

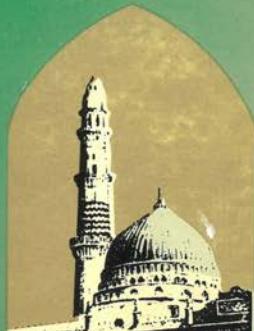
بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

The Islamic Concept of World Economic Order

Altaf Gauhar

المجلس الإسلامي الأوروبي

Islamic Council of Europe



The Islamic Concept of World Economic Order

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INTRODUCTION

The main argument in this paper is divided into two parts, though the transition from one to the other is not particularly smooth. But the problem which is sought to be examined is the same in both the parts, namely the need to evolve an economic order based on equity and justice, providing equal opportunities of advancement to all without any discrimination, to ensure the happiness and growth of the people. The first part deals with the New International Economic Order which recognizes the urgency and the desirability of bringing about certain fundamental and structural changes in the prevailing economic system and promises to evolve a more equitable arrangement. If it could be shown that there were a reasonable possibility of such a promise being fulfilled, there would be no need to pursue any other alternative, and the second part of the argument would become redundant. It is my case that the proclaimed objectives of the New International Economic Order cannot be achieved. Not because the objectives are unattainable, but because the principal parties engaged in negotiating the new Order are governed by certain immutable considerations and constraints which are irreconcilable with those objectives. Any criticism of the West or of the Third World must not be taken as a reflection on the people who are kept under domination in the countries of the Third World, and under ignorance by the mass media in the industrialised West.

To begin with, an obvious question needs to be answered: Why is there so much talk of a new international economic order? Whatever happened to the old order? Statesmen and political scientists are constantly reminding us that the world is facing an economic crisis and unless something is done to bring about a structural change in the existing system, a major part of the world may be pushed into confrontation. International civil servants assure us that 'many of the facets of the economic order as it has prevailed up to now are in need of modification, even from the point of view of the developed countries'.¹ The International monetary system it is said 'has collapsed',² the environmental issue has placed a disconcerting question mark against 'prevailing assumptions regarding the availability and use of natural resources, with serious implications for the continuation of patterns of development that were predicated on their wanton exploitation',³ and the ability of the developed countries to combine full employment with relative monetary and price stability has been seriously undermined.⁴ The basic assumption is that the existing monetary and economic system which, for well over a hundred years, was working against the interests of the developing countries has, in recent years, produced deleterious side-effects for the beneficiaries of the system, who are now beginning to feel that the system needs some modification. It is reasonable to believe that the developed countries should take steps, in their own interest, to introduce such modifications in the system as would eliminate those side-effects. What is difficult to accept is that the developed countries have developed a new

¹ UNCTAD IV, Nairobi, May 1976, Report by the Secretary-General of UNCTAD to the Conference: p. 2, para. 5.
^{2, 3, 4} Ibid. p. 2, para. 5.

conscience, and as a result of this transformation have recognised the illegitimacy and injustice of the present system. It will be my endeavour to show that no transformation has taken place.

The truth is that a new global division of power, based on weapons or terror and destruction, is being negotiated to dominate the world, and there is evident desire to review the traditional relationship between the producers of raw materials in the Third World and the industrialised countries of the West. It is possible that as a result of this review some alterations may be made in the present system, leading to marginal improvements in the Third World economic prospects but the fundamentals of the system will remain unaffected. Too many vested interests, not only in the developed countries, but in the developing countries as well, depend on the preservation of the status quo. Indeed, there is a considerable coincidence of interest, amounting to collusion perhaps, between the ruling elites in the Third World countries and the dominant groups in the developed countries which is likely to prevent the possibility of any radical change in the present political, social and economic arrangement. Any fundamental change in the present system entails a fundamental change in attitudes and values. There are no prospects that such a change can be brought about within the framework of the New International Economic Order.

PART I

Section I

The U.N. General Assembly adopted a Declaration and a Programme of Action on the establishment of a New International Economic Order on 1st May 1974. The members of the United Nations, having seriously considered for the first time the problems of the Third World, and appalled by the stark misery and squalor prevailing in the poor countries, proclaimed their united determination to work urgently for the establishment of a New International Economic Order based on equity, sovereign equality, interdependence, common interest, and cooperation among all states, irrespective of their economic and social systems. The new order would rectify inequalities, redress injustices and eliminate the widening gap between the developed and the developing countries. The Declaration included an indication of the size of the gap. The developing countries, constituting 70% of the world's population, received only 30% of the world's income. For the first time the international community officially recognised that the present economic order, established at a time when most of the developing countries were under colonial domination, was perpetuating, and in fact deepening, the existing inequalities. The familiar spectacle of a multitude of hungry people overwhelming a rich enclave in a town or district could develop into a global phenomenon. The world must avoid such a catastrophe by doing something for the economic and social development in the exploited regions. Thus alone can the present and future generations be assured of peace and justice.

The world community worked out for itself in 1974 a charter of hope based on justice and equality. This Charter is in danger of being betrayed. Every recommendation contained in the 1974 Declaration has, so far, been thwarted, and every principle contravened. While UNCTAD Conferences will continue to be convened at regular intervals, and the North-South dialogue will be resumed as soon as the protagonists recover their breath it seems impossible that the pledges made in 1974 will be fully redeemed. This is not a subjective judgement. Evidence from authoritative sources will be presently provided to substantiate this.

But, first, a brief account of what constitutes the existing economic order, which is sought to be replaced by a new order, and how the poor nations, variously grouped as Arab-Africa, Afro-Asia, the Third World, and the Muslim World, have continued to suffer on account of the prevailing inequities. Much has been written on this subject by Third World economists, and by various organisations of the United Nations, particularly by the UNCTAD Secretariat and, more recently, by a Commonwealth Experts group. The whole of this literature, almost without exception, is apologetic.

What do the Third World apologists say? The present economic order, they point out, suffers from certain weaknesses, which have resulted in a degree of economic disparity between the rich and the poor; these weaknesses should be removed as urgently as possible, for, unless this is done, the existing arrangements will obstruct the continuing growth and prosperity of the rich. Third World statesmen, political scientists, economists and bureaucrats make two points: (a) the developed countries should accept the necessity of making some

economic concessions to the developing countries in their own interest, (b) the status quo in the Third World is exposed to the risk of radical change which must be avoided by making the reality of life less harsh for the poor. A failure to accommodate the demands of the poor would produce growing instability in the Third World, which might overflow North-South bounds, and heighten East-West tensions. These views reflect a basic coincidence of interests of the dominant groups in the industrialised countries and of the elitist classes in the Third World. The elitist classes in the newly independent countries were created and trained by their colonial masters to perform certain functions and the advent of independence raised them from the position of intermediate domination to one of direct domination. Their principal concern since then has been to preserve the status quo, which protects the interests of their erstwhile masters, and perpetuates their own hold over the masses.

The prevailing economic system does not suffer from any structural weakness. Indeed it is a fool-proof system carefully designed by the colonial powers to derive the maximum benefit from the resources of the territories, over which they had acquired control by conquest. The system has operated faultlessly to their advantage, contributing steadily to their material prosperity, to their standards of living, and to the growth of their per capita incomes in real terms. Concurrently the exploitation of the poor under the system has been unremitting. When economists say that the existing system has produced a situation of gross inequality, it is unconsciously assumed that the system was intended to produce equality but underwent some distortion during the course of implementation. There is no basis for such an assumption. Quantitatively the situation has worsened in the last fifty years for the poor countries but such a result was inevitable under the system. When Third World economists and members of the United Nations talk of eliminating the gap between the rich and the poor, they seem to visualise the two ends of the gap either in a static position or moving in the same direction, with the hind end accelerating to catch up with the fore end. The truth is that the two ends are moving in opposite directions, one slipping backwards and the other galloping forward. The rich are not likely to welcome any reduction in their quality of life or in the extent of their control, and the people of the Third World, disunited, disorganised, dominated by an alienated elitist class and forced to live under institutions and systems of thought wholly divorced from their traditions and temperament, will continue to suffer.

