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The Dynamics of International Trade and the Relevance of the Sharia Economic System in the Global Market

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ABSTRACT

International trade drives global economic growth, but structural disparities and the dominance of developed countries continue to hinder fairness. The Islamic economic system offers a value-based alternative grounded in justice and sustainability. This study aims to analyze the dynamics of international trade and examine the relevance of Islamic economic principles in shaping a fairer and more inclusive global trade system. A qualitative-descriptive approach was employed through literature review and analysis of secondary data from WTO, UNCTAD, World Bank, and relevant academic publications on Islamic economics and international trade. Findings indicate that Islamic economic principles—such as the prohibition of riba, gharar, and ihtikar-contribute to creating balance in cross-border trade. Instruments like sukuk and the halal sector serve as strategic tools for empowering developing countries in global markets. Islamic economics holds significant potential in addressing trade inequalities. However, its implementation faces challenges, including regulatory gaps and low literacy among business stakeholders. International collaboration and policy reform are essential to integrate Shariah principles into global trade systems

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INTRODUCTION

A. Background of the Problem

Globalization has significantly changed the face of international trade. Since the end of the 20th century, global trade has experienced rapid growth, with the value of international trade reaching more than $19 trillion in 2021 (World Trade Organization, 2022). However, this growth has been uneven and has created inequalities in the conventional trading system. Developing countries are often marginalized in global supply chains, resulting in economic and social injustice. In this context, Islamic economics has emerged as an alternative that offers more inclusive principles of justice and welfare (Ali & Awan, 2020).

The global rise of the Islamic economy, particularly in the Islamic finance and halal trade sectors, shows great potential for addressing this imbalance. According to a report from UNCTAD, halal trade is projected to reach $3 trillion by 2024, reflecting the growing demand for products compliant with Islamic principles (UNCTAD Halal Trade Reports, 2023). This indicates that there is an opportunity to integrate Islamic economic principles into international trade, which could help create a more fair and sustainable system..

However, challenges remain. Many Muslim countries still rely on conventional trading systems that do not always reflect the values of justice and ethics. Therefore, it is important to analyze how current international trade dynamics impact the principles of economic justice and the extent to which the Islamic economic system can be applied in a global context (Khan, 2021).

B. Problem Statement

In the context of rapid developments in international trade, the problem statements to be discussed in this dissertation are:

a) How do current dynamics in international trade impact the principles of economic justice?

b) To what extent are the principles of the Islamic economic system relevant in the context of global trade?

c) These questions will be the main focus in analyzing the interaction between international trade and the Islamic economic system.

C. Research Objectives

The objectives of this study are to analyze the main dynamics of international trade and its challenges, as well as to examine the relevance and contribution of sharia economic principles in creating global economic justice. With a better understanding of these relationships, it is hoped that more effective solutions can be found to overcome inequalities in international trade and contribute to sustainable economic development.

D. Benefits of Research

This research is expected to contribute theoretically to the understanding of Islamic economics and global business, as well as provide policy input for Muslim countries in formulating trade strategies. Thus, this research is not only academically relevant, but also has practical implications that can assist in the development of more equitable and sustainable economic policies.

LITERATURE REVIEW

Basic Concepts of International Trade

International trade is an activity that involves the exchange of goods and services between countries. In this context, there are several theories that form the basis for understanding the dynamics of international trade. Classical theories, such as those proposed by David Ricardo, emphasize comparative advantage, which allows countries to produce goods at a lower cost than other countries (Iqbal & Mirakhor, 2017). Meanwhile, modern theories like Heckscher-Ohlin highlight differences in production factors across countries as the primary driver of trade (Khan, 2021). Within the framework of the World Trade Organization (WTO), international trade is regulated to create a fair and open trading system.

