

## INTRA-UMMATIC TRADE AND COOPERATION: CHALLENGES AND SOLUTIONS<sup>1</sup>

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### ABSTRACT

*This research paper explores the quality and shortcomings of the Intra-Ummatic trade that has been in existence among the Organization of Islamic Cooperation (OIC) member countries. It analyses the potentials and challenges of such trade considering the set target of 25% trade among the OIC member countries by the year 2025. The research briefly discusses some International Trade (IR) theories: Globalization, Liberalism, Feminism, Nationalism, Realism and Normative theories affecting Intra-Ummatic trade and how efforts can be geared towards maximizing the benefits and preventing the harms that may come from such systems. It looks into the history of the Muslims and how Islāmic globalization took place in the golden age of the Muslims. It highlights the possibility of re-achieving lost glory if the Muslims learn from their common history and hold on to their religious teachings. The research further analyses the root cause of the continuous depreciation of the economies of Least Developed Countries (LDCs), with special reference to Muslim Countries (MCs) and the risk of worsening and not having a voice in the near future, if proper measures are not taken. The research uses secondary data, online books, journals, articles, and websites. Tables and graphs have been used for better understanding at a glance. This research is significant as it adds to the body of knowledge in the area of the study of economies of MCs and how trade among OIC member countries can pave a path to growth and development of these nations. This research has also found a relationship between other factors, such as abandonment of religious teachings and the failures of these economies. This is because ethics have a positive relationship with the growth of economies. Unfortunately, Muslim countries are generally implicated in high levels of bureaucratic corruption and mismanagement. For the purpose of this research, factors that are likely to affect trade among the OIC member countries were divided into two: Internal factors: factors within the control of these nations and External factors: factors that are international in nature and therefore out of their control, or are imposed upon them.*

**KEYWORDS:** Globalization, Muslim Countries<sup>2</sup>, Liberalization, Least Developed Countries and Developed Countries.

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<sup>2</sup>MCs used alternately with Muslim Nations and OIC member countries which are 57 in number.

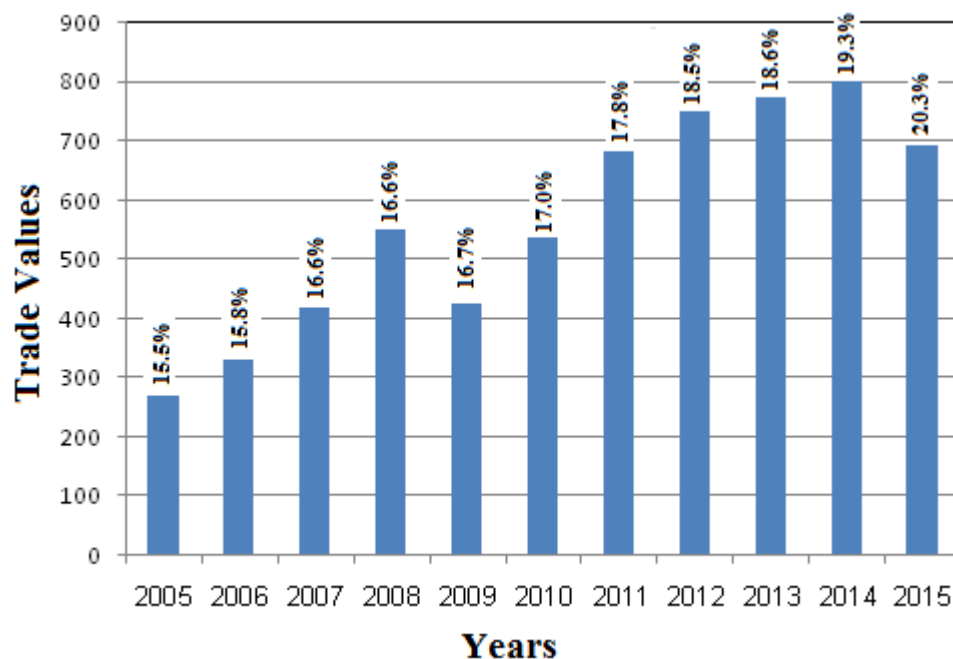
## 1. INTRODUCTION

Intra-Ummatic trade has become an issue of concern for Muslim countries due to the state of their economies, despite their level of interaction with the Western world and their acceptance and adoption of Western policies, as imposed by the developed world. Arguably, this relationship (between LDCs and Developed Countries (DCs), the superpowers) has been an unhealthy one and especially unfavorable to Muslim countries. Erstwhile colonies have gained political freedom for around five to six decades, yet this freedom is not reflected in their economies as there seems to be a re-colonization process that has achieved for the colonizers what colonialism and imperialism could not.

