INTERNATIONAL BUSINESS TRANSACTIONS WITH THE CALIPHATE STATE

MOSA'B HAWAREY

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The first scholarly business management work published as an academic dissertation in the entire world that focuses on how an inevitably-to-be-restored 21st-century Caliphate State would deal with international entities when it comes to business transactions

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PREFACE

The significance of the Caliphate State is made clear by its arguable definition 'Caliphate is the general presidency of all Moslems in the world; to execute the rules of Islamic Sharia and to carry the Islamic Call to the world' (An-Nabhani, 2003:14), and its description 'Thus, (the caliphate) in reality substitutes for the Lawgiver' [Prophet Mohammed] 'in as much as it serves, like him, to protect the religion and to exercise (political) leadership of the world' (Ibn Khaldun, 1980:388), yet such entity has ceased to exist since 1924. There seems to be overwhelming evidences and indications, on the other hand, that it will be restored. Once that takes place, the international business community will face a dilemma: there exists no scholarly business management work published as an academic dissertation or thesis in the entire world that focuses entirely on how such restored 21st-century Caliphate State would deal with international entities like the British government, Swiss banks, Chinese construction companies, German IT research laboratories, French universities, or Brazilian coffee farmers when it comes to business transactions; this book/dissertation is dedicated to this issue in specific.

In the absence of the political entity that plays the main role in this book/dissertation, Chapter 1 is designed to lay down the foundation by focusing on the evidences and indications that make up the constellation of theoretical and practical aspects that lead to the conclusion of the inevitability of the restoration of the Caliphate State. After that Chapter 2 proceeds to critically shed some light on the economic system and fiscal policy the yet-to-be-restored Caliphate State is expected to adopt. Chapter 3, on the other hand, inspects the principles such Caliphate State most probably will adopt and deploy to conduct business transactions with international entities. Finally, the book/dissertation is concluded with a short Epilogue that invites researchers, governments and thinktanks to further the research and open dialogue with pro-Caliphate scholars.

A highly-targeted questionnaire (Appendix 1) was conducted; only scholars who are well-known to be pro-Caliphate were contacted. Due to the rareness of such pool, the whole sample came out to be composed of four participants (Appendix 2). Hence, the questionnaire is regarded as a source of up-to-date opinions of pro-Caliphate Scholars and not as a single source of information to be relied upon.

'*The objective of strategic management*', according to Macmillan and Tampoe (2000:13), '*is to prepare an enterprise for future success—to conceive and secure the future of that enterprise*'. The topic of this book/dissertation, despite its rather eccentric and futuristic nature, would certainly serve to provide international entities with a preparatory scholarly reference to manage business transactions with the yet-to-be-restored Caliphate State. As a matter of fact; it might even serve as a scholarly reference to the officials of that Caliphate State, since the identity of those who will successfully re-establish it is still unknown despite the widespread claims by various organizations.

CHAPTER 1
International Business Transactions with the Caliphate State; Why?

Introduction

The Caliphate State does not exist nowadays. It came into existence in the year 632 upon the death of the prophet of Islam, and was abolished in Istanbul in 1924; since then it ceased to exist. The indications, however, that it will be restored are overwhelming on both fronts: theoretical and practical. Numerous top senior governmental officials (e.g. George W. Bush, Tony Blair, Nicolas Sarkozy, Vladimir Putin) talked about that possibility, and many thinktanks (e.g. The RAND Corporation, The Nixon Center, The Heritage Foundation) have already been publishing about the issue for many years. This Chapter is dedicated to critically inspect the viability of the scenario of Caliphate State restoration.

The State Definition

The concept of State is so central to this book/dissertation that a definition must be set. State has been defined in different manners. Tilly (1985:170) argues that national States are:

> Relatively centralized, differentiated organizations the officials of which more or less successfully claim control over the chief concentrated means of violence within a population inhabiting a large, contiguous territory.

Whaites (2008:4) suggests that organizing a society within a defined territory has been dominated by the model of State, and that the visible embodiment of this model is nothing but the structures: ministries, agencies and forces that have been ‘created to act on the instructions of the individuals who have gained political decision making power (governments)’. On the other hand, Migdal (1994:16) defines the State by applying anthropology to it; breaking it down into four levels: trenches, dispersed field offices, agency's central offices, and commanding heights. An-Nabhani (1963:6) follows a different path by defining the State as an ‘executive entity of the collection of concepts, measures and convictions that is accepted by a group of people’. Rueschemeyer & Evans (1985:46-47) define the State as:

> A set of organizations invested with the authority to make binding decisions for people and organizations juridically located in a particular territory and to implement these decisions using, if necessary, force.

Mann (1986:26) suggests that the State is nothing but the power organization that is involved in ‘centralized, institutionalized, territorialized regulation of many aspects of social relations’. King (1986:30), on the other hand, regards the State as:

> A more impersonal and public system of rule over territorially circumscribed societies, exercised through a complex set of institutional arrangements and offices, which is distinguished from the largely localised and particularistic forms of power which preceded it.

To add to all that, the United Nations (1996:522) states that:

> Under international law, a state is an entity that has a defined territory and a permanent population, under the control of its own government, and that engages in, or has the capacity to engage in, formal relations with other such entities.

As a matter of fact, this definition of the UN is an adaptation from Article 1 of Montevideo Convention signed at the International Conference of American States (1933), which says:

> The state as a person of international law should possess the following qualifications:
> a) a permanent population;
> b) a defined territory;
> c) government; and
> d) capacity to enter into relations with the other states.

Critically analyzing these arguments and statements, it is noticed that some of them tend to describe the State rather than defining it; by giving too much emphasis to the structures that symbolize the State (i.e. Migdal and Whaites). While another approach gives too much emphasis to the authority to use power (i.e. Tilly and Rueschemeyer & Evans), a third approach totally disregards the territorial dimension of the State in contrast to everyone else (i.e. An-Nabhani) and gives all its emphasis to the intellectual dimension, which actually makes the definition rather for an ideological State not a national one. King, on the other hand, has been the only one to consider having more than one society within a single State, while Mann founded his whole definition on social relations.

The UN definition, and for all practical purposes the Montevideo Convention's too, is the one accepted to have legal legitimacy in the international arena nowadays. For this purpose, more attention is paid to it. Ironically, this definition uses an attribute that can only be a consequence of the very existence of the State to define it with, and at the same time it keeps it very loose. In other words, it regards the capacity to engage in formal relations with other such entities a characteristic needed to qualify an entity as a State; if this is true then what legitimizes that entity's engagement in such relations to begin with? Presumably being a State. So, how can it become a State using an attribute that it would only be labeled with if it were State to begin with?! Furthermore, the definition lacks any disciplined standardization of the meaning of the term "capacity"; hence it is left to the discretion of other entities that would like to engage in such formal relations. Strangely enough, those other entities will be regarded as States using the same definition; hence this State definition under international law sets a biased foundation of the recognition of States.

For example, and according to this definition, if the permanent residents of Texas State in the US decide to gain independence, then all they need to do is to get other States engaging in formal relations with them, as their independent State of Texas already has permanent population, defined territory, and a government. So, if the same goes for the permanent residents of California State and the independent State of California decides that the independent State of Texas has the capacity to engage with it in formal relations and vice versa, then the US Federal Administration will be regarded a foreign occupational State that must withdraw its forces from the territories of these two independent States of Texas and California according to international law. The fact that the US Federal Administration would regard both States with no capacity to engage in formal relations is only relevant to that Administration. The fault in the international law's definition is so staggering, as the reality clearly says that such new entities would not be legitimate independent States. If the lack of standardization of permanent population (e.g. Is 100 enough?) and defined territory (e.g. Is 100 m2 enough?) is added to that, and if it is kept in mind that such definition might prove true to more primitive forms of organization like tribes, it would become even clearer that such State definition is troublesome to international relations. Hence, and despite the fact that it is counter-intuitive: the definition of the State that is adopted nowadays as part of the international law is rejected in this book/dissertation.

The US Central Intelligence Agency in its World Factbook (2009) describes Holy See (Vatican City) as the smallest State in the World with an area of 0.44 km2 and population of 826 inhabitants. It is an enclave of the capital city of Italy, which is also responsible for its defense while it has only Pontifical Swiss Guards for limited security duties and ceremonials. The same goes for Monaco, which is described as the World's second-smallest independent State with an area of 2 km2 and population less than 35,000 inhabitants; its defense is completely the responsibility of France. These two examples make it clear that State in nowadays world is whatever other States recognize as such even if it has no means to defend itself on its own, the only soldiers it has are citizens of another State who mainly conduct ceremonials, its area is smaller than a mall, and its inhabitants are less that the residents in a high-rise building. While this brings to the attention the fact that State is currently defined in totally subjective manner, which is a fact further cemented by the State definition under international law, the State must be defined in rather objective and realistic manner for the sake of this book/dissertation. The methodological approach to reach such definition is composed of 5 consecutive factors:

1. It must exist on a territory;
2. It must have inhabitants;
3. Its territory must be able to support the life of its inhabitants;
4. It must be able to defend its territory and inhabitants;
5. It is differentiable from the mass of people that inhabits its territory.

The first factor is a natural necessity, and it invalidates the concept of State-in-Exile. Such piece of land, if not occupied by people, is not subject to Statehood thinking; the second factor is the only way to get the fundamental existence of the State materialized on the first factor. For the territory to have relevant significance to the people it must be able to support their existence, otherwise they would move to another territory; the significance of the third factor is a natural mixture of the first two. For the State to exist it must possess means to defend itself against any outsider intrusions; factor four invalidates the concept of Puppet State, which is defined by Crawford (cited in McNeely, 1995:61) as a ‘nominal sovereign under effective foreign control’. Otherwise the State would only exist because it is allowed to by foreign powers, and this would invalidate the objectivity of the definition. The State is some form of authority over the people who live on its territory; the fifth factor simply draws the line between the State and the Society. Based on that a State is defined as **the authority that emanates from a group of individuals who lives on a**

territory that can support its (the group's) existence, which is capable of defending its (the authority's) territory and the inhabitants living on it against any outsider intrusion.[1] It is noticeable, on the other hand, that State's conformity to the will of the inhabitants in the way it organizes their various affairs would assure internal harmony and solidify its legitimacy. However, defining the State within such frame would invalidate the Statehood of dictatorships that have been able through history to impose their authorities upon most of the known world, which is unrealistic. Hence, this attribute is not considered as part of the definition.

As a result of this definition, the following facts emerge:

- State cannot exist based on recognition by outsiders; it must possess self-originating characteristics that would qualify it as a State even if all outsiders (i.e. foreign powers) reject to recognize it as such;
- What is known as State-in-Exile and Puppet State are not States;
- A dictatorship, despite its repulsive nature, might qualify as a State.

