



Lost Capital: The Egyptian Muslim Brotherhood's Neoliberal Transformation

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Article

In an October 2011 interview, Hassan Malek, a leading Egyptian Muslim Brotherhood businessman, emphasized that the Islamist group was friendly to business. Its main problem with the economic policies of former president Hosni Mubarak, he said, was not the policies themselves but the corruption of businessmen close to the regime. The Brotherhood's year in power, between 2012 and 2013 under then president Mohamed Morsi, confirmed that neoliberal market orthodoxy was at the heart of the group's economic program. Indeed, the Brotherhood had embraced neoliberalism during the decades prior to 2011, in line with the shift toward neoliberalism of Egypt's governing elites. The policies of Morsi and his government revealed their inability to break out of that mold, perpetuating a crisis of leadership that started under Mubarak and reflecting a failure to address public dissatisfaction with social and economic conditions. This helped undermine Morsi, ultimately facilitating his removal from office in July 2013, which led to the imprisonment of thousands of members of the Muslim Brotherhood and devastated its organizational structure.

Political Islam

Neoliberalism can be broadly defined as the extension of the competitive market into all areas of life, including the economy, politics, and society. Neoliberal economic policies include trade liberalization, the privatization of social services, and the prioritization of fiscal consolidation. Beyond economics, neoliberalism also holds that an individual's well-being is intimately tied to making market principles the guiding values in their lives and regarding themselves as beings who can create, sell, and optimize.

Neoliberalism in the Arab world isn't only embraced by those in power. As a distinct form of capitalism and a political project, neoliberalism has been adopted by political opposition parties and even social movements throughout the region. This has been particularly true in Egypt, where neoliberal ideas were shared by parties and movements other than the Muslim Brotherhood, including the April 6 Youth Movement, the Salvation Front—the secular coalition opposed to Morsi—and some currents of the feminist and human rights movements.

Discussions of the Brotherhood's economics usually cover the group's finances, concentrating only

on its transnational funding or business activities. Yet this doesn't allow for an accurate understanding of how the Brotherhood's neoliberal orientation developed before 2011 or, more importantly, how it was transformed afterward. The prevailing interpretation of the Brotherhood as a cultural and religious political actor, with a focus on identity, internal discipline, and religious discourse, overlooks how the group's approach to economics evolved at a time when neoliberalism affected nearly all aspects of Egyptian life.

The Underpinnings of a Neoliberal Muslim Brotherhood

Islamic political movements have rarely been anticapitalist or hostile to market economics, even in their most radical manifestations. Because they claim to represent the whole of society, they refrain from approaches that would highlight social class differences or social conflict. This playing down of social antagonisms historically allowed the Muslim Brotherhood to appeal to groups with contradictory interests. This, in turn, made it possible for the organization to attract a diverse membership—with middle-class professionals tending to dominate its senior ranks—while sustaining an elusive economic vision by altering its economic approach and rhetoric according to need.

However, avoiding social conflict is not the only reason why certain Islamic political groups have adopted neoliberalism. Strains of political Islam, as with all religious-based ideologies, are open to interpretation and interact dynamically with social class, political, and historical contexts. In Egypt and elsewhere, movements in and approaches to political Islam have defended free trade and markets, alongside others that call for social justice and equality. While all of these ideologies have used religion to justify their views, they have also been defined by distinct interests within different social and political contexts. Reflecting this diversity, the literature of the Muslim Brotherhood contains references to social justice and critiques of wealth gaps, together with affirmations of the sacredness of private property, business, and markets.

Under Mubarak, the Muslim Brotherhood had its own businessmen and businesses, but it was also able to claim that it sought to advance social justice by pointing to the activities of its social charity network. However, it shied away from critiquing market liberalization and neoliberal transformations, other than highlighting cases of corruption or echoing general populist complaints about the deteriorating living standards of the poor. The Mubarak regime adopted flexible tactics when dealing with Muslim Brotherhood businesses. It allowed these businesses to operate at a level where they would not become too large or powerful—if they grew too much, the businesses were closed and taken to court, often on the grounds that they were financing the Brotherhood, then an illegal entity. This happened to the Brotherhood-owned Salsabil computer company in 1992. Hassan Malek, one of Salsabil's partners, served one year in prison as a result.

By the early 2000s, the Mubarak regime—driven by a deep crisis due to declining revenues from oil, gas, the Suez Canal, and Egyptians living abroad—could no longer sustain food and energy subsidies or provide long-term employment in the state bureaucracy. In 2003, it adopted unprecedented neoliberal measures as a way out of its dilemma, accelerating the neoliberal transformation of Egypt that had begun in the 1990s. When the government of Ahmad Nazif, which was composed primarily of businessmen, took office in 2003, it had major implications on the evolution of the Muslim Brotherhood's economic agenda. The business elite tied to the Brotherhood welcomed Egypt's new orientation, seeing an opportunity for growth. The Brotherhood was not an exception—neoliberal policies throughout the region provoked varying degrees of change in a wide range of Islamic movements. However, the Nazif government accelerated the privatization of public enterprises and slashed subsidies while the real wages of most Egyptians declined, fomenting a rising tide of social protests. Between 2004 and 2010, some 3,000 protests took place as a consequence, mobilizing thousands of workers across the country's governorates in a slow

rehearsal for the uprising of 2011.