Section II

A brief historical account to explain these points. The First World Trade Conference convened by the U.N. in Havana in 1947 led to the establishment of the General Agreement on Tariffs and Trade. However, it soon became obvious that GATT was going to be just a talking shop where endless rounds of negotiations would only produce distrust and frustration. With the GATT dead, but not interred, a further U.N. Conference on Trade and Development (UNCTAD I) was held in Geneva from March to June 1964; this was in accordance with a General Assembly resolution adopted on December 8th 1962. A Trade Conference was later established as an organ of the General Assembly to meet

in 1966 when a joint Declaration was adopted by 77 developing countries. The Declaration recognised that there was inadequate appreciation of the problem of the trade gap and only the most limited approaches had been made regarding trade in primary commodities and preferences for exports of manufactures. UNCTAD II was held in New Delhi in 1968. The American and British representatives announced that they could not either increase the level of their assistance to developing countries or soften the terms of their aid. The group of 77 met in Lima in 1971 to draw up a list of demands to be presented to the industrialised countries in preparation for the third session of UNCTAD in Santiago in 1972. That was where President Allende of Chile demanded that an outdated and radically unjust economic order should be replaced by one based on human dignity.

The 1974 Declaration of the U.N. General Assembly emerged from this background. The hopes generated by the Declaration, however, soon evaporated. A conference of the representatives of some 110 non-aligned developing countries in Africa, Asia and Latin America, held in Dakar (Senegal) in 1975, followed by a meeting of the "Group of 77", deplored the fact that no action had been taken toward the implementation of any of the resolutions previously passed.

UNCTAD IV was convened in Nairobi in May 1976. The Secretary-General presented a detailed Report⁵ to the Conference in which he made the following points:

1. Something more than peripheral adjustments in the prevailing system of economic relations was necessary to meet the needs of the Third World.
2. The rate of growth in the developing countries was hopelessly short of the needs – let alone the aspirations – of the people.
3. During the post-war period as a whole the increments in per capita real income had proved to be marginal in a number of developing countries. The benefits of growth, such as they were, often did not percolate through to the population, and existing disparities were widened.
4. Developing countries had been forced to borrow in commercial markets or resort to suppliers' credit at high interest rates and with relatively short maturities. This had contributed to a sharp increase in the external indebtedness of the developing countries from \$9 billion at the end of 1956 to \$90 billion at the end of 1972, and none of this increase could be said to be a result of the increase in the price of oil.

Section III

The situation presented to UNCTAD IV by the Secretary-General was not entirely unforeseen. His predecessor, Paul Prebisch, had identified most of the trends in the early fifties. Prebisch established a relationship between primary goods' prices and industrial prices and showed that this relationship had been deteriorating since the 1870s. The wages and profits in industrial

⁵ UNCTAD IV, Nairobi, May 1976, Report by the Secretary-General of UNCTAD to the Conference.

countries, which he called the Central Countries, had increased in comparison to productivity, but continued to decline in the developing peripheral countries, where the rate of increase of incomes had been lower than the rate of productivity gain.

Prebisch postulated a disparity between national economic development in the central and the peripheral countries, and argued that economies in the former were self-sustained through technological progress, whereas the peripheral countries continued to act as raw material suppliers for industrial centres. When there was some increase in productivity in the economies of the periphery, the Centre was the actual beneficiary: 'The poor countries remain trapped inside a vicious circle of low productivity and low savings followed by more of the same.'⁶ Twenty years later, the 1974 Declaration recorded that 70% of the world's population received only 30% of the world's income. The UNCTAD Secretary-General reported further concentration of income in 1976: 'Today the developed market-economy countries with 20% of the world population enjoy about two-thirds of total world income'.⁷ He added that nearly one-third of the world population lived on barely 3% of world income, and their average per capita income did not exceed \$120. In other words, at least one-third of the world's population, today, has a per capita income of \$120 which is \$55 less than the per capita income calculated for developing countries in 1952.

The recent Commonwealth Experts group, under Mr MacIntyre, Secretary-General of the Caribbean Community, in a report prepared in March 1977 revealed further deterioration. The per capita income level in the rich countries according to the MacIntyre Report has reached a figure of \$5,000 as compared to \$4,000 and the level of per capita income in the developing countries has declined to \$200 per head, as compared to \$300 per head, calculated for 1972 in the Secretary-General's Report to UNCTAD IV.⁸ In four years per capita income in the developed countries has increased by 25% and declined by over 33% in the developing countries.

Section IV

During the last four years strenuous efforts have been made to convince the laymen that all current economic problems, whether in the Third World or in the industrialised West, are directly related to the rise in the price of oil, to the use of the 'oil weapon'. The developing countries are under constant pressure to believe that but for the upward revision of the price of oil, they would not have their current balance of payments problem. A recent article⁹ referring to the African and Arab Heads of State meeting in Cairo in March, 1977, suggests that 'the non-oil-producing developing countries were effectively made to realise in no uncertain terms that the economic servitude to which the Arab

⁶ *Economic Theory and Mathematical Economics: International Economics and Development: Essays in honour of Paul Prebisch*; Edited by Luis Eugenio di Marco, Academic Press, New York and London, 1972. I have replied on Luis Eugenio di Marco's essay *The Evolution of Prebisch's Economic Thought* in these paragraphs.

⁷ Op. Cit. p. 6.

⁸ Ibid p. 4, para. 8.

⁹ *Currency Review*, June 1977, p. 7.

oil-producers were in the process of subjecting them seemed likely to become far worse than their memories of the old "colonial" regime.'

The General Assembly Declaration of 1974 conceded 'full permanent sovereignty of every state over its natural resources and all economic activities', and acknowledged that each state had an inalienable right 'to exercise effective control over them, and their exploitation with means suitable to its own situation.' The oil problem is the result of the decision of certain states to exercise this "inalienable" right. Even the UNCTAD Secretary-General contributes to the view that the exercise of this right has resulted in upsetting certain economic assumptions. In his UNCTAD IV Report he courageously puts the phrase "energy crisis" in quotes, and then suggests that there is need for change in the international framework, because, among other reasons, 'the promise of cheap energy, which was up to now an important ingredient of the prosperity and the growth experience of the developed countries'¹⁰ has been dismantled. What the Secretary-General refers to as a promise, was the most elaborate international swindle of all times whereby major American and European oil companies, with the full backing of their governments and democratic institutions including the press, misappropriated the resources of sovereign states through force and fraud. The oil weapon was not forged by the Arabs, it was forged by Gulf, Shell and B.P. When OPEC was formed in 1959 it was an organisation of sovereign, independent states trying to combat, not other states, but a syndicate of private traders who asserted the impertinent legal fiction that they were the owners of the oil resources of the countries to which they had gained admission through force, chicanery and collusion with unrepresentative Governments. They claimed the right to determine the policies and programmes for oil exploration, production, pricing, marketing and distribution. This was the premise on which 'the prosperity and the growth experience of the developed countries' was constructed. Oil production in Muslim countries dates back over fifty years. The Anglo-Persian oil company was established in 1913 with the British Government holding 51% interest. The expansion of oil production in Kuwait and Iraq was delayed because Britain, France and US could not agree on the terms for the use of oil as a weapon of political control and economic development of the region. Considerable exploration was undertaken by the international companies during the post-war period because they could sell the oil 'at a delivered price which not only reflected the higher costs of producing oil in the U.S.A. but which, for most customers, also included a transport component calculated as if the oil originated in the Gulf of Mexico'.¹¹ In Saudi Arabia an exclusive consortium of American Companies was formed which enjoyed undisputed authority to exploit the oil resources of the whole country. For several decades the pattern of production and the level of prices of oil were determined by private companies at their discretion. Difficulties arose in 1959 when the oil companies reduced the posted prices for crude oil, thus arbitrarily curtailing

¹⁰ UNCTAD IV Secretary-General's Report, p. 2.

¹¹ Peter R. Odell: *Oil and World Power: Background to the oil crisis*, third edition, Penguin Books, p. 76. Odell adds: "For many markets of the world to which Middle East oil was delivered this meant that higher freight charges could be levied than were necessary to cover the costs of the voyage from the Middle East."

the amount of royalties payable to the governments, some of whom depended on the oil companies for their survival. It was then that OPEC came into existence and its objective was to restrain the international companies from using the oil weapon against the countries in which they were operating. Earlier in 1954 the oil companies had been persuaded to give some consideration to 'the question of relating oil off-take to the development needs of the local population'¹². For more than ten years OPEC pleaded for concessions and the majors "played off" one country against the other. It was only in the early 70s that the oil states taking advantage of the changing international situation started to assert their right over their natural resources which caused a furore in the Western World. OPEC was condemned as a cartel of "oil-sheiks". The majors were projected as explorers and pioneers, and OPEC, a consultative body of independent states, became an unholy alliance, threatening the security of the world. If OPEC is a cartel, then the EEC, the OECD, the OAS, and even the Security Council, with permanent members exercising veto power, must also be cartels of one kind or another.