The Realism of the Caliphate State

There has been very noticeable mentioning of the Caliphate State and its possible restoration by top senior officials all around the world. In her article in the New York Times, Elizabeth Bumiller (2005:1) states that:

> The word getting the workout from the nation's top guns these days is "caliphate" - the term for the seventh-century Islamic empire that spanned the Middle East, spread to Southwest Asia, North Africa and Spain, then ended with the Mongol sack of Baghdad in 1258. The term can also refer to other caliphates, including the one declared by the Ottoman Turks that ended in 1924.

Furthermore, she specifies in her article occasions where at-the-time US Vice President Dick Cheney, Secretary of Defense Donald H. Rumsfeld, Under Secretary of Defense for Policy Eric S. Edelman, National Security Adviser Stephen J. Hadley, and top commander in the Middle East Gen. John P. Abizaid mention the Caliphate State arguing that there exist people working on its restoration. Secretary Rumsfeld later on further emphasizes that in a radio interview on the Hugh Hewitt Show (US Department of Defense, 2006). The Washington Post (2006) reports a speech delivered by at-the-time US President George W. Bush where he states that 'they hope to establish a'…'political utopia across the Middle East, which they call caliphate, where all would be ruled according to their'…'ideology' [and] 'this caliphate would be' … [an] 'Islamic empire encompassing all current and former Muslim lands, stretching from Europe to North Africa, the Middle East and Southeast Asia'. President Bush later on further emphasizes that in his address at the 89th Annual National Convention of the American Legion (The White House, 2007). Similarly, at-the-time Director of US National Intelligence, John D. Negroponte, says that a certain group believes that its fight in Iraq against US forces is a step 'in the march toward a global caliphate, with the focus on Egypt, Syria, Jordan, Lebanon, Saudi Arabia, the Gulf states, and Israel' (Negroponte, 2006). Such huge attention by

[1] A research conducted by the author, which would be redundant for this book/dissertation, has revealed great disagreements in the English speaking world regarding the difference between "person" and "individual". Hence, the decision has been made to simply use the word "individual" in the definition of the State in simple indication of 'a person distinguished from others by a special quality' in consistency with (Yahoo! Answers, 2009:1).

top US officials to the efforts being spent by certain groups to restore the Caliphate State is highly justified in light of a report prepared by the US National Intelligence Council (2004:83) that mentions a 'Fictional Scenario: A New Caliphate' as a possible challenge to governance. Yet, such attention has not been limited to the US; rather, top officials from around the world have been attentive to the issue too:

- At-the-time the President and current Prime Minister of Russia, Vladimir Putin, says 'Islamic groups are planning to systematically'…'create a worldwide Caliphate' (Byelo, 2002);
- At-the-time UK Prime Minister, Tony Blair, says 'they demand'…'the establishment of'…'Sharia law in the Arab world en route to one caliphate of all Muslim nations' (BBC, 2005);
- Current French President, Nicolas Sarkozy, says 'confrontation is being called for by'…'groups' …'that dream of establishing a caliphate from Indonesia to Nigeria' (Presidency of the Republic, 2007);
- At-the-time UK Home Secretary, Charles Clarke, mentioned the issue in his speech to Washington DC-based the Heritage Foundation: 'there can be no negotiation about the re-creation of the Caliphate' (Home Office, 2005);

Similarly, various Western non-profit organizations have been studying the issue over the last few years:

- The RAND Corporation has researched the topic of Caliphate State in various monographs like (Pernin et al., 2008:33), (Chalk et al., 2009:69), and (Davis et al., 2009:84);
- The Nixon Center has researched the topic of Caliphate State in various publications like (Moldaliev, 2004), (Baran, 2004), and (Baran, 2006);
- The Heritage Foundation has researched the topic of Caliphate State in various publications like (Phillips, 2006), (Cohen, 2003) and (Cohen, 2005).

Apart from that, a lot of publications have been repeatedly appearing discussing the topic of the Caliphate State itself or the nature of the various groups that have been working on its restoration:

- Journalist, Nicola Smith (2009), writes how pro-Caliphate activists are trans-continental in their efforts to restore it:

  > British militants are pushing for the overthrow of the Pakistani state. Followers of … [a] fundamentalist group … have called for a "bloodless military coup" in Islamabad and the creation of the caliphate in which strict Islamic laws would be rigorously enforced;

- Harvard Law School Professor, Noah Feldman (2008:2), writes a whole book about the current rise of political Islam where he hints at the inevitability of the restoration of the Caliphate State:

  > The new Turkish government that eventually established itself on the Ottoman Empire's Anatolian rump declared itself secular and abolished the caliphate. In both symbolic and practical terms, the Islamic State died in 1924. Yet today, the Islamic State rides again [and] the trend is with them. In Muslim countries running the geographical span from Morocco to Indonesia, substantial majorities say that the Shari'a should be the source of law for their states;

- Journalist, Christopher Deliso (2007), writes a whole book about what might happen to Europe and the West if a Caliphate State, according to his argument, is established in the Balkans;
- Advisor to three former US President, Patrick J. Buchanan (2006), hints at what seems inevitable to him:

  > But today, tens of millions of Muslims appear to be … returning to their roots in a more pure Islam. Indeed, the endurance of the Islamic faith is astonishing. Islam survived two centuries of defeats and humiliations of the Ottoman Empire and Ataturk's abolition of the caliphate. It endured generations of Western rule. It outlasted the pro-Western monarchs in Egypt, Iraq, Libya, Ethiopia and Iran. Islam easily fended off communism, survived the rout of Nasserism in 1967, and has proven more enduring than the nationalism of Arafat or Saddam. Now, it is resisting the world's last superpower;

- Journalist, James Brandon (2006), writes:

  > "The Caliphate is a rallying point between the radicals and the more moderate Islamists," says Stephen Ulph, a senior fellow at the Jamestown Foundation. "The idea of a government based on the Caliphate has a historical pedigree and Islamic legitimacy that Western systems of government by their very nature do not have";

- Notre Dame Classics Department Professor, Asma Afsaruddin (2006), analyzes early Caliphate Statehood and argues whether it should be targeted nowadays, ending up saying:

  > So should mainstream Muslims today want a return of the caliphate? They should -- but of the first type as exemplified by the early, magnanimous Umar, and in a metaphorical sense. Muslims should indeed want a revival of many of the tolerant and compassionate values and practices associated with the Rightly Guided caliphs and their era… Many of the values and practices associated with the earliest Islamic caliphate could and can translate into democratic governance, equal rights for women and religious minorities and creation of civil societies today;

- Journalist, Daniel Pipes (2005), has repeatedly been warning against the possibility of Caliphate State restoration.

On the other hand, all participants in the questionnaire specifically prepared for this book/dissertation have explicitly stated that the restoration of the Caliphate State is inevitable, as seen in Figure 1.

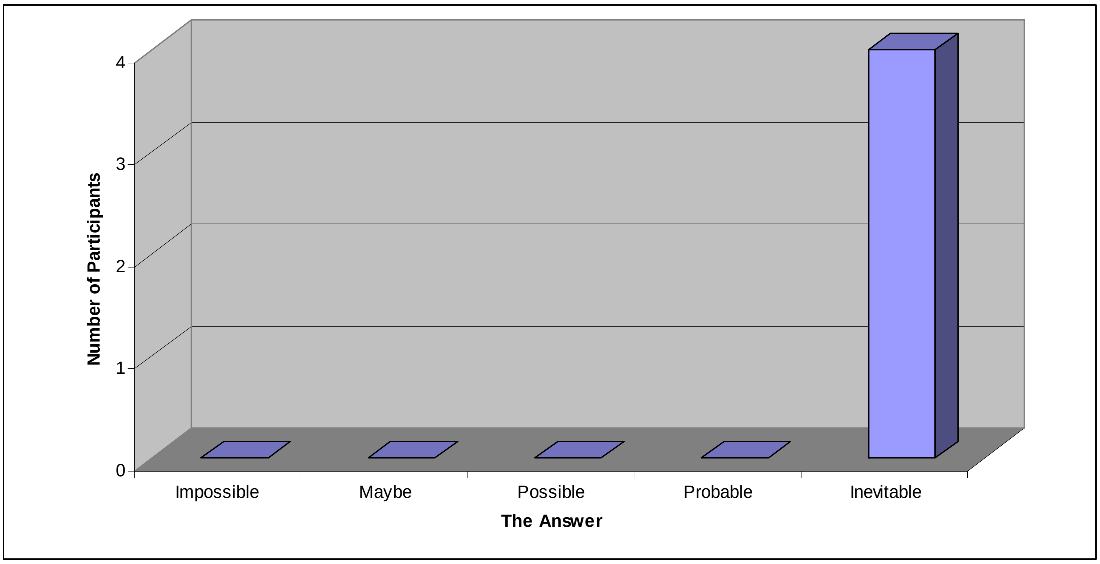

Figure 1: The answers of the participants to Question (1.1) in the questionnaire:
How would you assess the chance of having a Caliphate State re-established?

However, the consensus was broken regarding the expected significance of the economic power of the restored Caliphate State, as seen in Figure 2.

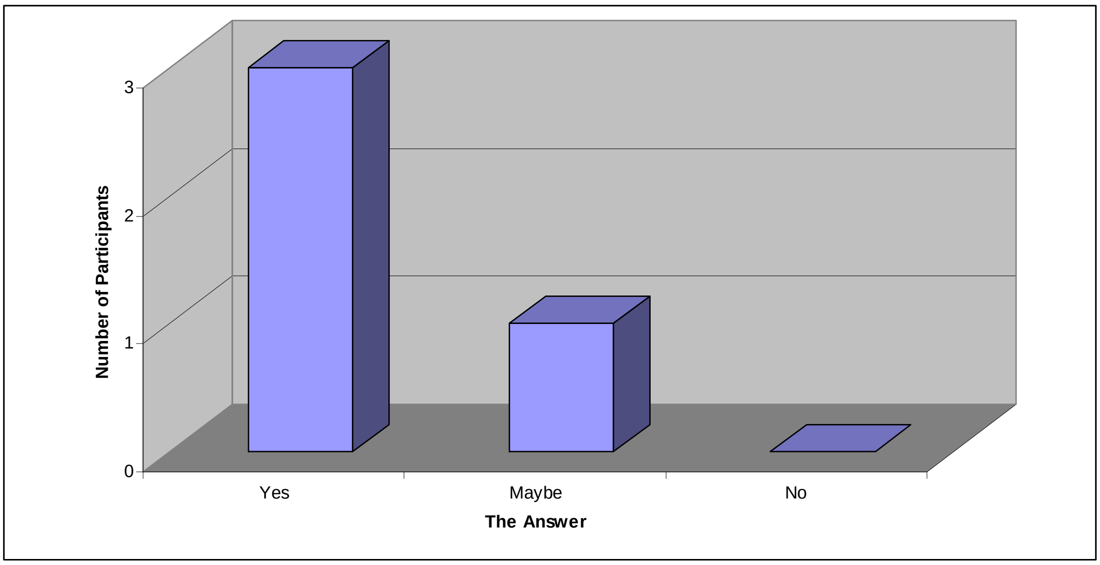

Figure 2: The answers of the participants to Question (1.2) in the questionnaire:
From an academic point of view, would such Caliphate State have significant economic power to justify worrying about its international business transactions?

