by Islamic businessmen), the state will most likely reorient itself to support those business groups. As these provincial Islamic business groups begin to prosper and integrate with the global economy, they will commit to a more liberal and moderate stance in order to forward their own business interests. Their commitment, in turn, assists in shifting the state's position favorably towards the political-business Islamic groups. I also hypothesize that engagement between state and Islamic business is more likely in cases where religious community structures are robust. Pre-existing religious networks facilitate wealth accumulation for Islamic movements during market transitions by providing welfare services, communal solidarity, and mobility. The more an Islamic movement benefits from wealth accumulation by using religious community structures, the more it finds innovative ways of incorporating into politics.

Hypothesis 1: Economic Liberalization Policies and Shuffling of Alliances

My first hypothesis explores the extent to which different market coalitions between state and various social forces have been important for the fate of Islamic business groups in Turkey and Egypt. My operational variable is founded on the premise that economic liberalization policies constitute a strong base for a critical juncture. This therefore creates new political and economic reorientation in society and generates new coalitions at both domestic and international levels. Alignments between state and various social forces determine the course of market reforms and, in turn, are determined by them (Collier and Collier 1991, Ozel 2006, Baylouny 2008, Roet 1998). In my analysis, I will emphasize the interactive process between the state and Islamic businesses. Most importantly I will focus on the mutually transformative relationship between these two.

I will propose that the initial coalition between the state and Islam in the early phase of economic liberalization transformed the interaction between Islamic constituencies and the state in Turkey. Emin Adas argues that in addition to economic restructuring, there was a decisive shift in the state's policies toward religion, which he calls, a la its companion, "religion adjustment reforms" (Adas 2003,62). The 1980 coup adopted "Turkish-Islamic synthesis" in order to mitigate ideological divisions and to promote a "tamed" version of Islam as a factor of national unity. Turgut Ozal's Motherland Party's (1983-89) economic liberalization policies created a shift from import substitution and a first generation of big state-led industrialists to small and medium-sized entrepreneurs. Islamic entrepreneurs who accessed important resources, such as credit from state banks, preferential treatment in public contract, emerged in this new entrepreneurial generation, and became conduit for the geographical expansion of market

reforms.³ The Islamic businessmen association, MUSIAD (the Independent Industrialist and Businessmen's Association)⁴, which represents the economic interests of small and medium-sized enterprises, has strongly criticized uneven development and unequal power relationship between Istanbul and Anatolian capital. In so doing, MUSIAD was able to incorporate diverse social groups to its socio-economic project. The outcome has been the synergy between Islam and capitalism in Turkey.

The Egyptian state implemented economic liberalization called *Infatih* (open door policies) in two stages in 1970s and 1990s. The main allies of *Infatih* were a small group of big business and large public sector enterprises.⁵ During *Infatih*, the economy has remained centrally run, and the private sector has been reliant on the state. Moreover, economic opening did not create any significant change in the manufacturing sector, and its export capacity. In 2002, exports accounted for only 10 percent of output (Rivnik 2009, 111). The SMEs were excluded from the incentives and cheap credits that were made available to big business. Since there was no organized group that could defend the SMEs's collective interests, the SMEs have been subject to "arbitrary and frequently destructive interventions of the bureaucracy" (Springborg, 1989, 78-80). Islamic business groups have remained quite weak in this unfavorable economic environment for the SMEs.

³ According to Ministry of Industry and Commerce, between 1983 and 2000, more than 500.000 business establishments were established.

⁴ MUSIAD was established in 1990. While Islam is not acknowledged in "MUSIAD's Aim and Perspective", MUSIAD states its desire to "contribute to the emergence of a society of people who have inner depth" and a "common business ethics model fed by cultural and spiritual values brought along from past to present"(musiad.org.tr). 1,331 of 1, 1776 MUSIAD member companies as of 1995 were established after 1980.

⁵ The public sector expanded over 3.5% per annum between 1973 and 1982 (Shafik, 1994, p. 13).