The causes of the economic deprivation of the Third World lie not in the oil wells of Arabia but in the prevailing economic system.

Section V

It was stated in the beginning that the consultations which were going on in different forums for the establishment of a new international economic order were unlikely to produce anything but the most superficial and marginal results. The developed countries have no serious intention of either restructuring, in any fundamental sense, the present economic order, or of replacing it by a new order on the lines of the 1974 Declaration. It would be useful to refer to two recent studies in support of this view: the first was prepared in February 1977 for the use of the Sub-Committee of Inter-American Relationships of the Joint Economic Committee of the United States Congress, and the second in May 1977 for The International Affairs Division of the U.S. Central Intelligence Agency. These studies give an indication of the real position of the party which has a decisive say in the current negotiations. The value of these studies is enhanced by, what could hardly be a coincidence, the similarity of the approach recommended in these studies, and the one adopted by the U.S. representatives on the recent North-South dialogue in Paris.

The first¹³ study deals with the New International Economic Order (NIEO) programme with particular reference to Latin American countries and discusses the possible U.S. response to various items of the programme and its effect on U.S. economy. The study suggests that the Less Developed Countries (LDCs) through NIEO seek (a) to increase the flow of resources from the developed to the developing countries, and (b) to gain a greater say in international organisations. It confirms that the U.S. attitude to NIEO was hostile

¹² Ibid. p. 82.

¹³ 95th Congress, 1st Session: *The U.S. Response to the New International Economic Order: the Economic Implications for Latin America and the U.S.* A Study prepared for the use of the Sub-Committee of Inter-American Relationships of the Joint Economic Committee, Congress of the U.S., February 23rd 1977, U.S. Government Printing Office, Washington 1977.

when the 1974 Declaration was adopted. The study notes the growth of a new kind of self-confidence among the LDCs and refers in particular to 'the independent posture of the Latin American countries'. The study then explains the U.S. position on major items in NIEO programme, viz. (i) a generalised system of preferences (GSP), (ii) tariff escalation, and (iii) export subsidiaries.

Presenting the LDC case the study says that GSP would encourage the development of infant export industries, ease the balance of payments restraint on growth, attract foreign direct investment for export orientated industries, and in general, further the process of industrialisation. The U.S. is opposed to GSP. President Nixon pledged, in 1969, to implement a GSP system, but no arrangement was instituted until 1974 when a severely limited system of preferences was introduced permitting free access to the U.S. market to eligible articles from designated countries. GSP imports remained subject to quota restrictions, and the President enjoyed the power not to extend GSP treatment to a number of goods. He could exclude any item from GSP if he considered it import sensitive. Certain categories of developing countries were altogether excluded from GSP treatment, namely the Communist bloc countries, members of OPEC, and countries which may join any cartel to 'withhold supplies of vital commodity resources from international trade or to raise the price of such commodities to an unreasonable level'. What was vital or unreasonable was to be determined by the President. GSP was also denied to those countries that nationalised the foreign property of U.S. citizens without making prompt and reasonable compensation. Here again it was left to the President to decide what was prompt and reasonable. All these restrictions and limitations were wholly inconsistent with the objectives of the 1974 Declaration.

The Congressional study recognises that the existing tariff structure of the industrial countries tends to weigh most heavily on industrial rather than raw material imports, and the tariffs are higher on products imported from developing countries as compared to the tariffs on similar products passing from one developed country to another. The LDCs made a move to introduce export subsidies to get over these tariff restrictions but were soon checkmated. Importing countries were allowed under the GATT to impose countervailing duties on items enjoying any export subsidy. The U.S. was in any case free to impose such duties because it did not have to comply with the GATT procedures or tests. 'Although applying different standards to subsidised imports, the U.S. is not in violation of the GATT. The U.S. law preceded the GATT and it was allowed to continue under a grandfather clause.'¹⁴

The LDCs are concerned with both fluctuations in their export earnings from, and the long-term trend in terms of trade for, their commodity exports. (Part of the Prebisch thinking was that the terms of trade were gradually turning against commodity exporters and in favour of industrial goods exporters.) Earnings could be stabilised through (a) compensatory financing, (b) buffer stocks and (c) export quotas. The United States has consistently opposed any constructive progress in this area. It does not recognise the right or the freedom of the LDCs to fix the prices of their raw materials in response to market prices. Their interests, the U.S. maintains, would be better served

¹⁴ Ibid.

if they relied on assurances of a certain level of income. Compensatory financing funds and credit facilities can be made available to the LDCs if the agreed level of income declines because of foreign prices. In other words, the LDCs should transfer their national resources to the developed countries who will pay them adequate compensation. Should that level not be reached at any time, the LDCs could always apply for credits to make up for periodic shortfalls. Following this line of argument, the U.S. has opposed any integrated commodity agreement, though it is not unwilling to consider commodity agreements on a case by case basis. The real problem is that if the LDCs exercise sovereign control over their natural resources, and fix the prices of their materials on the same basis on which the developed countries determine the prices of their goods, it would 'make the U.S. more subject to the foreign policy of a supplying power'.¹⁵

Technology is seen as the key to industrial growth. However, the LDCs are not only denied technology, they are often made to accept the wrong type of technology, viz T.V. sets, consumer durables and a wide range of luxury items. The study notes that 'the present product lines of the large multi-national firms and the consumer demand of those with money in a developing country thus often coincide'.¹⁶ According to the study 'the financial flows from royalties and licensing agreements are a positive element in the U.S. balance of payments and do contribute to a higher domestic GNP. In 1975 the total flows of fees and royalties from developing countries was \$630 million... Free access by the developing countries to current U.S. technology would reduce the value of these investments, limit future earnings from the foreign sale of technology, and eliminate any economic controls over the diffusion of U.S. technology'.¹⁷

The LDCs understand the form and extent of political control which invariably accompanies foreign direct investment. Even the use of development assistance funds is based on the treatment accorded to investments coming from the donor country. The U.S. is unwilling to adopt any mandatory standards to regulate the conduct of multi-national corporations, though it would not object to accepting an admonitory code of conduct. Since the U.S. exercises considerable political influence through direct investment, it does not want the status quo to be disturbed. The U.S. policy, the study recommends, should be to trade-off economic aspirations of the developing countries against their political aspirations: 'If economic aspirations predominate, the multi-national firms will continue to play an active role'.¹⁸

The study recognises that the developing countries are under a terrifying burden of external debt, which is increasing every year, because of the market mechanism operating against them. A significant part of their earnings is already pledged toward repayment of interest and service charges on loans. An increasing proportion of every fresh loan is deducted at source to repay, at least partially, outstanding instalments of former loans. (This is the old village money-lending system organised on a highly sophisticated and computerised universal scale.) The developing countries ask for some breathing space or

¹⁵ Ibid. p. 22.

¹⁶ Ibid. p. 25.

^{17, 18} Ibid. p. 30.

moratorium but the U.S. is strongly opposed to any relaxation because it would make the availability of future loans uncertain.

The study concludes: 'The common thread running through the entire NIEO programme is the desire to increase the transfer of resources from the developed to the developing world, while gaining more political clout in the international economic order. Although many of the specific demands contained in the NIEO programme will remain nothing but paper proposals, the pressures for change in the international economic order are likely to persist'.¹⁹

The second study may well have been used as a position paper as it was prepared only a month before the North-South dialogue collapsed in Paris in June 1977. The basic assumption in the study is that 'ever since the 1973-74 oil "embargo" the LDCs have sought to convert control of raw materials into political influence'.²⁰ This has led to a 'growing assertiveness on the part of the LDCs over the distribution of both wealth and power in international affairs'.²¹ It is suggested that 'the unilateral OPEC price rise encouraged the LDCs to link all political and social issues to progress on NIEO'. Such assertiveness would 'make it very difficult for any industrialised country to protect the security of its markets or link certain LDCs into its national security strategy'²² without ascertaining their stand on North-South dialogue.