When it comes to Question (1.3), and although participant # 2 left it blank, there have been serious comments from the other three participants. Participant # 1 justifies the inevitability of Caliphate State restoration on ideological grounds, while participant # 4 justifies that on both ideological and realistic grounds, where he regards the trend of Islamic uprising during the last 50 years as a factor. On the other hand, participant # 3 provides a mere philosophical justification:

> The need to re-establish a Caliphate State is a human need… Islam is an ideology of a point of view of life that deals with the issue of life as a limited

> and as an eternal one of which death is a state… [In Islam] desires are researched within the view of their objective and not the view of [their] energy to consume… the energy is the means to realize the objectives of life desires and not that the energy consumption is the objective… [Because Islam] is the only ideology that incorporates understanding, methodology and focus on human nature, it is inevitable that caliphate regime will be re-established… Islam regards the desires and [their] energy as means to realize human goals in life time before death. Only the Caliphate regime could establish the Islamic state that could apply the Islamic rules, tenets and laws that could retain individual, social and state of humanity (Baadarani, 2009a).

Furthermore, and in an interview conducted with him by Asia Times Online, participant # 3 (Baadarani, 2009b) states that:

> It is not that the Islamic state when re-established will have a priority of declaring war against any other state or against the world. Declaring war is tied to many issues and circumstances. Unlike the United States, the Islamic state is not a war-loving state but a complex ideological entity that discharges its responsibilities in every sphere to the highest standards.

Clearly, this indicates that certain circles and groups are so serious about restoring the Caliphate State that they have already researched the complexities of its process of decision making in relevance to politics and warfare. The report of Journalist Shiv Malik (2004) sheds some light on this, as he states that there is a pro-Caliphate group that has millions of followers. While this statement on its own might be suspicious, a scholarly work conducted by eight researchers in the University of Maryland and supported by the US Department of Homeland Security adds great amount of credibility to the thought of massive pro-Caliphate fellowship by revealing that an average of 36% of the populations of Egypt, Pakistan, Morocco and Indonesia combined agrees strongly with the idea 'to unify all Islamic countries into a single Islamic state or Caliphate' while 29% agree somewhat with that, which adds up to an acceptance level of 65% (Kull et al., 2007:15); see Appendix 3. According to the Central Intelligence Agency (2009), the cumulative population of these four countries is (525,001,889). This means that a scholarly disciplined work has proven that a human mass in excess of 340 millions in mere four existing countries supports the unification of all existing Muslim countries into one single Caliphate State. This cannot come as a surprise when the essence of the Caliphate State is kept in mind:

> At its peak, in the 1200s, it stretched from Spain and Morocco, across North Africa, the Middle East, down the West coast of Africa, to India and the Philippines. Ruled by a Caliph, and using sharia law as its guide, this great Islamic empire was the center of medical science, literature, the scientific process, and intellectual discourse at a time when Europe was wallowing in the Dark Ages (Raufer, 2004).

Conclusion

As the aforementioned reality of the Caliphate State, the huge support to the idea of its restoration, the relentless efforts spent to realize it and their extent, the big attention paid to it by top senior officials and thinktanks worldwide, the frequent discussion of it in publications, and the depth of the philosophical analysis that makes it a basic human need indicate the inevitability of the restoration of the Caliphate State, the following question imposes itself: Why it has not been restored up to now?

As earlier stated, a State is **the authority that emanates from a group of individuals who lives on a territory that can support its (the group's) existence, which is capable of defending its (the authority's) territory and the inhabitants living on it against any outsider intrusion**. So, despite the huge support to the idea and the relentless efforts to realize it, there exists no authority that has emanated from the relevant group of individuals because of many possible reasons:

1. Despite the numbers and extent of its fellowship, that group of individuals still lacks the specifics that would qualify it to claim control over a territory such that such authority would realize on ground;
2. Existing authorities are more powerful than the authority emanating from that group of individuals, thus those existing authorities simply do not allow for the other authority to realize on ground in practical sense, despite its realization in theoretical sense, because they regard it as a threat to them;
3. That group of individuals is geographically scattered in such a way that does not allow it to claim control over any specific territory its individuals inhabit;
4. That group of individuals inhabits a specific territory that cannot support its existence; or
5. The authority that emanates from that group of individuals does not have the capacity to defend its territory and inhabitants against outsider intrusions.

If the real reason(s) among these possible reasons is overcome, the Caliphate State will be restored: realized on ground in practical sense. Taking # 2 as an example; if an existing authority ceases to be more powerful that the authority emanating from that group of individuals, then the latter will claim control and the existing authority will be substituted by a Caliphate State. The same scenario would realize if an existing authority that holds the attributes specified in the definition[2] decides to adopt the ideals of such group of individuals; in such case smooth peaceful transition into Caliphate Statehood would realize. Hence, although it might seem to be tremendously difficult to realize the restoration of the Caliphate State, it just might take place according to much simpler terms than have ever been thought of.

The conclusion, and as a direct explicit result of the aforementioned data, information, and discussion, is that a pattern emerges; a pattern that proves beyond doubt that the restoration of the Caliphate State is inevitable and the question is no more relevant to "whether", but rather "when", "where", and "whom".

[2] This must be kept in mind at all times, as an existing authority like the aforementioned Monaco would not qualify.

CHAPTER 2
Principles of the Fiscal Policy of the Caliphate State

Introduction

As the term "Fiscal Policy" has been recently developed and crystallized, it did not coexist with the Caliphate State. Doyle (2005:370) defines it as the way governments use 'whenever they affect government spending or tax rates (which affect aggregate demand).' Maso'od (2005:48) defines it as 'the entire policies that are relevant to public incomes and public expenditures in order to achieve specific targets'[3]. It is worth mentioning that the term "Fiscal Policy" is vitally linked to the term "Monetary Policy" as Friedman (2001:9976) agues:

> Monetary policy is one of the two principal means (the other being fiscal policy) by which government authorities in a market economy regularly influence the pace and direction of overall economic activity, importantly including not only the level of aggregate output and employment but also the general rate at which prices rise or fall.

This makes it apparent that, despite the different definitions, the term "Fiscal Policy" indicates the collective aspects of State's adopted and executed rules and regulations that govern the ways it generates incomes for itself and the ways it disburses those incomes. Keeping in mind that the Caliphate State is an entity built upon the rules of Sharia, the principles of its fiscal policy would intuitively be governed by those rules too and it would have no liberty in deciding on them, but it would be in liberty to select the means it deems appropriate to implement such principles.

There exist ancient books that have been authored over this subject. The very first book "Al-Kharaj" was authored by the Judge of Judges (i.e. the highest rank in the judiciary system) in the Abbasside Caliphate: Abu Yousuf (life: circa 731-798 BC), upon a direct request by Caliph Harun Ar-Rasheed (life: circa 764-809 BC, presidency: circa 786-809 BC). Other books followed: "The Moneys" by Abu Obaid (life: circa 774-837 BC), "The Sultanate Rulings and The Religious Jurisdictions" by Al-Mawardi (life: circa 975-1058 BC), and "The Muqaddimah" by Ibn Khaldun (life: circa 1332-1406 BC). The most prominent book that was authored after the collapse of the Caliphate State in the 20th century was by An-Nabhani (life: 1909-1977 BC) under the title "The Economic System of Islam". The material of this Chapter is composed of the basic principles of the Islamic economic system as explained by the answers of the participants in the questionnaire, and the basic principles of the fiscal policy of the Caliphate State within the general framework of how it would generate incomes and disburse them. This choice of framework is justified by what Ibn Taymiyyah (1994:45) mentions: 'As when Omar bin Al-Khattab' [the second Caliph of the Prophet] 'when the believers spread, and overwhelmed' [others, he established] 'for them the Divan of Al-Kharaj for the collected money, and the Divan of Giving' [and] 'Expenses for the disbursed money'. The same is emphasized by both Ibn Khaldoun (2007:232): 'And you should know that this function is of necessity to the government; the function of income collection and reservation of the rights of the

[3] The word "public incomes" here encompasses all the incomes governed by the State.

State in income and expenditure', and Al-Mawardi (1989:108): 'The Divan registrars' [who are] 'the secretaries of Muslims in reserving their rights regarding what they collect and what they spend'.

The Questionnaire

While the thoughts embedded in the answers of the participants to the questionnaire would certainly be dependent on the rules of Sharia and the ancient writings about the topic, they would further provide insight into how 21st- century pro-Caliphate scholars envision the economic system and fiscal policy to be adopted by the yet-to-be-restored Caliphate State. With that kept in mind, it would serve great benefit to start with the questionnaire herein. Table 1 shows the answers of the participants to Question (2.1).

Table 1: The answers of the participants to Question (2.1) in the questionnaire:
What are the pillars of an economic system to be adopted by a Caliphate State?

The Participant	The Answer
Participant # 1	1. Possessions are three sorts: individual property, common property, and State one; 2. Just distribution of common property on people of State; 3. No usury banks but loans without usury.
Participant # 2	1. Islam gave the Caliph wide authorities to take care of people and interfere in their affairs, one of which is the economic; 2. Forbidding the individuals and companies from owning the elements of public ownership, as it belongs to all people; 3. Having the currency as golden dinars and silver dirhams; 4. Forbidding riba (i.e. usury, interest) and all transactions that would lead to it like the very well-known business transactions nowadays; 5. Motivating the kind loan (riba-free with extended time to repay) to everyone in need from any individual or from Bayt Al-Mal (i.e. Home of Money: might be regarded as the Treasury of the Caliphate State); 6. Forbidding all kinds of fraud, cheat, trick, gamble, and monopoly; 7. Forbidding the sale of products before owning them, and forbidding the sale of stocks and bonds that are based on invalid contracts; 8. Giving Bayt Al-Mal a role more significant than current central banks' role and more significant than current general budget, which would include executing an effective inspection and oversight system on all the State's entities, including all fiscal, monetary and economic ones.
Participant # 3	1. Identification of property and the owner of it: is it an individual property, communal property or is it governmental one; 2. The application of a system of how to acquire property by the individual; 3. Consideration of currency as a property governed by all tenets governing property: ownership, use or dispensing of it is that of a property nature;

	4. Specification of the nature of currency; Islam vehemently specifies currency to be only of Gold and Silver or their match of anything that could be owned; 5. The wealth diffusion system that helps spread wealth among people; 6. Application of a system through which to buy, sell and hire; from which the standard of valuation, the practice of pricing and the code of conduct would emerge; 7. The social welfare system which spreads among the full range of society; 8. The revenue: Islam specifies the income channels of the political authority from its specified property and from other channels of revenue.
Participant # 4	1. Gold and silver standard for currency; 2. Three ownership categories: private, State, and public; 3. Prohibition of hoarding of wealth; 4. Prohibition of riba; 5. Considering the poverty of individuals as the main problem to be solved by the system; 6. The distinction between economic science and economic system.

