

A STRATEGY FOR THE ECONOMIC DEVELOPMENT OF MUSLIM UMMAH

INTERNATIONAL SEMINAR ON ISLAMIC ECONOMICS

Hijra Centenary Programmes, Abu Dhabi

April 1981

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Efforts at Third World economic development have by and large failed in terms of their effect on want and poverty. Three decades of an international 'crusade' against under-development have proved fruitless. Widespread dissatisfaction with western growth models exists and, indeed, whether they are relevant at all to the under-developed countries of Asia, Africa and Latin America is being questioned². This dissatisfaction is largely shared by the Muslim world. The net result is that the economics of development could well be nicknamed the economics of discontent, reminiscent of the 'dismal science' that economics was once thought!

Muslims constitute a major part of the Third World. Forty three Independent Muslim states have a population of around 600 million (15 per cent of the world population)³ spanning a land area of 26.46 million square kilometers which 39.4 per cent of the total land area and 31.7 per cent of the total population (1975) of the developing countries.

This Muslim world is not a mere geographical entity; it has its own cultural and ideological identity. It has thrown off the physical yoke of western colonialism and is presently engaged in liberating itself from its intellectual, cultural and economic domination. Rebuilding its politico-economic order by deriving inspiration from its own sources so as to establish a new moral and social order lies at the root of the contemporary resurgence of Islam. This revival adds to the Muslim disenchantment with grandiose experiments in economic development based on western models. The overall failure of the dominant development strategy and the more specific Muslim disaffection with what it has produced provide a scenario for re-appraisal.

In this paper we propose to examine four issues relevant to the debate. First, an effort is made to briefly highlight some of the major causes of dissatisfaction with the development experiment; two categories of 'general causes of disenchantment' and 'causes more specific to the Muslim situation' are identified. Second, we aim to pinpoint some of the major considerations that influence contemporary Muslim thinking on development strategy. Third, we shall make a humble effort to formulate the goals of development policy in an Islamic framework. In the final section some tentative and exploratory elements of an alternate strategy are spelled out.

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1. Ummah, meaning community, represents the universal community of the Muslims.
 2. BELL, Philip W., "Economic Theory and Development Economics: Where do we stand", in Social Research Summer 1980, vol.47 No. Special Number on "Issues in Development Economics", pp.235-247. See also MYRDAL, Gunnar, Asian Drama, An Inquiry into the Poverty of Nations, London, Allen Lane, 1968, vol.2, Prologue and vol. III, Appendix 3, and STREETON, Paul, The Frontiers of Development Studies, London: McMillan, 1972, pp. 52-128.
 3. Total Muslim population is around 900 million, one third of who still live in occupied areas or as Muslim minorities in non-Muslim lands. See: The Muslim World Gazetteer, Karachi: Ummah Publications, 1975 and Ahsan, M.M., Islam: Faith and Practice, Leicester: Islamic Foundation, 1977.

First, a word about our general approach to the problem of economic development. We make no claim that economic development can be value-neutral and ideologically impartial. Tools of economic and social analysis are important aids for understanding economic phenomena and suggesting policy prescriptions: we are committed to a rigorous use of these instruments, but we have strong reservations about the usefulness of a purely technocratic approach to the subject. Economic development is concerned not with technical matters alone but rather with a vision of the future which cannot be divorced from efforts to achieve pre-assigned policy goals - goals that inspire people to action and 'sacrifices for the fulfillment of their hopes and aspirations, and to the achievement of what they regard as best in life.

Some of the failings of our development strategies are directly or indirectly related to the fact that they are based on values alien to Muslim culture and antithetical to Muslim ideals; the fact that they masquerade as value-free has resulted in an obsession with mechanics, techniques and instruments of development to the neglect of the real objectives to which the society is committed¹.

There is no denying the usefulness of macro-models, of input-output analysis, of cost-benefit calculations and of capital output ratios. But many of these instruments fail because of the absence of a framework geared to serve specific social objectives. The fault does not lie with the tools, but with the framework in which they have been made to operate and with some of the obsessions and about objectivity and value-neutrality². We start, therefore, from a position of ideological commitment allied to scholastic integrity.

The Development Syndrome

Man has always been searching for short cuts to realize his ideals. With political freedom the Third World's self realization of its economic and social plight deepened. Its exposure to the west made it even more conscious of its abject poverty and of the widening gap between the rich and the poor. During the era of colonial rule the Third World heard many success stories of western development; in the post-colonial period it was invited to follow the growth path pursued by the west. Economic development was offered to the people of the Third World as an answer to all their problems.

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1. The experience of the last two decades underlines the need for taking a fresh look at the basic purpose of industrialization and the methods adopted to promote it. Industrialization is not an end in itself, it is only a means of achieving other more basic objectives; and, if the progress made so far has been well below expectations, part of the explanation may be that these objectives have been lost sight of and consequently, that policies and instruments adopted have not matched the objectives. "United Nations Committee on Planning, Industrialization for New Development Needs, New York, U.N. Dept. Economic and Social Affairs, 1974, p. 8.
 2. See: AHMAD, Khurshid: "Economic Development in an Islamic Framework" in *Islamia Perspective: Studies in Honor of Sayyid Abul Ala Mawdudi*, edited by Khurshid Ahmad and Zafar Ishaq Ansari, Leicester: The Islamic Foundation, 1979, pp. 226-227 and notes 9-11, p.237-238.

