

TOWARDS AN ISLAMIC COMMON MARKET



ISLAMIC ECONOMICS RESEARCH BUREAU

The Historical Common Market of Islam

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1. THE HISTORICAL ISLAMIC COMMON MARKET 1.1. Introduction

An Islamic Common Market is a concept which has a firm basis in Islamic History. The establishment of the Islamic State in Medina founded the first Common Market. The dismantling of tribal, cultural and racial barriers by Islam led to a society based on religious brother-hood which transcended geographical boundaries, and as a natural corollary, economic barriers were also simultaneously removed. This new system was to unleash the entrepreneurial and trading energies of the Muslim Arabs, who with the passage of time were determined to establish the greatest economic organisation the world has seen stretching from Morocco to Indonesia.

The Constitution of Medina promulgated by the Holy Prophet Muhammad (S.M) laid the foundation not only of the first Islamic State but also the framework of the first Islamic Commonwealth. The Constitution did not specifically mention any trade agreement as such as it was most probably taken for granted by the parties. However, it did make stipulations for treaties with outside groups. The Constitution stated that the Muslims were "a single community-UMMAH distinct from other peoples. Associate status was extended to non-Muslims who pledged their allegiance to this new Islamic Commonwealth". The security enjoyed by the members of the Ummah and the groups attached to it was regarded as a compact or guarantee of security by Allah Himself.

This security was broad based, encompassing religious, political and economic security of the Ummah. The Ummah was an institution capable of continuous growth and with successive territorial acquisitions the boundaries of the Islamic Commonwealth were enlarged.

1.2. The Roman Common Market

One of the most important results of the Arab conquests of the Roman provinces in the 7th century was that Europe was completely cut off from world trade. The Roman Community was basically a lake-side population around the shores of the Mediterranean. After the conquest of Spain in Mid-8th century, the western Mediterranean became a Musalman lake. Islam had shattered the Mediterranean unity.

The cessation of overseas commerce entirely changed the local structure of western Europe. Europe reverted to feudalism whereas the Islamic world entered an era of commercialism and industry. From about 700 A. D. onwards, the pattern was one of agriculture in western Europe, and commerce and industry in the Islamic World. International trade had effectively passed into the hands of the Muslims and their political power was reinforced by an economic organisation of world dimensions.

The economic partition of the world into two distinctive trading organisations left completely the rich trade of Africa and Asia with the Islamic Nations- until the Portuguese discoveries which were meant to circumvent Islamic control. The Roman Common Market had been transplanted with an economic organisation - the Islamic Common Market, much more extensive in its geographic boundaries and potentially richer.

1.3. Expansion of the Islamic Common Market

-There was a tremendous growth of trade and industry in the Islamic world due to the following principal reasons.

- a) A vast and diverse geographic area united by a common ideology
- b) Regional specialisations
- c) Tariff preferences

In part this was simply the result of the expansion of the Islamic State since the State comprised an Empire which constituted a vast "Common Market" which facilitated trade and thereby stimulated local Industry. The density of commercial relations within the Muslim World constituted a sort of world Market of unprecedented dimensions. A world Market of the same type was found in the Roman Empire, but the Muslim Common Market was much bigger.

The Islamic economic organisation was apparently the most extensive and highly developed in history before the establishing of the world markets by the European powers and did not outstrip its importance until the 16th century. The extent of the market was due to the long duration of a unified Islamic Empire symbolised by the Caliphate and the power of the ideological bond that prevented water-tight frontiers from being founded between the different parts when it did eventually break up. The extension of the Islamic Empire embracing regions that had been cut off from each other afforded an immense field to this activity bringing diverse commodities into a common circuit. This continued until the 15th century.

1.4. Regional Specialisations

The great development of trade in the Islamic world shows that products were imported and exported on a large scale. A large portion of this trade was transit trade and production in various Islamic countries was not only to meet domestic demand but was export-oriented to cater to the Common Market of Islam, The development of exchange had made possible required specialisations in industry as well as in agriculture that sometimes extended over great distances. A large proportion of it was internal. consisting of exchange of products between different parts of the Muslim world. This is clearly shown by the local specialisations in products both of craft and agriculture:

- Spices and sugar cane from Indonesia and Malaysia
- Muslin from Bangla and Mosul
- Nart, carpets and taffeta from Iran
- Damasc from Syria
- Olives and Oranges from Palestine
- Textiles from Egypt
- Timber and Ebony from Muslim African States

Ship-building for example was so advanced in Bangla that ships were built for Turkish Sultans' fleet in the Sandwip Islands off the shores of Chittagong to preference to the shipyards of Alexandria. Specialisations were carried very far indeed. There were towns and districts that specialised in the exporting of soaps, rose water, scent, wax, honey and indigo. There was great expansion in the production of textiles in which certain areas specialised. Foodstuff was exported in large quantities, which implies that agricultural production was large sometimes leading to mono culture.

