

SOME THOUGHTS ON A STRATEGY FOR  
DEVELOPMENT UNDER AN ISLAMIC  
AEGIS

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ISLAM & A NEW INTERNATIONAL  
ECONOMIC ORDER  
THE SOCIAL DIMENSION

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## SOME THOUGHTS ON A STRATEGY FOR DEVELOPMENT UNDER AN ISLAMIC AEGIS

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Development has largely been a failure in the Third World. Three decades of an international "crusade" against underdevelopment and poverty are approaching their tame end. There is almost universal dissatisfaction with the fruits of the application of the Western growth model to the under-developed countries of Asia, Africa and Latin America. Whatever the differences in the perception of this failure, as well as of its causes, the dissatisfaction is widely shared by people in the Third World with the result that the economics of development is getting submerged in an "economics of discontent".

The Moslem world constitutes a major part of the Third World. Forty-three independent Moslem States have a population of around 600 million (15 per cent of world population) and sprawl over a land area of 26.46 million square kilometers. The Moslem countries account for 39.4 per cent of the total land area and 31.7 per cent of the total population (1975) of the developing countries. This Moslem world is not a mere geographic expression; it has its own cultural and ideological entity. After throwing off the yoke of Western colonialism, it is presently engaged in liberating itself from its intellectual, cultural and economic domination. This quest for 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 revivalist upsurge adds to the Moslem disenchantment with the grandiose experiment in economic development based on the Western model. The over-all failure of the dominant development strategy and the more specific Moslem disaffection with-what it has produced provide a scenario for reappraisal. In this context the need for a fresh look at the objectives and strategies for development is too pressing to be ignored. An attempt is being made in this paper to look upon the development syndrome from an Islamic perspective and offer some thoughts on an alternate strategy.

In this paper we propose to examine three issues relevant to the debate. First, an effort is being made to highlight briefly some of the major cause of dissatisfaction with the development experiment, grouped into two categories: "general causes of disenchantment" and "causes more specific to the Moslem situation". Secondly, we would like to bring into focus some of the major considerations that influence contemporary Moslem thinking on development strategy. In the final section some elements of an alternate strategy are being spelled out. These thoughts are tentative and explorative. There is no presumption of offering something that may be described as a strategy? At best we are exploring some of the major contours of a strategy. There is every reason to expect a rich spectrum of strategies under an Islamic aegis.

A word about our general approach to the problem of economic development may not be out of place. We make no claim to value- neutrality and ideological impartiality. Tools of economic and social analysis are important aids for understanding the economic phenomenon and suggesting policy prescriptions and we are committed to a rigorous use of these instruments, but we do not pretend to adopt a purely technocratic approach to the subject. Economic development is

concerned not merely with these technical aspects but more vigorously with a vision of the future and cannot be divorced from efforts to achieve certain policy goals - objectives that inspire people to action and sacrifice and in which they see the fulfillment of their hopes and aspirations, lightening of their burdens and achieving what they regard as good life. Some of the failings of development strategies are directly or indirectly related to their alleged value-free approach which resulted in obsession with mechanics, techniques and instruments of development to the detriment of its objectives. 2 There is no denying the usefulness of macro-models, of input-output analysis, of cost-benefit calculations and of capital output ratios. However, the uses of all these instruments fail to produce the desired results if development strategies and program are not tailored to operate within a framework geared to serve specific social objectives. 'The fault does not lie with these tools, but with the framework in which they have been made to operate and also with some of the obsessions about objectivity and value-neutrality. We, therefore, start from a position of ideological commitment along with scholastic integrity.