While participant # 1 offered the least amount of pillars (i.e. three only), those pillars were common among all participants:

- All four participants regarded the differentiation between possession (ownership) types as critical; although participant # 2 was a little bit implicit, but an apparent consensus has emerged that in the Caliphate State there will be three types of ownership: individual (private), common (communal, public), and State (governmental);
- All four participants regarded the forbiddance of riba as critical; although participant # 3 was a little bit implicit, but an apparent consensus has emerged that in the Caliphate State riba will be forbidden and loans will be riba-free; and
- All four participants regarded, in one way or another, just distribution of wealth as a pillar the Caliphate State will adopt.

On the other hand, there were pillars that three of the four participants agreed upon; the remaining of the questionnaire shows that participant # 1 agrees with these points, as reported in (Hawarey, 2008b:343), but it seems he did not consider them as pillars of the economic system to be adopted by the Caliphate State:

- Adoption of Gold and Silver as currency; and
- Solidification of social welfare.

Other scattered answers by participants (e.g. the wide authorities of the Caliph, the application of a system through which to buy, sell and hire; hence, from which the standard of valuation, the practice of pricing, and the code of conduct emerge, and distinction between economic science and economic system), while other might very well agree with, were not regarded as pillars of the economic system to be adopted by the Caliphate State.

Figure 3 highlights the points of consensus and those of majority.

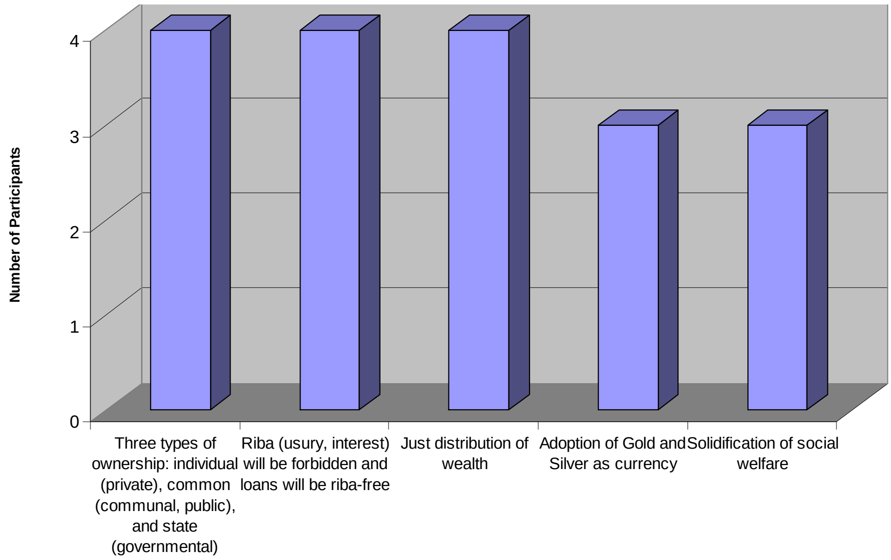

Figure 3: Participants' consensus and majority answers to Question (2.1) in the questionnaire: What are the pillars of an economic system to be adopted by a Caliphate State?

In addition to that, Table 2 shows the answers of the participants to Question (2.2).

Table 2: The answers of the participants to Question (2.2) in the questionnaire: What are the most significant differences between a Caliphate economic system and a Capitalist one? Any relevance to current economic crisis?

The Participant	The Answer
Participant # 1	1. The Caliphate one is built on just distribution of common or public outputs and not on more and mere plenty; 2. Loans in all fields are available without riba.
Participant # 2	1. The Capitalist system adopts market economy, or free economy, while Islam regards the State has significant role in the implementation and monitoring of the economy; 2. The economic system in Islam is run by Sharia; it decides on the role of the State and that of individuals, it states what is permissible and what is forbidden, it determines when the State interferes and how it interferes; 3. Capitalist societies live a crisis of ethics: while trading and brokering others' moneys; while committing fraud, bribery, gambling, and forging of loan classification documentary; while preparing financial statements and balance sheets; while auditing, reviewing, and preparing fiscal reports; in nutshell: while running such giant casino; 4. Capitalist economic system separates religion from State and economy, hence the religious and ethical side has become absent from markets, trading, and financial transactions, in all ways of making money and in all communities of finance.
Participant # 3	They differ ideologically on every economic issue, in every practice to realize the ideological goal, and in the thought that define what should be the goal of every practice in its precise purpose. The differences are not in procedure only but at the

	base of the thought that produces the procedure: 1. They differ in the basic point of view of the thought of economy: Caliphate economy considers separation of property among people, society and State according to a system acknowledged by Islam to be that of the property's natural purpose of its creation while Capitalism does not; 2. They differ in the definition of economy: In Islam there are no taxes as the government should survive from revenues of its resources as an entity; from what Islam designates as governmental property even if that property is revenue or seasonal income. Should the government need in exceptional situation extra money to spend, it could issue one tax over the wealthy people for the duration of that situation only; 3. In Capitalism the core of economy is the financial system: at its base is the printed currency, thus creating a tremendous possibility for power without a reference to natural authority. Use of such power could be of devastating consequences, which is forbidden in Islam; 4. If availability of manufactured product is the reference of pricing, then the manufacturer holds all the power over people and society without adequate reference to harness that authority. This practice is illegal in Islam, which confines currency to be gold and silver and prohibits the emergence of such power, prohibits its use and practice, and prohibits its capabilities and probable outcome; 5. The Caliphate State public economic system is based in theory and in practice on free enterprise system while Capitalism profess free enterprise but in practice it is very much not so. In free enterprise the private business is private in the full meaning of the word. In practice, has it been so in the US the present crisis would not have occurred because of a simple reason: this crisis occurred because of the lack of adequate supply of printed bank notes to the public. This means that the US government controlled the supply to cause a shortage, or that the governmental system of supply fluctuated; in either case it is a proof that the US Government controls the direction, the level and the state of economy through the supply of currency to the market. This is a controlled economy in every sense of the word; this contradicts Islamic economic system on all fronts.
Participant # 4	1. Ownership classification; 2. Greed versus generosity; 3. Riba-based economy versus riba-free economy.

The answers of participants to Question (2.2) can be summarized within the following general pattern:

- All participants are building their answers, one way or another, on ideological basis;

- While participants # 1, # 3 and # 4 mention the different types of ownership as an explicit point of differentiation between a Caliphate economic system and a Capitalist one, participant # 2 mentions it implicitly. This repeats the pattern of Question (2.1), as seen in Figure 3;
- Participants # 2 and # 4 mention ethical aspects while participants # 1 and # 3 do not regard them relevant;
- Participant # 3 has been different, again, in the philosophical depth he attributes to the subject and many of his ideas are not shared by other participants. He further elaborates on the current economic crisis:

  > The present economic crisis relevance is the evidence that the US economy, which the largest capitalist country, is a controlled economy and that this crisis could not occur in a free economic society. The mere label "Capitalism" means the economic system is based on capital or currency; if the currency is controlled by the government then Capitalism is a controlled economy system unlike Islam's economic system. All [capitalists'] talk about free economy is nothing but justification to pacify a deep human psychic need. It is babbling to fool [oneself] and this is the reason nobody can determine the real reason of the present economic crisis. If someone is convinced Capitalism of America is a free economy while this crisis cannot happen in a free economy, how can he think with these contradicting elements and understand the real cause of the crisis or find the real measures to deal with this crisis? Free economy requires a financial system that will ensure free flow of currency, and that currency source is not controlled by any authority which contradicts the foundation of the currency nature and role in Capitalism (Baadarani, 2009a);

- There is a virtual discrepancy between participant # 2 and participant # 3 when it comes to free market: participant # 2 criticizes the free market nature of Capitalist system while participant # 3 argues that its freedom is a lie and it is a controlled system in its reality. It seems that this discrepancy emerges from the perspective of the issue because participant # 2's argument that the Caliphate State can interfere in the market and 'has significant role in the implementation and monitoring of the economy' is accepted by participant # 3 in essence and his argument that the 'Caliphate State public economic system is based in theory and in practice on free enterprise system' needs to be understood within the philosophical dimension of his arguments.

Finally, three of the participants did not respond to Question (2.3): Comments about the above answers, while participant # 1 simply stated that 'the Caliphate economic system is Allah's and not human or man-made', which in essence sums up the underpinning plank of the mentality of all participants. For example, the consensus against riba is a direct reflection of verses 275 and 276 in the Chapter of Al-Baqara in Al-Qur'an (Ash-Shawkani, 2000:251), which participant # 1 elaborates on in (Hawarey, 2007a:124) as indisputable forbiddance of riba, and in case an ancient riba contract exists then it is voided and the commodity/product should be returned to its owner unless it has been damaged or consumed, then its value should be paid back if it is valuated (e.g. a car), and if it weighted (e.g. one kilogram of rice) then an exact equivalent should be returned. This simple argument holds great significance to the yet-to-be-restored Caliphate State, as it will inherit an economic and financial system that has existing riba contracts in all of its levels.