The study notes that, aside from their control of oil, the LDCs probably do not have 'the leverage individually or collectively to extract any of their basic demands against the will of the U.S.'.²³ But their growing self-confidence, and occasional resort to pressure tactics, have had 'an impact on the economies and the diplomacy of the major industrial powers especially on U.S. options to shape changes in the international economic system'.²⁴ The LDCs want "transfer"²⁵ of both wealth and power. In this matter they have shown "impressive solidarity", though they are divided when it comes to adopting priorities among specific programme goals.

But the fundamental problem, as the study sees it, is that North and South do not agree over what accounts for the poverty of the South. The developing countries question the legitimacy of the prevailing arrangements and base their demand on a 'highly political judgement that the present system is inherently unjust'.²⁶ The UNCTAD negotiations and the North-South dialogue have provided 'the industrialised countries with time to manoeuvre'.²⁷ They should use this time to cultivate 'closer working relations with key LDCs' (emphasis added), which 'might help to identify the trade-offs between political and economic responses.' Once these 'trade-offs' are arranged 'receptivity to future

¹⁹ Ibid. p. 32. Author's italics.

²⁰ *The Politics of the North-South dialogue: Implications for International Relations*, by Allen E. Goodman, International Affairs Division, Office of Regional and Political Analysis, Central Intelligence Agency, May 4-6 1977. p. 1.
The tone of the two studies has a remarkable similarity!

²¹ *The Politics of the North-South dialogue*, p. 1.

^{22, 23, 24} Ibid. p. 2.

²⁵ It is interesting how the word 'transfer' is used to suggest that the LDCs want to have something which does not belong to them, viz. political power as sovereign states, or wealth in terms of control over their own resources!

²⁶ Ibid. p. 2.

²⁷ Ibid. p. 5.

initiatives by the developed countries might be improved.' In the meantime, something should be done 'to enhance the status of key LDCs in the group of 77' (emphasis added). It is expected that 'such initiatives would probably make for far less change in the international economic system and in international relations than many LDCs expect and want.'²⁸

The problem is then placed in a wider perspective. There is a danger that tensions generated by LDCs could lead to 'periodic disruption in economic and political relations among the U.S. and its industrial partners, and may complicate U.S. relations with the European community and Japan in the future.' For the U.S. the level of tension in North-South relations could ultimately pose a challenge to its traditional leadership role among the industrial countries. These dangers must be contained. It is fortunate that 'so far Moscow and Peking have derived little political benefit from these tensions.' But if issues are not resolved, communist leaders would be tempted to deepen their involvement in radical Third World movements. The NIEO programme, therefore, has the potential to inflate contentious issues among the OECD states, which could effect the level of tension in East-West relations as well.

These two studies provide conclusive evidence of what the Americans really intend to do with the New International Economic Order programme. Thinking in other Western official circles could not lag far behind the American intentions. The purpose of the whole exercise is to persuade the developing Countries (and if persuasion fails, to pressurise or subvert them), to abandon their political aspirations and their claims over national resources, and to accept, in return, an assurance of stable annual earnings and certain other economic concessions.

²⁸ Ibid. p. 6.

PART II

Section VI

The prevailing iniquitous economic order cannot be replaced by a new order based on equality and justice, unless there is a fundamental change in attitudes and values. It is not easy to see how any such change would be permitted, much less encouraged, by dominant elements in market-economy countries, who thrive on manipulation, monopolies and interest, or by the ruling elites in the developing countries whose survival depends on the perpetuation of the existing exploitative and oppressive national orders. To quote the UNCTAD Secretary-General, 'the very need for a new order is still not universally accepted or even understood'.²⁹ Nobody seriously contests that the existing economic order has created serious disparities in income and growth or that some of the more irksome distortions need to be straightened out. But when it is suggested that the order is basically unjust, profound reservations begin to assert themselves. If the developed countries were to accept that the present system is unjust it would make complete nonsense of their history, more that it would create a moral compulsion among the people to take immediate steps to remedy the past inequities and to establish a fair and just arrangement. The people must not be allowed to know what has been done in their name. The West is beginning to call itself the North to get rid of the stigma of colonialism. Now when Western imperialism is attacked the Northerners will not have to relate it to their hemisphere. The common man in the West is unaware of the misery and distress, occasioned by his way of life, in distant parts of the world, with which he has no contact. The media presents to him the Third World, and its problems, as a threat to his prosperity. When the price of a gallon of petrol goes up by a whacking 50p in less than 4 years, and an average Englishman has to do without central heating, he cannot be expected to view without a shiver the spectacle of strange men of the desert, in flowing robes, buying British luxury hotels and country houses. He does not see those millions of destitute people representing two-thirds of the human race who live on less than 17p per day. If he could be convinced of that reality in a direct and personal way, it is my belief that he would not permit for a moment the continuance of a system which produces such gross disparities and calamities. But the world is not run by ordinary men and women. It is run by bankers and multi-national companies who control human lives through their equity holdings in mass media. In a Report to the Club of Rome, published in 1977, Jan Tinbergen writes: 'We have today about two-thirds of mankind living – if it can be called living – on less than 30 cents a day. We have today a situation where there are about 1 billion illiterate people around the world, although the world has both the means and technology to spread education. We have nearly 70% of the children in the Third World suffering from malnutrition, although the world has the resources to feed them. We have maldistribution of the world's resources on a scale where the industrialised countries are consuming about twenty times more of the resources per capita than the poor countries'.³⁰

²⁹ UNCTAD IV, etc. p. 4.

³⁰ Jan Tinbergen: *Reshaping the International Order*, Hutchinson & Co., London 1977. p. 20.

The talk by Western statesmen of restructuring the existing economic system or of replacing it by a new order is largely phoney. The developed countries could not hope for a more benign dispensation. Their only anxiety is that some other power may not out-manoeuvre them, so they must keep the areas under their control in a state of hopeful suspense and sufficiently alive to the dangers of looking for their salvation in any other direction. The ruling elites in the Third World have no desire or intention of introducing such hazardous principles as equality and justice in their economic system at home or abroad as that would inevitably lend to their own elimination. So we have a coincidence of interests, and a collusion of approach among the ruling elites in both groups of countries developed as well as the developing, to perpetuate the status quo. This perpetuation will go on so long as the ordinary people in the West do not see the hovels, the dust tracks and the stagnant pools which are symbolic of the existence of millions of breathing carcasses and human heaps of stench in the Third World. And so long as the alienated ruling elites, educated, trained and skilled in maintaining and manipulating post colonial systems and institutions retain political control in the developing countries, there will be no change, qualitative or quantitative, structural or superficial, substantive or peripheral.

The last two centuries of material progress dominated by secular thought, and its twin instruments of capitalism and socialism, are coming to an end. Pierre Elliot Trudeau, the Prime Minister of Canada, said during the Commonwealth Prime Minister's Conference in London in June 1977 that liberal governments were no longer finding it possible to establish a fair and disciplined social system. He added 'What we really need now is philosophers or churchmen or moralists or somebody who can make the people understand that the magic and the solution will not be in some Keynes but it will be in some return to restraint and discipline.'

When the Paris North-South dialogue produced yet another deadlock, the Head of the Tanzanian delegation sighed 'We looked for a tiger, they offered us a mouse.' A contributor writing in the June issue of '*Commonwealth*' pleading passionately for continued search for a solution suggested: 'Somewhere between a mouse and a tiger there just might be an acceptable donkey that is capable of bumping the world's trading system down the road of dialogue and co-operation. It's a donkey worth looking for.'³¹ While Mr Trudeau waits for a philosopher, a churchman or a moralist, '*Commonwealth*' would be content with 'an acceptable donkey'.

At a more earnest level Mesarovic and Pestel in the Second Report to the Club of Rome in 1975 concluded, after reporting the results of a detailed computer analysis, that (i) the current crises of the world are not temporary, (ii) the solutions can be developed only in a global context, (iii) the solutions cannot be achieved by traditional means confined to isolated disciplines such as economics: 'What is really needed is nothing short of a complete integration of all strata in our hierarchical view of world development – that is, a simultaneous consideration of all aspects of mankind's evolution . . .'³²

³¹ John Madeley: Still Arguing about Common Fund; *Commonwealth*, June 1977. p. 6.

³² Mihajilo Mesarovic and Eduard Pestel: *Mankind at the Turning Point*, Hutchinson & Co., London, March 1975. pp. 143-148.

