

Trade



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The growth of international trade has brought about significant economic benefits and prosperity to many. However, small-scale producers in many poor countries, particularly those whose livelihoods depend upon the farming of a single crop, are unable to compete in a world market controlled by large multinational companies and distorted by the subsidies provided by rich countries to their producers.

It is estimated that due to trade restrictions in rich countries, poor countries lose out on an estimated US\$100 billion per year, which is double the amount of aid that they receive. As a consequence, farmers in poor countries have few options for generating an income and many live in poverty often unable to meet even their most basic needs. Fair trade is a response to these conditions.

The growth of fair trade

Fair trade has grown dramatically in recent years as increasing numbers of consumers in rich countries, concerned with addressing issues relating to environmental sustainability, justice and social wellbeing, decide to purchase fair trade products. As a percentage of total trade, fair-trade is still a very small percentage though unfortunately.

Fairtrade has directly benefited over 7 million people; farmers, workers, and their families; in 58 developing countries across Asia, Africa, and Latin America. Annual Fairtrade sales in Europe reached almost £1.2 billion in 2007. Although fair trade products only account for a relatively small segment of overall sales for any given product, the phenomenon is growing by an estimated 25% per year globally. In 2007, however, global sales of certified Fairtrade products grew by 47%.

Islamic perspectives

European and North American Fairtrade labelling bodies, non-governmental organisations and various faith-based organisations have all been instrumental in promoting fair trade. Indeed, for ethical and moral reasons, many Christian faith-based organisations have adopted a clear and unequivocal position in support of fair trade. Is an Islamic perspective on fair trade also supportive?

Trade and commerce played a key role in the expansion of Islam, although, of course, the

structure of economic relations during early Islamic history varied significantly from the modern economic order. The Prophet Muhammad (peace be upon him) was himself a successful trader and known for his integrity, bearing the honorific title 'The Trustworthy.' Illustrating the importance of trade during the founding of Islam, it is an often overlooked fact that the Prophet Muhammad (pbuh) and his adherents continued to trade while in exile in Medina. Unsurprisingly, therefore, there are numerous Islamic teachings and instructions in the area of trade and business ethics.

Promoting fairness and equity

The most prominent principle of fair trade is the prompt payment of a 'fair' price to producers that covers not only their costs of production but also enables production that is socially just and environmentally sound. Indeed, fair trade aims to promote a more balanced relationship and exchange between rich and poor.

There is considerable support for such an approach in Islam. The concepts of fairness, equity, mutual respect, and consideration for others are inherent in the moral teachings of Islam and must, therefore, be integral in business and commerce dealings between buyers and sellers and between employers and workers. This means that self-interest only has a place in the community in as much as it takes into account the interests of others. A person or organisation, therefore, should not undertake an action or instigate a business transaction that will cause greater harm than benefit to the community or environment. Indeed one of the fundamental assumptions in Islam is that intention rather than result is the criterion upon which the benefit of work in the community is evaluated. Any activity that is perceived as harmful, even if it results in significant wealth to those who undertake it, is considered unlawful.

The basic principles of trade from an Islamic perspective are justice and fairness. The Qur'an on several occasions states unequivocally:

"God loves those who are fair and just." (The Qur'an, chapter 49, verse 9)

"You who believe! Show integrity for the sake of Allah, bearing witness with justice. Do not let the hatred for a people incite you into not being just. Be just. That is closer to taqwa (piety). Have taqwa of Allah (Fear displeasing Allah). Allah is aware of what you do." (The Qur'an, chapter 5, verse 8)

There are several sayings of the Prophet Muhammad (peace be upon him) that attest to fairness in trade, including:

"Allah shows mercy to a man who is kind when he sells, when he buys and when he makes a claim."

Islam condemns the *spirit* of injustice in commercial dealings and of giving too little and asking too much in return. Conversely, merchants who have acted dishonestly will, according to the Prophet Muhammad (peace be upon him) face the consequences of the misery they cause:

"Traders will be gathered on the Day of Judgement as transgressors, except those who feared Allah, were righteous, and spoke the truth."

Thus, these lessons from Islam highlight Islam's compatibility with the concepts of fairness and equality central to fair trade.

Promoting social justice

Fair trade aims to create opportunities for producers and workers in poor countries who have been economically disadvantaged or marginalised by the conventional trading system. Concurrent with the vision of fair trade, the concept of social justice is paramount in Islam. Social justice includes a fair and equitable distribution of wealth as well as protection of the weak from economic exploitation by the strong. Allah commands Muslims to stand firm for justice at all costs:

“You who believe! Be upholders of justice, bearing witness for Allah alone, even against yourselves or your parents and relatives. Whether they are rich or poor, Allah is well able to look after them.” (The Qur’an, chapter 4, verse 135)

Striving for social justice involves the struggle against poverty and inequality. The Prophet Muhammad (pbuh) said:

“He who sleeps on a full stomach whilst his neighbour goes hungry is not one of us” and also: “If someone among you sees wrong he must right it by his hand if he can (deed, conduct, action). If he cannot, then by his tongue (speak up, verbally oppose); if he cannot, then by his gaze (silent expression of disapproval); and if he cannot, then in his heart. The last is the minimum expression of his conviction (faith, courage).”