In particular, industrialization was seen as the quick way to prosperity; and capital formation was emphasized as the key to this industrialization. Transfer of western technology and foreign aid were seen as sufficient to make up for the two major gaps in savings and balance of payments. Import-substitution and, to a lesser extent, export-promotion strategies were developed to realize the dream. Economic growth became the new god at whose altar everything else could be sacrificed - values, cultural patterns, social norms, customs, religion, and ethics and so on. It was assumed that a rising GNP would usher in the millennium. Mankind would enter the age of affluence by following in the footsteps of the developed countries of the west.

This summary can rightly be accused of being simplistic. But it is equally true that the development strategies based on western models, as they were introduced in the Third World, contained a host of simplifications, carefully wrapped in sophisticated jargon, and not without an element of arrogance about the superiority of the western way of life. The most positive, even enthusiastic, response came from the Third World's western-educated elite, who had been brought up in the lap of colonialism and had inherited power from the departing masters. This alliance of convenience between the west and the new power-elite is now under severe strain because the development strategy that was assiduously pursued has failed to produce the required results: In almost every developing country Indigenous forces not so favorably disposed towards the western models and engaged in a search for their own cultural Identity are challenging the westernizing minority.

General Causes of Disenchantment

Even if it is conceded that too many hopes were pinned on the drama of development, the record of the last thirty years is still disappointing. The problems of poverty, under-development and stagnation continue unameliorated. Two centuries after the advent of the; industrial revolution and three decades after the inauguration of a grandiose development crusade, it is disturbing to note that a majority of the human race remains poor, suffering from under-nourishment, under-shelter, disease and illiteracy. The World Bank acknowledges with regret that the failure to achieve a minimum level of income above the 'poverty line' has kept some 40 per cent of the populations of the less developed countries in a condition of "absolute poverty".

Although some 'enclaves' of development has emerged as a result of developmental efforts they have failed to result in any broad-based changes or to mobilize the varying sectors of society, in the cause of development¹. Over-emphasis on capital' has generated distortions in price structure, exchange rates, tax system, wage-scales, forms of technology and so on.

1. ADELMAN, Irma, "Economic Development and Political Change in Developing Countries", in Social Research op.ait., pp. 223-234. See also, "Implementation of Development Plans: the Experiences of Developing Countries in the first half of the 1970's". Journal of Development Planning, No.12, 19 77, 1-70 and "Development Trends Since 1960 and their Implications for a new strategy", Journal of Development Planning, No. 1S, '19 7 8, pp. 132-192.

Distributional aspects have been largely; ignored with the result that economic and social disparities within societies have increased. Employment-generating effects have been far below the required minimum. Natural population movements have meant that the total inflow in the labour force has been much greater than the new employment opportunities. In spite of import-substitution strategies, dependence on imports is generally increasing and, as terms of: trade has moved against the developing countries, trade and balance of payments gaps have increased. International indebtedness has also rocketed while the net flow of real resources from the developed countries to the Third world is tapering off. The energy crisis has further aggravated the resource constraints. The overall picture is bleak².

In response to this state of affairs a number of new development strategies have been suggested to supplement the original capita I-led growth strategy. Among them are:

- a) Human Capital Development: Efforts to throw light on some of the concealed yet decisive causes of economic growth initially began to throw light on development dynamics and led to human resource development strategies. Although this has been a very promising area of development thinking, it has failed to record any major departures from the mainstream approach, 'Investment in man' has become yet one more aspect of capital theory. The framework of analysis remains little changed¹. Manpower planning is an important innovation but its proper integration with planning processes still remains a far cry. In fact, after a very encouraging start in the early sixties, the approach has suffered many set-backs and remains very much in a back-water.
- b) Employment-Distribution Strategy: There is a widespread realization that income-distribution aspects of development will have to be brought from the neglected periphery to the centre of the process. The ILO and the World Bank have sponsored a number of studies and some dark corners have been illumined. But successful; operation of development plans based on this strategy is still in the realms of hopes and dreams: the hegemony: of capital-led strategy is very much a reality and will continue to be so while the attitude of planners remains as it is. In spite of many preliminary efforts it is yet to be inter-woven into the central stream of planning. This approach does represent some widening of the vision, but it does not go far enough. The totality of culture and society and their relationship with the growth process remain unexplored.

1. For a more detailed description of the Third World predicament see: AHMAD, Khurshid, "Third World's Dilemma of Development", Non-Aligned Third World Annual, St. Louis, Missouri: Books International of DH-TE International, 1970, pp. 3-18.
2. SHULTZ, Theodore W, "Investment in Human Capital American Economic Review", vol.51, March 1961, pp. 1-7; idem. The Economic Value of Education, ' New York, Columbia University press, 1963; Schultz et. al, "On Investment in Human Beings", Journal of Political Economy, vol.20, no. 4, 1962, Morgan, Theodore, "Investment versus Economic Growth", Economic Development and Cultural Change, vol.17, April 1969, pp. 392-414.

