ISLAMIC PERSPECTIVE ON THE COMPETITION LAW AND POLICY

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ABSTRACT

Islam is neither simply a religion nor a mere ideological vision. It is a practical system of life and balance between human bodily requirements, spirit and reason. Islam is a comprehensive religion and it covers shariah, akhlak, muamalat and aqidah. This article focuses on the area of muamalat specifically to the competition law and policy from the Islamic point of view. It is very interesting to explore the syariah view on the subject particularly through the principle of public interest or maslahah, the concept of blocking the means to an evil deed or sdd al-dharai, the concept of abuse of rights or wrongful exercise of rights or su isti’mal al-haq, the concept of objectives of shariah or maqasid shariah and tawheedic approach. Islam prohibits transactions which involve unfair competition such as hoarding and prohibition of all types monopolies. This article emphasizes on the Islamic law principle to the competition law and policy with reference to the al-Quran, al-Sunnah, qawaidh fiqh and other sources of Islamic law.

1.0 INTRODUCTION

Islam is a practical system of life and it provides guidance for all walks of life individual, economic, moral, politics and including intellectual property right. As a comprehensive religion (syumul) Islam covers all aspects of life and it includes shariah, akhlak, and aqidah.

The objective of shariah is to protect five main values to the human being namely religion, aqal, nasab, property and life. Islam protects those values in order to uphold justice amongst mankind. Unfair treatment to other person is prohibited in Islam. Hence, in discussing the issue of unfair treatment, the writer discusses an Islamic perspective on the competition law and policy. During the time of the prophet Ahlaf and Fudul were established by group of wealthy merchants in which the objectives to protect the business monopoly and to maintain virtues, protect poor and needy. Islam has already laid down principles on competition as Islam rejected total monopoly in the system of economy.

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It is universally affirmed that such act is against human right, dictum and principle of morality, ethic and in Islam such act is against divine revelations as proscribed in the *al-Quran* and *al-Sunnah*. The basic premise of the competition law and policy is to promote fair trade, healthy competition and ultimately consumer welfare in the market. Islam is the way of life and if there is no such law on competition, the economic situation may become worse and the problem of corruption, hoarding and cheating will increase. This condemnation is not only to ensure the effectiveness of economic administration but also as a basis to form a just and fair society in the light of Islamic teaching.

In order to examine and describe this preceding discussion, this article will briefly explain the general overview of the competition law and policy and then discuss the Islamic perspective on the competition law and policy. There will be an analysis on certain prohibited transactions in Islamic law relating with the unfair competition such as hoarding, prohibition of all types monopolies, sale by a city dweller to a desert dweller, meeting merchants from neighboring village and towns and overbidding in others people’s sales. This article is intended to provide general overview of the Islamic perspective on the competition law and policy.

### 2.0 COMPETITION LAW

The competition law and policy refer to the rules or regulations in promoting health and fair-trading in the market through the legal mechanism. The rationale for such law and policy is to enable right holders to secure economic remuneration for his endeavor in creating useful products and knowledge, creativity and technology. The competition law and policy will protect consumer welfare in the market\(^2\). If there is no such law regulating competition in the common market it will lead to so many problems into the economy and the society as a whole.

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The objective of the competition law and policy can be illustrated by referring to the European Commission report which reads as follows: “An effective competition policy is the sole means of making the most of the potential offered by the completion of the larger market and thus, by increasing competitive pressure, of producing a more competitive Community economy. More competition will also strengthen the position of European industry in both world and domestic markets. Without such a policy, there is the risk that Community consumers would be unable to enjoy the promised benefits of a larger integrated market”.3

The example of competition law is intellectual property rights. Intellectual property law gives the right holders a complete control over further reproduction, commercialization and distribution of his intellectual products in order to encourage progress in the art and science for the benefit of the public, to secure a fair return for creators of works so as to ensure continued creativity and protection of expression of idea.

Another example is law of unfair competition. Unfair competition takes many forms either in passing off, pirating, false advertising and refusal to license. Passing off occurs when a competitor’s trade name, trade dress or trademark is fraudulently imitated in an attempt to foist off another’s product or service4. Trading on goodwill and reputation of a competitor is known as pirating. False Advertising refers to one who diverts from competitor by fraudulently representing that the goods, which he markets, have ingredients or qualities, which in fact they do not have. Refusal to license refers to the rejection of the authority to certain company if it would result in anti-competitive effects5.