### **THE DEVELOPMENT SYNDROME**

Man has always been engaged in an endless search for panaceas. Economic development was offered to the people of the Third World as an answer to all their problems. With political freedom, self-realization of their economic and social plight has deepened. Exposure to the West has made them more conscious of their naked poverty and of the widening gap between the rich and the poor. During the era of colonial rule they had heard many success stories of western development? In the post- colonial period they were invited to follow the growth path pursued by the West. Industrialization was projected as the panacea. Capital formation was emphasized as the key to industrialization and economic development. Transfer of western technology and foreign aid to make up for the two major gaps in savings and balance of payments constituted the chief elements of the new recipe. Import substitution, and to a lesser extent, export-promotion strategies were developed to accomplish the dream. Economic growth became the new god at whose altar everything else could be sacrificed; values, cultural patterns, social norms, customs, religion, ethics, etc. It was assumed that the rising GNP, moving in crescendo, would usher in a new 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. Yet it is equally true that the development strategy based on the western model, as it was introduced in the Third World, was infested with a host of simplifications, however well wrapped in sophisticated jargon. This was backed by conscious or unconscious arrogance about the superiority of the West and of industrialization as a superior way of life. Others had to follow the path shown by the West. The most positive, even enthusiastic, response came from the Third World's western educated elite, who were brought up in the lap of colonialism and who inherited power from the departing masters. A form of an alliance was built between the West and the new power-elite in the Third World. This alliance of convenience is now under severe strain, because the development strategy that was assiduously pursued has failed to produce' the required results and because 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. The major causes of dissatisfaction may be grouped under two headings: the first, general causes largely accepted by most of the theorists and practitioners of development, and the second, some specific aspects which agitate the Moslem mind.

### **WHAT DISAPPOINTS THE THIRD WORLD?**

Even if it is conceded that too many hopes were pinned on development, the record of the last 30 years is disappointing. The problems of poverty, under-development and stagnation continue. 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, still suffering from under-nourishment, lack of adequate 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 percent of the people in the less developed countries in the condition of "absolute poverty". Although some 'enclaves' of development have emerged as a result of developmental efforts, they have failed to galvanize the processes of the economy or to result in any broad-based change and mobilization of all sectors of society in the cause of development. Overemphasis on capital has generated a number of distortions in price structure, exchange rates, tax system, wage scales, forms of technology, etc. Distributional aspects have been largely ignored with the result that economic and social disparities within the societies have increased. Employment-generating effects have been far below the required minimum. In view of natural population movements the total inflow in the labour force is much greater than the new employment opportunities. In spite of import-substitution strategies, dependence on imports is generally increasing and, as terms of trade have moved against the developing countries, trade and balance of payments gaps have also increased. International indebtedness has also mounted alarmingly 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 over-all picture is rather grim.

In response to this situation a number of new development strategies have been suggested to supplement the original capital-led growth strategy. More important amongst them are the following:

#### **Human capital development**

Initially an effort to illuminate some of the concealed yet decisive causes of economic growth, exercises in measuring 'the coefficient of ignorance' began to shed light on development dynamics and have led to human resource development strategies. This has been a very promising area of development thinking but has failed to record any major departure from the mainstream approach. 'Investment in man' has become yet one more aspect of capital theory. The framework of analysis remains much the same. Manpower planning is an important innovation but its proper integration with the planning processes still remains to be achieved. In

fact after a very promising start in the early 1960s, the approach has suffered many setbacks and remains very much in the back waters.

### Employment distribution strategy

There is widespread realization that development and income-distribution aspects of development will have to be brought from the neglected periphery to the centre of the developmental process. The ILO and the World Bank have sponsored a number of studies and some dark corners have been illuminated. But the successful operation of development plans based on this strategy is yet in the realm of hope and dreams. There are many loose ends: the hegemony of a capital-led strategy is very much a reality. The attitudes and expertise of planners are out of tune with this approach. In spite of many preliminary efforts it has yet to be interwoven 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. A number of questions about motivation, technological capabilities, institutional change, and forms of development remain unanswered. In the last analysis the approach remains partial and unintegrated.

### Basic-needs strategy

This is yet another promising approach which has been introduced with enthusiasm reminiscent of the way capital-led growth strategy gate crashed into the corridors of economic development in the 1940s and 1950s. It focuses attention on some of the festering sores of humanity and has an initial appeal. It has something to say about some of the targets of effort but very little about the way in which processes of change operate. It fails to answer some of the crucial questions: How is transformation to take place? How can resources be mobilized for these errands without hanging the very character of decision-making under capital theory? How can the social service sector 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 meeting of basic needs and the basic development of a country, enhancing its production capacity and its 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.