Questions about motivation, technological capabilities, institutional change and forms of development remain unanswered. In the last analysis the approach remains partial and un-integrated¹.

- c) Basic Needs Strategy: This is yet another promising approach which has been enthusiastically introduced rather in the way capital-led growth strategy gate-crashed into the corridors of development economics in the forties and fifties. It focuses attention on some of the festering sores affecting humanity and makes an immediate appeal. It has something to say about some of the targets of effort but very little about the way processes of change operate.¹ And it fails to answer such crucial questions as: how transformation is to take place, how resources can be mobilized for these tasks without changing the very character of decision-making under capital theory and how the social service sector can be integrated into foreign aid strategy. Spelling out what constitutes basic needs also remains an important and somewhat controversial question: Are these needs to be understood in the context of the culture and life-style of the west or of the recipients? What is the relation between the provision of basic needs and the basic development of a country, enhancing its production capacity and technological capability? How far can this be a viable basis for growth without adding the dimension of basic technological development and economic self-reliance? The strategy raises more questions than it answers.
- d) New International Economic Order: Another important development relates to the international context in which development is to take place in Third World countries. The relation of dependence that was built into international economic relations during the colonial period continues unabated. The gap between the rich and the poor nations is widening. Prices of internationally traded goods show erratic movements injurious to the interests of the developing countries. Inflation is being aggravated by the monetary and trade policies of the developed countries. Third World countries are caught in severe balance of payments problems. International monetary institutions are unable to handle the situation. Crises are being postponed,-not controlled. The fate of development in the Third World is very much tied to the reform and restructuring of the international economic order. There has been a lot of heat in the North-South dialogues; there is, however, very little light.

1. ILO, *Employment, Growth and Basic Needs: A One World Problem*, Geneva^ 1976; ILO Follow-up of the World Employment Conference: *Basic Needs*, (Report vii). International Labour Conference, 65th session, 29 79J Geneva, 1979; Sheehan, G. and M. Hopkin, *Basic Needs Performance: An Analysis of Some International Data*, Geneva, ILO, 1979; Srinivasan, T.N., "Development, Poverty and Basic Needs: Some Issues", *Food Research Institute Studies*, vol.XVI, No.2,1977; Mchmet, O., *Economic Planning and Social Justice in Developing Countries*, London: Corm Helm,1978; Griffin, K. and J. James, "Problems of Transition to Egalitarian Development, *The Manchester School of Economics and Social Studies*, vol. XLVII, No. 3, Sept.1979; Cassen, R.H. "Basic Needs: An Appraisal", *Economic and Demographic Change*, Helsinki,1978.

It seems pretty dark even beyond the tunnel¹.

Causes more specific to the Muslims Situation:

Muslims feel dissatisfied on all the above counts. They are further disturbed by the amoral character of the entire growth philosophy, which is steeped in the ethos of western culture and has acted as a centrifugal force in Muslim societies. A totally materialistic approach is alien to the Islamic way of life and the historical tradition of the Muslim people. Islam wants | to transform human society and establish socio-economic life according to the values of justice and fair Play. It also seeks to weld the moral and material^ approaches into one unified and integrated approach to life and its problems: any approach that splits life into secular and religious dimensions is anathema to Islam.

The western approach has been based on a disrespect,' albeit not always explicitly articulated, for other j cultures and social systems. As result efforts have i been made to transplant western values and cultural patterns on to other peoples, leading to the disintegration of their cultures? This has been justified as being necessary to the process of 'modernization' and has been systematized into a theory of change stipulating that values and institutions that favour and strengthen exclusively materialistic motivation are the prime-movers of social systems. Competition and reward have been made to replace old attitudes and customs: people's motivation patterns, valued social institutions, relationships and systems of pecuniary reward and punishment have had to change to suit the alleged demands of economic development. Even those who do not subscribe to the Rostowian stages of growth do accept the substance of his analysis of the nature and direction of social change¹.

Muslims look upon the entire exercise as a grotesque effort aimed at cultural Imperialism. The main objections may be summarized thus:

- a) The whole western-inspired approach to material prosperity promotes in Muslim society an imitative mentality which is inimical to creativity and destroys originality. This not only aggravates the trends towards moral decay in the society, but also perpetuates the hegemony of western culture on Muslim lands: it promotes an active collusion between the west and the westernized elite in the Muslim world because development of Third World countries as cultural satellites of the west is bound to ensure an ever-increasing demand for western products.

1. See: AHMAD, Khurshid, "A Muslim Response", in World Faiths on the New World Order, edited by J. Gremillion et.al, Washington, Inter-Faith Plan, colloquium, 1978. See also Amin, Samir, "Self-Reliance and New international Economic Order", Monthly Review, July/Aug. 1977, pp. 1-21; Cohen, Benjamin J., The Question of Imperialism - The Political Economy of Dominance and Dependence, New York: Basic Books, 1973; Bedjaoui, Mohammad, Towards a New International Order, New York. Hobus S Merer, 1979; ICE, The Muslim World and the Future Economic Order London: Islamic Council Europe, 1979.

