

**MASUDUL ALAM CHOWDHURY**

*Theory and Practice of Islamic Development Cooperation*,  
Statistical, Economic and Social Research and Training Centre for  
Islamic Countries, Ankara, 1973, 187 p.

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Muslims belong to a single *Ummah* to share the pleasures and pains, and to work hand in hand for material as well as ideological achievements. Such an Islamic *ummatic* spirit was lost firstly with the fall of the institution of true Islamic *khilafah* and secondly with the emergence of independent Muslim nation states. Fortunately, the unfortunate happenings in the Middle East led to the realization and need for the revival of the lost *ummatic* spirit as reflected in the formation of the OIC and its subsidiaries and committees including IDB, COMCEC and so on<sup>(1)</sup>. At the policy level, Muslim Countries (MCs) deliberated on issues related, among other things, to economic cooperation for their self-reliance and development in the forums of OIC and its subsidiaries, although very little has materialized<sup>(2)</sup>. At the intellectual level, interest has been growing in the area of economic cooperation and integration<sup>(3)</sup> and thus seminars and conferences are being held in the relevant areas<sup>(4)</sup>. Professor Masudul Alam Choudhury's "Theory and Practice of Islamic Development Cooperation" is a valuable contribution in this area of Islamic Economics.

The subject matter of the book may broadly be divided into three themes which are as follows:

1. Theoretical issues on Islamic development cooperation.
2. The state of affairs of the Islamic development institutions and relevant policy perspectives.
3. Regional development cooperation among Bangladesh, Indonesia and Malaysia.

The theoretical issues on Islamic development have been discussed in Chapter 1. The author introduces the Islamic worldview of socio-economic development and development cooperation. To him, the national independence of Islamic countries following the World War II was an expression of self-reliance. This expression has surfaced as the Islamic value system "with the guiding laws of *Shari'ah*" which present a code of conduct of national and international affairs on the basis of the principle of unity of mankind" (p. 10). This has been reflected in the formation of contemporary international Islamic organizations which are trying to evolve the application of *Shari'ah* to modern problems of socio-economic development. The author rightly points out that such Islamic resurgence is not free from challenges. And that, as against other systems and philosophies, the Islamic values in Islamic endogenous development process are essentially universal which emanate from the basic sources of Islam presenting "a unique set of values and morality to the entire humanity, Muslims and non-Muslims alike" (p.14).

He then moves on "Toward an Islamic Concept of Development Cooperation" (p. 17). Under this title development, development cooperation, and economic growth have been defined. However, these concepts have been discussed in purely conventional sense, and no Islamic perspective has been provided. Thereafter, economic growth and development policies of development organizations including the UN, IBRD and IMF have been critically discussed. To the author, their contribution to the development of MCs has been less than satisfactory.

This is followed by the idea of a world social contract in the Islamic concept of development cooperation which is "based on the participatory spirit of development cooperation and on the basis of the traditions of simple market mechanisms or induced innovation, surmised to flow out the concept of economic growth" (p.29). This is said to be a "world model" of a "uniquely new world social contract". Further, despite complementarities among the MCs, the present level of cooperation in trade and finance among them has not been encouraging.

The author emphasizes and advocates the positive role of equity based foreign investment in the Islamic countries during the adjustment period of transformation to a full-fledged Islamic economic union. He discussed the adverse effects of fiscal and monetary policies of the industrialized countries which discourage multinationals to invest in developing countries. This has been reinforced by the phenomena of Eurocurrency market and the risk-averse attitude of capital-rich Arab countries. There also lies a limiting factor evolving from the MCs' membership with other regional groupings with conflicting goals and provisions. To the author, the development of an Islamic capital market based on the principles and instruments of *Shari'ah* provides an alternative. Here he emphasizes Islamization of the financial system of MCs rather than suggest feasible avenues for intra-Islamic investment cooperation through an Islamic capital market.

The second theme is on the state of affairs of the Islamic development institutions (IDIs) and relevant policy perspectives (Chapter 3). The author reviews the efforts of IDIs including OIC for the promotion of development cooperation among MCs and examines, as an example, their accomplishments in terms of intra-Islamic trade flows

which has been very low, indicating the existence of excess capacity for intra-Islamic trade among MCs. Because of their large number and vast market potential with economic complementarities, the MCs can become a self-reliant trading group by themselves. This will involve free trade within the group and import barriers outside the group. The author advocates application of a *shuratic* methodology to the IDIs for development cooperation with due attention to distributive equity and grass roots entitlement formation.

The major part of the book is devoted to the problem of regional cooperation among Bangladesh, Indonesia, and Malaysia. The development issues of the three countries have first been discussed separately and independently including economic planning and development prospects for the three countries with emphasis on basic needs approach and appropriate technology for Bangladesh and Indonesia, and some other development issues of the three countries (Chapter 2). The problems of regional economic integration with respect to the external sector indicators of the three countries have also been raised which has led him to say, "The Islamic regional integration approach to development co-operation must then prove to be a viable alternative to the segmented approaches to development taken up by the three countries within their regional context..."(p.75). To him, such regional groupings within the *Ummah* will help in interregional trade flows, and this will minimize inward looking orientation of economic activities. This will also be able to arrest the vulnerability of their exports and overdependence for industrialization on the policy uncertainties of the industrialized countries.