The struggle to raise the intra-OIC trade to 25% of the overall trade of these countries by the year 2025, is the effort of the Muslim nation (*Ummah*) in reawakening itself to the reality before it (Source ?). The intra-OIC members' trade has its roots in the ideological and historical foundation of these countries. The geographical area of these countries places them at an advantage, as most of them are neighbors and occupy invaluable strategic routes on the globe.

The report of the 14<sup>th</sup> Islāmic Summit Conference (2019) reflects this ongoing awakening process among OIC countries, with trade among OIC countries amounting to 20.33% In 2017. The conference called for the development of regional projects and emphasized the need to encourage Small and Medium-sized Enterprises (SMEs) and private sector development. The Islāmic Development Bank (IsDB) has a role in supporting and directing competitiveness by linking it to the global value chain, thereby adding value to exports and boosting the employment rate. To achieve this target, OIC countries were required to increase the capital of IsDB, which will provide resources for the construction and social development of these nations.

The bar chart below shows the value of Intra-Ummatic trade over a period of 11 years.



**Figure 1: Intra-Ummatic Trade from 2005 to 2015 (Source: Global Islamic Economic Gateway, 2017) [adjusted by the author]**

In 2005, the Intra-Ummatic trade was \$271billion which was only 15.5% of the total exports of all these countries. It continued to fluctuate until in 2014 it hit its highest trade value at \$802billion

(19%) of all exports. A slight increase in percentage was achieved (20%) in 2015, yet at a lower value of \$694billion. This fall in the value resulted from lower commodity prices in the international market from 2014 to 2015.

MCs occupy a large area of the world map from North West Africa (namely, Morocco) to South-east Asia (namely, Indonesia). From the Atlantic Ocean to the Pacific and Mediterranean Seas and the Indian Ocean, Muslim nations control the world's major trade routes such as the Gibraltar, Bosporus, Hormuz, Malacca and the Suez Canal which should indicate their strategic position and strength.

### **1.1 Statement of the Problem**

Why is Intra-Ummatic Trade essential? How can Muslim countries achieve Intra-Ummatic Trade? What are the challenges of Intra-Ummatic Trade? Will the rest of the world object to this kind of cooperation?

### **1.2 Aims and Objectives**

This paper will give an overview of the state of the economies of OIC member-states as most of these countries fall among the LDCs of the world.

### **1.3 Significance of the Study**

Trade among OIC member countries became a matter of necessity due to the worsening state of the economies of these nations despite their interactions with developed countries. This paper is significant for its critical analysis of the economies of Muslim nations, understanding the root causes of the challenges of trade among OIC member countries and proffering solutions to the problems.

## **2. LITERATURE REVIEW**

Economic cooperation is a broad concept and key to economic growth and development. It drives economic development by offering a given country the opportunity to expand beyond its domestic market. In case of the United States, its main source of income is trade with the rest of the world. If we consider OIC member countries however, we immediately notice the absence of economic cooperation among them (Saim, 2017). According to Benito et al. (2010), one reason for the lack of visible cooperation could be the absence of a definite framework and infrastructure that could point out the potential economic gains from such economic cooperation. Saim (2017), noted that OIC countries currently are very different and tremendously influenced by geo-politics. Progressive economic cooperation cannot be expected in the near future; nevertheless, there are regional groups among OIC countries, some of which contain one or more of the least developed OIC countries. Thus, there are some indications that there is a willingness to breach existing politics or economic constraints.