The Sources of Income for the Caliphate State

The sources of income for the Caliphate State differ, as the case with current States. Abu Yousuf (life: circa 731-798 BC), the head of the judiciary system who was instructed directly by at-the-time Caliph, Harun Ar-Rasheed, to author a book over the topic, says in its introduction that the Caliph had instructed him 'to author a comprehensive book that he' [the Caliph] 'would follow in the collection of Al-Kharaj, Al-Oshour, As-Sadaqat, Al-Jawali and other things' (1979:3), where Al-Kharaj is a land tax (An-Nabhani, 2002b:148) for certain types of lands, Al-Oshour is the trade tax taken from traders who are citizens of countries in war status with the Caliphate State and enters it to trade their goods (Abu Yousuf, 1979:132) and (Abu Obaid, 1989:629-651), As-Sadaqat, which also known as Zakah, is a financial worship only wealthy Muslims must fulfill, and Al-Jawali, which also known as Jizyah (Abu Yousuf, 1979:3), is the head tax on wealthy non-Muslim males according to An-Nabhani (2002b:148), who further argues:

> *Zakah* is collected from Muslims on their properties that are specified by Sharia, i.e. money, trading goods, cattle and grain…. It is taken from every owner whether legally responsible (*mukallaf*), i.e. mature and sane, or not, i.e. immature and insane. It is recorded in a specific account of the Bayt Al-Mal and is not to be spent except for one or more of the eight categories of people mentioned in the Glorious Qur'an… Jizyah (head-tax) is collected from the non-Muslims (*dhimmis*). It is to be taken from the mature men if they are financially capable of paying it. It is not taken from women or children… Al-Kharaj (land tax) is collected on *al-kharajiyyah* land according to its potential production (An-Nabhani, 2002b:151).

Similar argument is reported in (Hawarey, 2008b:324). Ad-Dawodi (2008:151-155) elaborates on the aforementioned eight categories of people in detail; they are further explained below. On the other hand, Abu Obaid (1989:84) states that the moneys to be taken care of by the Caliphs are the three types interpreted by Caliph Omar bin Al-Khattab, as 'Al-Fay'e, Al-Khomos, and As-Sadaqah, which are general terms each of which indicates many types of moneys'. In here, Al-Fay'e is the moneys of non-Muslims acquired by the Muslims without any fight or army mobilization (e.g. if the non-Muslims come to the Muslims to make a peace treaty with them in return of certain payments, or if the non-Muslims flee their lands out of fear so the Muslims capture their moneys without any fight), as reported in (Hawarey, 2007b:209), while Al-Khomos means one fifth: it is 20% of the war booties to be distributed. Ibn Taymiyyah (1969:32) states the same: 'The moneys of the Sultan, which originates from the Book' [Al-Qur'an] 'and As-Sunnah' [Traditions of the Prophet] 'are three types: Booties, As-Sadaqah, and Al-Fay'e'.

In addition to that, there is another source of income in the form of land tax that Hawarey (2008b:315) elaborates on:

> The Tithed [Al-Oshr] land is the land the owners of which became Muslims as they live on it without fight plus the land of Arabian Peninsula, and *al-*

> *kharajiyyah* [Al-Kharaj] land is the land that was conquered by fight or peacefully except the land of Arabian Peninsula. The Tithed land's neck [i.e. the neck is a juristic expression that indicates the self of the object; in this case it indicates the land itself], plus its benefits are owned by individuals, while Al-Kharaj land's neck is owned by the State and [only] its benefits are owned by individuals. Every individual might buy/sell the Tithed land [itself] and [only] the benefits of Al-Kharaj land, and they [also] might be inherited as any other property.

It is worth mentioning, though, that there exist two types of Al-Kharaj: the Compulsion Kharaj, which is paid per the land conquered by Muslims but not distributed among the army's fighters, similar to what Caliph Omar bin Al-Khattab did with Iraq's lands (Ibn Zanjaweh, 1986:209), and the Peace Kharaj, which is paid per the land the owners of which entered in a peace treaty with the Caliphate State to do so. This differentiation is explained in extremely detailed manner by Abu Obaid (1989:132-298). Furthermore, it is argued that every land that has been distributed among the Muslim fighters upon being victorious in conquering it is Tithed, every land that has been kept in the hands on its non-Muslim owners after conquering it for certain Al-Kharaj payments transforms into Tithed if the owners convert to Islam or if they sell it to Muslims, and every dead land (i.e. completely disserted with no signs of any life) that is revived by a Muslim is Tithed (Zalloum, 2004:48).

Another source of income for the Caliphate State is Ar-Rikaaz and Al-Maa'den. Ar-Rikaz are the valuable things that had been buried by ancient peoples in disserted lands, cemeteries, ancient cities and such places and are found by someone (e.g. if someone finds Grecian jewelry in his ranch, or chest full with Roman coins in his garden, then they would be regarded as Ar-Rikaz). Al-Maa'den, on the other hand, are the valuable things that came into existence as air and earth themselves and are found by someone (e.g. if someone finds limited amount of natural raw gold in his land, then it would be regarded as Al-Maa'den). In such cases, the owner of the land (if it is owned) or the finder (if the hand is not owned) takes 80% of his findings and pays 20% to Bayt Al-Mal (Ibn Zanjaweh, 1986:738). If the found amount is so huge (e.g. billions of cubic meters of natural gas or billions of petrol barrels), however, then it goes in complete to Bayt Al-Mal as it would be regarded public property.

In addition to that, all the inheritance of those who pass away with no heirs at all goes to Bayt Al-Mal (Hawarey, 2008b:329). Also, all the moneys of a Muslim who changes his religion (i.e. apostate) would go to Bay Al-Mal if he refuses to convert back to Islam, as he would be executed in such case per the order of the Prophet reported in (Ali, 1996:627) and (Bukhari, 2002:1712), and his heirs will not be allowed access to his moneys as reported in (An-Nisabori, 1998:871). Such acquisition of his moneys would take place only after they are used to pay his debts and all necessary alimonies to his wife and dependents (Al-Malki, 1990:45).

One critical source of income for the Caliphate State has to do with the corruption of governmental employees and its eradication: it has been reported that the Prophet had severely criticized certain employees of his who came back from money collection missions giving him some of the money as the State's and keeping some of the money as their own claiming they were gift to them; he completely prohibited that (Al-Bukhari, 2002:1773) and (An-Nisabori, 1998:1019), which led Caliph Omar bin Al-

Khattab not only to seize any unjustified money he would find in the possession of any of his employees, but to take half of all the belongings of his employees and put it in Bayt Al-Mal (Al-Asqalani, 1992:331). The same holds, by exact analogy, to all briberies, embezzlements, commissions, gifts and spoliations acquired by governmental employees, unless the real owners are known then their rights are returned to them, as highlighted by An-Nabhani (2002a:125) and Ibn Khaldun (2007:264-266). Any money owned by gambling or usury is treated in the same manner, as both are strictly forbidden in the Caliphate State and no legitimate ownership is realized by either. In addition to that, fines are implemented on those who break certain rules, and such fines would go to Bayt Al-Mal in complete. This happened in the time of the Prophet, as reported in (As-Sigistani, 1999:480), and has been emphasized by Al-Malki (1990:88).

The last source of income for the Caliphate State is tax; Hawarey (2008b:328) argues that in case all sources of income prove insufficient for the expenditures of the Caliphate State (e.g. for relief efforts in case of emergency like earthquakes, for needed school and hospital constructions, for needed desalination works to produce potable water, or to pay the salaries of the governmental employees), then the Caliph is authorized to collect temporary taxes. Such taxes would only be collected from wealthy Muslims and for the sake of overcoming temporary financial hardships faced by the Caliphate State; hence the State would cease to collect them once all such hardships are overcome. It is to be noticed that the State cannot collect taxes from any non-Muslim (even if extremely wealthy) or from any Muslim who is not financially capable. The same argument is made by An-Nabhani (2000:231).

In a nutshell, the sources of income for the Caliphate State are listed in Table 3.

Table 3: The Income Sources of the Caliphate State

Item #	The Income Source
1	Income from Public properties (common, communal)
2	Income from State properties (governmental)
3	War booties (*Al-Ghana'em, Al-Anfaal)*
4	Al-Kharaj (a land tax)
5	Al-Oshour (a trade tax)
6	As-Sadaqat (*Zakah*)
7	Al-Jawali (*Jizyah*)
8	Al-Fay'e
9	Al-Khomos (One Fifth = 20%)
10	The Tithe (*Al-Oshr* = 10%)
11	Ar-Rikaaz and Al-Maa'den
12	The inheritance of those who pass away with no heirs
13	The moneys of apostates
14	All moneys possessed by rulers and governmental employees illegally, including briberies, embezzlements, commissions, gifts and spoliations, plus moneys possessed as a result of gambling or usury
15	All moneys collected as fines for breaking certain rules
16	Temporary taxes (*Dhara'eb*)

Public properties, on the other hand, are of three types, as reported in (An-Nabhani, 2000:206) and (Hawarey, 2008b:318):

1. The things that are needed for the daily life of people, like water needed for humans to live and pastures needed for cattle to live;
2. The things that cannot be owned by individuals, like lakes, rivers, roads, and State schools;
3. The huge amounts of minerals, like petrol and natural gas.

On the other hand, An-Nabhani (2000:210) defines State properties as:

> There are properties that do not fall under public property; rather they are included in the individual property, because they are things which can be owned by individuals, like land and moveable property. However, the Muslim populace has a right in connection to them. Therefore, these things are not from the individual property, nor are they from the public property. Thus, they are State property.

It is to be noticed that some of the income sources mentioned in the aforementioned list (e.g. item # 4: Al-Kharaj and item # 8: Al-Fay'e) are State properties once they are collected and deposited into Bayt Al-Mal, but the 2nd source of income (i.e. State properties) was mentioned as an independent item because there exist cases of such properties that do not match any of the other items, like deserts, mountains and sea beaches, if the State decides to take hold of them (Zalloum, 2004:92). In addition to that, item # 9: Al-Khomos has been listed apart from item # 3: War booties because it is completely up to the discretion of the Caliph, as further explained below, who might decide not to distribute the war booties, hence they all would be regarded as item # 3, and he might decide to distribute them, in which case item # 9 would come into the picture. Another similar remark is about item # 8: Al-Fay'e, which is in reality war booty. However, as the definition indicates that it was acquired without fight, the jurists have become accustomed to mention it separately from war booties, which are acquired upon fight, and in consistency with many verses in Al-Qur'an like verses 6 and 7 in the Chapter of Al-Hashr (Ash-Shawkani, 2000:1757).

Public properties and State properties, which have been emphasized by the participants in the questionnaire many times, are themselves and any income generated by them managed by the State. However, there exists a very crucial difference between them: the Caliph has no authority to assign (i.e. sell, donate, endow…etc) any public property to anyone, while he has such authority over State properties. This is because, unlike State properties, the neck of any public property is not owned by the State, rather by the community who has the Sharia's permission to benefit from them; hence the State has no authority over their ownership (An-Nabhani, 2000:210). Furthermore, the Caliphate State cannot assign the benefits of public properties to certain groups of people while deny others the same (e.g. the State cannot assign some sea beaches to certain people to build their own beach cabins while others are denied the same right: all beaches must remain open to all public, as streets and rivers), as argued by Hawarey (2008b:320-321).