For an effective Islamic economic cooperation among the three countries, the cooperative inter-linkage should aim at alleviating the problem of excess capacity that presently exists in trade, joint-ventures, and complementarily between agriculture and industrial sectors. The basic needs approach should be applied for this regional grouping.

A development co-operation type input-output model for the three countries has been applied in Chapter 4. In fact, the input-output models have been tried for each of the three countries separately, as developmental issues have been discussed separately in Chapter 2, to examine the intersectoral linkages within each country. As a result it stands out to be an input-output model for development cooperation among different sectors of the same country rather than for development cooperation among the three countries.

The author has however shown the aggregative data on imports and exports among the three countries, which prove that there are very weak trade linkages among them.

To the author, these weak trade flows indicate an "immense unutilized potential for promoting Islamic development co-operation in the region", (p.145) and hence he advocates the idea of such regional co-operation.

The main contribution of the book seems to be twofold. First, the concept of development co-operation rather than economic co-operation among MCs in a *shuratic* manner, with emphasis on distributive equity, entitlement formation, economic

efficiency, poverty eradication, sectoral balance and application of Islamic principles in financial and fiscal matters. Second, analysis of development experience and development co-operation among MCs and, more specifically among three countries, namely, Bangladesh, Indonesia, and Malaysia, based on the idea of development cooperation in the framework of an Islamic politico-economic integration model. The author has reiterated what has already been stressed in the literature by others. For example, advocating regional cooperation, to be followed by inter-regional and greater integration, foreign investment, a critical analysis of the role of international development institutions, both Islamic and conventional, adoption of appropriate technology, and so on.

In short, the book is a valuable contribution in the area of development cooperation among MCs in conformity with the Islamic value system.

With this summary of the book with its strengths, accompanied by occasional critical comments, we now turn to some additional critical remarks on the work. The title of the book may lead one to expect a full theoretical exposition of the theory of Islamic development co-operation in an organized manner, to be followed by an empirical analysis, probably in two different parts of the book. In practice, however, less attention is given to the theoretical aspect of the subject to expound "a theory and positive model of development cooperation in an Islamic perspective" (p. 159) and to do full justice to the statement "I discussed, developed and analyzed my own perspective on the development debate in this Islamic socio-economic theory and policy of development cooperation and, finally, investigated possibilities of Islamic economic integration in the future" (p. 159). Furthermore, as already indicated, although the concepts of development and development co-operation and economic growth have been discussed under the title "Toward an Islamic Concept of Development Co-operation", the discussed concepts are purely conventional in nature and thus they lack in Islamic content (pp. 17-19).

In investigating possibilities of Islamic economic integration among MCs and, in particular, among Bangladesh, Indonesia, and Malaysia, one need to investigate Potentials and possibilities of cooperation by analyzing empirical data. Input-output models of the countries separately seem to suggest very little about possibilities of development cooperation. The aggregative data on trade flows show weak trade linkage among the three countries and this has led the author to arrive at two conclusions: First, signs of a linked regional economic cooperation approach to regional economic integration remain weak in the region. Secondly, there is immense un utilized potential for promoting Islamic development cooperation in this region" (p. 145). While the first conclusion is correct, the second conclusion has not been substantiated. To us, the weak trade linkage may be due to two possible reasons:

(1) low potential of trade linkages, probably because of lack of complementarities among them; or

(2) underutilization of potential although high trade potential exists because of significant complementarities among them. We shall return to this issue later.

The analytical approach adopted in the book is basically neoclassical which, as far as we know, is inconsistent with the intellectual position of the author himself who has been advocating for a paradigm shift.

In the organizational structure, the author has adopted a non-customary style of organization of the text in the book. A single chapter has several summaries. For example, Chapter 1 has two summaries in the middle of the chapter, and one conclusion at the end. This has been repeated elsewhere in the book as well.

A "Literature Review" in the "Conclusion" (Chapter 5) seems also to be quite rare in practice, although the chapter is on the policy-theoretic perspective for Islamic economic integration.

Chapter 2 and 4 are on development cooperation among Bangladesh, Indonesia and Malaysia and hence it could be better to maintain the analytical continuity instead of breaking the flow of analysis by a different chapter on an altogether different subject (Chapter 2).

Now we return to the issue of Development Co-operation among Bangladesh, Indonesia and Malaysia. As a lot of space has been allocated in the book to study development cooperation among these three countries, we would like to contribute a bit in this area by examining the potential of cooperation in one particular field, namely, co-operation in trade among the three countries.<sup>(5)</sup>

In doing so, we need to study the degree of trade potentialities among the three countries. A major determinant of trade potentialities is the degree of complementarity of tradeable items. If the countries concerned produce and export similar items, and their import items are also similar, the prospect for intra-trade will be extremely limited. If the goods are different and, better still, if the imports of some countries match the exports of others, the trade potentiality will be promising. The trade items of the three countries are presented in Table 1.