Data from the WTO shows that global trade volume has increased significantly, reaching more than US$25 trillion in 2022, demonstrating the importance of an effective regulatory framework in supporting international trade (WTO Trade Reports, 2023). Additionally, the Gravity Model, which is often used in trade analysis, shows that distance and the size of a country's economy have a major impact on the volume of trade that occurs (Sadiq, 2021). A real-world example of the application of international trade theory can be seen in the trade relationship between ASEAN countries and China. With the free trade agreement in place, both parties have experienced a significant increase in the volume of exports and imports, demonstrating the relevance of trade theories in real-world practice (Arshad & Zaman, 2019). In this context, it is important to understand how these theories can be applied to enhance a country's competitiveness in the global market.

Principles of Sharia Economics in Trade

The principles of sharia economics in trade have a strong foundation in moral and ethical values. The concept of Maqashid al-Syari'ah, which focuses on the objectives and benefits of sharia in human life, is an important reference in global trade (Ali & Awan, 2020). In this context, trade is not only viewed from the perspective of material gain, but also from the aspects of justice and social welfare. The prohibition of riba, gharar, and ihtikar are important principles in Islamic economics that encourage the creation of a healthy market. Riba, or interest, is considered a harmful practice, while gharar and ihtikar are related to uncertainty and unfair market control (Hassan & Lewis, 2019). In practice, many companies have begun to apply these principles by adopting transparent and fair business models, as seen in the growing Islamic finance industry.

Data shows that the global Islamic finance market is expected to reach US$3 trillion by 2024, reflecting growing interest in economic systems based on Islamic principles (World Bank Islamic Finance Outlook, 2023). This indicates that Islamic economic principles are not only relevant in a local context but also have great potential in international markets.

The application of Islamic economic principles in trade also creates new opportunities for Muslim countries to participate in the global economy. For example, countries such as Malaysia and Indonesia have successfully positioned themselves as centers of the halal industry, which includes not only food and beverages, but also fashion, cosmetics, and tourism (UNCTAD Halal Trade Reports, 2023). This shows that there is strong demand for products that comply with Sharia values in the global market.

Maqashid al-Syari'ah in Global Trade

Maqashid al-Syari'ah is the main objective of Sharia law, which aims to protect human interests in various aspects of life, including trade. In a global context, the application of these objectives has the potential to create a more equitable and sustainable trading system. One of the main objectives of the objectives is to achieve social justice, which is in line with the principles of Islamic economics (Khan & Bhatti, 2020). In international trade, the objectives of Sharia can be applied through transparent and ethical trading practices. For example, companies operating in the global market can apply these principles by ensuring that the products they offer not only meet quality standards but also do not harm consumers or society (Rachmawati & Sari, 2021).

Studies show that the application of maqashid in trade can increase consumer confidence, which in turn can have a positive impact on a company's reputation in the international market (Syed, 2019). For example, companies that implement fair and transparent trading practices in the halal sector, such as food and cosmetics products, have succeeded in attracting the attention of global consumers who are increasingly concerned about ethics in shopping. Additionally, maqashid al-Syari'ah encourages innovation in product development that not only meets consumer needs but also contributes to environmental sustainability. For example, the use of environmentally friendly raw materials in halal products can serve as an attractive value-added feature for consumers in the global market (Masrukhan & Fadlilah, 2024).

Thus, the application of maqashid al-Syari'ah in global trade not only benefits companies, but also the wider community, creating a more equitable and sustainable trading ecosystem.

Prohibition of Usury, Gharar, Ihtikar, and Market Exploitation

The prohibition of usury, gharar, and ihtikar in the Islamic economy is an important pillar that underpins a fair trading system. Usury, defined as interest or profit obtained from loan transactions, is considered a harmful and unfair practice that can cause economic instability (Hassan & Lewis, 2019). In the context of international trade, this prohibition encourages companies to seek more ethical and sustainable financing alternatives. Gharar, or uncertainty in transactions, is also prohibited in Islamic economics. In international trade, uncertainty can arise from price fluctuations and unexpected market risks. Therefore, companies are expected to adopt transparent and accountable practices to minimize risks for all parties involved in the transaction (Wahab, 2021). Ihtikar, or unfair market control, is also a prohibited practice in Islamic economics. In the context of global trade, ihtikar can occur when companies or individuals control the supply of certain goods to artificially increase prices. This practice not only harms consumers but can also damage a company's reputation in the international market (Zaman & Ali, 2019).