1. See: ROSTOW, W.W. The Stages of Economic Growth and Rostow, (Ed). The Economies of Take-off into Sustained Growth, London: McMillan, 196 S. See also: BLACK, C.E., The Dynamics of Modernization, New York, 1966.

- b)** A systematic application of this development strategy has proved to be highly divisive in Muslim society, splitting it up into modern and traditional, liberal and conservative, urban and rural, rich and poor and so on. This has perpetuated colonial traditions and encouraged consumption habits that tear the modern sector from the rest of the society and tie it in with its counterparts in the western world. This has led to the enrichment of a privileged minority and the impoverishment of the mass of people. It has engendered economic and social dualism and new Tensions and conflicts within society. Life styles are changing in such a way that a high consumption- oriented privileged society is being imposed upon, a mass of people committed to a different set of values and traditions. This is alienating the allegedly developing sections of the society from the rest. Symbols of modernization are becoming targets of hatred.
- c)** The entire experiment has been terribly wasteful and extremely costly. Import substitution has failed to enhance the real technological capabilities of the economy, yet it is making a large number of people addicted to new luxuries and life styles that the society cannot, and should not, afford. A high consumption society i r. being created in countries which have little to consume. The patterns of consumption and production have become distorted, and tilted to serve the whims and fancies of a privileged minority. The real gains to society have been minimal.
- d)** There has been a metamorphosis of attitudes in the direction of hedonistic individualism. Concern for individual standards of living has taken precedence over that of strengthening the economic base of the nation. Greed and corruption have raised their ugly heads.
- e)** At the root of this approach is the assumption that an economic system can move on its own without simultaneous deliberate changes in political systems and moral attitudes of people. The delicate balance that exists between different aspects of individual and social life will read just itself in the light of the changed economic situation.

Consequently, the totality and integrity of the social system have been ignored. This is at variance' with the Islamic approach which stands for a happy balance between different aspects of life and aims at the development of an integrated personal it in the individual and, a happy balance in society.

Such an imitative and exclusively materialistic strategy of economic development is repugnant to Islam, which is not a religion in the limited sense of the word, but has its own socio-economic program based on its own world view and set of ethical value and principles. Historical evidence indicates that the efforts to transplant western values and culture are proving counter-productive. Modernization experiments have only touched the fringe of the Ummah and have failed to take root in its mainstream. This approach has been superficial as it has sought for artificial change,

which is bound to prove abortive. A number of western developmental institutions have failed to become an integral part of the society on to which they have been transplanted.

Move over, the conditions in which development took place in the west in the 18th and 19th centuries and the conditions which prevail in contemporary Muslim societies are very different. It is naive to assume that what worked in the west will equally work anywhere. Another fact that deserves to be noted is that there is reaction against many of the modernization ideals of the west within the west, particularly among its younger generations which are increasingly attracted to what has been described as "counter-culture"¹. The scenario is changing and today's Muslims, particularly young people, do not want to perpetuate what they deem as instruments and symbols of western dominance. The Muslim mind craves for the evolution of a new development strategy.

Critical Considerations in Evolving a Development, Strategy under Islamic Aegis

Two sets of considerations are bound to influence ' efforts towards evolving a development strategy under an Islamic aegis. These are: (a) policy objectives as spelled out by Islam, the ideological anchor of Muslim society; (b) geo-economic factors. We turn here to a brief discussion of both these aspects.

A: POLICY OBJECTIVES: THE ISLAMIC PERSPECTIVE

Islam is deeply concerned with the problem of economic development, but treats it as an important part of a wider problem, that of integrated human development. The primary function of Islam is to transform the individual morally and to reconstruct his social environment with a view to guiding human development on correct lines and in the right direction. It deals with all aspects of man's economic life but always in the framework of total human development. This is why the focus, even in the economic sector, is on moral and integrated human development, with the result that economic development remains an indivisible element of the moral and socio-economic development of the individual and human society.

The philosophical foundations of the Islamic approach to development are as follows:

1. Tawhid (God's unity and sovereignty). This lays down the rules of God-man and man-man relationships.

2. Paul Streeton writes: "Perhaps the most important reason is that the transfer of western institutions and standards has been disappointing and, indeed, in some oases has created or aggravated obstacles to development ... Without any anti-western animus, it is reasonable to argue that models that have been evolved in different historical and physical settings cannot be directly transplanted into entirely different cultures or can be transplanted only at a cost ... The differences in both initial conditions and current conditions call for different responses, though the history of the newly developed economies clearly has something to teach", STREETON, Paul, "Alternatives in Development", World Development, Vol.2, No.2, Feb.,1974, p.6.

2. Rububiyah (divine arrangements for nourishment, sustenance and directing things towards their perfection). This is the fundamental law of the universe which throws light on the divine model for the useful development of resources and their mutual support and sharing. It is in the context of this divine arrangement that human efforts take place.
3. Khilafah (man's role as God's vice-gerent on earth). This defines man's status and role, specifying the responsibilities of man as such, of a Muslim and of the Muslim Ummah as the repository of this khilafah. From this follows the unique Islamic concept of man's trusteeship, moral, political and economic, and the principles of social organization.
4. Tazkiyah (purification plus growth). The mission of all the prophets of God was to perform the Tazkiyah of man in all his relationships - with God, with man, with the natural environment, and with society and the state.