As it has become clear, the Caliphate State does not have liberty in collecting money as it deems appropriate; rather all income sources must be substantiated and justified by the Sharia. This is by far the most significant difference between the Caliphate State and current States where the parliament or any other body with similar authority would be able to create and enforce any legislation to collect money with no shred of substantiation upon unshakable intellectual foundation; the mere assumption or conclusion of the members of parliament that such legislation is needed or would resolve a problem is considered satisfactory justification. Al-Mawdoodi (cited in Hawarey, 2008a:329) emphasizes this when he argues that the Islamic [Caliphate] State is an Ideological Government in contrary to National Democratic Government as the ones people got accustomed to during recent decades.

Finally, and as all the income sources of the Caliphate State have been identified in crystal clear manner, it is noticeable that two patterns emerge:

- There exist income sources that would provide income all the time, irrespective of any circumstance and whether there is a need or not, which might properly be defined as *permanent income sources*; they are listed in Table 4.
- There exist income sources that would provide income only if certain circumstances occur, which might properly be defined as *circumstantial income sources*; they are listed in Table 5.

Table 4: The Permanent Income Sources of the Caliphate State

Item #	The Income Source
1	Public properties (common, communal)
2	State properties (governmental)
3	Al-Kharaj (a land tax)
4	Al-Oshour (a trade tax)
5	As-Sadaqat (*Zakah*)
6	Al-Jawali (*Jizyah*)
7	The Tithe (*Al-Oshr* = 10%)
8	All moneys collected as fines for breaking certain rules

Table 5: The Circumstantial Income Sources of the Caliphate State

Item #	The Income Source
1	War booties (*Al-Ghana'em, Al-Anfaal)*
2	Al-Fay'e
3	Al-Khomos (One Fifth = 20%)
4	Ar-Rikaaz and Al-Maa'den
5	The inheritance of those who pass away with no heirs
6	The moneys of apostates
7	All moneys possessed by rulers and governmental employees illegally, including briberies, embezzlements, commissions, gifts and spoliations
8	Temporary taxes (*Dhara'eb*)

Critically analyzing this classification into these two patterns would reveal its practicality, but it might very well be refuted by some theoretical arguments. For example, Hawarey (2008a:327) argues that Al-Fay'e is a permanent income source, which would be correct if the Caliphate State is continuously mobilizing its armies and conquering others' lands, which had been the case for centuries indeed. However, there had been other centuries where this had not been the case, thus Al-Fay'e ceased to exist. Hence, it was listed as circumstantial in Table 5. The same argument holds for Al-Jawali, which by definition would cease to exist if the whole population of the Caliphate State is composed of Muslims or if all the non-Muslim males living in the

Caliphate State are financially incapable of paying it; such theoretical argument would render Al-Jawali as circumstantial, but the reality all through Caliphate eras that lasted for more than 1,000 years had never witnessed such a scenario. Hence, it was listed as permanent in Table 4.

The Expenditures of the Caliphate State

It is highly critical to keep in mind what the general purpose of the economic system would be in the Caliphate State: just distribution of wealth and solidification of welfare, including the eradication of poverty, as emphasized by the participants in the questionnaire. Hawarey (2008b:303) elaborates on this arguing that the 'policy of economics is the vision of how the society should be when assessing the satisfaction of needs', which means that Muslim scholars do not regard the way the society is as the underlying basis of need satisfaction, rather it is the way the society ought to be. He further explains (Hawarey, 2008b:304-306):

> The economic problem is the distribution of moneys and benefits on all citizens, and enabling them [the citizens] to benefit from them [the moneys and benefits] by allowing them [the citizens] to possess and seek them [the moneys and benefits] … [and] the complete satisfaction of all basic needs of all citizens must be assured, while they [the citizens] must be enabled to satisfy their luxurious needs as much as possible.

This obviously contradicts the economic problem in Capitalism, as explained by Hilfiker (2009):

> Before the science of the free market was understood, economists of the time conceived of the world's essential economic problem as scarcity: There wasn't enough food, enough shelter, enough transportation, or enough education to divide among the world's population and have everyone get an adequate amount. (Yes, even then, distribution of the resources that did exist was probably a more important problem, but scarcity became the dominant issue for economists).

As explicitly observed from this argument, the issue of wealth distribution has been an issue, but Capitalist scholars did adopt scarcity of resources as the fundamental economic problem, while Muslim scholars who find themselves obliged to stick to the pillars of the economic system as dictated by their ideology, have kept the distribution issue at the center of their concerns.

These two pivots of intellect (i.e. the purpose of the economic system and its fundamental problem) must be kept in mind all the time when investigating the expenditures of the Caliphate State.

According to the aforementioned nature of public properties, an income generated by such source must be disbursed in the best interest of people, as the people themselves own such properties. The authority in taking such decision is in the hands of the Caliph, who is obliged to follow the rules of the Sharia. Zalloum (2004:82-84) proposes to disburse such income on the following expenditures:

- Divan of public properties and everything relevant to it;

- Human resources hired to explore and produce petrol, gas, minerals and everything relevant to bring such and similar substances into usable state;
- Machineries, factories and everything relevant to the making of public properties (e.g. roads) themselves;
- Everything necessary to bring potable and usable water to people;
- Everything necessary to allow everyone's access to energy; and
- Everything relevant to public transportation (e.g. subways, trains).

He further argues that the Caliph has the right to distribute the outcome of public properties (e.g. gasoline, electricity) to the people free of charge, at profit-free cost, or at market price; whatever he deems better to the people and the. In addition to that, the Caliph would be obliged to spend from such income if other sources do not generate enough incomes to meet the vital demands that are deemed the responsibility of the general public, like the salaries of governmental employees and soldiers, establishment of vital schools, hospitals and roads, helping the poor to satisfy their basic needs of food, shelter and clothing, assembly of strong military, and such things. The same guidelines of such expenditures are proposed by An-Nabhani (2004:235-237) and Hawarey (2008b:321-335), where he states that the income from public properties might even be given to those who do not need it to satisfy their basic needs; rather to satisfy their luxurious ones, in order to create balance in the society. In other words; while the Caliph is the only one authorized to decide on how exactly to disburse the income from public properties, his hands remain tied within certain restrictions that are dependent on the nature of such properties.

On the other hand, when it comes to State properties, the people do not own them; rather the Caliphate State does. In such case, the Caliph has even wider authority and fewer restrictions when it comes to the disbursement of the generated income or even to the disposal of the properties themselves (e.g. he has the right to endow a State-owned land to any individual he wants).

The expenditure of the income of Al-Kharaj is explicit in the statement of Omar bin Al-Khattab, the second Caliph of the Prophet, where Abu Yousuf (1979:24-25) reports him stating that Al-Kharaj is a right of all Muslims and to be spent on the best interests of the State and society, such as building a strong military and eradication of poverty. Hence, it is up to the discretion of the Caliph within such guideline. Furthermore, the expenditures of the incomes of Al-Oshour and Al-Jawali are stated by Abu Yousuf (1979:134) as identical to that of Al-Kharaj. The exact argument holds for the expenditure of any income generated by fines.

The expenditure of any income generated by As-Sadaqat, which is only paid by Muslims, is determined in crystal-clear manner in verse 60 of Chapter At-Tawbah in Al-Qur'an (Ash-Shawkani, 2000:711-713) and the Caliph has no liberty to disburse them except into those eight categories, but he has the authority to prioritize among them according to the best interests of the State and society:

1. The poor: those with expenses higher than their incomes;
2. The needy: those with no income at all;
3. The employees who collect it;
4. Those whose hearts have been reconciled: an incentive to new converts to Islam;
5. The slaves: the purpose is to get them freed;

6. Those in debt with no ability to pay their debts off;
7. Military efforts; and
8. The travelers who have been cutoff.

The expenditure of any income generated by the Tithe, which is only paid by Muslims, is identical to that of As-Sadaqat (Hawarey, 2008b:324) because the Tithe is regarded as the *Zakah* of the land owned by Muslims that fits the aforementioned criteria.

The expenditures of whatever income generated by war booties and Al-Khomos and end up in Bayt Al-Mal is up to the discretion of the Caliph who would need to observe the best interests of the State and society while disbursing that. However, the amounts that might end up at Bayt Al-Mal are dependent on the nature of those booties; Abu Obaid (1989:401-402) argues that:

1. There are booties that have no Al-Khomos (i.e. 20% share) deductable from; if an individual warrior of the Caliphate army kills an individual warrior of the enemy army and seizes his belongings, then they all are owned by him and nothing end up at Bayt Al-Mal;
2. There are booties that Al-Khomos is deductable from (i.e. 80% of the booties ends up at Bayt Al-Mal ready for disbursement); if the Caliph sends a brigade to enemy lands and they seize properties of the enemy and bring them back to the Caliph, then the Caliph deducts 20% as Al-Khomos then awards the brigade warriors 25% or 33% of the remaining, then the rest would go to Bayt Al-Mal;
3. There are booties that are all in the custodianship of the Caliph (i.e. they are brought to him collectively after the end of a battle) that he can deduct Al-Khomos from; and
4. If the Caliph regards it beneficial, he has the authority to give share of the booties to those who do not engage in the fight but contribute to the victory, like logistical support staff members, or freelance spies.

The special thing about Al-Khomos is that it used to have special class during the life of the Prophet, per verse 41 in the Chapter of Al-Anfal in Al-Qur'an (Ash-Shawkani, 2000:665), and that is why Muslim jurists classified it on its own. However, in the yet-to-be-restored Caliphate State, it might very well be regarded as conventional war booty and such distinct classification might very well be unnecessary.

The expenditure of any income generated by Al-Fay'e is disbursed on the best interests of the State and society (Abu Yousuf, 1979:23-27) and the Caliph has the authority to decide on that and prioritize it.

The expenditure of any income generated by Ar-Rikaaz and Al-Maa'den depends: if the found amount is huge (i.e. countless, like petrol) then its disbursement is similar to public properties. However, if only 20% of the value is collected because the amount is limited, then it is similar to Al-Fay'e in its disbursement according to Zalloum (2004:127) and to As-Sadaqat according to Hawarey (2008b:328). Abu Obaid (1989:430-439) provides substantial evidences for both opinions; hence it might be safe to state that the Caliph would be the only party to take final decision about this. Yet, it is worth mentioning that while the eight expenditure categories of As-Sadaqat are all in the best interest of the State and society, Al-Fay'e is disbursed on those interests too; hence the disagreement does not hold any critical impact on the real fruits of the disbursement of such income.