People and Planet (2006) reports: 'Trade is a matter of life and death for many of the world's poorest people'. However, the rich and powerful pursue trade policies that put profit before the needs of the

people and the planet. Unfair trade rules deny poor countries revenues up to \$700 billion. According to UNCTAD (2005), "A large number of developing countries face more rapid growth in imports as compared to exports." Iqbal (2009) noted, "They have been affected by the slowing down in economic growth, deteriorating current account balances, shrinking remittances and development assistance, rising unemployment and poverty". According to the Nobel Prize Winner Stiglitz (nd), "Western countries have pushed poor countries to eliminate trade barriers but kept up their own barriers, preventing developing countries from exporting their agricultural produce and so, depriving them of desperately needed export income. The United States was of course one of the prime culprits and this was an issue about which I felt intensely."

## 2.1 Potentials for the Success of OIC Trade

The world Muslim population (as of 2018) was estimated at 1.8 billion Muslims, second only to Christianity. Islām is said to be the fastest growing religion in the world with the growth rate of the Muslim population estimated at the rate of 2.8% yearly. Only about 15% of Muslims are from the Middle East; Indonesia has the largest population of Muslims, followed by India and China. Overall, Muslims constitute about 20% of the world population spread over 149 million km<sup>2</sup>, geographically, which amounts to an area of 23% of the globe. The number of MCs which are members of the OIC is 57; each endowed with some form of natural resources in addition to human capital. It is interesting to know that 60% of the Mediterranean sea is surrounded by MCs.

The percentage of world natural resource supplies produced by MCs:

- two-thirds of oil
- 70% of rubber
- two-thirds of palm oil
- 67% of spices
- 75% of jute
- half of tin and phosphate
- cotton, tea, coffee, wool, uranium, manganese, cobalt
- large gas reserves
- many other commodities

Proper management of natural resources and human capital will boost the economies of MCs and bring about growth and development. There has been a great deal of mismanagement of resources and bureaucratic corruption in the MCs, affecting these countries adversely. Therefore, we see a negative trade balance in the underdeveloped MCs. Table 1 illustrates the details:

**Table 1: Trade goods and services in low-income Muslim and non-Muslim countries**

Countries	Export	Import	Balance of trade
MCs	4.25	6.12	-7.44
Non-MCs	8.87	7.74	-3.68

Source: World Bank and UNDP (2001-2005) [Ahsan]

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## 2.2 IR Theories and Intra-Ummatic Trade

**Globalization:** It can be argued that globalization is a long standing phenomenon which has existed for ages. However, globalization today has taken different dimensions and has merged the world at a very fast pace due to present day technology, transport, and media. Globalization continues to promote integration of economies which has resulted in the high dependency of LDCs, especially the MCs on the DCs. There is a great deal of monopoly in global trade where LDCs feel dominated by DCs, in all spheres -- including economic, political, and cultural.

Through Multi-National Corporations (MNCs), the capitalist system has continued to expand and grow at the expense of these weak countries. Through the activities of institutions like International Monetary Fund (IMF), World Bank (WB) and World Trade Organization (WTO), the global players have a firm grip on the economic affairs of MCs. No country has come out of poverty and starvation through utilizing these international debts; rather, such economies only sink deeper into poverty and economic degradation. The burden of debts with high interest rates are further accompanied by economic policies that are not designed to benefit any country.

Jan Aart Scholte<sup>3</sup> has defined globalization in five ways:

1. "Globalization is another word for internationalization."

This implies a shrinking world where trade in goods and services across countries is becoming easier and faster. Free trade and open borders are increasingly encouraged, leading to a high degree of interdependence among nations.

2. "Globalization is liberalization."

This definition points to deregulation of nations' economies, encouragement of capitalism and its imposition by economic superpowers, as a pre-condition for aid.

3. "Globalization is universalization", i.e., a process of spreading goods and people all over the world.
4. "Globalization is Westernization or modernization, to the Americans it is the Americanization of the world economy." This deals with the area of loss of local cultures in exchange for a foreign culture, mainly American culture, or Western culture in general.
5. "Globalization is de-territorialization", i.e., a situation where an event occurring in one end of the world has an almost immediate effect in another part of the world.

Through globalization, the world has experienced the free flow of goods and services, accompanied by the spread of foreign culture at the expense of local ones. There have been rapid changes in lifestyles across the world due to fast paced growth and development. Therefore, the world has become a global village.