The authors argued that what needed to be developed was 'a world consciousness', a 'new ethic in the use of material resources', a 'new attitude toward nature based on harmony' and a 'sense of identification with future generations'. If this is the diagnosis of qualified Western specialists, then I sincerely believe that they have something to gain by objectively examining the world order which Islam represents.

Section VII

Every social or economic order is based on some abstract assumptions which a community comes to regard as the truth, providing a basis for its whole scheme of values. Such a scheme of values is converted into concrete pursuits and goals through a prolonged process of commitment – whether such commitment is secured by persuasion (evolution) or coercion (revolution) depends on a variety of factors which need not detain us here. The important thing is that these philosophic and abstract assumptions are distinguishable from procedural and institutional details which are developed by each community over a period of time. When we talk of the capitalist economic order we recognise it by free-enterprise of private capital just as the socialist economic order is recognised by state ownership of the means of production. These two fundamental concepts are enough to identify the two systems. But when the Islamic order is mentioned one is immediately expected to present a comprehensive system worked out in all its details, supported by authoritative historical evidence to demonstrate its practicability, along with a complete statement of its institutions and their exact operations. I do not propose to make any such presentation. I shall concentrate on explaining the fundamental assumptions on which a truly Islamic order can be evolved and it will be my endeavour to show that the Islamic assumptions are radically different from the ones which sustain the prevailing economic order. Once the assumptions are identified the details of the system can be revived and developed in accordance with the requirements of the time.

The Islamic Order is based on a view of life which is regarded by the West as too vague and insufficiently supported by historical evidence. The Western approach to Islam is dominated by two assumptions: (a) that Islam was some kind of a super tribal order which, in its time, introduced certain improvements in society, but contributed nothing of permanent value to human thought; and (b) that Muslims, bound by a rigid tradition have refused to distinguish between the sphere of the Church and the sphere of the State, and this failure has contributed to their decline and stagnation relieved by occasional revivalist fervour. These notions have been assiduously propagated by a group of political scientists and sociologists who have consistently imposed a highly personal, and often arbitrary, construction on Islamic ideas and history. To give but one example, I shall examine one or two points in Professor Montgomery Watt's *Islamic Political Thought*³³. I have singled him out as being one of the better, and therefore more influential of the Western scholars on Islam. Professor Watt considers the socio-economic situation in Arabia in the beginning of the 7th

³³ W. Montgomery Watt: *Islamic Political Thought – The Basic Concepts*, Edinburgh Press, 1968.

century, and takes note of the arrival of Muhammad on the scene. He starts with the statement that 'the religious movement began by Muhammad had no obvious political relevance'³⁴ and then suggests that Muhammad's contemporaries saw that his claim to be the Messenger of God was 'a potential basis for political interference'³⁵. This fear, he argues, may have been based on the feeling that an ordinary Arab might come to regard Muhammad as a person who knew better than those who had no access to the divine source of wisdom. Though Muhammad's proclamations were primarily religious 'the religious ideas they contained were a response to the total situation in Mecca'³⁶. Since the chief tension at that time may have been between the requirements of commercial life and nomadic traditions, Muhammad's ideas accentuated this tension. There was, therefore, considerable resistance to Muhammad's ideas even though the political potential of his ideas was not realised in Mecca³⁷. He migrated to Medina in 622 and this, according to Professor Watt, 'marks the beginning of his political activity'³⁸. Muhammad was able to establish a new body politic through the agreements which he entered into with the clans of Medina. It was Muhammad's success in hostilities with the Meccans that put him in a commanding position. 'By the time of his death in June 632 despite rumblings of revolt, he was in control of much of Arabia.'³⁹ The Islamic State had certainly come into existence by that time, though it has 'no previously defined geographical frontiers'.⁴⁰

Professor Watt then turns to the Constitution of Medina which he sums up in five paragraphs. He makes a general comment that 'this document is no invention of a political theorist but is rooted in the mentality and mores of pre-Islamic Arabia'.⁴¹ Pre-Islamic society, he says, emphasised 'the maintenance of security by a high degree of social solidarity'⁴², though 'there was no sense of a general duty to another man based on the fact that he was a fellow human being'.⁴³ The main instrument by which solidarity was maintained was revenge, and any incident involving the murder of one member of a group involved the whole group. Muhammad's emphasis on the unity of mankind and the solidarity of the human race was nothing but an extension of the tribal traditions of solidarity. The Prophet of Islam added the idea that revenge was not essential, and that if the aggrieved party decided to forgive the aggressor, such a course of action would be approved by God, but this was not an original idea: the possibility of accepting blood money or a blood-wit 'may have been introduced shortly before the time of Muhammad'.⁴⁴ No evidence is offered. The concept of solidarity is linked to the custom of protection and it is concluded that the Constitution of Medina is closely 'related to the pre-Islamic system'.⁴⁵

Despite this conclusion, Professor Watt does not reject the historical phenomenon that the Islamic emphasis on the solidarity of the community turned out to be somewhat bigger than the concept of protection. He also accepts that whereas in the pre-Islamic custom the kinsmen of a person who committed murder were bound to support and protect him, under the Islamic

^{34, 35} Ibid. p. 3.

^{36, 37, 38, 39, 40} Ibid. p. 4.

^{41, 42, 43} Ibid. p. 6.

⁴⁴ Ibid. p. 7.

⁴⁵ Ibid. p. 8.

system the kinsmen were required to see that he was punished. He adds: '... most revolutionary of all, where one member of a community has committed a crime against another member of the community, the kinsmen of the criminal, instead of supporting him according to pre-Islamic custom, are to help to see that he is punished'.⁴⁶ But he insists that this revolutionary change was not Muhammad's contribution.

He then spends considerable time in trying to understand the meanings of the word *Umma*. According to his understanding the word *Umma* does not appear in the Qu'ran after the year 625 'perhaps because the Jews of Medina had been making fun of the word in some way'.⁴⁷ In his view the word is borrowed from the Hebrew word *Umma*, meaning the tribe, which in turn may have been borrowed from a Sumerian word. The word could only mean 'tribe', and on this basis he advances the view that the Islamic State was conceived in terms of the pre-Islamic tribe: 'It was essentially a federation of tribes', and he notes with approval Bertrand Thomas' suggestion that it was a "super-tribe". How does the word occur in the Constitution of Medina which was signed in the year 629? Perhaps, he suggests, 'the articles containing it were repeated from an earlier document'.⁴⁸ Professor Watt does not refer to the Qu'ranic phrase *Ummatun Wahidah* which means 'a single nation'. In Chapter 2, v. 213 of the Qu'ran, the meanings are clarified when it is said:

*In the beginning were a single people. Then Allah designated for them prophets as warners and bearers of good news and with them he sent the Book of Truth to settle the differences among them.*⁴⁹

In the context in which the word *Umma* is used with reference to people, it embraces the whole of mankind with the believers acting as a central community. The Qu'ran addresses mankind throughout as an indivisible unity. Admittedly, the people are divided into groups and nations but these divisions are no more than marks of recognition. The inherent oneness of man is the core of Qu'ranic thought. Professor Watt wrenches the word *Umma* from its context and decides to interpret it according to a speculative and pre-conceived position. He says: 'The original *Umma* of the Constitution of Medina may have been regarded as something special, not entirely covered by pre-Islamic ideas: but if so, this is nowhere clearly stated. The modern scholar is, therefore, justified in regarding the political structure of the Islamic State as entirely in accordance with pre-Islamic ideas'. Both these statements (a) 'this is nowhere clearly stated' and (b) 'entirely in accordance with pre-Islamic ideas' are inaccurate. I suggest that the special meanings of the *Umma* intended in the Constitution of Medina are clearly and unambiguously stated in the Qu'ran and, in fact, removed from

^{46, 47} Ibid. p. 9.

⁴⁸ Ibid. p. 10.

