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## Globalization and Muslims

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## Preview

This essay discusses the content and evolution of globalization as the blueprint for economic development to shape a new world order, and examine the consequences of that order for Muslim countries.

Globalization is, in fact, the revitalization of the age long gospel of *lasses faire* or freedom of trade that helped the Europeans to colonize the vast tracts of land in other continents to capture their resources and markets. To continue dominating the freed developing economies for that very reason, designed is now a instrument called 'globalization.' The ideology, led by the US, stands on three pillars – privatization, internationalization and free movement of goods and capital across the borders.

However, there has been a history of resistance to free trade movement the French had launched to counter mercantilist restrictions on trade hurting them. Free trade would benefit all, they contended. Fredrik List, a German economist, countered the contention as found it hurtful to his country. Economically weak must be protected against the powerful until developed. Protection emerged as a counter plea to freedom of trade.

It was not the idea of globalization that hurt the Muslim countries so much as its aggressive thrusting on the weak.

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**Key words:** Globalization; Free trade; Protection; Muslim countries

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## The free trade winds

Principles of economics are the policy prescriptions. They shape ground realities; the reverse was seldom true. They look innocuous benefitting all, harming none. In course of time, they assume doctrinal status, dividing the world in counter ideologies. These principles originated from the Europe, especially England, weaker nations following. The result was the eventual colonization of the vast tracts of land across the world.

It started with Adam Smith who laid the foundation stones for modern capitalism, arguing in his influential *Wealth of Nations* (1776). He casted a cloud on centuries old mercantilist trade restrictions and showed the virtues of free trade benefitting all nations in equal measure. David Ricardo (1817) strengthened this theory and the French (Physiocracy) later saw in free trade the divine *Natural Order* in

operation. Islamic scholars too were not opposed to the idea. Freedom of trade soon became an article of faith. No one could speak against it. A few who did in national interest were either imprisoned by the state or went into exile. This sums up the stand of history of economic thought until the English could boast that the sun never sets on the British Empire. But every zenith faces a bottom. The free trade rule had to end and with it the era of colonization.

### **How free trade helped the British growth**

### **BOX 1**

A system based on the private ownership of property, freedom of enterprise, competition, and free trade propelled by the pursuit of self-interest and the policies these theoretical constructs supported ideally suited England of the eighteenth-nineteenth century. The country needed markets abroad for their expanding industries, and also desired control over sources of materials needed as inputs for their perpetual growth. Consequently, the flag invariably followed the trade. Other continental countries too, with the passage of time, did not lag behind. The colonization and enslavement of countries outside Europe became the dominant scene around the globe. The Imperial powers systematically and ruthlessly exploited the colonies for the mother countries' prosperity. Policies were pursued to convert the colonies into suppliers of raw materials to them and a market for their products. The contribution of the plunder to the present economic status of the erstwhile colonizers over the centuries is seldom recognized by their history.

History of Economic Thought Landreth and Colander 1994

### **The dissention**

Free trade dictum faced its first challenge from Germany. Her infant industry were taking a beating from the British imports before the close of the 17<sup>th</sup> century when the Napoleonic wars (1803-1815) shut the English Channel barring the British goods from reaching the continent. This 12 year relief from competition saw the German manufactures coming up fast. The experience led Fredrik List, a German, to put an argument counter to the free trade gospel. In his book *National system of political economy*, List introduced two ideas that were new to current economic thinking.

The first was the idea of nationalism as opposed to cosmopolitanism. He contended that the welfare of an individual depends on the progress of his nation, not of the world. The second was the idea that the power to produce wealth was infinitely superior to wealth itself. Free trade increase consumable wealth but does not ensure economic independence; industry is a culture that liberates citizens. List does not question what free trade can do. He laments its snail pace and inequity. In a telling passage he asks:

It is true that experience teaches that the wind bears the seed from one region to another, and that thus waste moorlands have been transformed into dense forests, but would it on that account be wise policy for the forester to wait until the wind in the course of ages effects this transformation?

### **Globalization and developing economies**

### **BOX 2**

Dr. Mahathir, in his keynote address at the seminar on the 'Look East Policy, in Tokyo said: 'Once the countries are opened up, the big corporations and banks would move in. Will there be fair competition between the enormous foreign banks and companies? Of course not, the locals will be swallowed up one-way or the other.'

New Strait Times, December t3. 2UD2

## The revival

In an unequal world, free trade is an instrument easing the Western dominance of the resources and the markets of the developing economies. Free trade re-emerged expanded and strengthened in its new nomenclature – globalization. Its implementation has little resistance; in fact it is being imposed as the levers – international financial institutions – IMF and the World Bank, the World Trade Organization, regulatory systems etc. are all under the control of the powerful, led by the US. The country and allies do not hesitate to use invasion for capturing resources and markets. The subjugation of oil rich Iraq, Libya and Iran are the latest examples.

The turn of the century was not cheerful for the middle-east oil producers. Local rifts, inter Arab, rivalries and the rising energy demands in the west, created a constellation providing opportunity for a US led coalition that included UK, Australia and Poland as partners, invaded the oil rich Iraq in 2003 on the pretext that the country was going to attack the US with chemical and nuclear weapons and called for preemptive action. It lasted just a month. Saddam Hussein was demoted, captured, humiliated and killed. Later on a UN team found no trace of alleged weapons in Iraq. Americans stayed in occupation until 2011. For eight years, they got free oil as (if) the war reparation.

