

Second International Conference on Islamic Economics

The Islamic University of Islamabad organised the Second International Conference on Islamic Economics in Islamabad during March 19-23, 1983. More than one hundred delegates from Pakistan and another sixty Muslim delegates from all over the world participated in the Conference. The countries represented in the Conference included Bangladesh, India, Indonesia, Malaysia, Saudi Arabia, Egypt, Syria, Jordan, UAE, Kuwait, Sudan, Turkey, Nigeria, England, Tunisia and France.

The Conference was inaugurated by the President of Pakistan, General Mohammad Ziaul Haq, and the keynote address was delivered by Dr. Ahmed Mohammad Ali, President, Islamic Development Bank, Jeddah, Saudi Arabia.

The Conference made a very significant contribution towards introducing Islamic economics both at home and abroad. The Conference was very well covered by the media. It also served the useful purpose of establishing contacts among professionals and creating interest in the discipline of Islamic economics.

All papers, the reports of the open forums and working groups and the two extension lectures along with the discussions held during the Conference are being put together in the form of publications that will become a valuable contribution to the infant science of Islamic economics.

At the end of the Conference, the following communique was issued.

The Communique

Thanks to Allah Almighty, the Second International Conference on Islamic Economics was held in Islamabad on 4-8 Jumada II 1403 (March 19-23, 1983) under the auspices of the School of Economics, Islamic University, Islamabad. The theme of the Conference was 'Development, Finance and Distribution in Islamic Perspectives'. Besides discussing 25 papers presented at the Conference, the deliberations included the holding of two Open Forums on 'Development Strategy in an Islamic State' and 'Teaching of Islamic Economics'. Occasion was also taken to hold two Extension Lecturers, one on the subject of "Islamic Approach to Development" and the other on "Recent Developments in Islamic Economics". Five working groups were set up on topics related to the theme of the Conference to give concentrated attention to issues of outstanding importance. These related to

1. Teaching of Islamic Economics.
2. Islamic Banking in Theory and Practice.
3. Problems of Profit-sharing and their Solution.
4. Issues Relating to *zakah* and *Ushr*.
5. Development Strategy in an Islamic Framework.

The participants agreed that the Islamic faith does not merely define the relation of man to Allah Almighty but also provides comprehensive guidance for all walks of life. Islam stands for the fulfilment of all moral and material needs of all human beings as the vicegerents of Allah on the earth; and ensures the establishment of a just social order. Islam expects its followers to deal with everyone on the basis of *`Adl* and *Ihsan*. At the same time it makes it obligatory on an Islamic community to end all forms of *Zulm* (injustice and exploitation) to ensure the fulfilment of the basic requirements of a decent life for the entire population and to achieve self-reliance and integrated development of the *Ummah*. *Zakah* and absence of interest-based-transactions are two of the most distinguishing features of an Islamic economy. The discussions in the Conference clearly brought out that an economic system based on Islamic principles should result in dynamic growth, equitable distribution of income and wealth and a total restructuring of the economy.

The participants recognised that the socio-economic conditions prevailing in present day Muslim societies are not in consonance with the Islamic ideal. Large sectors of population in a number of Muslim countries are afflicted with abject poverty, and there are glaring inequalities of income and wealth. Economic exploitation by colonial powers had played an important part in impoverishing the Muslim lands and retarding their growth, a process that continues in a number of overt and covert forms, aggravating the dependence of the Muslim World on others. Muslims had an opportunity to reorder their economic and social life in accordance with Islamic teachings after gaining independence but in most countries alien models of development were followed with unfortunate results. The participants emphasised the urgent need of re-appraisal of socio-economic policies pursued so far and a reorientation of these policies in accordance with the guiding principles provided by Islam.

The participants agreed that highest priority should be accorded to meeting the necessities of socio-economic life of individuals and of society, achieving collective self-reliance in the Muslim World enabling them to play the role of *Shuhada' `ala al-Nas*. This requires pursuit of policies aimed *inter alia* at providing adequate employment opportunities so that the people are enabled to meet their economic needs by their own earnings. The *zakah* system would provide necessary assistance to those who are disabled and whose earnings do not suffice to meet their needs. The participants were of the view that if all the factors affecting production, exchange and distribution relations in a society are organized on the basis of Islamic precepts, the *zakah* system alone may normally suffice for providing social security to those who need it. However, it was realised that on account of colonial exploitation in the past and pursuit of inappropriate policies, the extent of poverty in a number of Muslim countries was of such a magnitude that *zakah* resources would need to be supplemented by other resources to fulfil the basic needs of the population. At the same time, steps should be initiated to re-structure the economic system and bring about such institutional and other reforms as are necessary to eradicate mass poverty.

The participants agreed that in view of the clear prohibition of *Riba* by Islam it is necessary to remodel the monetary and financial system in Muslim countries on a basis other than interest. The general view was that the principle of profit-sharing, which is permitted by the *Shari'ah*, should be the foundation of the alternative system. In this

context the participants noted with satisfaction that some experience with interest-free-banking had already been gained by the working of the interest free financial institutions that are functioning in several countries. They hoped that this process will be accelerated and universalized in the period ahead.