There are various legislations on the competition laws around the world. In United States of America, the competition law has been implemented since Sherman Act of

5 AB Volvo V Erik Veng (UK) Ltd (1988) ECR 621. In this case an obligation imposed upon the proprietor of a protected design to grant to third parties. A license for the supply of products incorporating the design would lead to the proprietor being deprived of the substance of his exclusive right. The refusal to grant license is not an abuse of a dominant position.
1890 known as antitrust law. Besides, there were Unfair Practices and Import Trade Act and Lanham Act 1946. Unfair Practices and Import Trade Act refers to the regulations on unfair method of competition and unfair acts in the importation of articles into the USA and Lanham Act 1946 enable a person to take civil action against anybody who infringes the trademark regulation.

In United Kingdom the statutes related with the law of competition are Monopolies and Restrictive Practices (Inquiry and Control) Act 1948, Restrictive Trade Practices Act 1956, Resale Prices Act 1964, Monopolies and Mergers Act 1956, Restrictive Trade Practices 1976 and the Competition Act 1980. In Europe the Treaty of Paris was signed in 1951, which proscribed anti competitive agreements between undertaking and abuse of a dominant position. The Roman Treaty establishing EEC was signed in Rome in 25th March 1957 whereby European Economic Community then passed the EC Competition law.

In Malaysia, there is no comprehensive legislative framework where license and the commercial activities of the intellectual property rights are scrutinized except in the case of joint ventures and technology transfer agreement with foreign investor, which is controlled by the Ministry of International Trade and Industry\(^6\). The recent tendency shows that there is strong legal emphasize on the competition law and policy in the communication and financial sector. At the moment, the relevant statutes governing the law of competition are Patent Act 1977 and Communication and Multimdia Act 1998.

### 3.0 ISLAMIC PERSPECTIVE

General principle in Islam is as enshrined in *al-Quran* and *al-Sunnah*. There are Islamic fundamentals and principles that will direct and organize the economic activities of individuals. It concerns with the process of solving the variable problems of the society. In *surah Hud* verse 6 Allah says: *Islam concerns on man’s living and his livelihood*. This verse laid down that there is prohibition to accumulate wealth in

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\(^6\) Supra note 2 p. 30.
the hands of the few though they may be discrimination in riches and wealth. Whatever deals justice should be observed and established in society. Justice involves equality of all men before the law, equality in exercise of basic human and social rights.

The Islamic Law provides the believers with the modes of life, which they should follow in all matters pertaining to man’s duties to God and to his fellow beings. Law is respected if its objective is fulfilled. The objective is to live in peace and be kind to the creatures of God as the prophet reminded us to respect the law of God and be merciful to the people of God.

If there is no such law or policy on competition in Islam the economic situation become worse and the problem of corruption and unhealthy economic activities will increase drastically. Islam really condemned these practices and this condemnation is not only to ensure the effectiveness of economic administration but also as a basis to form a just and fair society in the light of Islamic teaching. In discussing the Islamic law perspective on the competition law and policy, we may refer to the several basic Islamic principles that can be applied in promoting fair-trading and healthy competition. The scope of the discussion on the subject will confine to the doctrine of maslahah, sadd zarai’, su isti‘mal al-haq, maqasid syariah, gawaid fiqh and tawheedic approach.

### 3.1 Maslahah

Literally *maslahah* means benefit or interest. Technically it refers to the need to balance between private interests and the larger public interest, which is harmonious with the (*maqasid*) objectives of the shariah. It applies to either right of Allah or mankind with the purpose of protecting the two rights. The right of mankind encompasses both society and individual rights. Public interest is very important to be protected in Islam. It is a fact that the public interest intends to preserve objective of law. Such preservation is known as *maslahah* and failure to preserve is *mafsadah*.

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As an illustration for the principle of *maslahah* relating with the competition law and policy, we may refer to the principle of *tasi’ir* or price regulation. For example, regulation introduced by the Ministry of Internal Affairs and Domestic Trade in prohibiting traders to sell sugar, rice, chicken and meat at the high price over the ceiling and in preventing monopoly in the market. The traders who have violated the law will be penalized in monetary means. Such law is to protect public from facing inflation, which may cause difficulties and harm to them. This matter promotes the *maslahah*. If there is no such law it will cause inflation and the traders will fix the price whenever they want and to maximize their profit without considering interest of the public.