### New international economic order

Another important development relates to the international context in which development is to take place in the Third World countries. The relationship 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. The crisis is 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. It seems very dark even beyond the tunnel.<sup>5</sup>

### **WHAT AGITATES THE MOSLEM MIND?**

Moslems feel equally dissatisfied on all the counts mentioned above. They are further disturbed over the amoral character of the entire growth philosophy. This approach is steeped in the ethos of western culture and has acted as a force of disruption in Moslem society. A totally materialistic approach is alien to the Islamic way of life and the historical traditions of the Moslem people. Islam wants to transform human society and establish socio-economic life on the values of justice and fairplay. But it welds 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 parts is an anathema to Islam.

The western approach has also been based on scant respect for other cultures and social systems. Efforts have been made to transplant western values and cultural patterns onto other people, resulting in the breaking down and disintegration of their own cultures. This has been condoned as the price of modernization. All this has been systematized into a theory of change emphasizing values and institutions that favour and strengthen monetary motivation for action. Competition and reward must replace the old attitudes and customs. Peoples' motivations, values, social institutions, relationships, systems of pecuniary reward and punishment must change to suit the alleged demands of economic development. Societies must move from a traditional set-up into 'pre-conditions for take-off and finally move towards a phase of high consumption. Even those who do not subscribe to the Rostowian stages accept the substance of the approach as an indication of the nature and direction of change.

Moslems look upon the entire exercise as a grotesque effort towards cultural imperialism. Their main objections may be summarized below:

- a) The whole approach gives vent to an imitative mentality in the Moslem society. This is inimical to creativity and benumbs originality. It generates and aggravates moral illness in the society and every encouragement of this approach will perpetuate the hegemony of western culture over Moslem lands. It yields huge economic dividends to the West because the development of Third World countries as cultural satellites of the West is bound to ensure demand for western products and collusion between the West and the westernized elite in the Moslem world.
- b) The application of this development strategy has proved highly dividing in the Moslem society. Society has been divided into modern and traditional, liberal and

conservative, urban and rural, rich and poor. This has perpetuated colonial traditions and encouraged consumption habits that separate the modern sector from the rest of society and tie it to its counterparts in the western world. This has led in turn to the enrichment of a privileged minority and the impoverishment of the mass of people and this in its turn is engendering economic and social dualism and new tensions and conflicts within the 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. It is producing distortions in society and the economy and strengthening the culture of dependence on the western world.

- c) The entire experiment has been very wasteful and consequently 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 styles of life that the society cannot afford. A high consumption society is 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 the society are minimal.
- d) There has been a metamorphosis of attitudes in the direction of hedonistic individualism. Concern for the individual standard of living has taken precedence over that of strengthening the nation and building its economic base. Greed and corruption have increased.
- e) At the root of this approach is the assumption that the economic system can move on its own and that the harmonious balance that exists between different aspects of individual and social life can be sacrificed at the altar of economic development. The totality and integrity of the social system has 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 personality in the individual and a properly balanced society.

The imitation and transplantation strategy is repugnant to Islam, which is not a religion in the limited sense of the word, but has its own socio-economic programme and wants to establish a new culture and civilization based on its own values and principles. Whatever historical evidence is available, the efforts to transplant western values and culture are proving counter-productive. Modernization experiments have only touched the fringe of the society and have failed to take root in its mainstream. The approach has been superficial and has sought an artificial change, which is bound to prove abortive. A number of western developmental institutions have failed to become, an integral part of the society onto which they were grafted. Moreover, the conditions in which development took place in the West in eighteenth and nineteenth centuries and the conditions which prevail in the contemporary Moslem societies are very- different. It should not be assumed

that what worked in the West will work equally elsewhere. Another fact that deserves to be noted is that there is reaction against many of the modernization- ideals of the West within the West itself, particularly from the younger generations which are increasingly attracted to what has been described as "counter-culture". The scenario is changing and contemporary Moslems, particularly the youth, do not want to perpetuate what they deem as instruments and symbols of western domination. The Moslem mind craves for the evolution of a new development strategy.