The participants greatly appreciated the work accomplished by Muslim economists since the First International Conference on Islamic Economics held at Makkah in 1976. This work has led to the crystalization of ideas on the concept of economic development in an Islamic framework, the distinguishing features of an Islamic economy, the economic objectives of an Islamic State, the monetary, fiscal and other policy instruments to achieve those objectives, and issues relating to stability, growth and equilibrium in an Islamic economy. Considerable work has also been done to work out practical alternatives to substitute the interest-based monetary and banking system. In this context, the participants were highly appreciative of the Report on the Elimination of Interest submitted by the Council of Islamic Ideology to the Government of Pakistan in June, 1980 which contains a detailed blueprint for replacing interest in all sectors of the economy by techniques which are permitted by the *Shari'ah*.

The Conference participants appreciated the progress made in analytical work relating to Islamic economics. They also noted with satisfaction the progress made in the establishment of institutions concerned with teaching and research in the field of Islamic Economics, namely the International Centre for Research in Islamic Economics at King Abdulaziz University, Jeddah; the Islamic Research and Training Institute established by the Islamic Development Bank at Jeddah; the Training Institute for Islamic Banking and Economics established by the International Association of Islamic Banks at Lefkosa in the Turkish Federated State of Cyprus and the School of Economics at the Islamic University at Islamabad. In addition, arrangements exist for teaching and research in about two dozen Universities in Muslim Countries. Full-fledged departments of Islamic economics have been started in four Universities.* The participants warmly welcomed the establishment of an International Institute of Islamic Economics in the Islamic University, Islamabad by the President of Pakistan, as announced in his inaugural address.

The Conference felt that the progress made so far needs to be consolidated and advanced further. In particular, there is a need for greater coordination between the theoreticians, policy makers and practitioners for promoting Islamic Economics. Towards this end, and to best utilize the talents of Muslim economists residing in different countries in the world, the Conference recommends that an International Association of Muslim Economists be formed with a permanent Secretariat. The Conference established a Committee to take all necessary steps for incorporation and promotion of this Association.

* These Universities are:
Islamic University, Islamabad;
Imam Muhammad Bin Saud University, Riyadh, Saudi Arabia;
Ummul Qura University, Makkah, Saudi Arabia;
Islamic University of Omm Durman, Sudan.

List of the Papers

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English Papers

1. Ahmed Mustafa and Hossein G. Askari, Economic Implications of Islamic Land Ownership and Land Cultivation
2. Anisur Rahman, "Methodology for the Formation of Urban Development Plans in Islamic Context".
3. M. Raihan Sharif, "The Concept of Development in Islam".
4. Ali Ahmed Rushdi, "Effect of the Elimination of Riba on the Distribution of Income".
5. Ausaf Ahmed, "A Macro Theory of Distribution of Income in an Islamic Economy".
6. Zubair Hasan, "Distributional Equity in Capitalism and Islam".
7. Ataul Hoque, "Poverty, Inequality and the Role of Islamic Institutions".
8. Muhammad Nejatullah Siddiqi, "Guarantee of a Minimum Level of Living in an Islamic State".
9. Mohammad Abdul Mannan, "The Economics of Poverty in Islam".
10. Fahim Khan, "Consumption Function in an Islamic Perspective and its Macro-Economic Consequences in the Context of Growth and Income Distribution".
11. Ahmed Tabakoglu, "Labour and Capital Concepts in Islamic Economics".
12. Fazlur Rahman Faridi, "Public Budgeting, Capital Accumulation and Economic Growth in an Islamic Framework".
13. Ihan Oskay, "International Monetary Order and OPEC's Surplus Revenues: Its Implications in the Muslim World's Developing Countries
14. M. Aqeel Ansari, "An Institutional Framework for Capital Formulation in an Islamic Economy".

Arabic Papers

1. All Abd al Rasul, "Outlines for Courses on Economics in Islamic Perspective".
2. Abdullah Abd al Aziz Abid, "Categorization of Needs in Islam and its Impact on Promoting Economic Growth".
3. Alimed Al Safati, "Wealth and Children and the Inevitability of the Golden Balance".
4. Rohi Ozjan "The System of Financial Support for Relatives in Islamic Law".
5. Abd al Rahman Yusri Ahmad, "Economic Relations Among Muslim Countries and their Role in Economic Development".
6. Muhammad bin al Hadi Abul Ajfan, "Endowments Relating to Mosques and their Impact on Development and Distribution".
7. Abdul Malik al Sayed, "Islamic Endowment and their Role in Social and Economic Development in Islam".
8. Abedin Ahmad Salama, "Basic Needs and the Method of their Provision in Islamic State".
9. Muhammad Anas Zarqa, "Towards an Islamic Normative Theory of Distribution".
10. Rafiq al-Masri, "Banking Operations in Islamic Framework".
11. Hasan Abdullah al-Amin, "Interest-free Investment in the Context of the Murabaha Contract".