Another example that can be found in the traditional *fiqh* book is that sale by a city dweller to a desert dweller. A city dweller is someone who is knowledgeable of real market prices while a desert dweller is likely to be ignorant of these prices. It was common practice in pre Islamic times that city merchants would go to the outskirts to meet desert dwellers coming into the city to sell their products and buy their needs. City merchants would take advantage of the ignorance of these people and buy their goods at low price or sell the goods at unfairly high prices. The prophet interdicted this kind of sale in his statement. “A city dweller should not sell things. To a dessert dweller, leave people to obtain their livelihood from each other by the grace of God”.

The point behind interdicting this sale is safeguarding the interest of the Muslim community.

As a comparison to the recent competition law, we may refer to the article 85 (1) of the Treaty of Rome. This provision prohibits trading which is incompatible with the common market agreement competition within the common market and which may affect trade between member states and these include agreement to fix prices, to limit production, markets or technical developments, to share markets, to apply dissimilar conditions to equivalent transactions and to make the conclusion of contracts subject

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to acceptance by other parties of supplementary obligations with no connection with the contract.

The above comparison between the principle of maslahah and the recent competition law evidences the comprehensiveness of Islamic law particularly in commercial dealings. The implementation and enforcement of the competition law are in tandem with the principle of maslahah ie to maintain and preserve public interest. Based on this principle, it is clearly showed that the competition law and policy is not only allowed but in fact it is encouraged and recommended by Islam.

3.2 Sadd Al-Dharai’

Islam also rejected any kind of unfair competition through the concept of blocking the means to an evil deed (sadd al-dharai)\textsuperscript{10}. Islamic law approves certain conducts and prohibits certain things on the competition based on their benefit and harms to the society. There are several legal maxims on the matter. (i) any harm which occurs need be redressed. (ii) what is perceived as greater harm should be avoided even if resulting in inconsequential minor harm. (iii) general or unspecified harm should be given priority to specific harm. (iv) the avoidance of harm takes precedence over the promotion of interest. (v) during emergency normal rules of legality are waived and resort to unlawful acts are allowed.

The basis for the assessment of blocking means is to examine the consequences of actions and what they lead to as a whole. If they lead towards benefits, they are desirable commensurate with how appropriate they are to the quest for these goals, even if they are not the same as it in the goal. If their consequences are directed towards evils, they are forbidden as corresponds to the prohibition of these evils, even if the amount of prohibition is less in the means\textsuperscript{11}.

The principle of sadd al-dharai’ can be seen from the Prophet prohibition on monopoly or ihtikar\textsuperscript{12}. Ihtikar means a single person or company being the only

\textsuperscript{10} Supra note 7 p. 311.
producer of a commodity either goods or service of which there is no close substitute available in the market. This prohibition can be seen by referring to one hadith where Prophet has reminded us that Allah will curse a person who monopolise others. In another hadith reported by al-Tirmidhi, Prophet declared that: *He who monopolizes is not but a wrongdoer*"\(^\text{13}\).

Another example is concealment or hoarding of the property or *iktinaz\(^\text{14}\). Iktinaz* refers to the case where shortages are created by holding large stocks of goods in warehouses and withholding them from sale. The motive is that to keep supply less than the demand and to profiteer by this situation. Trader who can afford to block large sums of capital normally does this activity. In hadith narrated by Ibnu Majah Prophet said: “*He is a criminal who hoards grain to sell it at higher price*”. In another hadith he said: “*He also keeps back grain from sale for forty days only to sell it at higher prices, sale it that such a man is not aware of the existence of God or that God has cut himself off from him*”\(^\text{15}\). Second caliph, Umar Ibn Al-Khattab imposed the additional amount of the monetary payments paid by the offender of the victim. The decision by Saidina Umar to impose penalty to the person who concealed the property showed that Islam always prevents any kind of deeds, which will lead to unfair competition such as economic crisis and inflation.

As a comparison, we may refer to the Article 86 of the Treaty of Rome. This provision regulates individual behavior by companies and individuals who have a dominant position is abused such as by imposing unfair prices, limiting production or technical development, applying dissimilar conditions to equivalent transactions and making the conclusion of contracts subject to the acceptance of supplementary obligations.

The principle of *sadd al-dharai’* is one of the justifications for the recognition of the law of competition in Islam. The implementation of the competition law and policy is actually to prevent real harm to the community. If there is no law to regulate the

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\(^{13}\) Al-Tirmidhi. Sahih Vol. VI p. 23 in Supra note 1 p. 25.

\(^{14}\) Supra note 1 p. 23

behavior of the community especially to the businessman and traders, great harm and damages to the society could possibly be invoked. In fact, *sadd al-Dharai’* is actually in line with the mundane idiom “prevention is better than cure”.