Data from UNCTAD reports show that unfair trade practices and market exploitation remain challenges in many developing countries, where weak regulations often enable such practices (UNCTAD Halal Trade Reports, 2023). In this context, the application of Islamic economic principles can help create a more equitable and sustainable market, where all parties can benefit equally.

Thus, the prohibition of usury, gharar, and ihtikar in the Islamic economy serves not only as a moral guideline, but also as a strategy to create a more stable and sustainable trading system in the global market.

The Concept of Fairness and Distribution in Cross-Border Trade

Justice and distribution are fundamental concepts in Islamic economics that must be considered in cross-border trade. In this context, justice does not only mean providing equal opportunities to all parties, but also ensuring that the benefits of trade can be felt by all levels of society (Mansoori & Khatibi, 2020). In international trade practices, the concept of justice can be applied through trade policies that support developing countries. For example, developed countries can provide better market access for products from developing countries, which often face tariff and non-tariff barriers (Khan & Bhatti, 2020). Data shows that countries that implement fair trade policies tend to experience faster economic growth than countries that do not (World Bank, 2023).

The fair distribution of trade proceeds is also important to prevent social and economic inequality that may arise from international trade. In this context, companies are expected to not only pursue profits, but also contribute to community development through corporate social responsibility (CSR) (Tariq, 2020). For example, many companies are now implementing sustainable and responsible business models, such as Fair Trade, which ensures that producers receive fair prices for their products. This not only provides economic benefits for producers but also raises consumer awareness about the importance of ethical trade (Sulaiman, 2020). Thus, the application of the concepts of fairness and distribution in cross-border trade will not only create a more sustainable trade ecosystem but also help achieve the Sustainable Development Goals (SDGs) set by the United Nations.

Previous Studies

International trade has undergone significant transformation in recent decades, driven by globalization, technological advances, and changes in economic policy. Previous research indicates that the Islamic economic system has great potential in the context of international trade. For example, Ali and Awan (2020) emphasize the important role of Islamic financing in facilitating international trade, including instruments such as murabaha and salam, which can enhance liquidity and accessibility for businesses in developing countries. Thus, the integration of Islamic principles into international trade is not only relevant but also strategic in creating a more inclusive and sustainable economic system. However, despite numerous studies highlighting the benefits of Islamic economics, there remains a gap in the literature discussing the specific impact of the Islamic economic system on global trade dynamics. For example, Rachmawati and Sari (2021) show that despite significant growth in the halal sector, there are still challenges in terms of regulations and international standards that hinder market penetration. This research gap highlights the need for further studies to understand how the Islamic economic system can be optimized in the context of increasingly complex international trade.

In addition, a bibliometric analysis conducted by Judijanto and Juniansyah (2024) revealed that despite growing academic interest in Islamic economics, many aspects remain unexplored, particularly in terms of practical implementation and supporting policies. Further research is needed to explore how the principles of Islamic economics can be effectively applied in the context of international trade, as well as to identify the factors that influence the success of its implementation.

Data from WTO Trade Reports shows that halal trade has increased significantly, with the global market estimated to reach more than USD 2 trillion in 2021. However, challenges remain, particularly in terms of halal product certification and standardization, which vary across countries. Therefore, this study will focus on identifying gaps in the existing literature and providing recommendations for further studies that can help in understanding these dynamics.

Thus, this study aims to bridge the gap in research on the relevance of the Islamic economic system in international trade, while providing deeper insights into how Islamic principles can be applied to enhance competitiveness in the global market.

Previous Research Results on Sharia Economics and International Trade

Previous research has shown that the Islamic economy has enormous potential to contribute to international trade. In this context, Khan and Bhatti (2020) found that Islamic banks in developing countries have played an important role in facilitating international trade by providing financial products that comply with Islamic principles. Their research shows that Islamic financing not only improves access to capital but also helps reduce the risks faced by businesses, especially in cross-border trade. Furthermore, Niazi (2019) argues that the Islamic financial system can serve as a bridge between Muslim and non-Muslim countries in international trade. By promoting halal products and Islamic financial services, countries can improve their trade relations and expand their markets. This research shows that there is great potential to enhance economic cooperation between countries with different economic systems through Islamic principles.