We submit that the Islamic concept of development should flow from its concept of Tazkiyah, as it addresses itself to the problem of human development in all its dimensions: development is concerned with growth towards perfection through purification of attitudes and relationships. The result of Tazkiyah is *falāh* - prosperity in this world and the hereafter.

In the light of these fundamental principles, different elements of the concept of development can be derived. The following are its essential features:

- a) The Islamic concept of development is comprehensive in character and includes moral, spiritual and material dimensions. Development becomes a goal and value-oriented activity, devoted to the optimization of human well being in all these areas. The moral and the material, the economic and the social, the spiritual and the physical are inseparable. It is not merely welfare in this world that is the objective. The welfare that Islam seeks extends to the life hereafter and there is no conflict between the two. This dimension is altogether missing in the contemporary western concept of development.
- b) The focus for development effort and the heart of the development process is man. Development, therefore, means development of man and his physical and socio-cultural environment. According to the contemporary concept it is the physical environment - natural and institutional - that provides the real area for developmental activities. Islam insists that the area of operation relates to man, within and without¹.

1. U "God does not change the condition of a people unless they first change that which is in themselves" (The Qur'an, 13:11).

As such, human attitudes, incentives, tastes and aspirations are as much policy variables as physical resources, capital, labour, education, skill and organization. Thus, on the one hand, Islam shifts the focus of effort from the physical environment to man in his social setting and on the other enlarges the scope of development policy, with the consequent enlargement of the number of target and instrument variables in any model of the economy. Another consequence of this shift in emphasis is that maximum participation of the people at all levels of decision-making and implementation would be made integral to the development process.

- c) Economic development is a multi-dimensional activity,² even more so in an Islamic framework. As efforts would have to be made simultaneously in a number of directions, the methodology of isolating one key factor and almost exclusive concentration on that is theoretically untenable. Islam seeks to establish a balance between the different factors and forces.
- d) Economic development involves a number of changes, quantitative as well as qualitative, involvement with the quantitative, justified and necessary in its own right, has unfortunately led to the neglect of the qualitative aspects of development in particular, and of life in general. Islam would try to rectify this imbalance.
- e) Among the dynamic principles of social life Islam has particularly emphasized two: first, the optimal utilization of resources that God has endowed to man and his physical environment, and second, their equitable use and distribution and promotion of all human relationships on the basis of right and justice. Islam commends shukr (thankfulness to God by making use of His blessings) and adl (justice) and condemns kufr (denial of God and His blessings) and zulm (injustice).

In the light of this analysis the development process is mobilized and activated through shukr and adl and disrupted and distorted by kufr and zulm.¹ As such the

2. This is being increasingly realized by development economists. One of the lessons, insists Max. F. Millikan, we must learn from the developmental experiences of mankind is to see development "as a systematic interaction of a large number of elements' see Millikan, Max F. "A Strategy of development in V.N., The Case for Development, New York: Praeger Special Studies, 1973, p.25.

1. The Quran says: "It is God who has created the heaven and the earth. He sends down rain from the skies, and with it brings out fruits to feed you. It is He who has made the ships subject to you that you may sail through the sea by His command. He has also harnessed the rivers for you. And also the sun and the moon, both diligently pursuing their courses. He has subdued for you the day and the night and has give-n you of all that you ask for. If you try to count God's favors to you would never be able to count them all. But man is given up to injustice and ingratitude" (14:33-34). In the context of this divine policy for human sustenance and development, it is very important to say inna al-insana la-zalumu kaffar. This refers to things that disrupt and destroy the process of human development. More specifically reference is to the disvalues of ingratitude, i.e. non-utilization of what God has given, and injustice, i.e. their misuse in the social sense, see al-Sadr, M. Baqar, Iqtisaduna, (Beirut, .1968).

Islamic developmental effort would be directed towards strengthening shukr and establishing adl and towards cleansing human society of kufr and zulm.

This is basically different from the approach of those who look upon production and distribution in an either/or relationship with the development process. The developmental effort, in an Islamic framework, is directed towards the development of a God-conscious human being, a balanced personality committed to, and capable of, acting as the witness of truth to mankind.

We therefore submit that, in an Islamic framework, economic development is a goal-oriented and value-realizing activity, involving the active participation of man and directed towards the maximization of human well-being in all its aspects, it entails building the strength of the Ummah so as to discharge in the world its role as God's vice-gerent on earth and its people as "the mid-most people". Development means moral, spiritual and material development of the individual and society leading to maximum socio-economic well-being with the establishment of a just order resulting in the ultimate good of mankind, here and hereafter.

Goals of Development Policy

In the light of this concept we can formulate the general goals of development policy and the more specific targets for a developmental plan for a Muslim society.