### 3.3 *Su Isti’mal Al-Haq*

Islam also promotes the concept of *su isti’mal al-haq*, which means prohibition of any exercise of rights that lead to the infliction of real harm to others. Islam discourages and condemns any act of abusing of rights. It is against the principle of Islamic justice, if someone monopolizes some business whereas the other traders are suffered because of it. *Al-Khafif, Hanafi* scholar refers *su isti’mal al-haq* as to the cases where the exercise of the rights itself per se valid and lawful but may cause harm and damage to others\(^\text{16}\).

All legal rights or *haq* are not absolute in nature. Human being is the best creature in this universe and Allah has chosen human being to administer this world accordingly. In order to lead this world, man has to have a strong belief by following all the commandments and prevent himself from committing any sinful acts. In Islam, even though property is allowed to be privately owned it is to be considered as trust from God because everything in the earth belong to God and man only enjoys the right of ownership only as a trust. When the wealth is owned as trust for God, the men are bound by moral values of Islam including avoiding any kind of monopoly and unhealthy competition.

As an illustration we may refer to the Prophet’s advice to his companion on the issue of meeting merchants from neighboring village and towns\(^\text{17}\). This activity referred to where a city merchant met the merchants in the outskirts of the city and bought their merchandise for unfairly low prices. The Prophet interdicted such sale in his statements: “*Do not go out to meet riders (merchant from villages) and a city dweller should not sell things to a desert dweller*. This kind of sale is illegal if there is no choice given to the seller to cancel the transaction if he finds that he has been

\(^{16}\) Supra note 2 p. 33.

wronged or treated unfairly after knowing the real market price of his merchandise. The prophet says the owner of the goods has the choice to cancel the transaction when he comes to the market place. The objective of the Prophet policy on this matter is to guarantee fair economic dealings.

By referring to the competition law, Patent Act 1977 for example provides the rules on the restrictive covenant in order to avoid abusing of rights. If there is element of unfair competition or someone impose upon licensee, in the industrial or commercial field, restrictions not derived from the rights conferred by patent law on the owner of the patent or unnecessary for the safeguarding of such rights in any clauses of the agreement, such clause is considered as invalid and unenforceable.

Based on the above facts, it is important to note that if each person in this world understand and implement the concept of *su isti’mal al-haq*, surely there will be no more problems of economic injustice, pirating, fraudulent, criminal breach of trust and so on and so forth. This concept is actually has been adopted in the implementation of the competition law and policy nowadays. The rules and regulation on the area of competition promotes the concept of *su isti’mal al-haq*.

### 3.4 **Maqasid Shariah**

*Maqasid Shariah* refers to the protection of the five interests of the Muslim, i.e. *al-din* (Islamic religion), *al-nafs* (soul), *al-‘aql* (mind), *al-nasl* (descendants), and *al-mal* (property). Islam guarantees justice so that everyone gets his due for his contribution to society and that there is no exploitation of one individual by another. The al-Quran urges us to do justice in everything as Allah says in *surah al-Shua’ra’* verse 18: “*Withhold not things justly due to others*”. Allah says implying thereby that every individual must get what is really due to him and not by depriving others of their share. The Prophet himself reminded us that beware of injustice for injustice will be equivalent to darkness on the Day of Judgment. By referring to the competition law, Islam totally rejected any unfair practice such as unhealthy competition.
The spirit of *maqasid shariah* may be illustrated by referring to the principle in overbidding in others people’s sales. The Prophet interdicted this practice as he said that one of you should not make offers over his brother’s transaction. This activity refers to where the sale transaction is in the stage of choice and there was a seller and the buyer that have agreed on a specific price. Third person comes and outbids the buyer with the different price altogether. Narrated by Muslim Prophet said: “*Do not envy one another; do not inflate prices by overbidding against one another; do not hate one another; do not harbor malice against one another; and do not enter into commercial transaction when others have entered into that (transaction); but be you, O slaves of Allah, as brothers. A Muslim is the brother of another Muslim; he neither oppresses him nor does he look down upon him, nor does he humiliate him. Piety is here, (and he pointed to his chest three times). It is enough evil for a Muslim to hold his brother Muslim in contempt. All things of a Muslim are inviolable for his brother-in-faith: his blood, his property and his honor.*” In this *hadith*, the Prophet laid down a policy and guideline in promoting health competition at that time.

