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A Comparative Analysis of the Principles of Islamic Ethical Trade and the Concept of Liberal International Relations

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ABSTRACT

The contemporary international trading system is dominated by the liberalism paradigm, which emphasizes free trade, deregulation, and the accumulation of material profit. However, this system is often criticized for fueling economic inequality and neglecting moral considerations. This study aims to conduct a comparative analysis of the principles of ethical trade in Islamic Economics with the concept of international trade from the perspective of Liberal International Relations. Using a descriptive qualitative method with a literature review approach, this study examines the key literature from both paradigms to identify points of convergence and divergence. The findings reveal similarities between the two concepts in terms of promoting cross-border cooperation, market openness, and rejecting extreme protectionism for the sake of the common good. Nevertheless, a fundamental difference lies in their epistemological foundations. Trade under Liberalism is anthropocentric, oriented towards individual freedom and maximum material gain. Conversely, Islamic ethical trade is theocentric in nature, linking economic activity to moral boundaries, social justice, mutual consent, and the prohibition of exploitative practices. This study concludes that the concept of Islamic ethical trade can serve as a moral corrective to the shortcomings of the liberal free-trade system, with a view to realizing a more just global economic order.

Keywords: *Historical Ethical Trade, Liberalism, International Relations, Comparative Analysis, Maqashid al-Shari'ah*

INTRODUCTION

Today's global political economy is firmly under the influence of the liberal paradigm, which emphasizes economic openness between nations (Baldwin, 1993). Within the discourse of International Relations, the liberal perspective holds that free trade is the most effective instrument for creating world peace (Keohane & Nye, 1987). Free-market regulation is regarded as capable of fostering economic interdependence that reduces the potential for armed conflict (Oneal & Russett, 1997). This spirit of global liberalization is institutionalized through the establishment of the World Trade Organization (WTO) with the aim of eliminating both tariff and non-tariff barriers (Krueger, 1998). An agenda transcending national borders is promoted to maximize global trade benefits (Irwin, 2015). However, in empirical reality, this massive process of international trade liberalization has not been without sharp criticism (Stiglitz, 2002).

Free-market practices that operate without moral and ethical constraints often lead to information asymmetry and inequalities in the distribution of wealth (Rodrik, 2011). Conventional free markets, which tend to be materialistic in nature, frequently neglect aspects of social justice for developing countries (Wade, 2004). When absolute individual freedom is made the driving force of the economy, the exploitation of resources and environmental degradation become inevitable structural consequences (Daly, 1993). Regulatory inequalities within the global trading system have also been shown to widen the economic gap between developed and developing nations (Chang, 2002). Consequently, the international community now requires a new alternative trading framework grounded in strong moral principles (Sen, 1999).

Amidst this ethical impasse in the free market, Islamic economics offers an alternative paradigm through the principles of Sharia-based ethical trade (Chapra, 2000). From an Islamic perspective, international trade is not merely a means of accumulating material profit, but rather an integral part of social worship (Naqvi, 1981). Cross-border transactions in the Islamic economy must operate on the foundations of tawhid, justice (‘adl), and the common good (Siddiqi, 2004). Such economic activities must also be entirely free from exploitative practices such as riba, gharar and maysir (Zarqa, 1980). This theological foundation is in line with the command of Allah in Surah An-Nisa’ verse 29 regarding the obligation to uphold the principles of mutual consent and justice in trade,

يَٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُواْ لَا تَأۡكُلُوٓاْ أَمۡوَٰلَكُم بَيۡنَكُم بِٱلۡبَٰطِلِ إِلَّآ أَن تَكُونَ تِجَٰرَةً عَن تَرَاضٖ مِّنكُمۡ

Translation: “O you who believe, do not consume one another’s wealth unjustly, except in trade conducted on the basis of mutual consent amongst you.”

The principles of social justice and moral responsibility contained in this verse emphasize that no international economic actor should seek profit at the expense of others. Contemporary studies show that the internalization of the values of Tawhid and the maqashid al-Shari’ah acts as an ethical compass, ensuring that cross-border transactions are based on the public interest and the equitable distribution of welfare, rather than unilateral exploitation.