The Muslim Brotherhood was never an organic part of those protests. In fact, it kept a distance from them and was content with doing nothing more than issuing occasional statements criticizing privatization transactions as corrupt or warning against deteriorating economic circumstances. One reason is that, in addition to the Muslim Brotherhood's business elite benefiting from neoliberal policies, the group's membership structure had changed, leaning toward upper-middle-class and wealthier members. The Brotherhood's language displayed less sensitivity to the poor—a growing class of Egyptians due to neoliberal measures that put pressure on lawyers, schoolteachers, university professors, medical professionals, and others—as the group became increasingly defined by its more economically conservative members.

This evolution is why the Muslim Brotherhood was reluctant to join the first three days of protests against the Mubarak regime in January 2011. This created a backlash, as some of its younger middle-ranking cadres defied organizational discipline and went into the streets, sometimes even playing a leading role. Though the Brotherhood soon changed course and joined them, it later expelled the dissident members, who formed new political parties that adopted more critical views to neoliberalism. Among them were the Egyptian Current and Strong Egypt parties, which merged later under the leadership of Abdel-Moneim Abou al-Foutouh, a member of the Muslim Brotherhood leadership who had resigned in early 2011. The departure of these relatively more radical members removed any resistance within the Brotherhood, paving the way for those at the top who favored neoliberal policies and were eager to take their place in Egypt's political-business elite.

The Muslim Brotherhood's burgeoning businessmen and its changing membership structure were not the only factors behind the group's acceptance of neoliberalism. The emergence of pious neoliberalism in the 1990s and early 2000s also contributed to this transformation. Pious neoliberalism describes a phenomenon where religion, charity, and business interact. Religious practices that have been reconfigured in line with neoliberal principles are portrayed as part of what it means to be religious. This allowed the Brotherhood to integrate into the pre-uprising business elite after Mubarak's downfall, but also, once in power, pushed it to implement policies that alienated many Egyptians.

Turkey, whose ruling Justice and Development Party is close to the Muslim Brotherhood, was a regional pioneer of pious neoliberalism and a role model for the introduction of business practices into charitable work. However, the trend was also visible in Egypt with the rise of preachers such as Amr Khaled in 2003, who oversaw flourishing charity operations and targeted the Egyptian middle class with business-friendly religious messages. Preachers like him even reframed religious practices to depict economic rationality, productivity, and privatization as part of what it meant to be religious. Khaled also used management science and self-help rhetoric to fold entrepreneurial activities into religion. The Muslim Brotherhood was not immune to such developments, as the group's behavior would prove once it took power.

Friends With Hosni Mubarak's Friends

Hassan Malek and Khairat el-Shater, another influential figure in the Muslim Brotherhood, took advantage of Mubarak's removal to integrate the group's businessmen into the old business elite. They sent positive signals to the local and international business communities. Before the mid-2012 election of Mohamed Morsi, Malek and Shater began building relationships with Mubarak's close allies, whom they had previously accused of corruption, and Shater met with prominent members of the business community. In 2012, the Egyptian investment bank EFG-Hermes, in which Mubarak's son Gamal had been a partner, helped Shater meet fourteen major investment managers from Europe, the United States, and Africa. He used the opportunity to reassure investors that the new Muslim Brotherhood government shared their goals.

In March 2012, Morsi appointed Malek to head the Egyptian Business Development Association, or EBDA. The launch ceremony was attended by several business leaders from Mubarak's disbanded National Democratic Party. After Morsi's election in June, the EBDA started organizing meetings with the new president and leading reconciliation negotiations with businessmen who had fled the country after facing corruption charges. This included Nazif's trade and industry minister, Rashid Mohammed Rashid, and Hussein Salem, Mubarak's friend and a major player in a natural gas export deal with Israel.

In the first elected parliament after Mubarak's overthrow, the Brotherhood failed to introduce any significant legislation to advance social reforms. But the life of the parliament was very short—the Supreme Council of the Armed Forces dissolved it hours after voting began in the second round of the presidential election on June 16, 2012. Therefore, it could be that the Brotherhood did not have enough time to fully formulate its economic agenda.