Therefore, the law of competition is clearly in line with the principle of *maqasid syariah* as enshrined in *al-Quran* and *al-Sunnah*. This principle derives from the spirit of the textual injunctions of the *al-Quran* and *al-Sunnah* and guarantees the protection of the five interests of the Muslims i.e. Islamic religion, soul, mind, and descendents and particularly to the property.

### 3.5 Legal Maxim (*Qawaid Fiqhiah*)

*Qawaid fighiah* (legal maxim) is the basic guidelines for Muslim in determining certain issues. The originality of the *qawaid fighiah* is from the spirit and understanding of *al-Quran*. There are few relevant legal maxims related with the competition law and policy. For example *al dharar yuzal* or any harm, which occurs, need be redressed\(^\text{18}\). *Yatahammalal dharar al khafif li daf I al dhararal ashadd* or what is perceived as greater harm should be avoided even if resulting in inconsequential harm\(^\text{19}\). *Taqdim al maslahah al ammah ala almaslahah al khassah* or

\(^{19}\) Ibid p. 384
general or unspecified harm should be given priority to specific harm\textsuperscript{20}. \textit{Dafi al mafasid muqaddimun alal jalb al masalih} or the avoidance of harm takes precedence over the promotion of interest\textsuperscript{21}. \textit{Al dharurat tubihul mahzurat} or normal rules of legality are waived and resort to unlawful act is allowed\textsuperscript{22}.

The above famous legal maxims are the basis for the legality and the permissibility to legislate and implement the law and policy of competition. The said legal maxims provide us with clear guidelines for the enforcement of competition law and policy with strong emphasizes on the need to measure relative benefits and ill consequences at all times. The objective of the competition law and policy to promote fair and just market competition is actually in accordance with the guidelines stipulated under the \textit{qawaid fiqh}.

3.6 Tawheedic Approach

\textit{Tawheedic} approach is a philosophic foundation and added value to every muslim in preserving what Allah commands and what He forbids. It means God’s unity and sovereignty or faith of Allah. Allah is our creator of this universe and all creatures\textsuperscript{23}. Therefore, as His servants in this world, we subject to His laws, and undoubtely, we must submit our life wholeheartedly to Him alone.

In this \textit{tawheedic} approach, we have to understand the \textit{khilafah} principle, which can be defined as a man’s role as God’s vicegerent on earth. Islam provides a solution to any problem, which is very much appropriate, and effective to the community regardless of races, religions and culture. As \textit{khilafah} we are obligated to motivate every member in society towards piety (\textit{taqwa}) to remind them against falsehood, upright the truth and support the oppressed people to against the cruelty\textsuperscript{24}.

\textsuperscript{20} \textit{Ibid} p. 236-244
\textsuperscript{21} \textit{Ibid}.
\textsuperscript{22} Supra note 11 pp. 378-385.
To sum up, the *tawheedic* approach is spiritual approach whereby it promotes every person to have mutual cooperation in terms of fulfilling social needs, economic and etc. With this understanding, any unfair competition amongst individual or company can be avoided and therefore will further extend the development of economy. In Islam, the implementation of the competition law and policy is an added value beside belief to Allah in guaranteeing social economic justice.

### 4.0 CONCLUSION

As a conclusion therefore, Islam provides clear guidelines and principles on the competition law and policy. Islam emphasizes on the physical and spiritual aspects in maintaining justice and peace amongst human being as stipulated in *al-Quran* and *al-Sunnah*.

Shariah views the competition law and policy as recommendable and should be invoked in the administration of justice especially in the field of economy and commerce. This submission is supported through the doctrine of public interest, the concept of blocking the means to an evil deed, the concept of abuse of rights or wrongful exercise of rights, the principles of all legal rights are not absolute in nature and the concept of objectives of the shariah.

In spiritual aspects, Islam adds further values for the human being to maintain its rationality through *tawheedic* approach. Being exiled from the Heaven and being alienated from Allah does not mean that we are not eligible to return back there anymore. Therefore, we need to face the otherness of history, which is the elements, forces, and obstacles that always intervene and hinder us from being in the heaven.

The problem of unfair competition actually will be eradicated totally if the heart of businessman and consumers are showed by the *nur* (light) of *iman* (belief). Muslims are able to take a positive measure to avoid unfair competition if they take into account the teaching of Islam and abstain from the prohibition of Allah towards conspicuous consumption wastage deception accumulation of wealth through
prohibited means. Islam offers firm basis guidelines for the just and fair system of the competition law, which is benefited to all human beings regardless of religions, races and castes.

REFERENCE