⁴⁹ The first part of this verse *Kan un naso ummatun wahidah* has been translated as follows:

- (i) 'Mankind was once one nation', N. J. Dawood: *The Koran*: Penguin, p. 343.
- (ii) 'The people were one nation', Arthur J. Arberry: *The Koran Interpreted*: OUP 1964, p. 28.
- (iii) 'Mankind was but one people', J. M. Rodwell: *The Koran*: Everyman Library, 1971, p. 210.
- (iv) 'All mankind were once one single community', Muhammad Asad, *The Message of the Qu'ran*, Vol. I: Muslim World League, Mecca, 1964, p. 62.

the Qu'ranic text, the word cannot be understood in the document at all. The second statement is inaccurate because Professor Watt acknowledges that Islam introduced several significant modifications in pre-Islamic ideas and in one respect, at least, the modification was revolutionary. His conclusion that the document is *entirely* in accordance with pre-Islamic ideas is, therefore, inconsistent with his own position. Why does Professor Watt prefer to rely on an unusual, instead of the accepted, interpretation of the Qu'ranic text? Is it because he is unwilling to acknowledge that the Qu'ran introduced any fundamental change at the intellectual level in the situation which was prevalent in pre-Islamic Arabia? He cannot possibly ignore the total transformation which occurred as a result of the message communicated to the people by Muhammad, but he regards this transformation, not as the result of any intellectual advance or creative change, but as a fortuitous combination of historical accidents. He constructs his case methodically. Step One: he assumes that 'Muhammad wanted to have a local community or body politic in which he would be free to proclaim his religion and the Muslims would be able to carry out their rites publicly'.⁵⁰ No evidence is offered and it is well to remember that nowhere in the Qu'ran is it suggested that Muhammad was to convey his message to the "local community". His message was for the whole of mankind. To restrict the purpose of the message to the fulfilment of certain "rites" is arbitrary, because in Muhammad's mission "rites" were not separated from the total conduct of man. Step Two: 'The men of Medina may also have had other aims but at least many were Muslims and in favour of having a place where their religion could be practised'. Again there is no evidence to support this proposition. Step Three: following thence, Muhammad and his men found an opportunity in Medina to devise a political structure under which Islam could be practised. It would have been unnatural for them, says Professor Watt, 'to devise some completely novel political structure'. The natural thing would have been to 'create a structure in terms of the political concepts with which they were familiar', and this is what they should be presumed to have done. One cannot quite follow the logic here, but if one accepted the theory that political structures must always be based on ideas with which one is familiar, then one must reject all possibility of creative or revolutionary change.

Professor Watt arbitrarily divides the Prophet's Message into the religious and the political, and suggests that the religious part may have been present in the motives leading Muhammad to seek an agreement with the tribes in Medina, 'but the details of the agreement were in terms of pre-Islamic political concepts.' He finally concludes, on the basis of speculation and assertions, unsupported by any data, that the Islamic State in its origin 'was based on, and exemplified, Pre-Islamic political concepts.'

My purpose is not to offer a comprehensive refutation of Professor Watt's ideas and not all the Western scholars agree with him. But he represents a typical approach to Islam and a familiar analytical technique. I suggest that there is a definite need for an objective and dispassionate understanding and evaluation of Islamic thought and history in the West. In the following sections, I shall attempt to define the fundamental principles of Islamic order and to indicate the outlines of an economic system within that order.

⁵⁰ Ibid. p. 14.

Section VIII

The Islamic Order is based on "the sovereignty of God" which is supreme and immutable, as against "the sovereignty of the people" which can be exploited or suppressed. I quote some of the relevant verses of the Qu'ran:

All power emanates from God, as it always has (Al Rome: v. 4).

To God belongs the kingdom of heaven and the earth (Al Baqarah: v. 107).

And in his kingdom, God has no associate (Al Furqan: v. 2).

To him belongs the Creation and the decision (Al Airaf: v. 54).

The decision rests with God and with no one else (Al Anam: v. 57).

The position of Government in an Islamic Order is in the nature of trusteeship. In its organisation, and operations, an Islamic Government must, at all times, be conscious of the mandate contained in the Qu'ran and the *Sunnah*, which represents the ultimate authority in all matters, legislative, judicial or executive.

And those who do not decide according to the revealed will of God are transgressors (Al Maida: v. 47).

Prophets are the messengers of God, who were designated to communicate the will of God to the people, and it is in this sense that obedience to the prophets means obedience to God.

And whomsoever we have designated as messenger he would be obeyed on behalf of God, and in accordance with His instructions (Al Nisa: v. 64).

Caliphate, the traditional form of Government in Islam, rests on two basic concepts (a) its character as a trustee and (b) its recognition by the people on a free and voluntary basis. If either of these concepts is lacking the Government ceases to be Islamic in character. An Islamic Government must, therefore, be legitimately representative of the people and function as a trustee, in accordance with the mandate set out in the Qu'ran. Where a Government or a Caliph fails to act in accordance with this mandate, he turns into an autocrat and a rebel.

No individual or family has any claim to Government for this belongs to the community as a whole, once the community has established a state for itself, in accordance with the principles of the Qu'ran. Syed Maududi refers to v. 55 in Surah Nur to illustrate this point: It is God's promise that those people who believe and act righteously will be established as his deputies on earth, like whose who preceded them. Clearly the position of deputy belongs to the community and no individual, whatever his lineage or status, can appropriate to himself the collective rights of the community. In electing or appointing persons to positions of responsibility the overriding consideration should be to choose 'those who are worthy of trust' (Al Nisa: v. 58). Once representative government is established, the powers of the Government and the rights of the citizens are determined by the mandate under which the Government functions. One must not obey an order which is not in conformity with the Qu'ran and there could be no question of rendering homage or obedience to a wrongdoer.

The establishment and the working of the state must be in accordance with the consensus of the community:

And it is the duty of Muslims to run their affairs on the basis of consensus (Al Shoorah: v. 38).

The structure of the state is based on obedience to God and his prophet, and this takes precedence over all other claims to obedience. If a Government or a

ruler demands compliance with his orders, these orders must be manifestly in conformity with the will of God. Those who occupy positions of authority must be people of virtue and deserving of the trust reposed in them. The people have an inalienable right to disagree with their governments and all such disagreements must be resolved by an independent judicial forum, free of all influences and pressures, in accordance with the Qu'ran and the Sunnah.

The objectives of the state should be: (1) to establish justice and to eliminate tyranny and oppression; (2) to utilise all the resources and capabilities of the people to establish an Islamic way of life in which all that is good and proper is promoted and all that is harmful and evil is discouraged.

Justice is the heart of the Islamic Order:

I have been ordained to establish justice among you (Al Shoorah: v. 15).

The Prophet was required to act with complete detachment and impartiality in all matters among the people. He could not entertain any bias or prejudice and it was part of his mission to establish complete equality of relationship among the people. In this matter there was no distinction between rich and poor, big and small, and even between those who were his followers and those who were against him. What was right was right for everyone, and what was wrong was wrong for everyone. The Prophet said: 'The communities which preceded you were destroyed because they punished the poor according to the law, but failed to call the rich to account. I swear by God, who has my life in His control, that if my own daughter Fatimah were to be found guilty of theft, I will cut off her hand.'⁵¹

I quote from Surah Al Nisa: v. 135:

*O believers, uphold justice
and bear witness for the sake of God
even though your decision and evidence may affect your person
or your parents or your relations.
The parties to a dispute may be rich or poor
God is interested more than you in their welfare.
So do not hesitate to act justly because of your own inclinations.
Should you prevaricate or hesitate to face the truth
you will have to account for it,
for God is aware of what you do.*

Syed Qutb Shaheed refers to the incident when the Prophet resented Ibne Umme Maktoon's intrusion when he was talking to Walid Bin Mugheer, a tribal chief, and invited 'a divine reminder bordering on displeasure'.⁵²

All citizens in the Islamic State must have equal rights irrespective of their colour, race, language or nationality. The Prophet said: 'O people, we created you of a man and a woman, and separated you in tribes, and nations so that you may be able to identify one another. The truth is that there is no distinction among people in the eyes of God, except in terms of virtue. The most honoured among you is the one who is the most virtuous.'

Government must be based on trust, and the affairs of the state must be handled by people who are worthy of trust; there is no scope for anyone to

violate the trust. Under this scheme those who exercise authority are fully accountable for their conduct.

'O Muslims,

*God commands you to entrust responsibility to those
who are capable of discharging it.*

And when you determine between people do so justly.

This is invaluable advice from God, who hears and sees everything. (Al Nisa: v. 58).

The Prophet said:⁵³ 'Remember, that everyone among you is a ruler, in a sense, and responsible for those over whom he exercises authority. Everyone is accountable for his conduct, including the biggest among you who exercises authority over the rest.'