This inaction underlined the impression that, while the Muslim Brotherhood was in the opposition, a more informal approach to economic issues could work, combining pious neoliberalism with the absence of clear policy measures. But once in power, Brotherhood officials were obligated to introduce specific policies. Morsi was the most economically liberal of the candidates in the presidential election, which included figures from the old regime. His electoral platform, known as the Renaissance Project, called for resuming privatization—even of strategic economic sectors—after it had been stopped in 2007. The Brotherhood-dominated government of prime minister Hisham Qandil liberalized trade and vowed to attract billions of dollars in foreign direct investment to infrastructure projects. It also promised to increase spending on education and health, but suggested it would aim to ultimately privatize these services through public-private partnerships and signaled a dependence on private-sector financing. Social justice was a main objective of Morsi's platform, which sought to restructure Egypt's tax system. However, the platform failed to offer detailed plans for progressive taxation, which had been a demand of the social protest movement for years.

The Muslim Brotherhood's approach to privatization was very different from its position prior to the 2011 uprising. During the Nazif government, the Brotherhood attacked privatization, regarding it as a condition imposed by the International Monetary Fund (IMF) that went against Egyptian interests. It described privatization as "selling Egypt and its wealth." However, the Qandil government adopted pillars of the neoliberal approach. It prioritized economic growth and slashing the public debt. It resumed negotiations with the IMF over a rescue loan and agreed to an austerity package that included raising the price of energy and public services. In March 2012, the Brotherhood's parliamentarians met with an IMF delegation and supported a loan deal.

After they took power, Morsi and the Muslim Brotherhood also shifted their position on the Qualifying Industrial Zones (QIZ) agreement with Israel and the United States. The Brotherhood's parliamentary bloc had rejected the agreement when it was signed in December 2004, saying it threatened Egypt's security and wouldn't help the country's deteriorating textiles sector. Eight years later, however, after Morsi's election, an Egyptian delegation visited Washington to negotiate expanding the agreement and reducing Israeli inputs in Egyptian exports to the United States.

This was crucial for Egypt's textile lobby, which had been close to Mubarak. On September 9, 2012, in an interview, Qandil said "a lot of people are making good business out of [the agreement]: we want to make sure we do the right thing for them to flourish." Any radical challenge to the agreement could have antagonized the United States and Israel, something the Brotherhood likely wanted to avoid. Yet, revealingly, the Egyptian government chose to expand the agreement rather than just maintain the status quo, a move that was motivated mainly by internal alliances and the demands of important players in the textile industry who benefited from the QIZ.

Social Protests Resume Under Morsi

When Morsi was elected, the ongoing social protests were suspended while activists waited to see how the new president would act. Expectations were high when Morsi created a presidential Ombudsman Office on July 16, 2012, to address wrongdoings. Within nine months, the office had received some 298,000 complaints.

However, expectations soon gave way to disappointment. National protests resumed a few months later, when the public concluded that their situation had not improved. A Gallup poll just before Morsi's election showed that Egyptians' top priority was job creation, at a time when many were feeling the effects of rising food prices. As protests spread, the main demands were for more permanent jobs as well as higher or unpaid wages. Service delivery was another problem, and protesters demanded better access to electricity, drinking water, and water for irrigation.

A report published by the Egyptian Center for Economic and Social Rights in July 2014, one year after Morsi's removal, estimated that over 4,500 protests took place in the first half of 2013. The report affirmed that most of the protests were motivated by public anger against the Qandil government and the policies of the Muslim Brotherhood. This conclusion echoed the results of a Gallup poll conducted two weeks before the military removed Morsi in July 2013, which found that only 29 percent of Egyptians expressed confidence in their government—the lowest level measured by Gallup since Egypt's uprising in 2011, and a steep drop from the 57 percent confidence level Morsi enjoyed in November 2012, five months after his election. Moreover, the disapproval was widespread. Protests took place all over Egypt, with more than 200 protests apiece in eight governorates other than Cairo during the final six months of Morsi's rule.

Conclusion

Egyptians revolted in 2011, anticipating change. Instead, they only got more of the same. The neoliberal agenda of the Muslim Brotherhood played a crucial role in damaging Morsi's credibility. Yet this was not merely the result of bad policy choices or mistaken execution. It was the natural outcome of the Brotherhood's trajectory toward greater neoliberalism before 2011, itself a manifestation of Egypt's broader neoliberal transformation at the time.

The Muslim Brotherhood found itself dealing with a crisis that had been exacerbated by the sharp neoliberal turn of the Mubarak regime in 2003. The Nazif government had appointed influential private businessmen as ministers, slashed subsidies and state jobs, lowered corporate taxation, and privatized banks and public services. The protests that erupted in 2004 reflected the failure of neoliberal policies and trickle-down approaches for dealing with the demands of the poor. The uprising in January 2011 was the culmination of that process.

Morsi and the Brotherhood-dominated government were unable to provide an alternative route to satisfy the social protest movement, let alone offer a new social contract for Egyptians. In pursuing the neoliberal economic policies that had provoked public anger in the first place, the Brotherhood exemplified the intensifying crisis of Egypt's ruling elite that continues today under a much heavier hand.

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