The unity of the Sharia and the Arabic language, the sense of belonging to the Ummah, a single community of the faithful, had the tremendous effect of facilitating exchange throughout the whole of the Islamic world. In theory, foreign trade was subject to tariffs according to the political and religious status of the merchants, and customs duties were only levied at frontiers of the Islamic world as a whole. The political dismemberment of the Islamic world from the 9th century onwards multiplied the levying of tolls and there was no longer any unity in weights and measures. It is true that the different regions were later to develop their more or less pronounced characteristics, but for all that, they were to be not less deeply marked by the unifying imprint of Islam.

1.5. Decline of the Islamic Common Market

- The decline of this vast economic organisation started from the 16th century and was due to
- a) the opening of new trade routes by the European Powers in 16th century
 - b) colonisation by the European power in the 17th century
 - c) the impact of the Industrial Revolution in 17/18th century.

Europe had experienced the mercantile power of the Muslims and began to circumvent this dominant control by bypassing the land routes which the Muslims were generally in control and started to find alternate sea routes to India, discovering the Indies and the Americas in the process. The opening of a new trade route to Asia via the Cape by the 16th century and the establishment of Colonial Power in Asia in the 17th century deprived the Islamic Nations of the greater part of the foreign commerce and left it in a stagnant backwater through which the life-giving stream of trade no longer flowed.

The Colonial powers started a policy of fragmenting the Islamic Common Market, ruled by various European powers, so that all communication and trade links between Islamic states were by design disrupted. Neighbouring Islamic states were now made dependent on Colonial capitals to meet their basic needs.

While the economies of the European Powers made progress in the 17/18th century under the impetus of the Industrial Revolution there was decline in the World of Islam as

- Science and technology capability lagged behind the West, and
- agriculture deteriorated but there was no compensating development of industry.

Local industry could not develop - especially due to the lead Europeans had in know-how, the lack of protection, free trade imposed by force, the subjection of those states that had remained independent through the mechanism of the Public Debt, and their economic and military weakness. Commercial treaties were imposed on the Islamic Nations in the name of "freedom of trade" whereby, for example, import duties were set at 5% ad valorem while exports were taxed at 12%, a subterfuge more favourable to foreign interests". This was gradually extended to all European Powers and destroyed any attempts that might have been made to build industry in the Islamic world.

In the face of uneven competition of European goods forced through the device of "capitulations" which allowed foreign goods virtually duty free led to the closing down of most of the large scale enterprises in the Islamic countries. For example, in early 19th century Egyptian workers numbered about 7,00,000 (nearly 23% of the population of that time) mainly in textiles. Towards the end of the century all that remained were a few workshops employing about 7,000 workers, and a textile industry with a work force of only 28,000. The colonial occupation reinforced and accelerated this process. This pattern was repeated all over the Islamic World.

By the 19th Century, the West had decisively gained the upper hand in their prolonged political and military struggle and began applying mercantile force in the Islamic World. The Islamic common Market of over a 1000 years had thus effectively come to an end as gradually intra-Islamic trade links established over centuries were aborted and Islamic States were forced to merge their economies into trading and political organisations of the Colonial Powers.

In the 21st century the challenge before the Governments, Public and Private Sectors of the Islamic World is thus to rebuild those ruptured trade, commercial and economic links through a step by step, time bound process. By establishing sub-regional free trade areas (GCC, ECOWAS, CEAO, ECO & SEACO) and intra regional FTA (D-8), leading to a global FTA (IFTA). This would lead to the gradual re-establishment of the historical Islamic Common Market (ICM) of over 1 billion consumers, which is the ultimate objective of the economic activities of the Organization of the Islamic Conference (OIC).

This is an excerpt from paper "Towards An Islamic Common Market" presented by Salahuddin Kasem Khan, presented to the International Seminar on the Islamic Common Market, Dhaka.

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