### **CRITICAL CONSIDERATIONS IN EVOLVING A DEVELOPMENT STRATEGY UNDER AU ISLAJIIC AEGIS**

Two sets of considerations are bound to influence efforts towards evolving a development strategy under an Islamic aegis. They are: (a) ideological, (b) geo-economic. We may spell them out very briefly:

#### Ideological considerations

Without going into detail about the objectives of Islamic economic policy, which have been discussed in the literature on Islamic economics, we would like to state very briefly some of the objectives of economic policy on which there is universal consensus among Islamic scholars:

- a) The primary goal of Islamic economics is maximizing man's welfare. As such, concern for human resource development and creation of institutions that involve the active participation of all persons in the processes of economic change are fundamental to the Islamic economic milieu.
- b) Islam guarantees freedom and initiative of the individual and ensures for him a life of security and dignity. As such, protection of human life and honor with equitable opportunities for individual initiative and enterprise are crucial elements of an Islamic economic policy. The eradication of mass poverty and the explicit provision for the minimum human needs of all members of the society is an integral part of an Islamic economic programme.
- c) Islam emphasizes the importance of effort and prescribes for the optimal utilization of resources, personal as well as the physical environment, with which God has endowed man. This means that production policy must aim at producing goods and services which satisfy the basic needs of the people as well as ensure a balanced development.
- d) Islam emphasizes that the provision of maximum outlets for productive efforts should be coupled with an equitable distribution of the products both at the inter-personal and at the inter-regional level; and that it be used justly so that human relationships are built on the basis of Right (Hag) and Justice (Adl) to bring to an end the exploitation of man by man (Zulm) in all its forms. This means that an equitable distribution of income and wealth is an important Islamic policy objective. Its other



dimension would be stabilization of prices and balanced regional planning and development.

- e) Islam emphasizes useful production and an improvement in quality of life. This would mean that the elimination of waste, a curb on luxuries and the promotion of an austere mode of life would constitute a positive policy objective.
- f) Islam builds the economic strength of the Moslem Umma and sees to it that its dependence on the non-Islamic world is reduced, within the framework of a greater integration of the Moslem world. As such, another policy objective would be to reduce dependence on non-Moslem countries and seek for greater co-operation within the Moslem world.

These objectives of Islamic economics constitute the most important influence in the evolution of a development strategy. Some of the major considerations in this respect would be:

- i. Proper resource assessment and mobilization at all levels of national life. People have to be motivated to make strenuous efforts to rebuild their individual and national economic life, with a view to achieving a place of dignity and strength for the Moslem Umma in the international community.
- ii. Maximum economic expansion with a view to abolishing poverty and squalor and improving the quality of life of the people in all parts of the country. Questions of growth and justice and of production and distribution of wealth have to be tackled simultaneously and by developing a new equation between them. Regional disparities have to be reduced so that justice is done to all regions of the country and to all sections of society.
- iii. To identify the basic needs and problems of the people and to develop plans and programmes to solve them. A problem-solving approach would be more relevant to our situation than a strictly theoretical approach. Macro-models of the economy, supplemented by planning at the micro-level, are an indispensable tool for scientific economic planning and to set up priorities with respect to the real needs of the people. Nevertheless, [interest in meeting the basic needs of the people must not make us oblivious to the basic development of the country, on which a broad-based viable economy should rest. This means that emphasis would be on the production of essential goods as well as on the development of essential technologies and the capacity to produce technology and not merely on import-substitution without any regard for the importance of these goods in the preference scale of the nation.
- iv. Human resource development must have high priority. This would involve a greater emphasis on the right type of education, on better mobilization of manpower and on giving greater importance to job creation and full employment. It would also

include the encouragement of small and medium-sized industries and their proper integration within the planning effort of the country.

- v. Self-reliance and reduction of dependence on the outside world, particularly the western world. There should also be an emphasis on greater co-operation between Moslem countries and co-participation in economic projects.
- vi. Development of a new technology and building of a strong industrial and technological base for the Moslem world.