Therefore, the fair trade vision of a trade system based on just social relationships between producers and workers, as well as between buyers and sellers, coincides with the teachings in Islam that instruct people to defend and pursue just economic relationships.

Promoting sustainable development

Fair trade aims to promote sustainable development. This includes the promotion of better environmental practices and the application of responsible methods of production. The use of genetically modified organisms is prohibited, while the use of harmful agrochemicals is limited in favour of environmentally sustainable farming methods that improve soil fertility, protect farmers’ health, and preserve valuable ecosystems for future generations.

In this respect, fair trade finds considerable support in Islam, which supports practices and policies that promote sustainable development. Muslims believe that Allah has given mankind stewardship over the earth. Stewardship implies taking care to manage, to preserve, and to protect the natural environment for future generations. In fact, Muslims are asked to revere the environment because the Qur’an states that:

“The creation of the heavens and the earth is far greater than the creation of mankind. But most of mankind does not know it.” (The Qur’an, chapter 40, verse 57)

Furthermore, Islam preaches moderation in consumption, exhorts man to avoid wasteful use of natural resources, and enjoins mankind to maintain the natural balance; principles important in the production of fair trade products and to the consumers who purchase them. As the Qur’an states;

“We have created all things in due measure.” The Qur’an, chapter 54, verse 49

Payment of decent wages and fair treatment of workers

There is considerable support in Islamic teachings for fair trade principles on the fair treatment of workers. Although Islamic law allows everyone the right to enter into any lawful profession or occupation and to conduct any lawful trade or business, there are several key principles that guide the treatment of workers. Firstly, there must be clear and proper contracts, preferably written.

Secondly, all agreements whether oral or written must be clear, transparent, just, and lawful. And lastly, employees should know their duties and responsibilities and be informed of their rights in terms of holidays and other allowances. It is the duty of both the employers and the employees to fulfil their agreements to the best of their capacities, for the Qur’an states:

“You who believe! Fulfil your contracts.” The Qur’an, chapter 5, verse 1

The Prophet Muhammad (pbuh) asserted:

“Muslims must abide by their agreements, unless there is an agreement that makes halal (permitted) what is haraam (prohibited) or makes haraam what is halal”

This means that illegal terms and conditions are not valid under Islamic law. Exploitation of any person is not allowed in Islam and everyone should receive proper compensation. The Qur'an says:

"...Give full measure and full weight. Do not diminish people's goods..." The Qur'an, chapter 7, verse 85).

In common with fair trade practices; Islam advocates that workers be paid promptly and always on time. Indeed the Prophet Muhammad (pbuh) said:

"Give to the worker his wages before his sweat dries."

Free Trade & Price Controls

In Islam, the basic principle with regard to trade is that the market should be left free to respond to the forces of supply and demand and natural competition. This means that price controls, tariffs, and any other barriers should be removed so that trade can be free and fair. In the exchange of commodities in Mecca during the time of the Prophet Muhammad (pbuh), prices fluctuated according to market conditions. If price controls compel people to sell their goods at a price that is not acceptable to them or denies them the reasonable profit permitted by Allah, it is *haraam* (not permitted). Thus, when prices became high in the Prophet Muhammad's (pbuh) time and people asked him to fix prices for them, he replied:

"Allah is the One Who fixes prices, Who withholds, Who gives lavishly, and Who provides, and I hope that when I meet Him none of you will have a claim against me for any injustice with regard to blood or property."

This saying implies that unnecessary interference in the freedom of individuals is injustice and that one should meet Allah free of blame for such action. However, there is an important exception to the general policy of support of free trade. If any artificial forces, such as hoarding and the manipulation of prices by certain merchants interfere in the operation of the free market, then public interest takes precedence over the freedom of individuals. In such circumstances, price controls do become permissible in order to meet the needs of the society and to protect it from exploitation and injustice. The aforementioned saying of the prophet Muhammad does not imply that price control is prohibited regardless of the circumstances, even if it removes harm and prevents obvious injustice.

Conclusion

Fair trade plays an important role in the lives of many low-income producers and workers in poor countries. The phenomenon continues to grow as consumers and sellers worldwide become better aware and more concerned about the implied ethical or moral implications of the system of buying and selling between the rich and poor. There is increasing evidence of the economic and development benefits of fair trade for marginalised producers in poor countries. As the preceding discussion highlights, the principles of Islam are not silent on issues of fair trade and trade justice. Indeed, there is a rich heritage in Islam of high moral standards, ethics, values, and norms of behaviour, which govern personal, professional, and business life.

Through supporting fair trade, Muslims can ensure that producers receive a fair price that guarantees a living income and decent working conditions with longer-term contracts that provide greater security and ensure more sustainable development. Indeed in many respects, Islamic thinking goes much further than contemporary fair trade advocacy efforts, as Islam forbids speculation and the hoarding of merchandise in order to increase prices, it prohibits interest as a mechanism of exploitation that reinforces poverty, and prohibits trade in goods that compromises the hearts and minds of consumers, such as alcohol and gambling.

At the same time, it is also apparent that, however large its sales grow, fair trade cannot be a substitute for trade justice. The current rules governing world trade are framed to protect the position of rich and

powerful nations and at the same time function to exclude poor countries and their producers from sharing in the increase in global wealth. Therefore, there is an urgent need to address the fundamental causes of injustice, such as subsidised agriculture in Europe and North America and the monopolistic control of trade in certain commodities.