Although globalization has come with numerous undeniable benefits, it has put developing countries at a disadvantage in economic matters. The economic gap between rich and poor countries continues to widen as the world shrinks. An estimated 4% of the global trade occurs among 500 Transnational

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Corporations (TNCs), with full control over technology and skills. Out of these 500 TNCs, America owns 179 making her the country with the highest number of TNCs. Japan has 107, Britain owns 38, while France and Germany own 37. Profit is the core value of these TNCs, and very little to no respect is paid to human life and the environment.

Countries in the Middle East and other Muslim nations are the world's major oil producers; however, out of the world's 26 major oil companies, none is owned by Muslim Countries.

Globalization can neither be stopped nor slowed down, but MCs must strategize to make the best out of it and prevent -- or at least reduce -- its effects. MCs must also strive to be part of the growing information technology and multimedia boom and enhance their education systems and industrialization. MCs must strive to produce their own multimedia and software and reduce their technological dependence on DCs. Technology should be made user-friendly to further the propagation and cause of Islām and to clear misconceptions about it.

Efforts being taken in this direction include launching television channels like Huda Tv (9 Jan, 2010), Peace Tv (21 Jan 2006), Islam Channel (March 2004), Iqra Tv (21 Oct, 1998), Al Jazeera Channel (Nov.1, 1996) and others. There are numerous Islāmic websites producing cartoons, movies, news, self and home improvement programs, business and financial programs etc. and there is scope for even more.

Through biases in the media Islām has been misrepresented as being synonymous with terrorism, and Muslims have suffered a great deal due to widespread misinformation campaigns. MCs must develop strong media corporations (comparable to the best news outlets such as CNN and BBC) to disseminate correct Islāmic information and insight regarding world events. MCs must free themselves from a colonial mindset, and must think and act from an Islāmic perspective and take responsibility for their actions.

**Nationalism:** This is the belief that people are divided into nations and that every nation strives to achieve its own goals as a nation unit. While Islām acknowledges the need for self-defense and accepting our differences, it does not approve of nationalism when it brings about division and disunity. Allāh created people in tribes and nations for the purpose of identification -- not for discrimination and infighting. In Islām, the most important characteristic is God consciousness (*taqwā*) (Surah Hujurat :13).

Nationalism is praiseworthy only in terms of the benefits it brings to people and strengthens them without causing unjust harm to others. However, this must not degenerate into fights among people. Muslim nations must work together and put aside their differences. Unity in diversity is the key to the success of MCs. Until MCs see one another as brothers and sisters, having the same religion and seeking solutions to the problems facing them as a group, they will remain trapped in a cycle of weakness, poverty, and insecurity.

In the face of international crises, MCs must all rise with one voice, speaking for themselves, acting with confidence, and upholding the truth. In this way, trade among MCs would be a strengthening factor for the unity of these countries. This unity is only achievable if MCs do not allow the evils of tribalism, nationalism, racism (and all other ' -isms') to become a means of division.

**Realism:** This theory is concerned with the role of the State in IR. States compete for power, while some pay attention to their own borders and ensure security within their country, others busy themselves with self-imposed leadership and demand acceptance from others. Economic superpowers like the United States of America in particular believe in American hegemony, and the American leadership exercises control over the affairs of LDCs, particularly MCs.

In this process, the US government has continued to impose democracy and economic policies like capitalism and deregulations, which have continued to fail these countries, perhaps intentionally. Looking at the economic situation of MCs, it can be said that these systems of democracy and capitalism are not fit for them as they have only brought more failures than successes. MCs are supposed to adopt the Islāmic mode of leadership and stick to it, only then will they attain success.

Realism also assumes a state of anarchy at the international level, where every nation strives for its own interests and there is no central leadership. This explains the state of chaos in which the world often finds itself. Looking back at the Islāmic golden age, the Islāmic caliphate provided a leader at the center. All the governors who were leaders of different countries were answerable to the central authority, i.e., the Caliph. This system continued until the Islāmic caliphate collapsed in 1922.