The Prophet told Abu Zar: 'Abu Zar, you are a weak person and the affairs of the state are in the nature of a trust. On the day of judgement anyone who has failed to discharge the trust with complete justice and honesty will face humiliation.'

Finally, the Government must be run according to the consensus of the community. The Government should be elected on the basis of consensus and the affairs of the state should be administered on the basis of mutual consultation and consensus. The Prophet is enjoined:

Consult your people in the affairs of the state. (Al Imran: v. 159).

Section IX

The principles⁵⁴ which govern the establishment and administration of the State also regulate the Islamic economic order. Two preliminary points should be stated. The first is that Islam visualises human life as a single integrated unit, based on belief in God as the Creator. This determines man's thought and conduct in all its aspects. All spheres of life are indivisibly linked with one another. The same belief which prompts an individual to offer his prayers governs his commercial transactions, and his educational and recreational pursuits. The principles which regulate the performance of Haj or the observance of fasting also regulates the judicial process and methods of business. There is no such thing as a religious order, a political order or an economic order in Islam. They are all part of the same human order, indissolubly linked together, each sustaining the other, and consolidating the whole as a cohesive unit.

The second point is that the Qu'ran does not prescribe a detailed economic framework where all fiscal and monetary issues have already been examined and resolved. The Qu'ran lays down certain fundamental universal principles on the basis of which we are required to evolve an economic order to suit the requirements of our times. This is how Islam deals with all aspects of life: the broad parameters of different spheres are identified and these constitute the limits within which society must regulate its development. These limits must not be transgressed, if the social balance is to remain intact, but within these limits we are free to determine the design and pattern of our life in the light of our circumstances, needs and experience.

⁵¹ Bukhari Kitab ul Hudud, chapters 11 and 12.

⁵² Syed Qutb Shaheed: *Social Justice in Islam*, Urdu translation, p. 135.

⁵³ Bukhari Kitab ul Ankham, chapter 1.

⁵⁴ This section relies on the writings of Maulana Syed Abul Aala Maududi.

Let me now state the guidelines which regulate the Islamic economic system:

1. The natural laws of life as recognised by the Community should not be interfered with.
2. Statutory and mandatory provisions of law alone cannot produce a just and equitable economic arrangement. The emphasis should be on cultivating the right moral attitude and approach.
3. State machinery should intervene only when it is considered absolutely necessary by the elected representatives of the people.

In accordance with these guidelines specific principles are evolved to govern the growth of economic life.

First, the individual's right to earn his livelihood, according to his aptitude, capacity, and effort is fully recognised, and guaranteed by the state. What is not permitted is the acquisition of wealth or income through means which disturb the social order or violate social values. Islam insists on unqualified recognition of the distinction between what is earned rightly, and what is earned wrongfully as specified in the Qu'ran.

Having guaranteed the individual's right to earn his livelihood, according to his capacity and by legitimate means, Islam defines the area in which the individual can exercise his right to spend what he has lawfully earned. The purposes for which expenditure may be incurred must also be legitimate and lawful as specified in the Qu'ran. You cannot squander your wealth or employ it in a manner which is not permissible or which may cause annoyance to others or give them a sense of inferiority.

Saving is encouraged, but it must not deteriorate into hoarding or accumulation of wealth to the detriment of others. An individual must know that the community has a claim on his earnings and must be willing to part with what he can afford for the sake of those who may be in genuine financial difficulties.

When it comes to investment there are clear injunctions in the Qu'ran that wealth or income cannot be invested in such a manner as would enable the owner to earn interest on it. Qu'ran prohibits interest in all its forms. Various scholars have been at pains to distinguish between usury and interest, while others have tried to make a distinction between interest earned on different kinds of investments. This question has been discussed at length by Syed Maududi. The relevant word in the Qu'ran is *riba* which means "increment" and covers both interest and usury. *Riba* is distinguished from the word *ba'y* meaning income earned through normal trading operations, which is perfectly legitimate, while *riba* in all forms is completely forbidden. The clearest injunction on the subject is contained in Surah Al Baqarah: v. 274/8.

But those who exact riba

turn rabid as if touched by Satan.

They delude themselves when they claim

After all trading is a form of riba.

But God has forbidden riba and permitted ba'y (2:275).

This verse states the general position and verse 279 in the same Surah indicates the extent of transgression involved in continued extraction of *riba*.

O believers, fear God and write off outstanding riba if you truly believe,

But if you do not then you must know that

You are in open hostility to God and his Prophet. (2:279).

Syed Maududi comments that such strong language has not been used in the Qu'ran in respect of any other violation. The Prophet made it imperative that the economic system should not be based on *riba* in any part of the Muslim Empire. A contract which the Prophet entered into with the Christians of Najran contained a clear provision that if the Christians engaged in any business based on *riba*, it would render the contract null and void. After the conquest of Mecca, the prophet cancelled all claims based on interest due to Banu Mughira, and instructions were issued that if Banu Mughira were to insist on the repayment of interest then war would be waged against them. The recipient, as well as the one who pays interest, and the one who drafts a document based on interest or witnesses such a document, all stand condemned.

We can now take up the question of individual ownership. There has been considerable controversy on this point, and it is sometimes suggested that the individual's right of ownership should be restricted to consumer goods and not to the means of production. It has also been said that this right should apply only to earned income and not to unearned income. The Qu'ranic injunctions on the subject can only be understood within the total framework of the Islamic Order. Since an individual's right to earn and to spend is regulated by clear provisions, and is made subject to certain limitations, it would be wrong to assume that the individual has an absolute and unrestricted right of ownership to private property. For one thing the property which he acquires must be acquired through personal effort and by legitimate means, which also means that the extent of the property so acquired must be commensurate with the individual's effort. His right to retain such property is also regulated by certain provisions. The only exceptions are inherited property or income obtained through the distribution of *Zakat*.

Inherited property must be legitimate property. Any property acquired through illegitimate means, either through exploitation or as a result of undue favour, would not become legitimate through inheritance. An item of stolen property would remain liable to confiscation by the state whether it is found in the possession of the person who committed the theft or of one who inherited it from him. In the same way, if a right or property has been acquired wrongfully, it would be liable to cancellation or confiscation by the state wherever it might be lodged at a particular time as a result of the application of the law on inheritance.

This principle has far-reaching consequences, as it applies to all titles, *jagirs*, land-holdings, gifts or lease rights acquired by an individual through the magnanimity of a ruler or a person temporarily in control of an area. Whether such a title was acquired in accordance with the limits recognised as legitimate by Islam would be a question of fact to be determined in each case. But unless it is established that the original title was legitimately obtained, it would be liable to cancellation. Syed Maududi says: 'Where *jagirs* or awards are given to courtiers and sycophants, or they have been given by tyrants and oppressors to persons who have acted against the public interest, they are all liable to confiscation.'⁵⁵ He recalls the reply given by Iman Abu Yusuf when he was asked

⁵⁵ Syed Abul Aala Maududi: *Caliphs and Kings*, p. 212.

by the Abbasid Caliph, Haroon ur Rashid about the ruler's right to grant *jagirs*. The Iman said there was nothing illegitimate in the granting of a *jagir* by a ruler to a citizen but neither all rulers nor all recipients of grants could be placed on an equal footing. There are just rulers who make grants with due care to persons who are the true servants of the people. Such grants are in order. But there are others who are unjust and show favours to persons who act as instruments of their oppression. Awards made by such rulers are liable to confiscation. Islam thus clearly delimits the area of individual ownership and the freedom which an individual must have within that area subject to the overriding provision that all property and income is in the nature of a trust. This also lays down the limits on state ownership. If the right of individual ownership is abolished and all means of production come under state control it would seriously curtail individual freedom and this would militate against a basic Islamic concept. But the state has the inherent right to regulate and control economic activities in the interest of the community.