The expenditure of any income generated by unclaimed inheritances is disbursed on the best interests of the State and society (Zalloum, 2004:129) and the Caliph has the authority to decide on that and prioritize it. The same argument holds for any income generated by the moneys of apostates and that generated by illegally possessed moneys.

Finally, the expenditure of any income generated by temporary taxes, which is only paid by capable Muslims, is restricted to coping with the abnormal circumstances that necessitated the collection of such taxes due to temporary financial hardships faced by the Caliphate State (e.g. earthquake relief efforts while no enough funds are readily available in Bayt Al-Mal).

As all the expenditures of the Caliphate State have been identified in crystal clear manner, it is noticeable that two patterns emerge:

- There exist expenditures that would be disbursed only if their respective income sources do provide to Bayt Al-Mal. In other words, the individuals who are eligible to receive such payments would not receive them if the sources do not provide (i.e. As-Sadaqat), and the causes that would receive such payments would not receive them if the sources do not provide (e.g. building an extra road or hospital).
- There exist expenditures that would be disbursed as part of the Caliphate State's general military and civilian responsibilities as the care taker of its citizens (e.g. building a vital road or hospital, earthquake relief efforts, providing to those who cannot satisfy their basic needs, having strong military) and as the wage payer of its employees. If the respective income sources do provide to Bayt Al-Mal, the expenditures are disbursed at once. If they do not provide and there is urgency, then the State must borrow or collect tax and disburse at once. If there is no urgency, then the State might hold on them until the income sources provide.

The above categorization is done with the nature of disbursement kept in mind: is the Caliphate State obligated beyond discussion to spend on the issue in hand whether there is income from the respective sources or not, or is the Caliphate State to spend on the issue in hand only if there is income from the respective sources? It is arguable, though, that alternative categorizations are feasible; An-Nabhani (2004:235-237) re-categorizes the above two patterns into six taking into account the nature of the income sources (i.e. As-Sadaqat has its own category) or the nature of the expenditure (i.e. Is the expenditure necessary for military efforts; is it care taking like providing to the poor; is it compensation like salaries; is it of permanent necessity to citizens like vital road construction; or is it of circumstantial necessity to citizens like earthquake relief efforts?) Such different categorizations do not affect the essence of the topic by any means.

Conclusions

There exist fundamentals of the Islamic economic system the Caliphate State would adopt that seem beyond any kind of discussion. These fundamentals, which would influence interior trade as much as exterior one, might be summarized as follows:

- The whole economic system is built upon ideological basis;
- Islam recognizes three types of ownership: Individual, Public, and State's;
- Islam completely and irrevocably forbids riba (usury, interest);
- Islam pays extreme attention to the just distribution of wealth (all kinds of resources) and aims at solidification of social welfare; and
- Gold and silver will be the currency or the basis of the currency of the yet-to-be-restored Caliphate State.

The fiscal policy of any State is nothing but the ways to generate incomes and the ways to disburse such incomes; the Caliphate State is not an exception. There exist sixteen sources of income in the Caliphate State; eight of them are permanent while the other eight are circumstantial, and all of the income sources are identifiable in crystal-clear manner. In addition to that, the expenditure of each of the incomes generated by such sources is well-defined within variable limitations and restrictions. For example, the Caliph has wide authority in deciding how to disburse all the incomes generated by Al-Kharaj, Al-Oshour, Al-Jawali, Al-Fay'e, fines, unclaimed inheritances, moneys of apostates, and illegally possessed moneys on the best interests of the State and society while his hands are tied when it comes to the disbursement of the incomes generated by As-Sadaqat and temporary taxes. An-Nabhani (1963:291) proposes to build Bayt Al-Mal upon two sections:

- Income Section:
    - Divan of Al-Fay's and Al-Kharaj;
    - Divan of Public Properties; and
    - Divan of As-Sadaqat.
- Expenditure Section:
    - Divan of Caliphate Homeland;
    - Divan of State's Interests;
    - Divan of Giving;
    - Divan of Jihad;
    - Divan of As-Sadaqat's Expenditures;
    - Divan of Public Properties' Expenditures;
    - Divan of Emergencies; and
    - Divan of General Budget, General Accountancy, and General Inspection.

Such classification is not decisive and the Caliph will have liberty devising other ways of book keeping as long as the ideological essentials are adhered to, especially in light of the massive information technology advancements the world has witnessed during the past two decades. Yet, it is clear that the Caliph will not be able to devise any other source of income, and he will not need to devise new ways to disburse moneys because the explained ones are comprehensive of the entire spectrum of any State's responsibilities, regardless of how plain or complex its structure might be.

CHAPTER 3
Caliphate State's Principles of International Business Transactions

Introduction

As the previous two Chapters have shed light on the inevitability of Caliphate State restoration and its fiscal policy and economic system, this Chapter crosses the borders and deals with its international business transactions. Hill (2007:203) argues that current international trade implements ‘seven main instruments: tariffs, subsidies, import quotas, voluntary export restraints, local content requirements, administrative policies, and antidumping duties’. He also discusses the case for government intervention, and states ‘furthering the goals of foreign policy’ and ‘protecting industries deemed important for national security’ as two of the political arguments for such intervention (Hill, 2007:208). This Chapter, which is dedicated to analyze and evaluate the principles of international business transactions most probably the yet-to-be-restored Caliphate State would adopt, shall illustrate at the same time the relevance of the current global trade norms that guide such instruments and arguments, to name few, to those the Caliphate State would implement. This topic is of great significance to both sides: the Caliphate State itself and every other entity that might be interested in doing business with its government or residents, whether citizens or not.

The Questionnaire

Similar to Chapter 2, it is thought that it would serve great benefit to start with the questionnaire herein. Table 6 shows the answers of the participants to Question (3.1).

Table 6: The answers of the participants to Question (3.1) in the questionnaire:
What about the most significant points the Caliphate State will observe when regulating international business transactions?

The Participant	The Answer
Participant # 1	1. Just pacts of business between each two states; 2. No riba in any two-state agreements; 3. No enforcement in exchanging economic materials.
Participant # 2	1. Stopping all kinds of riba; 2. Stopping monopolies, especially the large ones that lead to high cost of living and inflation; 3. Forbiddance of loan and financial papers in bourses and financial markets; 4. Forbiddance of real estate trading by monetary institutions like banks; 5. Forbiddance of financial derivates trading; 6. Strict observance of selling money with money or financial paper with financial paper; 7. Adoption of Islamic economic system.
Participant # 3	1. It is the political relation with the said country; 2. It is the trade treaties or practices with the other party; 3. It is the currency and form of payment; 4. It is the traded goods specifications; 5. It is the cash burden of the volume of trade on the resources

	of its cash; 6. The armistice factor involved; 7. It is the trade relations bearing on war and foreign policy; 8. The priorities of the people welfare; 9. The transportation security; 10. The liability issue; 11. The trading, investment and visa rules; 12. The nature of goods.
Participant # 4	1. Custom laws; 2. Monetary transactions – gold standard to be observed.

Participants # 1 and # 2 re-emphasize the forbiddance of riba, which was repeatedly mentioned in the second Chapter. Participants # 1 and # 3 state the bilateral relationship with other countries as a point to be observed. Participants # 2, # 3 and # 4 mention the currency of the business transactions as a significant point to be observed. On the other hand, many of the points mentioned by participant # 2 are of general financial nature; they are not strictly relevant to the regulation of international business transactions, while the answers of participant # 3 show great relevance. Furthermore, while it is intuitive that all the participants would agree on point # 7 of participant # 2 (i.e. adoption of Islamic economic system) as it typifies the ideological foundation they all adopt, it is highly interesting to notice that all the participants: mere four 21st- century pro-Caliphate scholars, do not appear to have consensus over one single point to label as significant in response to Question (3.1). This insinuates that the head of the coming Caliphate State (i.e. The Caliph) will be facing hard times if he decides to entertain the differences and disagreements amongst the different schools of thought that exist within the Islamic jurisprudence that has been embracing variant, and sometimes contradictory interpretative judgments for centuries. The Islamic finance[4] industry faces this dilemma right now; Maa'rifi (2007) reports that 85% of the so-called Islamic bonds; widely known as *sukuk*, in the region of the Gulf Cooperation Council (GCC) has been found by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as non-Islamic. This is mind-puzzling if the report of Funds@Work (2010:9-15) is kept in mind; it states that there exist 132 individuals (labeled by the report as *scholars*) in the GCC region who hold 716 Sharia board positions in identifiable 211 companies.

As a matter of fact, this dilemma can and will be resolved only and only by the Caliph. An-Nabhani (1963:16-23) elaborates on this, substantiating his arguments and stating three famous Sharia principles that have been derived by the Muslims jurists based on the consensus of the companions of the Prophet: (The Sultan can come up with new judgments as new problems arise), (The order of the Imam resolves the dispute), and (The order of the Imam is immediately effective). In these principles, the Sultan and the Imam both mean the Caliph. Hence, the said restoration of the Caliphate State might be considered by many as the best thing that might ever happen to the industry of Islamic financing and banking, as the Caliph is the only person with undisputable and decisive authority to eradicate disagreements in juristic verdicts. Furthermore, it would be of great benefit to all international entities that want to engage in such

[4] Finance is defined by McLaney & Atrill (2005:3) to be 'concerned with the ways in which funds for a business are raised and invested'.

industry because the regulations adopted by the Caliph based on disciplined Sharia arguments cannot be counter-argued by any Muslim scholar or jurist at all.

In addition to that, Table 7 shows the answers of the participants to Question (3.2).

Table 7: The answers of the participants to Question (3.2) in the questionnaire:
Why can't Caliphate State just get along with current international business norms?

The Participant	The Answer
Participant # 1	1. Since they are established on man-made assessments and not Allah's ones; 2. International meeting would put down the new just norms.
Participant # 2	1. The Caliphate State adopts the whole Islam as doctrine and way of life, and it adopts the religion a part of which is the State; it does not separate the religion from life nor from economy; 2. The Caliphate State is not allowed from Sharia point of view to take any systems that are stranger to Islam because the Sharia obliges the Caliph to implement Islam and its various systems in an exclusive manner, not in a selective manner; 3. The Capitalist economic system is man-made, and man-made systems have the potential to be erroneous, deficient, and corrupt, and all the problems of inflation, depression, recession, unemployment, collapse of financial markets, fluctuation in currency markets are caused by that.
Participant # 3	1. Current international business norms were established with complete disregard of Islamic rule of trade, currency and foreign relations; 2. Current international business norms did not stem from ideological thinking as those of Islam; they were produced by the necessities of the practice as perceived by the upper hand in the deal; 3. Present international norms are based on the power of the printed money, so whoever is the greater money printer controls the direction, interpretation and goals of the prevailing norms; 4. International business norms emerge directly from the international trade procedure, in capitalism this is part of the financial system or currency policy, in Islam this is part of the economy system meaning its part of the economic philosophy in Islam.
Participant # 4	1. Current standards and norms are designed to serve certain segments in the world; 2. IMF and World Bank were created to sustain the outcome of the 2^{nd} World War. They can not continue to set the norms; 3. The Caliphate has to observe the Islamic rules when performing practices.