During the Islāmic caliphate there was no vacuum even at the international level. A return to the same system will automatically fill the vacuum again; surely, the current chaos and confusion only results from misguidance. OIC member countries should have a leadership that is respected by all members, so that security and confidence is instilled among them.

**Liberalism:** This theory approaches all facets of human life: economic, political, and social. Its main tenet is: 'Individual reason is supreme, whatever does not appeal to the human mind is not correct'. In the sphere of politics, it is called 'democracy'; in the sphere of economics it is called 'capitalism' and in the social aspect of life, they call it 'human rights' or 'individual freedoms'. This system has provided a base for the growth and expansion of private corporations. However, its downside is in the drastic reduction in the role of government in economic matters. Consequently, economies in MCs have continued to decline as little attention is paid by the governments to their poor populace.

**Normative Theory:** It addresses ethical issues in IR. The perspective of seeing everyone as equals on moral grounds, the premise that everyone is entitled to the same kind of treatment and respect is a cosmopolitan way of viewing things.

On the other hand, Communitarians emphasize the importance of paying attention to a particular group or the community one belongs to. From this perspective, a person's lineage, tribe, race or nationality accords him a special entitlement. Another angle of reasoning here is, passing moral judgment on actions based on the consequential results of the action. For example, if torturing a suspect will cause him to reveal the truth, then torturing him will be justified. While the non-consequential perspective will view torturing the suspect as immoral until he is proved guilty. The norms of a people are important due to the role they play in shaping their character as a people and hence, form the values of a society. In trade, the character and integrity of the parties involved is vital. What may be considered immoral to a people could be viewed as 'shrewd policy' to some others. From this perspective it would be correct to say that independent human beings cannot

perfectly determine at all times what is moral and what is not. Therefore, religion remains an important guide for moral issues.

OIC member countries should refer to their religion as a source of guidance and stick to it in the course of their interaction with one another. Their intention must be to unite MCs through the practice of religion and trade on the basis of the common good purely for the pleasure of Allāh. Consequently, MCs cannot accept foreign policies without checkmating such policies with Islāmic ethical values and the common good of their nations.

**Feminism:** This strives for equality between both genders in social roles. In IR, feminism tries to increase the role of women beyond the natural responsibility of being wives and mothers. It addresses issues of childcare, domestic violence and labor which are now recognized as international issues. It raises the female voice, to be heard and understood. This theory brought many benefits to the world by raising awareness regarding female rights and roles as against many cultures.

However, it has been pushed to another extreme. While taking jobs outside the home may empower the woman economically, it may cause her to become overburdened as well. Thus, she is sometimes compelled to abandon her primary roles as a wife and mother. MCs must ensure that the rights of women are well protected, and allow her economic rights as provided by Islām. The woman can take up roles outside her home as long as they do not cause her to compromise her primary responsibilities and the environment does not expose her to mingling with men. Women's opinions should be considered and she should be made part of the decision-making processes.

### 3. METHODOLOGY OF THE STUDY

The present study used qualitative research method and mainly used the data based on secondary sources, for example, online books and articles of journals. It has also employed the use of tables and graphs for presenting figures for proper explanations.

### 4. ANALYSIS AND FINDINGS

The decline in the economies of most LDCs and especially MCs is due to three factors:

1. Opening of new trade routes by European powers (16<sup>th</sup> century)
2. Colonization of LDCs (17<sup>th</sup> century)
3. A consequence of the Industrial Revolution (17<sup>th</sup> and 18<sup>th</sup> century)

All three factors are external, and have affected the LDCs greatly. European economic superpowers were quite intentional in seeking ready-made markets for their manufactured goods and a source of cheap raw materials for their industries. Through colonization, these superpowers held claims to the LDCs. Through the use of their military powers which were far superior to those of the colonized, the LDCs were overpowered in their own homes. Politics was also an important tool which remains so till date. These two factors fed the industrial revolution.

The sources for raw material and human capital were available to them at a very low cost, and a long-term plan to keep other countries within control has been effective. Developed countries trade with almost all the LDCs, exporting their manufactured goods and importing raw materials from these poor countries. However, who are the major benefactors of these trades?



According to Christian Aid, 22 Sub-Saharan countries have lost \$272billion in the past two decades through trade. It further noted that trade liberalization has brought enormous losses to the LDCs.