While recognising individual ownership, Islam insists one equitable distribution of wealth as distinct from equal distribution of wealth. This distinction is based on facts of life which can be observed. While every individual must be assured of complete equality of opportunity, status and rights, no two individuals are identical in all respects. The variations among individuals result in differences arising from the relative ability of different people to take advantage of equal opportunities. Despite these differences, the distribution of wealth must at all times conform to a fair and equitable pattern. This is ensured through the institution of *Zakat* and the laws of inheritance. *Zakat* is not a tax. It is a form of devotion and of social obligation. There is an element of compulsion in the imposition of a tax. No one likes being taxed. Few recognise the reasonableness or need of all the taxes, and many resort to evasion of taxes by different means. The basic concept of a tax is that it is levied in return for certain facilities provided to the community, including the individual who is taxed. It therefore becomes a form of contribution which one makes in one's own interest and in proportion to one's income. *Zakat*, on the other hand, is a moral obligation. A citizen offers *Zakat* voluntarily and without any compulsion. He makes his contribution according to his own assessment of his wealth, and he expects to derive no personal benefit from what he gives away. The entire amount of *Zakat* collected by the community is meant for those members of the community who, for some reason, find themselves unable to earn a living. Such inability may be permanent or temporary. *Zakat* is calculated at the rate of $2\frac{1}{2}\%$ of wealth annually and is deposited in a common community fund. There are rules regulating the utilisation of the community fund, but principally the fund is intended to serve as an insurance for the aged, the disabled and the less fortunate members of society. It is important to remember that *Zakat* is not a charity. It represents the community's claim on a citizen's wealth, which is automatically encashed annually. The community fund is a trust held on behalf of the people. Nothing is received in this fund or spent out of this fund in violation of law, and no part of the fund is available to meet the expenditure of anyone who occupies a position of authority. Syed Qutb said: '*Zakat* establishes an economic system on the basis of collective self-sufficiency and co-operation which does not have to rely on interest.'

The equitable distribution of wealth is further ensured in Islam through the operation of detailed laws of inheritance prescribed in the Qu'ran. There is an injunction in the Qu'ran which requires the community to ensure that: *Wealth does not circulate among the rich.* (Chapter 59, v. 7).

What is the place of labour, capital and organisation under an Islamic system? Islam treats land, labour and capital as factors of production, each serving the individual to exercise his right to take full advantage of equal economic opportunities. So long as these factors of production are employed in a just and collectively beneficial manner, the state does not interfere with the individual's freedom to utilise these factors of production within permissible and legitimate limits. But where an individual uses any one of those factors to the detriment of those who may be in possession of the other factors, then the state must intervene to ensure that principles of equality and justice are not violated.

Finally, the question whether an economic system not based on interest can be evolved in modern conditions. The unanimous view of Islamic scholars is that such a system can be evolved but only within the context of an Islamic order. Historically, an economic system which was not based on interest in any form remained in existence for several centuries. Prior to the emergence of Islam, interest was as much a part of economic life as it is today. Islam prohibited interest and changed the whole economic order. Interest was forbidden first in Arabia and, thereafter, it was abolished wherever Islamic government was established. The Islamic economic order remained in existence for several centuries. According to the Islamic view an economic system dependent on interest can never create just and equitable social conditions. Since the proposed new international economic order assumes the continuance of interest in market-economy countries, it can never achieve the objectives set out in the General Assembly Declaration of May 1974.

The main guidelines for man's conduct in the economic field are given in Surah Al Naba: v. 90:
God instructs you to cultivate justice and benevolence and consideration towards dependants. You must avoid evil, obscenity, tyranny and excess. These are instructions for you to observe.

The first is the principle of justice which has been explained and the second is the principle of benevolence. The word in the text is *ehsan* which has been interpreted by scholars in a variety of ways. It is at once a combination of grace, understanding, and a willingness to be of service to others. It is a measure of an individual's regard for the others. When you are willing to take something less than what is due to you by right in consideration of the needs of the others, such a gesture would be regarded as *ehsan*. Syed Maududi says, 'If justice is the basis of society, *ehsan* is its beauty.'

The third principle requires one to show consideration towards one's dependants and relations. A person who has the necessary resources must recognise that his dependants and relations, if they are in distress, have a claim on him. A person of means who allows his relations to live in ignorance, poverty or disease and affords them no help, fails to discharge a solemn obligation. An Islamic economic system does not visualise the existence of little islands of luxury in a sea of poverty at a local or a universal level.

As against these positive principles, there are three prohibitory directives. First, you must avoid obscenity which would include all activities regarded as harmful to society. Second, you must not indulge in what is specifically forbidden. Third, in your conduct you must not transgress the bounds of moderation, a concept which ensures respect for the rights and feelings of others.

Syed Qutb Shaheed lays stress on the collective self-sufficiency of the Islamic economic order. A society in which every individual is engaged in amassing wealth and profit without any consideration of what happens to the others in the process can only produce harmful results both from the individual and the community. There is a collective framework representing the interests of the community as a whole, and this circumscribes the field of individual freedom. Any violation of this framework which occurs as a result of the exercise of his rights by an individual would lead to social tensions and eventual disintegration.⁵⁶

The contentment of the poor is a moral obligation. Certain Qu'ranic texts on the subject have been deliberately misinterpreted to convey the idea that Islam requires the poor to accept their condition without protest. Nothing could be further from the truth, comments Syed Qutb Shaheed. When the Qu'ran asks the people not to be envious of the wealth of others, it does not enjoin them to reconcile themselves to inequality, injustice and oppression. He blames certain scholars for propagating this idea to serve the interests of the ruling classes. Their purpose was to stop the people from asserting their legitimate rights. The real purport of the Qu'ranic verses on the subject is that those who are unjustly deprived of their rights must not succumb to a feeling of helplessness because their oppressors are men of means and have access to instruments of control. They must assert their rights collectively and forcefully. Syed Qutb Shaheed quotes the Prophet: 'When the people watch a tyrant, and do nothing to restrain him, they must prepare for their own destruction.'

In the Islamic economic order there is a great emphasis on the dignity of labour and the basis of this is that the worker is entitled to a share in profits with the employer. Some Malaki jurists go to the extent of giving the employee an equal share with the employer in profit.⁵⁷

Professor Mohammad Qutb sums up in a precise and eloquent passage the essential characteristics of the Islamic economic system: 'Islam bases its economic structure on freedom of action, coupled with a relationship of complete co-operation and exchange of mutual services among all individuals. The Islamic government as such acts as a guardian and custodian of all such people as happen to lag behind in the struggle of life for some reason, and are denied all amenities of a decent living. Thus with all the resources of the state at his backing, no man need become a bondman. Islam provides for all his basic needs without allowing him to compromise his independence, self-respect or honour.'⁵⁸

Is the Islamic economic order an attainable reality? As Muslims we all claim it is. The conditions prevailing in the Muslim countries offer a stark denial of this claim. There are more than forty independent sovereign Muslim states,

⁵⁶ Syed Qutb Shaheed: *Social Justice in Islam*, Urdu translation, pp 164/6.

⁵⁷ Mohammad Qutb: *Islam, the Misunderstood Religion*: Cairo, 1964. p. 135.

⁵⁸ Ibid. p. 120.

and not one of them has adopted the Islamic order in its true sense. Are the Western scholars then not justified in saying that the Islamic order, whatever it might mean in theory, has no practical validity? Together the Muslim countries have all the resources which they require for their economic growth but most of them present a picture of appalling poverty. All the riches and the resources are in the hands of a few persons. The rest are left to struggle for survival. Should the world not conclude that the principles of equality, freedom and justice have no meaning for the Muslims? The Muslims must be among the most backward and suppressed people in the world – suppressed and kept backward not because they are retarded but because of the ruthlessness and avarice of their ruling classes. Is there an inch of ground in the Muslim world today where one can stand up and utter a word of truth without fear?

Syed Qutb Shaheed was executed. Syed Maududi was sentenced to death and spared because of a legal flaw. Professor Qutb languished in prison for several years. Scores of scholars and writers and thinkers are lodged in prisons all over the Muslim world where they are subjected to inhuman treatment. All because they dared to speak the truth. Syed Qutb Shaheed, not long before his death, said that a new class must grow to replace the existing elite if the situation in the Muslim world has to be changed and brought into conformity with the Qu'ran and the *Sunnah*. It is futile to expect the present rulers, Presidents and Prime Ministers, Kings and Queens to change the present order. It is the people to whom the appeal must now be made directly, bypassing all repressive national systems and arbitrary geographical barriers. The 700 million Muslims of the world must now make a choice either to reconcile themselves to their present state of humiliation and deprivation, or collectively to assert their right to change their destiny. The first inescapable step in this direction is the elimination of repression and inequality at home. If the right choice is not made, Islam will not have failed the people; the people will have failed Islam. But I have full faith in the words of the Prophet: 'My community will never concur in error.'