The primary focus of Islamic ethical trade is not limited to worldly profit, but is directed towards achieving holistic well-being in harmony with the values of the Maqashid al-Shari’ah (Laldin & Furqani, 2013). Furthermore, the practical implementation of this concept of free trade must be critically examined through the lens of Islamic law and economic ethics to ensure it does not undermine the public interest (Yusriani et al., 2025).

The epistemological confrontation between economic liberalism and Islamic trade requires systematic analysis to identify the fundamental differences between the two. In a study published by Fajar et al. (2025), it is stated that the conventional international trade system, shaped by liberal thought, prioritizes efficiency, specialization and the maximization of material profit as the supreme principles through free-market mechanisms. However, this materialistic orientation is inherently flawed as it disregards aspects of morality, distributive justice, and the risk of structural exploitation of weaker nations. In line with this argument, Wati (2023) emphasizes that unchecked international trade liberalization actually fuels acute social inequality and jeopardizes domestic economic stability. It is these destructive effects that the Islamic trade system seeks to address, grounded firmly in the pillars of justice, honesty, humanism, and the rejection of the centralization of wealth.

This stark contrast also extends to the multilateral regulatory frameworks currently adopted by global institutions. The World Trade Organization (WTO) operates entirely within the framework of liberalism, which prioritizes only the principle of reciprocity based on quantitative cost-benefit calculations (Fajar et al., 2025). In contrast to this paradigm, Yusriani et al. (2025) require absolute adherence to the principle of an-taradin (mutual consent) and the value of genuine public interest, which must not be compromised by unilateral economic interests. Furthermore, they point out that whilst conventional ethics are derived solely from the ever-changing consensus of human thought, Islamic commerce guides international actors to commit themselves to ethical principles derived directly from the Qur'an and the Hadith. Freedom of transaction in Islam is not absolute and boundless freedom, but rather a freedom bound by theological responsibility.

The urgency of this reorganization is reinforced by Yusriani et al. (2025), who demonstrate that the implementation of free trade agreements such as the ACFTA often presents a dilemma regarding the enforcement of economic justice. This is where the role of regulation becomes crucial; from an Islamic economic perspective, state authorities are obliged to oversee and intervene in international markets to prevent monopolistic practices and ensure that the flow of goods contributes directly to the common good (maslahah umum), rather than merely serving the efficiency of a handful of global corporations.

LITERATURE REVIEW

The Liberal Paradigm in International Trade

Within the dynamics of international relations, the concept of liberalism regards market openness and the reduction of tariff barriers as the primary instruments for optimizing cross-border economic growth (Wati, 2023). This paradigm promotes individual freedom and the efficient allocation of global resources through the establishment of multilateral institutions such as the World Trade Organization (WTO), (Fajar et al., 2025). Through free trade mechanisms, proponents of liberalism believe that strong economic interdependence between nations can automatically minimize the potential for geopolitical conflict (Fajar et al., 2025). However, this conventional order, driven by capitalist principles, continues to be criticized for emphasizing only the principle of quantitative reciprocity without regard for the morality of the process (Fajar et al., 2025). Consequently, absolute freedom in a liberal market is prone to creating power asymmetries, whereby powerful economic actors dominate and exploit weaker parties (Fadillah and Wardhana, 2026).

The Philosophy and Concepts of Ethical Trade in Islam

From an Islamic perspective, international trade is not merely an activity aimed at pursuing material profit, but rather an instrument of social worship bound by transcendental theological principles (Yusriani et al., 2025). The pillar of muamalah requires that all forms of cross-border transactions be free from destructive elements such as usury (riba), speculation (gharar), and gambling or manipulation (masyir) (Fajar et al., 2025). The operational foundation of Islamic commerce must be based on the principle of an-taradin, namely substantive mutual consent, without coercion or structural fraud (Wati, 2023). Furthermore, the primary focus of this commercial system is to achieve comprehensive welfare in line with the Maqashid al-Sharia framework, namely safeguarding the public interest and ensuring the equitable distribution of wealth (Sulaeman, 2018). Islamic ethics do not allow the market to run wild on the basis of unlimited freedom, but rather require social and moral responsibility for the sake of justice for the community (Yusriani et al., 2025).