Table 1 shows a reasonably good degree of complementarities in trade flows among the three countries. For example, Indonesia exports coal and rice which are imported by Bangladesh and Malaysia; Bangladesh exports leather which is imported by Indonesia and Malaysia; Malaysia exports Palm Oil which is imported by Bangladesh, Indonesia and Malaysia export spices and crude petroleum which are imported by Bangladesh; feeding stuff is exported by Malaysia which is imported by Indonesia; and maize is exported by Indonesia which is imported by Malaysia.

It is also well-known that Malaysia is doing well in electrical and electronic items, while Bangladesh is successfully developing its garments industry, and Indonesia in some other areas. Such spatial distribution of industrialization in an organized manner among the members of the proposed region is conducive for economic co-operation.

At present, it is often the case that the MCs import things from the world market, instead of importing from other MCs. Quite often, a MC exports things to a third party (a non-MC) which are imported by another MC from the third party, and not from the

exporting MC, thus raising the prices of the imported goods in the importing countries. This seems also to be happening in case of the three MCs under study. Economic cooperation among MCs with direct trade links will help both the exporting and importing MCs in both trade and economic development. This may be reinforced by joint ventures and less restricted factor mobility. Malaysia lacks in labour force which can be provided by Bangladesh and Indonesia. On the other hand, Bangladesh lacks in capital, while Malaysia is in a better position in this regard. This positive complementarity in factor endowments will further facilitate development cooperation among the three countries for the benefit of optimal resource use and spatial distribution of industrialization based on their comparative advantage, which will facilitate further improvement of trade links among them.<sup>(6)</sup>

At this juncture, it may not be totally out of the way to refer to a relevant recommendation of an International Seminar on Islamic Common Market held in Dhaka on 18-21 November, 1993 which proposes formation of a regional grouping in the South and South-East Asian region consisting of Bangladesh, Brunei, Indonesia, and Malaysia and Maldives. This reads as follows:

TABLE 1. Some major exports and imports of Bangladesh, Indonesia and Malaysia 1990.

Traded Items	Exports (1000 MT)			Imports (1000 MT)		
	Bangladesh	Indonesia	Malaysia	Bangladesh	Indonesia	Malaysia
Spices	-	113.87	28.49	18624*	-	-
Wood pulp and waste paper	-	142.20	-	13071*	761.32	-
Coal	-	4351.16	-	5481*	-	78385*
Crude petroleum	-	36654.00	22110.00	153405*	-	1004.20
Palm oil	-	-	4736.94	43095*	-	-
Leather	179430*	-	-	-	95550*	19228*
Feeding stuff	-	-	1051.73	-	512.59	-
Rice	-	172*	48*	97403*	-	99884*
Maize	-	16780*	-	-	-	178956*

\*Value in U.S. \$1000.

Sources Adapted from;

- i) International Trade Statistics Yearbook, 1990 Volume II published by U.N., pages 59-63,433-438 and 550-554.
- ii) Trade Statistics published by the Ministry of Trade, The Republic of Indonesia, Aug. 1993.

"The Seminar feels that although the Islamic Common Market is the long term objective of the OIC, this goal may be approached by initially forming regional and sub-regional groupings of Islamic countries in different geographical areas. For South and South-East Asian region, a South-East Asian Cooperation Organization (SEACO) comprising Bangladesh, Brunei, Indonesia, Malaysia and Maldives may be formed. The seminar suggests formation of a Working Group consisting of the representatives of the OIC, the respective governments, trade bodies and experts to catalyze the SEACO project. A Secretariat may also be created for SEACO at the convenient location and the Islamic Development Bank (IDB) may be requested to extend necessary financial assistance for this purpose.

It should be noted here that any such cooperation, be it at the regional or *Ummatic* level, will have to be coordinated by a super-national body. This body will deliberate, negotiate and co-ordinate all matters in the agenda of cooperation including coordination of monetary and fiscal policies.<sup>(7)</sup>

Despite all *sufficient conditions* of complementarities and potentialities, development co-operation can materialize only and only if the *necessary condition* is satisfied by a positive and firm political will of the relevant countries.<sup>(8)</sup>

### End Notes

- [1] The OIC was established in 1973, and the IDB in 1975, and COMEC in 1981. See **Moinuddin** (1987), **Meenai** (1989), **COMCEC** (1988).
- [2] For example, "Plan of Action to Strengthen Economic Cooperation Among Member States," Resolution adopted at the Third Islamic Summit Conference, Resolution No. 1/3-E(IS), 25-28 January 1981. See **COMCEC** (1988).
- [3] See, for example, **Sadeq** (1990, 1993).
- [4] For example, International Conference on Islamic Common Market held in Cairo on 4-6 May 1991; and International Seminar on Islamic Common Market held in Dhaka on 18-21 November 1993.
- [5] This is for the part of the book "... Practice of Islamic Development Co-operation". As for the theory part, one may refer, among others, to **Sadeq** (1990, 1993).
- [6] For a discussion on the factor mobility, see **Sadeq** (1993).
- [7] *Ibid.*, p. 40.
- [8] *Ibid.*, pp. 28-29.

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