Exports from these countries have continued to decrease as local goods are inferior and therefore unable to compete with the foreign goods. Consequently, there has been a rapid increase in imports. This situation has raised the level of unemployment, poverty, economic retardation, low prestige consequently leading to failed economies. Christian Aid further noted that, if the Sub-Saharan African countries had not liberalized, they would have had enough money to pay their debts, educate their children and have them vaccinated. Table 2 provides a picture of imports and exports of some categories of countries:

**Table 2: Category wise countries' Imports and Exports**

Countries	Imports [% of GDP]	Exports [% of GDP]	Primary Export [% of Merchandise Export]	Manufactured Export [% of Manufactured Export]	High Tech Export [% of High Tech Export]
Arab States	30	36	86	20	2
Latin America	21	24	44	55	14
High HD Countries	23	22	18	79	17
Low HD countries	37	34	...	...	...
World	24	24	22	77	18

Source :UNDP 2005 (277) [ Ahsan p14]

Trade among OIC member states in 2005 accounted for about 7% (at the value of \$800billion) of global trade. There is a decline compared to the figure (10%) in 1998. In more recent reports however, the Islāmic financial industry is growing, and cooperation among Muslims countries is picking up. For example, Intra-OIC exports stood at 12% while imports were 14%.

Countries are not all on this same level, some are high intra-OIC trade countries like:

- Somalia 74%
- Djibouti 89 %
- Jordan 44%
- Lebanon 53%

Some other countries fall among the low intra-OIC trade countries; such as:

- Indonesia 9%
- Malaysia 7%
- Qatar 6%

- Bangladesh 4%
- Sierra Leone 2%.

In recent developments, GCC countries are also beginning to invest in poorer OIC member countries. On 19th Feb. 2019, Saudi Arabia donated \$6billion and deferred payment of \$3 million imports for Pakistan, which also has a free trade agreement with GCC countries.

#### 4.1 Challenges of Intra-Ummatic Trade

For the purpose of this research, challenges of Intra-Ummatic trade have been categorized into two.

##### 4.1.1 Internal Factors

Economic factors within these countries which the government and its populace can act to bring about change. They are:

1. *Mismanagement of Funds and Corruption Challenges:* Growth and development of LDCs has been hindered greatly due to gross mismanagement and corruption in these countries. Reliance on market forces has increased greatly due to globalization and deregulations. This has encouraged the transfer of misappropriated wealth to other countries for investment opportunities. Corruption prevents natural laws of the economy from functioning properly, causing the entire society to suffer both politically and economically.

Studies show that there is a strong significant relationship between the Corruption Perception Index (CPI) and black-market activity and excessive regulations, while all three are said to correlate significantly with GDP/Capital. Therefore, countries with higher GDP have lesser corruption. Countries with longer economic plans also have lower levels of corruption. The highest corruption levels are seen in countries like Africa, South Asia and the Middle East while countries with the least corruption are in Western Europe, North America, and Australia.

According to a World Bank report, countries with higher levels of corruption have an average income, while a third of countries with low levels of corruption have lower literacy levels by about 25%. Corrupt countries are characterized by general inflation, inefficient resource allocation, uneven distribution of wealth, lack of incentives for investments and innovations, shadow economy, poor education and health and thus, general slowdown of the economy.

2. *Capital:* Raising funds, they say, is the key to sustainable development. MCs are blessed in that, most of them are blessed differently. Some of these countries are wealthy, like the GCC countries, that produce mainly oil. Some others have diversified economies, such as Malaysia and Turkey. Other countries like Nigeria and Pakistan are rich in human capital as well as natural resources of oil and agricultural products. Some of the rich countries are also endowed with social capital which allows for networks and trusts that go a long way in facilitating trade among MCs.

The development and construction of physical capital such as infrastructure required for manufacturing and production, and human capital are other aspects that require a great deal of attention. This is because human capital is indispensable in economic growth and development, economic diversification as well as increasing the standard of living. Table 3 is presenting some information on the expenditures on Human Factors categorizing based on High Development Index (HDI) and Low development Index (LDI).