Comparative Analysis: Points of Convergence and Points of Divergence

Conceptually, the common ground between liberalism and Islamic economics lies in their shared recognition of the importance of individual freedom in conducting international business activities and owning assets (Wati, 2023). Both paradigms also view the impact of open trade between nations positively in terms of stimulating innovation and productivity amongst the global community (Fajar et al., 2025). A fundamental difference arises regarding the moral foundation and the limits of market freedom. Whilst liberalism leaves control entirely to free-market mechanisms in the pursuit of profit maximization without guidance from transcendental values, Islam requires the market to be subject to Sharia law to prevent the accumulation of wealth amongst a select elite (Fadillah and Wardhana, 2026). Furthermore, in terms of regulation, the WTO tends to overlook the structural weaknesses of third-world countries by invoking procedural equality, whilst the Islamic system emphasizes substantive justice, whereby the strong are obliged to support the weak (Fajar et al., 2025). The role of the state also differs fundamentally: whilst liberalism minimizes government intervention, Islamic trade requires state authorities to strictly oversee the market in order to prevent monopolistic practices that harm the public interest (Wati, 2023).

RESEARCH METHODOLOGY

This study employs a qualitative research design using a library research approach. This approach was chosen because the focus of the study lies in the theoretical, philosophical, and epistemological realms, with the aim of comparing two major paradigms: the principles of Islamic ethical trade and the concept of liberal international relations. This study is descriptive-analytical in nature; that is, it provides an in-depth description of the ideas within each paradigm and then analyses the relationships, points of convergence, and points of divergence between the two (Hamzah, 2020).

The data used in this study consists entirely of secondary data obtained from academic literature. The data sources are divided into two categories: firstly, primary literature comprising the Holy Qur'an and the Hadith, as well as original works by leading figures in International Relations from a liberal perspective; secondly, secondary literature comprising accredited academic journals, textbooks on Islamic macroeconomics, official documents from international institutions such as the WTO, and relevant previous research findings.

FINDINGS AND DISCUSSION

The epistemological confrontation between economic liberalism in the study of International Relations and Islamic ethical trade is rooted in fundamental differences regarding the underlying motives, ontological foundations, and ultimate orientation of cross-border economic activity. Within the contemporary liberal paradigm, international actors are positioned as rational, self-interested agents. Keohane (1984) adopts microeconomic assumptions that state that states and international actors act as rational agents who constantly calculate costs and benefits in pursuit of their own interests. Based on this premise, liberalism views the global free market as a neutral arena that must be free from moral or theological regulatory intervention so that the efficiency of resource allocation can be maximized through the mechanism of the ‘invisible hand’. The pursuit of material profit is regarded as the sole measure of success in national development.

فَإِذَا قُضِيَتِ ٱلصَّلَوٰةُ فَٱنتَشِرُوا۟ فِى ٱلْأَرْضِ وَٱبْتَغُوا۟ مِن فَضْلِ ٱللَّهِ وَٱذْكُرُوا۟ ٱللَّهَ كَثِيرًا لَّعَلَّكُمْ تُفْلِحُونَ

Translation: “When the prayer has been performed, you should spread out across the earth; seek the bounty of Allah and remember Him often, so that you may prosper.”

The imperative structure of the command to seek Allah’s bounty is placed on an equal footing and is inseparable from the command to constantly and intensely remember Allah. The academic implication of this verse in the context of global economic governance is that every policy relating to exports, imports, investment and foreign trade diplomacy must always be guided by the consciousness of Tawhid. The freedom to conduct transactions granted by Islam to international actors is not an absolute, directionless freedom, but rather a conditional freedom bound by the moral rules of Sharia law to ensure that no party within the global ecosystem is harmed or wronged (Yusriani et al., 2025). When liberalism abandons morality in the name of individual freedom, the global market automatically descends into unhealthy competition, where multinational corporations from First World countries easily undermine the economic sovereignty of developing nations.