To achieve these objectives a new planning strategy will have to be developed at the macro-and micro-levels. Capital formation would be given the importance that it deserves, but in the new model it would not be premium mobile. Human motivation and participation, socio-economic infrastructure, feed-back from welfare programmes, role of innovation and appropriate technology would also be important aspects of the process. The role of capital would be examined not merely in the context of growth rates and marginal propensity to save, but also in relation to a different product and technology-mix, resulting in lower capital/output ratios and varying patterns of production and consumption. Institutional arrangements will have to be made for the formulation and implementation of plans at lower levels, particularly at the division, the district, the town and the village levels. Planning machinery would not have a mere horizontal existence at the apex: it would also operate along the vertical line reaching down to the grass roots. There should be an effective chain of inward and outward linkages connecting different sectors of society in the nation's total participation in the growth process.

### Geo-economic considerations

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

All Moslem countries belong to the group of developing countries, reflecting the setback to their socio-economic progress caused by imperialist western conquests in the eighteenth and nineteenth centuries, from which they were able to recover only in the mid-twentieth century. Political freedom is only now being backed by efforts to construct an independent economic base, which would be the only guarantee, in the long run, for their survival as self-respecting independent national entities working together with other Moslem nations for establishing an Islamic way of life and also for world peace and prosperity based on it.

The region's resource base includes concentrated areas of high agricultural production, 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 Moslem developing countries to the developed world, a number of countries have advanced their institutional base of technology to the extent which gives them the capability for a breakthrough into most modern fields viz nuclear energy, electronics and aerodynamics.

The resource-base is so dispersed over the countries that natural complementarities are highlighted, even though present trade among the Moslem countries is rather limited. In 1972 such trade added up to only 4.5 per cent of their total exports. Some of the countries such as United Arab Emirates, Qatar, Saudi Arabia, Kuwait, Oman and Libya have as 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 has emerged, since the adjustment of oil prices to realistic levels in 1974, as the surplus of capital which is available for investment within their own national borders as well as abroad. 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 countries generally or more specifically in the Islamic countries.

There is a different group of Islamic oil-exporting developing countries where the mining industry (with a large weight of oil-extraction) forms the main export-oriented sector, but the agricultural and manufacturing sectors are relatively well developed. For instance, in Indonesia, the mining sector accounts for only 20 per cent of GDP despite the substantial weight of the 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 the expansion of trade with other Moslem countries.

The third major group consists of countries whose mining sector is less significant and who are thus large exporters of primary products based on agriculture, but with varying degrees of progress in manufacturing for the domestic market and exports. Countries depending largely on agricultural primary exports and with a limited manufacturing sector 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 products, have acquired a relatively high percentage share of manufactures in 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 labour force, and skills and an institutional framework conducive to development, together with a large domestic market. Their main limitation has been the availability of capital with the problems involved in extracting savings for development at low levels of domestic per capita income.

It can be clearly perceived from this birds-eye view of the Moslem world's economic complimentary that any strategy for the development of the human and material resources of this significant part of the globe must be based on mutual co-operation and collective Moslem self-reliance. This is not only an economic necessity. This approach is essential for seeking economic development in an Islamic framework which would be the only meaningful form of development for the Moslem

countries. Unless the Moslem 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 Moslem countries, a development strategy under an Islamic aegis will have two important dimensions, one ideological-cum-economic aspect which would facilitate the maximum mobilization of internal resources and orient their development to serve Islamic socio-economic objectives. The second dimension relates to co-operation between Moslem countries, their organization into sub-groups on the basis of geographic affinity, economic complimentary and political understanding. These sub-groups would be related to a yet wider grouping of the entire Moslem world, committed to pursue certain defined common goals through an institutional infrastructure which is in its early stages of evolution. The Moslem world would be related to the larger community of the Third World, co-operating with it for the achievement of the common goal of setting up a more just new international economic order.

### **AN ALTERNATE STRATEGY FOR DEVELOPMENT**

Now we are in a position to sum up our discussion by pinpointing some of the salient features of a development strategy framed under the influence of the considerations spelled out earlier.