- A. Human resource development should be the first objective of our developmental policy. This would include the inculcation of correct attitudes and aspirations, the development of character and personality, education and training producing skills needed for different activities, the promotion of knowledge and research and the evolution of mechanisms for responsible and creative participation by the common people in key developmental activities, in decision-making at all levels and, finally, in sharing the fruits of development. This calls for a high priority to be given to the expansion and Islamization of education, the general moral orientation of the people and the evolution of a new structure of relationships based on cooperation, co-sharing and co-participation. This also entails a highly efficient machinery for the mobilization of human resources and the inculcation of a spirit of self-sacrifice.
- B. Expansion of useful production continuous and sustained increase in national productivity is an important objective, but our concern would be, on the one hand, with the quantum and efficiency of production, and on the other with the achievement of a correct product-mix. Production would not mean production of anything and everything for which there may be a demand or which the rich may be able to buy; production would be concerned with things which are useful for man in the light of the value-pattern of Islam and the general experience of mankind. The production of all those things whose use is forbidden in Islam would not be allowed; the production of those whose use is discouraged would be discouraged, and all that is essential and useful would be given priority and encouragement. In the light of this policy, the pattern of production and investment would

be molded according to the priorities of Islam and the needs of the Ummah. We feel that three priority areas would be:

- i. Abundant production and supply of food and basic items of necessity (including construction material for building houses and roads and basic raw materials) at reasonable prices.
- ii. Defence requirements of the Muslim world.
- iii. Self-sufficiency in the production of basic capital goods.

C. Improvement of the quality of life. Efforts should be made towards improving the real standards of living of all people and towards the achievement of their moral, economic and social welfare. This would call for a high priority for at least the following:

- i. Employment creation, with all its consequent structural, technological, investmental, regional and educational adjustments.
- ii. All effective and broad-based system of social security, assuring the basic necessities of life for all those who are unable to undertake gainful employment or otherwise deserve society's help and assistance. Zakat should be the nucleus of this system.
- iii. Equitable distribution of income and wealth. A Muslim society must pursue an active incomes policy directed towards raising the income levels of the lowest income groups, giving high priority to the abolition of poverty and deprivation, followed by efforts at reducing the ratio of inequality of concentration in society, and leading to a greater diffusion of wealth and power in society in general. A marked reduction in the absolute levels of poverty and a reduction in the extent of income differentials would also be some of the indicators of developmental performance. To serve this purpose the tax system would also have to be reorganized.

D. Balanced development, that is, balanced and harmonious development of different regions within a country and between the different sectors of society and the economy. Decentralization of the economy and proper development of all parts and sectors is not only a demand of justice, but is also essential for maximum progress. This would also remedy economic dualism from which most of the Muslim countries suffer and would lead to greater integration within each country. This is an area in which principles of regional analysis and the use of developments in the fields of econometric techniques and input-output analysis can be immensely useful.

E. New technology, that is, evolution of indigenous technology, suited to the conditions, needs and aspirations of the Muslim countries. The development process would become

self-sustained only when we become not only independent of foreign aid, but when, after mastering the technology that has grown in a different economic and cultural environment, we are able to internalize the process of technological creativity and begin to produce technology that bears the stamp of our distinctiveness. This would call for a high priority for research and a new spirit to face the challenges of our times.

- F. Reduction of national dependency on the outside world and greater integration within the Muslim world. It is a direct demand of the Ummah's position as Khalifa that its dependence upon the non-Muslim world in all essentials must be changed to a state of economic independence, self-respect and graduate building-up of strength and power¹. Effective defence preparations TO maintain the independence of the Muslim world and ensure the peace and serenity of mankind are objective that must feature prominently in our developmental planning.

B: GEO-ECONOMIC CONSIDERATIONS

We have dwelt upon the ideological aspects at some length. Yet a development strategy cannot be based merely on ideology. The other set of considerations relates to the geo-economic situation, the resource-base, the state of factor endowments, and the political, economic and societal institutions and their characteristics.

All Muslim countries belong to the group of developing nations which have suffered setbacks to their socio-economic progress at the hands of the imperialist west. It has only been since the middle of this century that they have been able to regain their political freedom after a hundred years or more of western domination. But political freedom must be backed by an independent economic base, which is the only guarantee in the long run for the survival of these countries as self-respecting independent national entities working together with other Muslim nations to establish the Islamic way of life - a way leading to world peace and prosperity.

The Muslim world consists of forty-three independent states. The region's resource-base includes concentrated areas of high agricultural produce, mineral wealth and large reservoirs of diverse sources of energy, including not only oil and gas but also coal and hydro-electric potential. The human resource base is not only quantitatively large, but also qualitatively advanced to a stage where, despite a large brain-drain involving a reverse transfer of human capital and the technology it embodies from Muslim developing countries to the developed world, a number of countries have advanced their institutional base of technology to the point where they have the capability to break through into highly advanced modern fields such as nuclear energy, electronics and aerodynamics.

1. See the Quranic injunction: "Against them make ready your strength to the utmost of your power, including steeds of war[^] to strike terror into (the hearts of) the enemies of God and your enemies and others besides whom you may not know" (8:61)

Natural complementarities exist between Muslim countries, even though present trade among them, a legacy of colonial trade structures, is limited. In 1972, such trade added up to only 4.5 per cent of their total exports. Countries such as the United Arab Emirates, Qatar, Saudi Arabia, Kuwait, Oman and Libya have for a common feature, a highly developed oil production and export sector, with some initial attempts at diversification into industry, but with an atrophied agricultural sector. Their main resource, the surplus of capital which is available for investment within their own national borders as well as abroad, has emerged since the adjustment of the oil price to realistic levels. The unfortunate fact is that the bulk of these investment resources are finding their way into the capital markets of the industrial nations and not into direct physical investment in the Third World generally or, more specifically, in the Islamic countries.