**Table 3: Human capital: education, health, research, and development**

Country	HDI Ranking	Public Exp. On edu. (% of GDP)	Public exp. [on Health] (%) of GDP	Physician per 100,000	Research and Development % of Exp. Of GDP	Research per million people
High HDI						
Bulgaria	55	5.2	4.0	338	0.5	1158
Kuwait	44	4.4	2.9	153	0.2	73
Low HDI						
South Africa	120	5.9	3.5	69	0.7	192
Pakistan	135	2.6	1.1	66	0.2	88

Source: UNDP (2005)

The above table reflects the sorry state of MCs compared to non-MCs at a similar level of Human Development Index (HDI). The Human Development Index was brought into use by Mahbubul Haqq (1990) due to the importance of human capital in the growth and development of a nation as it is commonly said that people are the real wealth of a nation. According to UNDP (1990), human development is the process of increasing people's choices, which includes political choices, guaranteed human rights and self-respect. The most important of which is to have a healthy and long life, to be educated and to be able to access a good standard of living. According to UNDP reports about 40 MCs fall among the low HDI countries.

Three factors are taken into consideration in calculating the Human Development Index:

1. Standard of living
2. Access to healthcare
3. Adult literacy

Research shows that human development fluctuates over a period of time, however, the table above shows that MCs generally lag behind non-MCs.

4. *Poverty Rate*: Poverty is said to be the lack of basic necessities of life, such as food and shelter; to be vulnerable, lacking a voice and a listening ear. The majority of the population of MCs when compared to non-MCs, have higher rates of poverty.

**Table 4, Human Poverty Comparison: high income and low income**

Country	HDI Ranking	GDP Per Capital (\$)	Human Poverty (world ranking)	Human Poverty Value %	Pop. Below Income Poverty Line
High Income					
Venezuela	75	4,919	14	8.8	31.3
Malaysia	61	9,512	16	8.9	15.5
Low Income					
Nicaragua	112	3,262	40	17.7	47.9
Algeria	103	6,107	48	21.3	12.2

Source: UNDP 2005

4. *High Capital Outflow*: Technology and communication has enhanced the level of cross border investment. Most MCs engage in bilateral trade with the DCs, even when such a trade can be done among themselves (OIC member countries). This is especially the case with private organizations and individuals who find it more prestigious to invest in non-MCs of both DCs as well as LDCs which are generally more buoyant economically. There has been negative net capital transfers from the LDCs. This implies more outflow of capital than in-flow. In 2016, net capital outflow of all developing countries stood at \$500billion which shows a clear increase over the outflow in 2015. This situation caused the central banks of these countries to cut down their foreign currency reserves in order to help stabilize the exchange rates.

5. *Government Subsidies*: DCs subsidize for their farmers in order to produce in excess for the purpose of exports which are usually very cheap. When these goods reach developing countries, they beat the local goods in terms of quality and price. This makes the local goods unattractive. Consequently, local farmers are not encouraged, unemployment increases and that means an increase in poverty. From 1995 to 2012, United States subsidies for cotton producers alone amounted to \$32.9billion. United States is the world's largest producer of cotton, According to a report by a research organization called Environmental Working Group. The agriculture minister of Zimbabwe, Mahama Zoungana said "Our cotton producers are constantly targeted by unfair subsidies from the north." (2014) This creates a global competition unfairly, to the less developing countries. In 2014, Nigeria gave 50% of the cost of farm inputs as subsidy which amounted to \$26,666,667. This is quite reasonable for the strength of its government financially but relatively small compared to those of the DCs.

#### 4.1.2 External Factors

External factors have mainly to do with the debt burden and policies imposed on LDCs as a consequence for borrowing from the IMF and WB.

*1. Debt Burden:* The debt burden has had an adverse effect on LDCs, especially MCs. These debts taken from the IMF and WB are accompanied by high interest rates and stringent economic policies applied by these countries. It is noteworthy that MCs enter transactions that are bound to fail due to not complying with religious injunctions. Allāh ﷻ has cursed interest and has declared war against its consumers. Therefore it is no surprise that MCs have found themselves in the state in which they are.