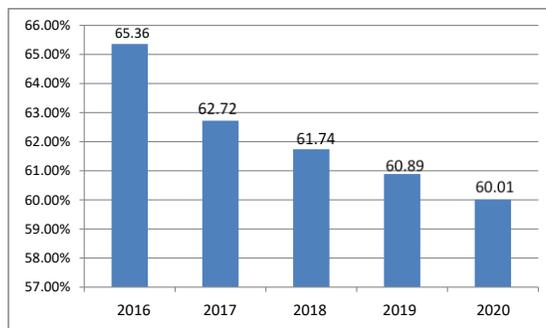
While this all was happening in Iraq, preparations were on to target the leading oil producer Libya in North Africa. The government was trying to quell tribal rebellion getting external support. In 2011, the year when the Americans left Iraq, they joined a NATO force that entered Libya under UN Resolution No. 1973, to support the rebels who later captured and killed Muammar Gaddafi. A democratic government was established in the country. The changeover was hailed as the beginning of the *Arab Spring* ending (presumably) the clash of civilizations.

The United States has imposed an arms ban and an almost total economic embargo on Iran, which includes sanctions on companies doing business with Iran, a ban on all Iranian-origin imports, sanctions on Iranian financial institutions, and an almost total ban on selling aircraft or repair parts to Iranian civil aviation to stop the country from seeking the alleged nuclear capabilities.

In April 2019, United States declared Iran's Islamic Revolutionary Guards Corps (IRGC) as a Foreign Terrorist Organizations, leading to the suspension of access to social media platforms. The sanctions are on the increase. They crippled the economy. The GDP growth rate has gone into the red by 9% in 2020, presumably one of the greatest falls a country in the year.

Among the causes of the Iraq and Libya fall, an important omission is that these countries had been toying with the idea of quoting the price of their oil in gold. This could be perilous for the mighty dollar whose position as the leading reserve currency across the world was threatened. The dollar, as the leading reserve currency enjoys the benefits of massive on erosion. It is getting the beating from other currencies, especially the Chinese Yuan. Figure 1

Figure 1: Erosion of US \$ as Reserve currency

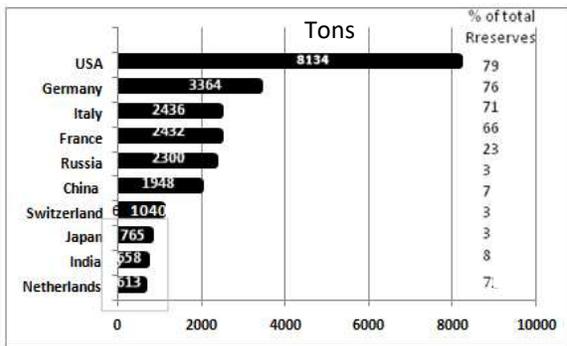


shows the decline over recent years but still at more than 60%.

A reserve currency is a large quantity of currency maintained by central banks and other major financial institutions to prepare for investments, transactions, and international debt obligations, or to influence their domestic exchange rate. A large percentage of commodities, such as

gold and oil, are priced in the reserve currency, causing other countries to hold this currency to pay for these goods. Gold is probably the best-known currency reserve, but the proportion of gold reserves is often in the single-digit percentage range or even completely absent in some countries. Thus, additional to foreign currency assets, special drawing rights (SDRs) and other reserve positions are used as currency reserves.

Figure 2: Central Banks ranked by largest gold holdings as of August 2020



Even as gold is considered as the best of currency reserves, especially for fighting inflation, Muslim countries, even the wealthiest among them, do not have gold holdings as needed. In Figure 2 no Muslim country figures. Indeed, Muslim countries together have or produce less than 1% of the world.

### Self-inflicted injuries

More harm than what the enemies inflicted on Muslims sorrowfully they inflicted on themselves for decades. They have been fighting others for the supremacy

of their version of Islam, they have been fighting for regional dominance, and they have been inviting outsiders to help against their own brothers. This has long been going on for long – in Iran, Iraq, Libya, Rwanda, Afghanistan, Sudan, Syria and other places. I believe that sorrowfully, after the Second World War, Muslims have killed more Muslims than have non-Muslims. Wealth Running into trillions of dollars has been ironically destroyed by using weapons bought from the West for trillions of dollars. When will this act of self-destruction would stop is anybody's guess.

Time was when the world danced to or band  
Time is when stones stare at us on every hand

### Concluding Remarks

In the night of despair one sees some rays of hope as well. In the global dynamics the homogenous power structures are crumbling under their own weight. We saw above how the reserve currency position of the mighty dollar is facing erosion. The January 6 attack of a frenzied mob of Trump supporters on the US Capitol resulting in ugly scenes of violence and casualties was a demonstration of how power hungry could be the men in high places. More than that, the incident bares the fractured nature of modern forms of democracy.

Significant changes are taking place in the Muslim world as well. Old alliances are crumbling' new ones are coming up around China the rising power challenging the US supremacy. Old guards must show flexibility to reconcile with the inevitable. Seeking *uamatic* unity and pursuit of knowledge must be the policy goals.

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