1. Integrated development from the base of Moslem society and culture. Emphasis would be on the development of man and the evolution of the society, as a whole. Economic development is to be looked upon as an integral part of this process and not in isolation of society and culture. This would mean development with a difference; i.e. development geared to the strengthening of the ideological and cultural base of the society. The ideals, the motivation, the language and the instruments of change would have an indigenous flavor and would have a different meaning for the people from the one introduced by the development strategy cast on the pattern of the western growth model.
2. Basic necessities and comforts conducive to efficiency would be given high priority in production and consumption. There would be a clear distinction between essential and nonessential goods. Instead of imitating the life-style prevalent in the West, efforts would be made to seek development and evolution within the framework of the life-style of the Moslem people.
3. Reduction of disparities and greater cohesion between different sections of society would also have high priority. Integrated rural development and decentralized growth is akin to the Islamic concept of society. As such, city-based industrialization, entailing huge populations' movements and reckless urbanization, is to be contained.

4. Development of basic industries ensuring generation of independent technological capacity and capabilities to evolve appropriate technology. This is essential to break away from the pattern of dependence in which the Moslem countries are caught.
5. Self-reliance and greater co-operation within the Moslem world and its sub-groups and with the rest of the Third World.

The co-operation among Moslem countries should be based on their natural complementarities. First, and most obvious, is that the utilization of the capital resources of the Moslem world should be in a manner which lends strength to the collective self-reliance of the Umma. 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. From the point of view of capital surplus Islamic countries, such an investment does not represent any real advantage. They do not find it possible to invest their surplus funds in countries with strong currencies which have controlled inflation and which offer possibilities of maintaining the real value of the amounts invested. Such countries do not have balance of payments deficits and discourage inflow of funds. Thus they are forced to keep their funds invested in weak currencies characterized by fears regarding their rate of inflation, future balance of payments deficits and the prospective value of the currency. It is a clear demonstration of the perverseness of the economic system based on *riba* (usury) that the interest income appears attractive on such investment while in reality there may be a negative return on funds invested in this manner. The surplus oil-producing countries can ensure a much better return on their investment and safeguard themselves against arbitrary if they seek diversification in both the location and form of their investments and paying more attention to investments based on partnership in real physical assets than to mere financial investment based on *riba*. Those, on the other hand, who are in need of receiving 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 Moslem 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 Moslem countries emphasizing their mutuality of interests and providing guarantees for the inviolability of obligations accepted. It would be necessary to understand fully 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 area is the collective development of the manpower resources, utilization of the skills and advances on the technological frontiers. The countries which have large manpower resources are also those with a limited availability of capital. They face problems of underemployment and unemployment. With the enhanced availability of capital resources in Moslem countries with relatively small populations and an understandable desire on the part of such capital-surplus countries to accelerate their development, there has been an inevitable

movement of workers within the Moslem countries based on cultural and religious affinities. Such large movements over a short period have created tensions and are difficult to absorb. Problems arise both in the host countries and the country from which movement is taking place. In the longer run, the more logical and sensible pattern would be if more capital moved towards the countries with surplus labour avoiding the disruption of human relationship involved in large scale migration of population. The movement of capital through growing partnership among the Moslem 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 Moslem Umma, thus avoiding large scale migration.

The more select movement of a skilled manpower which is likely to be limited in number is an altogether different phenomenon. This needs to be encouraged to create a much greater interaction among the experts and scholars of the Moslem world. Such enlargements of horizon for the productive contribution of experts within the Islamic world should be encouraged by setting up high-level institutions of learning and research, setting up funds for the reciprocal movement of students and the scholars and reducing the barriers of language. As the field widens for scholars within the Islamic world and conditions are created for a more productive role, the present tendency of highly skilled manpower to move towards western institutions of repute would be checked. A relationship of greater equality can be established with advanced institutions of learning in other parts of the world. It would be conducive not only to a meaningful transfer of technology but also to greater innovation and research directed towards the specific problems of the Moslem developing countries and the conditions prevailing in this part of the world.