Allāh ﷻ says:

يَا أَيُّهَا الَّذِينَ آمَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِن كُنْتُمْ مُؤْمِنِينَ ﴿٢٧٨﴾ فَإِن لَّمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِّنَ اللَّهِ وَرَسُولِهِ وَإِن تُبْتِغُوا فَلَئِنَّكُمْ رُءُوسُ أَمْوَالِكُمْ لَا تَظْلِمُونَ وَلَا تُظْلَمُونَ ﴿٢٧٩﴾

*O you who have believed, fear Allah and give up what remains [due to you] of interest, if you should be believers. And if you do not, then be informed of a war [against you] from Allah and His Messenger. But if you repent, you may have your principal - [thus] you do no wrong, nor are you wronged (Al-Baqarah 2: 278-279).*

From the above verse (*āyāh*), it can be said that the failure of the MCs lies to a great extent in their abandonment of religious injunctions. Not a single country among LDCs has come out of debt and paid off their debts or come out of poverty due to borrowing loans from the IMF and WB. The economies that seem to be doing fairly well, are doing so due to internal factors. Among the policies of the IMF and WB is the Structural Adjustment Program which began in the 1980's whereby the less developed countries must adhere to these policies for the loans taken.

The Structural Adjustment Program is concerned mainly with the following:

- i. Currency devaluation
- ii. Privatization and deregulation
- iii. Reducing government expenditures and subsidies
- iv. Open borders and attracting foreign investment
- v. Improving tax collection locally

These policies have succeeded in increasing dependency of these countries on DCs. LDCs have become poorer over time and weaker politically, economically as well as socially.

*2. International Politics:* International politics has continued to influence the course of events in MCs. Yet these countries do not have much control over matters that affect them greatly. International politics has caused the outbreak of wars and economic deprivation in countries in the Middle East, Africa and Asia, with Muslim populations remaining the victims.

A case in point is the war in Iraq, which began on March 20, 2003, and lasted till December 18, 2011. The pretext of launching the war was obliterating Iraq's nuclear weapons; yet till date, no nuclear weapons have been found. However, according to reports about a hundred thousand people were killed and displaced.

Similarly, the Afghan war was triggered by the 9/11 events in 2001. This war began and has remained unfinished even today, causing rapid economic regression for Muslim nations.

## 5. CONCLUSION

Intra-Ummatic trade is indispensable to prevent further deterioration of the state of the Muslim Ummah, whereby MCs have become irrelevant in decision making on the global front. It has the capacity of serving as a path to unity, economic growth and consequently political strength. No single Muslim nation can protect itself from the intrigues of DCs on the international front. However, unity can be a comprehensive means to solving economic, political and security issues.

Through this system of trade among OIC members, it is possible to see an Islāmic globalization setting in, a system where Muslim nations regain their global importance and Muslim populations are afforded the protection and human dignity they deserve.

OIC member countries should target six major areas:

- i. Development of a strong financial system
- ii. Promotion of mutual trade
- iii. Technological development
- iv. Development of strong media
- v. A common strong security system

There is hope if Muslim countries work together to achieve OIC targets and strive to have one voice, hold hands and return to their common history, culture and most importantly, religion.

Allāh ﷻ says:

وَأَعْتَصِمُوا بِحَبْلِ اللَّهِ جَمِيعًا وَلَا تَفَرَّقُوا ۗ وَاذْكُرُوا نِعْمَتَ اللَّهِ عَلَيْكُمْ إِذْ كُنْتُمْ أَعْدَاءً فَأَلَّفَ بَيْنَ قُلُوبِكُمْ فَأَصْبَحْتُمْ بِنِعْمَتِهِ إِخْوَانًا وَكُنْتُمْ عَلَىٰ شَفَا حُفْرَةٍ مِنَ النَّارِ فَأَنْقَذَكُمْ مِنْهَا ۗ كَذَلِكَ يُبَيِّنُ اللَّهُ لَكُمْ آيَاتِهِ لَعَلَّكُمْ تَهْتَدُونَ

*And how could you disbelieve while to you are being recited the verses of Allāh) and among you is His Messenger? And whoever holds firmly to Allāh has [indeed] been guided to a straight path (Al-Baqarah, 2: 103).*

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