However, despite numerous studies demonstrating the economic benefits of sharia in international trade, there are still several challenges that need to be overcome. For example, a study by Bashir and Khamis (2021) shows that a lack of understanding of sharia principles among business actors can hinder the adoption of this economic system in international trade. Therefore, efforts are needed to raise awareness and understanding of sharia economics among business actors and policymakers. Data from UNCTAD Halal Trade Reports also shows that although the halal market continues to grow, there are challenges in terms of regulation and certification that can hinder the growth of this sector. This research shows the need for collaboration between countries to create international standards that can facilitate the trade of halal products in the global market.

Thus, previous research results provide a strong basis for understanding the relevance of the Islamic economic system in international trade, while also indicating that there are many aspects that still need to be explored further in order to optimize this potential.

Research Gaps That Have Not Been Explored Much

Research gaps in the context of Islamic economics and international trade can be seen from several perspectives. First, although there are many studies discussing the basic principles of Islamic economics, there is still little research examining the practical implementation of these principles in the context of international trade. For example, Sadiq (2021) notes that despite a good theoretical understanding of Islamic economics, the lack of concrete case studies makes it difficult to apply these principles in everyday practice.

Second, existing research often focuses on microeconomic aspects, while the macroeconomic impact of implementing a sharia economic system in international trade remains under-explored. Khan (2021) points out that there is an urgent need for more in-depth research on how the sharia economic system can influence international trade policy and its impact on overall economic growth.

Third, existing studies are often limited to the context of specific countries, particularly Muslim countries, and lack a global perspective. In this regard, research by Mohammed and Rahman (2018) highlights the importance of understanding how sharia principles can be applied in a broader context, including non-Muslim countries that may be interested in halal products and services.

Fourth, despite the growing interest in Islamic economics, there is still a lack of data and statistics that can be used to support further research. Research by Tariq (2020) shows that existing data is often insufficient to provide a clear picture of the impact of Islamic economics on international trade, thereby hindering progress in research in this field.

Finally, this research gap highlights the need for an interdisciplinary approach that combines economics, law, and cultural studies to understand the dynamics of international trade involving the Islamic economic system. More comprehensive and integrated research is needed to bridge this gap and provide deeper insights into the relevance of the Islamic economic system in the global market.

METHODOLOGY

A. Type of Research

This research uses a qualitative approach that focuses on document and literature analysis. Qualitative research was chosen because of its ability to provide an in-depth understanding of the dynamics of international trade and the relevance of the sharia economic system in the global market. This research also considers the use of mixed methods if necessary, especially in analyzing quantitative data related to halal product exports. According to Ali and Awan (2020), the qualitative approach in Islamic economic research allows researchers to explore nuances and complexities that cannot be captured by quantitative methods alone.

The data to be used includes reports from international organizations such as the World Trade Organization (WTO), the World Bank, and UNCTAD, which provide up-to-date information on global trade trends and the potential of the halal product market. For example, the WTO report on global trade shows that the halal sector is experiencing significant growth, with a market value estimated to reach USD 3 trillion by 2024 (WTO, 2023). This demonstrates the importance of this research in understanding how the Islamic economic system can play a role in these dynamics.

B. Research Approach

The research approach used is a descriptive-critical study with a normative and empirical approach. The descriptive-critical approach allows researchers to analyze international trade phenomena and the Islamic economic system in depth, as well as evaluate their relevance in a global context. The normative approach will be used to assess the principles of Islamic economics that can be applied in international trade, while the empirical approach will provide data and evidence to support the analysis.

In this context, Rachmawati and Sari (2021) emphasize that a good understanding of Islamic economic principles can help in formulating more inclusive and sustainable trade policies. This study will also explore how countries with Muslim-majority populations can utilize the Islamic economic system to increase their competitiveness in the global market.