Thirdly, it appears essential that for the collective self reliance of the Moslem world social attention should be focused on attaining food self-sufficiency in the regions with rich resources in land and water that can suitably be developed to produce food for the entire area. This requires investment in the development of irrigation potential, the encouragement of the use of modern farming practices and the setting up of industries for producing the necessary inputs. Comprehensive plans directed specifically towards increasing food production in the area are needed. It would be dangerous 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 Moslem world to the development of food resources and to overcoming the need for food imports.

Finally, it appears necessary that the industrialization effort of the Moslem world should proceed on the basis of giving clearer recognition to the sizeable market which would be available if the industrial effort were properly planned on the basis of agreed areas of specialization.

A large number of Moslem countries have been successful in creating the nucleus of an industrial sector. The share of manufacturing in total GDP ranges from 4.2 per cent in Bali and 19 per cent in Turkey to zero in Oman. However the manufacturing industry in almost all the Moslem countries is in the early stages of development. The capital goods industry has made a beginning but requires much greater effort to reach an adequate level to sustain 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 produced a significant amount of steel or planned to start such production only a short time ago.

An 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 the iron and steel industry, the steel-based industry and the chemical industry would require the enlargement of the markets through co-operative arrangements, arrangements for the required flow of capital from within the region and technological progress.

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

The strategy for the development of human and national resources of the Moslem world requires an active policy for promoting co-operation among 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. The weakest area is in technology and management, not because talent and skills are lacking but because the conditions for their proper use have not been created. The challenge which we face is great. But the returns from the right approach may be even greater.

## NOTES

1. The total Moslem population is around 900 million, one-third of the Moslem population still lives in occupied areas or as Moslem minorities in non-Moslem countries. See *The Muslim World Gazetteer* (Karachi, Ummra Publications, 1975); and M.M. Ahsan: *Islam: Faith and practice* (Leicester, Islamic Foundation, 1977).
2. The experience of the last two decades underlines above all the need for taking a fresh look at the basic purposes 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 for Development Planning:

Industrialization for new development needs (New York, UN Department of Economic and Social Affairs, 1974), p.8.

3. Khurshid Ahmad: "Economic development in an Islamic framework", in Khurshid Ahmad and Zafar Ishaq Ansari (eds.): Islamic perspective: Studies in honor of Sayyid Abul Ala Mawdudi (Leicester, The Islamic Foundation, 1979), pp. 226-227 and notes 9-11, pp. 237-238.
  4. For a more detailed description of the Third World predicament see Khurshid Ahmad: "Third World's dilemma of development", in Non-Aligned Third World Annual (St. Louis (Missouri), Books International of DH-TE International, 1970), pp. 3-18.
  5. Khurshid Ahmad: "A Muslim response", in J. Gramillion et al (eds): World faiths on the new world order (Washington, Inter- Faith Plan. Colloquium, 1978).
  6. W.W. Rostow: The stages of economic growth; and Rostow (ed.): The economics of take-off into sustained growth (London, Macmillan, 1965). See also C.E. Blach: The dynamics of modernization (New York, 1966).
  7. Paul Streeton writes: "Perhaps the most important reason is that the transfer of western institutions and standards has been disappointing and, indeed, in some cases 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 new developed economies clearly has something to reach." Paul Streeton: "Alternatives in development", in World Development, Vol.2, No.2, Feb. 1974, p. 6.
  8. See An-Sadr and M. Baqr: Iqtisaduna (Beirut, 1968); Mawdudi Abul Ala: Islami Nizam-e-Maashat Ke Usul Aur Maqasid (Principles and objectives of Islamic economic order), in Mawdudi (ed.); Maashiyat-i-Islam (Lahore, Islamic Publication, 1969), pp.141-164; M. Umar Chapra: Economic system of Islam (London, 1970); S.N.H. Naqvi: "Ethical foundations of Islamic economics" in Islamic Studies, Vol. XVII, No.2; Summer 1978; Khurshid Ahmad: "Economic development in an Islamic framework", op.cit., pp.223-240.
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