The inherent failure stemming from the absence of morality in liberalism is tangibly manifested in institutional form through contemporary free-market mechanisms governed by multilateral institutions such as the World Trade Organization (WTO). Under its agenda to eliminate all forms of trade barriers in the interests of facilitating the free flow of goods and capital, liberalism has driven the creation of excessive financial deregulation. Empirical evidence shows that the dominance of this secular financial system has shifted the focus of the global economy from the real sector (the production of goods and services) to the non-real sector (speculative finance). Today’s global economic architecture is dominated by derivatives trading, currency speculation and debt-based financing schemes with exorbitant interest rates.

Islamic economic law imposes a very strict Sharia filtering system on such exploitative cross-border transaction models. The use of interest-bearing bank instruments, or *riba*, is categorically rejected across all areas of international trade, as it is deemed to undermine fundamental principles of justice and to create illusory wealth not based on real productivity. This rejection of the hegemony of interest-based capitalism is grounded in the words of Allah SWT in the Qur’an, Surah Al-Baqarah, verse 275:

وَأَحَلَّ ٱللَّهُ ٱلْبَيْعَ وَحَرَّمَ ٱلرِّبَوٰا۟

Translation: “…Yet Allah has made trade lawful and usury unlawful…”

Through these strict legal provisions, Islamic economics draws a clear distinction between legitimate commercial activities (the real sector) and the destructive practice of usury (the speculative financial sector). The implications of this verse call for a complete overhaul of the global payment and investment systems so that they are once again based on the principles of profit-sharing (risk-sharing) and labor-intensive partnerships in the real sector (Fajar et al., 2025).

In addition to being free from usury, the Islamic framework for ethical trade also requires that all international cooperation contracts be free from elements of uncertainty, fraud, or the deliberate concealment of information (gharar). In the liberal trade system, the unilateral control of information (asymmetric information) is often used as a legal strategy by developed nations to secure trade concessions that are detrimental to local producers in third-world countries. Such manipulative practices are explicitly prohibited by the Prophet Muhammad (peace be upon him) in authentic hadith narrated by Imam Muslim:

نَهَى رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ عَنْ بَيْعِ الْغَرَرِ

Translation: “The Prophet Muhammad (peace be upon him) forbade transactions involving gharar (uncertainty).”

The prohibition of gharar at the international macroeconomic level underscores that transparency, data accuracy and clarity of contractual clauses are absolute prerequisites in Islamic economic diplomacy. Consequently, Islamic ethical trade rejects the legitimacy of international agreements that are imposed or drafted ambiguously in order to prioritize unilateral geopolitical interests (Wati, 2023).

Furthermore, the bias against substantive justice within the liberal-oriented global political-economic architecture is clearly evident in the WTO’s application of the formal principle of reciprocity. This principle requires developing countries to reduce their import tariffs in line with the tariff reductions implemented by developed countries. At first glance, this rule appears fair on paper as it treats all countries equally. However, from a critical perspective within International Relations studies, this scheme of open competition is morally flawed because it pits economic actors with vast technological capacity, subsidies and capital against poor countries whose production capacity remains extremely weak. This results in massive structural inequality, whereby the world’s wealth continues to flow and accumulate centrally in the Global North, whilst countries in the Global South remain trapped as suppliers of cheap raw materials and as consumer markets for foreign products.