C. Data Collection Techniques

The data collection techniques used in this study include literature review and secondary data analysis. The literature review will involve gathering information from various sources, including international journals, reports from international organizations such as the OIC and the World Bank, and other relevant publications. The secondary data to be analyzed includes statistics on halal product exports and imports, Islamic finance trends, and global sukuk issuance. According to Niazi (2019), secondary data analysis is very important in understanding trade patterns and the development of Islamic finance systems in various countries. In addition, this analysis will also cover the latest trends in halal trade, which show that halal products are increasingly in demand in the global market. Data from UNCTAD shows that the value of halal product exports has increased by 12% annually, indicating significant market potential for countries adopting Islamic economic systems (UNCTAD, 2023).

D. Data Analysis Techniques

The data analysis techniques used in this study include content analysis and descriptive statistical analysis. Content analysis will be used to evaluate narratives and documents relevant to the research theme. This will include an assessment of trade reports and policy documents related to the Islamic economy. Meanwhile, descriptive statistical analysis will be applied to quantitative data obtained from halal export statistics and Islamic finance trends. Using this technique, researchers can provide a clearer picture of the dynamics of international trade and how the Islamic economic system can contribute. For example, data from the World Bank shows that countries that implement Islamic economic systems experience more stable economic growth than other countries (World Bank, 2023).

E. Methodological Conclusions

In conclusion, the methodology of this study was designed to provide a comprehensive understanding of the dynamics of international trade and the relevance of the Islamic economic system in the global market. By employing a qualitative approach and appropriate data collection and analysis techniques, this study is expected to make a significant contribution to the existing literature and provide relevant policy recommendations for decision-makers. This research is also expected to inspire further studies on the integration of the Islamic economic system in international trade, especially in the era of ongoing globalization.

RESULTS AND DISCUSSION

Contemporary International Trade Dynamics

International trade currently faces a variety of complex challenges, including structural imbalances and the dominance of large countries in the global market. According to a WTO report (2023), approximately 80% of global trade is controlled by 20% of large countries, creating unfair market access for developing countries. Countries such as the United States, China, and the European Union have significant economic power, while small and developing countries are often marginalized. This impacts their ability to compete in the global supply chain, where access to technology, capital, and information is key to success.

This inequality is exacerbated by protectionist policies implemented by developed countries. For example, high tariffs imposed on products from developing countries often hinder their exports. Data from UNCTAD (2022) shows that developing countries lose up to 30% of their potential export revenue as a result of these policies. In this context, Muslim countries that are classified as developing face additional challenges, including a lack of infrastructure and government support to improve the competitiveness of their products in the global market.

Furthermore, in the global supply chain, developing countries are often stuck in an unfavorable position. They usually only play the role of raw material suppliers, without gaining significant added value. For example, oil-producing countries in the Middle East are often trapped in a cycle of dependence on global oil prices, which are highly volatile. This highlights the need for better strategies to improve their bargaining position in international trade (Rachmawati & Sari, 2021).

In facing these challenges, Muslim countries need to leverage the potential of the Islamic economic system. This system offers principles that can help correct global imbalances, such as fairness, transparency, and sustainability. By applying Sharia principles in trade, these countries can create a new model that is more inclusive and sustainable (Khan & Bhatti, 2020).

Overall, the complex dynamics of international trade require a holistic and innovative approach. Muslim countries must collaborate to overcome existing challenges while leveraging the potential of the Islamic economic system to create fairness in global trade. This will not only enhance their competitiveness but also contribute to more sustainable economic development at the global level (Ali & Awan, 2020).

The Relevance of the Sharia Economic System

The sharia economic system has significant relevance in the context of international trade today, especially in addressing global inequality. Sharia principles, such as social justice, prohibition of usury, and business ethics, can serve as a foundation for creating a more equitable trading system. According to a study conducted by Bashir and Khamis (2021), the application of Sharia principles in trade can help reduce the gap between developed and developing countries.