In 1991, Egypt signed stand-by agreement with the International Monetary Fund for economic stabilization and structural adjustment. The government increased energy prices, reduced subsidies, and cut government spending and the budget deficit. These policies led to the retreat of the state from the welfare programs, and unemployment drastically increased. Not surprisingly, the middle and lower classes have been seriously harmed by economic liberalization programs. Since the early 1990s, the Muslim Brotherhood has continued to attract professionals, such as doctors, lawyers, and engineers –the new middle class – those “who have found that despite their advanced educations, opportunities for advancement remain largely closed and in the hands of the dominant elites” (Clark 2004, 17). These professionals have employed Islamic polity by building institutional alternatives (private voluntary organizations, such as clinics, schools, day care centers) to those of the secular state (Wickham 2002). According to Gumuscu, the Muslim Brotherhood’s success in the professional syndicates and its comparative absence in business associations demonstrate that the mainstream political Islam has been captured by lower-middle classes whose interests have been hurt by economic reforms (2009).

Hypothesis 2: The Nature of Islam

My second hypothesis explores the extent to which the existence of strong religious community structures can be important elements for the success of Islamic business groups. I use the term religious community structures to denote Sufi niches (such as *Naqshbandi* and *Kadiri*), and webs of Islamic networks (such as the neo-*Nurcu Gulen Movement*). Such structures had the effect of creating a powerful network based upon trust relations among Islamic economic actors. I analyze how Islamic business groups in Turkey have utilized informal structures to accumulate wealth and to challenge Turkey’s traditional power elite.

This is contrasted with my case study on Egypt, where the more centralized nature of Islam did not provide such strong community structures for Islamic businesses. I am planning to show how state-controlled religious institutions such as *al-Azhar* University, the Ministry of Religious Endowments, *Dar al-Ifta* al-Misryah (the Egyptian Fatwa House) and the Supreme Council of Sufi Orders, and the nineteenth century Islamic reform movement pioneered by Muhammad Abdu and Rashid Rida who severely criticized the social manifestations of Sufism, especially saint veneration, led to the decline of the most Sufi orders in Egypt throughout the nineteenth and early twentieth century in Egypt (de Jong 1978, Marsot 1972). In order to analyze the community structures in Egypt, I will focus on the Demirdashiya al-Khalwatiyya, the largest of the officially recognized paths according to the Supreme Council of Sufi Orders (Chic 2007, Waugh 2008). I will especially try to understand the Khalwatiyya's ties with the religious elite educated at Al-Azhar in the nineteenth century to assess its current situation.

In order to examine the effect of the religious community structures on wealth accumulation in Turkey, I mostly focus on the networks and activities of the neo-Nurcu Gulen Movement.⁶ It can be argued that the Gulen movement is the most ambitious and well-organized Islamic advocacy network in Turkey with its extended networks of schools around the world, several media outlets, television stations, and business related NGOs (Yavuz 2003, Turam 2007, Ebaugh 2010). The followers of the Gulen Movement formed "The Association for Social and Economic Cooperation between Pacific Asian Countries," PASIAD, in South East Asia, and "The Turkey-African Countries Cultural, Social, and Economic Development Association," AKSIAD, in Africa. These associations support trade links between local businesses and

⁶The Nur movement was established in the early years of the Turkish Republic under the leadership of Bedüizzaman Said Nursi, author of several volumes of Qur'anic exegesis known as *Risale-I Nur*. After the death of Nursi, the The Nur movement went through a number of processes of fragmentation: the Gulen, Yeni Asya, Okuyucular and Yazicilar have emerged as the manifestations of Nursi's legacy in Turkey.

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affiliated Turkish enterprises in Southeast Asia and Africa.⁷ In 2005, “The Confederation of Businessmen and Industrialists in Turkey,” TUSKON, was established by 124 separate Anatolian regional associations. The Gulen movement has forged important ties with the new Anatolian bourgeoisie by setting up trade networks that used inroad established by the movement’s schools (Hendrick 2009). I want to find out how a symbiotic relationship has emerged between Turkey’s new bourgeoisie, its dominant party (the AKP), and the grassroots organization (the Gulen Movement). I want to understand what strategies the Gulen Movement uses to take advantage of Turkey’s transformation in the process of economic liberalization, and what strategies are more likely to have an impact on non-confrontational forms of interaction and cooperation between the state and Islamic actors.

⁷ For more information, see <http://www.tuskon.org>, <http://www.pasiad.org/> and <http://www.aksiad.org>).