In response to the structural injustices of global capitalism, Islamic ethical trade intervenes by offering a progressive principle of distributive justice (‘adl). Global wealth and resources must not be allowed to flow freely without social control, thereby creating a monopoly of power in the hands of a handful of international corporate elites. This fundamental critique is rooted in the theological foundation of the Qur’an, Surah Al-Hashr, verse 7:

كَيْ لَا يَكُونَ دُولَةًۢ بَيْنَ ٱلْأَغْنِيَآءِ مِنكُمْ

Translation: “…so that wealth does not circulate only amongst the rich among you…”

The overarching message of this verse is that the ultimate aim of the circulation of goods in cross-border trade must be directed towards achieving universal social welfare, rather than fuelling global economic stratification. Whilst liberalism allows market winners to take all the profits (winner-takes-all), Islamic economics, on the other hand, mandates regulatory favoritism (affirmative action) and protection for the domestic industries of developing countries in order to prevent the hoarding of commodities (ihtikar) by global cartels (Fajar et al., 2025).

The primary strength of Islamic ethical trade lies in the intrinsic upholding of moral integrity by international actors through commercial transparency. A country's macroeconomic prosperity in global interactions is not measured by the size of the trade surplus achieved through manipulation, but rather by consistency in upholding honesty in every trade agreement. This benchmark for ethical behavior is based on the words of the Prophet Muhammad (peace be upon him) in the hadith agreed upon by Imam Bukhari and Imam Muslim:

الْبَيِّعَانِ بِالْخِيَارِ مَا لَمْ يَتَفَرَّقَا، فَإِنْ صَدَقَا وَبَيَّنَا بُورِكَ لَهُمَا فِي بَيْعِهِمَا، وَإِنْ كَتَمَا وَكَذَبَا مُحِقَتْ بَرَكَةُ بَيْعِهِمَا

Translation: "Two people engaged in a sale and purchase transaction have the right of khiyar (the right to choose) as long as they have not parted ways. If both are honest and disclose the condition of the goods, then they are both blessed in their transaction. However, if they conceal defects and lie, then the blessing of their transaction is removed."

In the context of contemporary international relations, the application of double standards by powerful states, such as concealing hidden domestic subsidies that undermine the prices of local farmers' commodities in poor countries, constitutes a form of moral distortion that undermines substantive justice. Therefore, the reconstruction of an international order based on Islamic ethical trade is no longer merely a normative alternative, but rather an urgent structural solution to address the recurring global financial crises resulting from the loss of a moral anchor within the liberalist paradigm (Fadillah and Wardhana, 2026).

CONCLUSION

Based on the comparative analysis carried out, this study concludes that there are clear fundamental differences between the system of economic liberalism in international relations and the principles of Islamic ethical trade. On the one hand, liberalism views the global free market as a secular sphere separate from religious values. In this system, states and corporations act as rational actors seeking to maximize material profit (Keohane, 1984; Smith, 1776). On the other hand, Islamic ethical trade integrates religious values with economic activity to achieve *falah*, that is, balanced well-being in this world and the hereafter, as set out in Surah Al-Jumu'ah, verse 10. Consequently, freedom of trade in Islam is constrained by moral rules (bounded freedom). These rules require the international market to be free from exploitative practices such as interest on debt or riba (Surah Al-Baqarah: 275) as well as fraud or speculation (gharar), as prohibited in the Hadith of Muslim, in order to uphold justice for all parties (Fajar et al., 2025; Wati, 2023).

Furthermore, current multilateral trade rules, such as those of the WTO, have been shown to perpetuate inequality by applying a one-size-fits-all principle of reciprocity, even though there is a vast disparity in economic capacity between developed and developing countries. to address this injustice, Islamic economics offers the principle of wealth redistribution ('adl) based on the command in surah al-hashr, verse 7, which prohibits wealth from circulating solely amongst the rich or powerful nations (fajar et al., 2025). This research also indicates that dishonesty on the part of major nations in trade agreements can negate economic blessings (hr. Bukhari and muslim). This clearly explains why the current liberal economic system is frequently plagued by recurring financial crises (Fadillah & Wardhana, 2026). Consequently, the application of the maqashid al-shari'ah in international relations is not merely a theoretical option, but an urgent and practical solution to rectify the unfair free-market system (Laldin & Furqani, 2013).

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