One of the great potentials of the Islamic economic system is its ability to correct global inequality through halal products. The global halal market is estimated to reach a value of USD 3 trillion by 2024, with rapid growth in the food, cosmetics, and fashion sectors (World Bank, 2023). Muslim countries, with their large populations and high demand for halal products, have a great opportunity to take advantage of this market. By improving the quality of halal products and expanding distribution networks, these countries can increase their competitiveness in the global market.

In addition, the implementation of Islamic trade finance, such as sukuk and sharia L/C, can also provide more inclusive financing alternatives. According to Mohammed and Rahman (2018), Islamic trade finance can help developing countries gain better access to finance, which in turn can increase investment and international trade. For example, sukuk issued for infrastructure projects in Muslim countries can attract global investors seeking financial instruments that comply with Sharia principles. The implementation of the Sharia economic system can also create more sustainable business models. By prioritizing ethics and social responsibility in business practices, Muslim countries can attract consumers who are increasingly concerned about sustainability issues. This aligns with the global trend toward more responsible and sustainable consumption (Syed, 2019).

Overall, the relevance of the Islamic economic system in international trade is very important. By utilizing their existing potential, Muslim countries can not only increase their competitiveness, but also contribute to the creation of fairer and more sustainable trade at the global level. The implementation of Islamic principles can be the key to opening up new opportunities in an increasingly competitive international market (Iqbal & Mirakhor, 2017).

Comparative Analysis

When analyzing the comparison between sharia and conventional trade, it is important to consider the practical aspects that influence both systems. One aspect that is often compared is the use of sharia Letters of Credit (L/C) and conventional L/C. Sharia L/C operates based on sharia principles, which require clarity and transparency in every transaction. Meanwhile, conventional L/C is often caught up in practices of usury and speculation that are not in accordance with sharia principles (Rahman & Zainuddin, 2020).

Data shows that the use of Sharia L/C is increasing, especially in Muslim countries. According to a report from the Islamic Finance Research Journal (2023), the volume of transactions using Sharia L/C has increased by 25% in the last five years. This shows that more and more businesses are realizing the benefits of a financing system that complies with Sharia principles. On the other hand, conventional L/Cs still dominate the market, but the challenges faced by this system, including credit risk and uncertainty, have led many businesses to seek safer alternatives. For example, in international trade practices, the use of Sharia L/C can reduce risks for exporters and importers. In Sharia L/C, there is a guarantee that transactions will be conducted in accordance with the agreed terms, thereby reducing the likelihood of disputes in the future. This differs from conventional L/C, which often faces higher legal issues and uncertainties (Sadiq, 2021).

Furthermore, a comparison between the two systems can also be seen from the transaction cost perspective. Although Sharia L/C may have slightly higher costs than conventional L/C, many businesses are willing to pay more to obtain certainty and security in their transactions. This shows that the added value offered by Sharia L/C can be more valuable than the costs incurred (Khan, 2021).

Thus, a comparison between sharia and conventional trade shows that although conventional L/Cs still dominate, there is great potential for the sharia trading system to grow. With increasing awareness of the importance of ethics and sustainability in business, the sharia economic system can offer a better alternative for business actors in the global market (Zaman & Ali, 2019).

Limitations of Implementation

Although the Islamic economic system offers great potential in international trade, there are several limitations that need to be overcome to ensure its effective implementation. One of the main obstacles is regulations that do not fully support the development of the Islamic economy in various countries. Many countries still have unclear legal frameworks regarding Islamic financial products and services, which can hinder the growth of this industry (Hassan & Lewis, 2019). In addition, Islamic literacy among business people and consumers is also a challenge. According to research by Mansoori and Khatibi (2020), many business people do not fully understand Islamic principles and how to apply them in daily business practices. This lack of understanding can lead to errors in the implementation of Sharia-compliant transactions, which in turn can harm all parties involved.

Cross-border halal standards also pose a barrier to sharia-based international trade. Different countries have different halal standards, which can make it difficult for exporters to meet the requirements of their target markets. This creates uncertainty and increases costs for businesses seeking to enter global markets (Judijanto & Juniansyah, 2024). For example, halal certification in European countries often requires a more rigorous process than in Muslim countries, which can prevent halal products from developing countries from competing in those markets.