There is a second group of Islamic oil-exporting developing countries where the mining industry (with a large emphasis on oil extraction) forms the main export-oriented sector but where the agriculture and manufacturing sectors are also relatively well developed. For instance, in Indonesia the mining sector accounts for only 20 per cent of GDP despite the substantial oil-producing sub-sector, with agriculture and industry accounting for 20 and 9 per cent respectively. Such countries possess an internal balance of resources for development. Their main requirements are technology and expansion of trade with other Muslim countries.

The third major group consists of countries whose mining sector is less significant and who are thus large exporters of primary produce based on agriculture, but with varying degrees of progress in manufacturing for the domestic market and exports. Such countries include Chad, Mali, Guinea, Somalia, Sudan, Uganda, Upper Volta, Niger and the Arab Yemen Republic. There are other countries within this group which, while continuing to export agricultural primary produce, have also developed relatively high percentage share of manufacturing in their total exports. Notable in this group are Egypt and Sierra Leone in Africa, and Lebanon, Turkey, Pakistan, Malaysia and Bangladesh in Asia. Major assets in such countries are a large manpower force, with developed skills and with an institutional framework conducive to development together with a large domestic market. Their main limitation has been the availability of capital together with the problems involved in extracting savings for development because of the low levels of domestic per capita income.

It can be clearly perceived from this bird's-eye view of the Muslim world's economic strengths and weaknesses that any strategy for the development of the human and material resources of this significant part of the globe must be based on mutual cooperation and collective Muslim self-reliance. This is not only an economic necessity: it is essential for the furtherance of economic development in an Islamic framework - the only meaningful form of development for the Muslim countries. Unless the Muslim world seeks to pursue its developmental goals on the basis of self-reliance, it is likely to fall prey to one of the dominant economic philosophies prevalent in the world.

In view of these characteristics of the Muslim countries, a development strategy under an Islamic aegis will have two important dimensions. One, the ideological-cum-economic dimension, will ensure maximum mobilization of internal resources and the gearing their development to serve Islamic socio-economic objectives. The second dimension will relate to cooperation between Muslim countries and their organization into sub-groups on the basis of geographical affinity, economic complementarity and political understanding. These sub-groups will be related to a yet wider grouping of the entire Muslim world, committed to pursuing certain defined common goals through an institutional infrastructure which is now already in its early stages of evolution. The Muslim world will be related to the larger community of the Third World, cooperating with it for the achievement of the common goal of setting up a more just New International Economic order.

An Alternate Strategy for Development

We are now in a position to sum up our discussion by pin-pointing some of the salient features of a development strategy in keeping with the socio-economic ideals of the Ummah.

1. Development thinking and planning should be rooted in the values of Muslim society and culture. Emphasis should be on the development of Man and the evolution of society as a whole. Economic development is to be looked upon as an integral part of this process rather than in isolation. This would mean development with a difference: that is, development geared to the strengthening of the ideological and cultural bases of society. The ideals, the motivation, the language and the instruments of change should have an indigenous flavor and would have a different meaning for the people from those introduced by the development strategies of the western growth models.
2. Basic necessities and comforts conducive to efficiency should be given high priority in production and consumption. A clear distinction should be made between essential and non-essential good. Instead of imitating the life-style of the west, efforts should be made to seek development and evolution within the framework of the life-style of the Muslim people.
3. Reduction of disparities and greater cohesion among different sections of society should have high priority. Integrated rural development and decentralized growth are nearer to the Islamic concept of society: A city-based industrialization, entailing huge population movements and reckless urbanization, should be continued.
4. Basic industries should be developed to ensure the generation of an independent technological capacity: and the capability to evolve continuing appropriate technology. This is essential if the Muslim countries are to break away from the pattern of dependence in which they are caught.

5. Self-reliance and greater cooperation within the Muslim world and its sub-groups and with the rest of the Third World.

Cooperation among Muslim countries should be based on exploiting the natural complementarities among them. First, and most obvious, is the utilization of capital resources of the Muslim world in a manner which lends strength to the collective self-reliance of the Ummah. At present, the surpluses earned by some of the Islamic countries in their balance of payments are invested in the capital markets of the western world. Such investments do not represent any real gain for the Islamic countries: they are not finding it possible to invest their surplus funds in countries with strong currencies which have controlled inflation and which thus offer possibilities of maintaining the real value of amounts invested. Such countries do not have balance of payments deficits and discourage inflow of funds. They are therefore forced to keep their funds invested in relatively weak currencies characterized by high rates of inflation, balance of payments deficits and a depreciating currency possible to invest their surplus funds in countries with strong currencies which have controlled inflation and which thus offer possibilities of maintaining the real value of amounts invested. Such countries do not have balance of payments deficits and discourage inflow of funds. They are therefore forced to keep their funds invested in relatively weak currencies characterized by high rates of inflation, balance of payments deficits and a depreciating currency.

It is a clear demonstration of the perverseness of an economic system based on Riba that the interest income appears attractive while in reality there may be a negative return on funds invested in this manner. The oil-producing countries can ensure a much better return on their investments and safeguard them selves against arbitrary actions if they seek diversification in both the location and form of their investments, with much more emphasis being put on partnerships in real physical assets.

Those countries, on the other hand, which are in need of capital funds, from abroad, have been relying on sources where the surpluses in reality do not exist. Western sources of both official assistance and commercial lending are mainly intermediaries for channeling funds which represent the real savings of some Muslim countries. They should move away from the deceptive concessionality of aid which is tied in its uses and in the whole approach to development which comes with it. It would be much more useful to develop a framework of self-reliance and direct partnership with brotherly Muslim countries emphasizing the mutuality of interest and providing guarantees for the inviolability of obligations undertaken. It would be necessary to fully understand- the areas of motivation and concern in the developing capital-surplus countries which have prompted them to seek the traditional intermediation of western capital markets and to innovate in the area of institutional progress so that similar guarantees and assurances are available for direct investment within the Islamic world.

The second major source of self-reliance is the collective development of manpower resources, the utilization of skills and technological advance. The countries which have large resources of

manpower are also those with Limited capital. They face problems of under-employment and unemployment. With the enhanced; availability of capital resources in Muslim countries with relatively small populations and an understandable desire on the part of such capital-surplus countries to accelerate their base of development, there has been an inevitable movement of workers within the Muslim countries. Such large movements over a short period have created tensions and are difficult to absorb. The problems arise both in the host countries and the country from which movement is taking place. Over the longer run, the more logical and sensible pattern would be for surplus capital to move towards the countries with surplus labour avoiding the disruption of human relationships involved in large-scale migration of population. The movement of capital through growing partnership among the Muslim countries based on mutuality of interest of both the donor and the recipient would create a better geographical balance in the pace of development in various parts of the Ummah.

More selective movement of skilled manpower is an altogether different matter. This need to be encouraged to create a much greater interaction among the experts and scholars of the Muslim world. High institutions of learning and research should be created, with funds for the reciprocal movement of students and scholars. As the field widens for scholars within the Islamic world and the conditions are created for a more productive role, the present tendency of highly, skilled manpower to move towards western institutions of repute will be checked. Relationships based on greater equality can be established with advanced institutions of learning worldwide.

Third, it appears essential that, for the collective self-reliance of the Muslim world, special attention should be focused on achieving food self-sufficiency in the regions with rich resources in land and water: this self-sufficiency should then be developed into a surplus to produce food for the entire area. To these ends, investment is required to develop irrigation, to encourage the use of modern farming practices and to set up industries to produce the necessary inputs. Comprehensive plans need to be directed specifically towards increasing food production in the area. It would be folly for a region so rich in energy resources to neglect the development of an equally basic item like food. There is a desperate attempt throughout the world among areas which are deficient in energy resources to overcome this inadequacy. An equal urgency should be attached in the Muslim world to the development of food resources so as to eradicate the need for food imports.

Finally, industrialization of the Muslim world should proceed on the basis of giving clearer recognition to the sizeable market which would be available if the industrial effort was properly planned around agreed areas of specialization.

A large number of Muslim countries have been successful in creating the nucleus of an industrial sector. The share of manufacturing in total GDP ranges from 42 per cent in Bahrain and 19 per cent in Turkey to nil in Oman. However, the manufacturing industry in almost all Muslim countries is at an early stage of development. The capital goods industry has made a beginning but it will require a much greater effort to achieve the objective of collective self-reliance. One of the principal

industries having an impact on the development of various industrial and manufacturing activities is the iron and steel industry. Among the Islamic countries only a few produce a significant amount of steel or planned to start such production only a short time ago. A UNIDO study on iron and steel specified Algeria, Egypt, Gabon, Libya, Morocco, Tunisia, Iran, Iraq, Pakistan, Saudi Arabia and Turkey as possessing favorable conditions for the establishment of such industries. The progress towards the expansion of an iron and steel industry, a steel-based industry and a chemical Industry would require the enlargement of the market through cooperative arrangements, arrangements for the required flow of capital from within the region and technological progress.

A special aspect of strategy towards mobilizing human and capital resources of the Muslim world should be progress towards independence and self-reliance in the manufacture of defence equipment. No meaningful defence is possible in modern times on the basis of equipment, the sources of the technology of which are hidden from the eyes of the users. Even domestic manufacture under license arrangements can at best be regarded only as a first step. Technology is changing so fast that any attempt to set up a manufacturing facility based on today's technology borrowed from outside would result in obsolescence by the time the production became available. There is a need to develop the technological base so that it is capable of keeping abreast of change and of being innovative.

The strategy for the development of the human and national resources of the Muslim world requires active policies to promote cooperation among the various parts of this large area. Our potential strength lies in the great complementarities of the region which can only be exploited by a concerted approach. The main ingredients required for rapid progress are available: our weakest area is technology and management - not because the talent and skills are lacking - but because conditions for their proper use have not been created. The challenge which we face is great. But the returns from the right approach may even be greater.