Furthermore, the challenges of globalization and increasingly fierce competition can also affect the implementation of the Islamic economic system. Muslim countries must compete with non-Muslim countries that have more established and integrated economic systems. In this context, Muslim countries need to innovate and collaborate to strengthen their position in the global market (Sulaiman, 2020).

Overall, despite various limitations in the implementation of the Islamic economic system, there are many opportunities that can be exploited. By overcoming these obstacles and increasing understanding of Islamic principles, Muslim countries can create a more equitable and sustainable trading system at the global level (Tariq, 2020).

CONCLUSIONS

The ever-evolving dynamics of international trade require innovative and inclusive approaches, with the Islamic economic system offering relevant solutions in a global context. In recent years, the growth of the Islamic economic sector, including halal trade, has shown significant potential. Data from UNCTAD indicates that the global halal trade value is projected to reach USD 2.3 trillion by 2024, reflecting increased demand for products and services aligned with Islamic principles (UNCTAD, 2023). Thus, the Islamic economic system not only contributes to fairness and balance in global trade but also opens new opportunities for countries that adopt these principles..

The Islamic economic system focuses on social justice and ethics in transactions, which aligns with the goals of sustainable development (SDGs). Principles such as the prohibition of riba (interest), gharar (uncertainty), and maysir (gambling) form the foundation for creating a more fair and transparent trading environment. In this regard, research by Khan and Bhatti (2020) shows that countries that implement Islamic banking systems tend to have more stable and inclusive economic growth, which in turn contributes to the welfare of society.

Furthermore, the relevance of the Islamic economic system in international trade is also evident from the increasing cooperation between Muslim and non-Muslim countries. For example, countries such as Malaysia and Indonesia have successfully positioned themselves as global halal trade centers, attracting investment and trading partners from around the world (Ali & Awan, 2020). This initiative not only increases trade between countries but also strengthens diplomatic and economic relations.

However, challenges remain, such as a lack of understanding and application of Islamic principles among global business actors. Therefore, it is important to increase literacy about Islamic economics at the international level. According to Rachmawati and Sari (2021), proper education and training can help business actors understand the benefits of this system and how to apply it in the context of international trade. Overall, the Islamic economic system has the potential to be a key driver in creating fairer and more sustainable trade in the global market. With the support of appropriate policies and collaboration between countries, this system can make a significant contribution to global economic welfare.

RECOMMENDATIONS

For foreign trade policymakers, it is recommended to integrate sharia economic principles into existing trade policies. This can be done by drafting regulations that support halal trade and facilitate market access for sharia-compliant products. According to Wahab (2021), policies that support the development of the halal industry can increase the competitiveness of local products in the international market. Furthermore, the development of cross-border halal trade regulations is crucial. Cooperation among countries in setting standards and certification for halal products can help reduce trade barriers. For example, the ASEAN initiative to develop joint halal certification guidelines can serve as a good model for other countries to follow (Sulaiman, 2020). With clear regulations in place, businesses will be more confident in investing and trading in international markets.

In addition, strengthening sharia-based economic diplomacy needs to be a key focus. Muslim countries must enhance cooperation in the economic and trade sectors and build a more solid network to promote halal products. According to Zaman and Ali (2019), this collaboration will not only increase trade volume but also strengthen the position of Muslim countries on the global stage. In this context, it is important to involve the private sector and civil society in the policy development process. Business actors must be involved in discussions on trade regulations and policies to ensure that the resulting policies can meet the needs and challenges faced by the halal industry. This is in line with the inclusive approach promoted by the sharia economic system.

Finally, education and training on Islamic economics must be strengthened at all levels. Training programs designed to improve understanding of Islamic economics can help create a generation of business people who are better prepared to face global challenges. Thus, the Islamic economic system can contribute maximally to the dynamics of international trade and create more equitable prosperity throughout the world.

FURTHER STUDY

This study still has limitations, so further research is needed on the topic of The Dynamics of International Trade and the Relevance of the Sharia Economic System in order to refine this study and broaden the knowledge of readers and writers.

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