Again, the only point of consensus is ideological and not exclusive to international business deals; rather it encompasses all affairs of State and life: the Caliph must observe Islamic rules. As a matter of fact: all three answers of participant # 2 revolve around this basic idea. Participant # 1 wants to set new norms by stating the necessity of having international meeting to discuss that; both participant # 3 and participant # 4 indicate that the current norms are designed to serve certain segments that have the upper hand, hence both insinuate the necessity of setting new norms as participant # 1. This is in line with participant # 4's explicit regard of the International Monetary Fund and World Bank as the two institutes that regulate and direct current global trade and should not be allowed to do so. This means that there are 21st- century pro-Caliphate scholars who believe that the Caliphate State, once restored, should target the norms set by those two institutes for the sake of their abolishment; if the yet-to-be-restored Caliphate State draws flawless plan and executes it properly, then it would be able to change the landscape of the global trade dramatically.

Furthermore, Table 8 shows the answers of the participants to Question (3.3).

Table 8: The answers of the participants to Question (3.3) in the questionnaire:
Had it been present nowadays, what would Caliphate State have done in the current financial crisis?

The Participant	The Answer
Participant # 1	It would re-establish the Gold basis in currency exchange system.
Participant # 2	1. The global financial crisis is created by the corrupt Capitalist system and Islam cannot be asked to resolve problems he has not created; 2. Islam's radical resolution would require the abandonment of the current system and the non-gradual non-patching non-reluctant complete and thorough application of the Islamic system; any patching would make the positive impacts of the application of the Islamic economic system null.
Participant # 3	1. This is not a valid probability, because the Caliphate State adopts a different financial system based on a different monetary denomination; 2. The Caliphate State economic system is devised to be an independent system from all other countries economies because it is an Islamic Ideology-based system; meaning it is unlike any other system.
Participant # 4	1. Too hypothetical; 2. The crisis may not have occurred if the Caliphate were present.

While participant # 1 gives a direct answer similar to a repeatedly-mentioned one, all the other three participants reject the question and regard it invalid. This is highly interesting pattern, from which the divergence of participant # 1 is not expected: 21st-century pro-Caliphate scholars do not concern them with problems generated by systems that are based on an ideological foundation that is non-compliant with Islam. Participant # 2 goes further, describing the ideological way he envisions to resolve current global financial crisis. On the hand, participant # 3 further elaborates on this:

> The current financial crisis could only occur if it was masterminded, even with the current financial fundamentals, which are contrary to those of Islam. This crisis did not come about because of shortage of

> printed money because if the financial system depends on printed paper and then the denomination is imposed on it through an added procedure produced by the printer, then why they were late in printing the paper money. They were not late in printing it; rather they were late in pumping it, which could not happen unless it is on purpose because the pumping system is part of the printing system. However this could not happen in the Islamic financial system, which is based only on gold and silver as the legitimate currency and would not accept to undertake any transaction in receiving printed paper. Also it could not have been affected the Caliphate State because its local and international dealings are restricted to intake of gold and silver. Furthermore, because the Islamic system is unlike any other system, the Caliphate State economic system has a nature that can't integrate with other systems especially the present imposed Global System or Free Trade System. Independence of the Caliphate State economic system is fundamental in Islam and could not be breached, so the system is self-immune from other countries' influences. The structure of the Caliphate State economic system is not dependent on increasing production and consumption, not on trade volume, not on increasing wages, not on curbing inflation, not on taxes, not on savings, not on capital size, not on GDP nor on GNP volume. Hence, the need to do anything to head off this crisis is very minimal. Only with abiding the rules of Capitalism fundamentals could such a crisis occur. Any economy not built on those elements could with very simple measures prevail in this crisis without worth-mentioning damage. Independence of any economy makes it immune from other economies' crises; any interdependent economy is bound to be affected by other policies and consequences (Baadarani, 2009a).

Hence, he digs into the real reason of the current financial crisis, as he did in his reply to Question (2.2) in Chapter 2. Furthermore, his argument highlights a highly crucial fact in relevance to the current global financial crisis: any independent economy that has not been built on the fundamentals of the currently-prevailing economic system in the world (i.e. Capitalism) could have dodged the crisis. Not only that, but participant # 3 elaborates on the significance of the adoption of gold and silver as currency (the only answer offered by participant # 1) to avoid such crises. He explains why a Caliphate economic system would be immune to such crises in the future; its structure is built in total independence of the factors that collectively make current Capitalist economic systems function.

Finally, three of the participants did not respond to Question (3.4): Comments about the above answers, while participant # 1 simply stated that ‘No doubt such a system would end all crises in the world’ in reference to Islamic economic system, which again, in essence, sums up the underpinning plank of the mentality of all participants.

The input of the participants has been, in general, of great value. It is obvious that 21st- century pro-Caliphate scholars do not only occupy themselves with the Caliphate affairs, but rather with everything else around it. This is similar to what Sun Tzu mentions:

> If you know the enemy and yourself, you need not fear the result of a hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle (Tzu, 1988:18).

So, the indicated scholars are paying great attention to the analysis and comprehension of Capitalism: the currently-dominating ideology and economic system, in apparent anticipation that a clash with it would be eminent once the Caliphate State is restored, even if on economic and intellectual fronts only. In his book "Fall of Capitalism & Rise of Islam", participant # 4 almost indicates that such clash has already started. It is interesting to see how, in light of the global financial crisis, he differentiates between Capitalism and the entities that adopt it (Malkawi, 2010:29):

> Capitalism… refers to the system which is responsible for organizing the economic and financial affairs of a society on the basis of theories of capitalism. As such, it should be immediately noted that the failure of capitalism does not necessarily mean the failure and collapse of the society or state which adopts capitalism as economic system.

International Trade Norms

As Chapter 2 has substantiated, one of the income sources of the Caliphate State is Al-Oshour, which was defined as the trade tax taken from traders who are citizens of countries in war status with the Caliphate State (i.e. belligerent) and enters it to trade their goods. This means that the Caliphate State had established norms for its international trade activities since its inception, more than 1,300 years ago; Abu Yousuf makes reference to the start of this: when belligerent traders from a country in active state of war with the Caliphate State called Manbij sent message to the second Caliph: Omar bin Al-Khattab, telling him: ‘Allow us to enter your land as traders, and tax us’. The Caliph, Omar, consulted the highly-senior companions of the Prophet in the issue (i.e. they were acting as a parliament) and they advised him to accept the offer; hence he did. Further reference is made to the amount of that tax: a Governor of the Caliphate State (i.e. Abu Musa Al-Asha'ri) sent the Caliph a message: ‘Our Muslim traders enter the land of war, and they are taxed 10%’, so the Caliph, Omar, replied to him: ‘Take the same tax from their traders’ (Abu Yousuf, 1979:135). This, in a sense, establishes an administrative foundation for the future Caliph; he will be able to regulate international trade norms and business transactions of the Caliphate State according to bilateral treaties with individual States and in dependence on mutually-agreeable terms, as long as they are within the allowable by Sharia. As a matter of fact, participant # 1 paid some attention to this particular point in his reply to Question (3.1), while participant # 3's reply was completely relevant to it.

Participant # 1 elaborates on this in his book "*Faith Changes Man*", which is widely known by interested individuals worldwide as *Explanation of the Draft Constitution of the Caliphate State*, where he argues that the Caliphate State's relationship with other States depends on four considerations, the second of which states the following: all States that have economic or commercial or cultural or good-neighborhood treaties with the Caliphate State must be treated according to those treaties, and with the condition of reciprocity, and the commercial and economic relationships should be restricted to certain issues with certain specifications that would satisfy the Caliphate State's needs (Hawarey, 2008b:369). He further argues that the Caliphate State is not allowed to hold membership in any organization that is built upon non-Islamic basis or which implements non-Islamic rules, like the International Monetary Fund and the World Bank (Hawarey, 2008b:376). This builds the doubtless case that the yet-to-be-restored Caliphate State would adopt the rule of reciprocity within Sharia rules when it comes to international business transactions: it was adopted by the second Caliph circa 640 CE, and 21st- century pro-Caliphate scholars are emphasizing on it. An-Nabhani states that the Caliphate State might sign commercial treaties with some countries while it does not with others, according to the perceived benefit (An-Nabhani, 2002a:151-152). He further argues that while all commercial and financial treaties with other countries must be Sharia-compliant, in case non-Islamic conditions are embedded in such treaties accidently, then such conditions are voided and the treaties remain valid (An-Nabhani, 2003:214). It is interesting that he lists four justifications to revoke treaties, and says that the Caliphate State, in case it decides to revoke a certain treaty based on any of those justifications, then it must inform the other signatory about the revocation; it is not allowed by Islam to revoke a treaty secretly: without making the other party aware of that (An-Nabhani, 2003:219-220).

While the aforementioned principles might show some partial similarity between the Capitalist system's perception of international trade and the Islamic system's perception, especially in light of reciprocity, there is a vital practical divergence between them other than the fundamental ideological one: the Capitalist system perceives the money itself, not the trader, as the crucial factor that govern the way the transaction is dealt with. Hence, the nature of the product and its country of origin play significant role in deciding whether the transaction of importing or exporting it is legal or not in nowadays world that is dominated by Capitalism. However, the Islamic system that the Caliphate State is obliged to adopt perceives the trader him/herself as the crucial factor and pays no attention at all to the product or its country of origin as long as the product nature is Sharia-compliant. For example, alcoholic beverages are forbidden on Muslims, hence they cannot import or export them at all regardless of the country of origin, trader identity, or anything else, because anything set by the Sharia as forbidden cannot be transacted (Abu Yousuf, 1979:188-189). However, when it comes to non-alcoholic beverages; traders can import and export them and the Caliphate State would take the citizenship of the trader into account when it regulates his/her import and export transactions without any regard of the country of origin of the beverages. This is stated by Hawarey (2008b:338) and An-Nabhani (2004:298-299), who both agree on classifying traders as:

- Traders who are citizens of the Caliphate State;
- Under-treaty traders (i.e. traders who are citizens of States with treaty with the Caliphate State); and
- Belligerent traders (i.e. traders who are citizens of States with no treaty with the Caliphate State).

The traders who are citizens of the Caliphate State, whether Muslims or non-Muslims, are allowed to export everything from the Caliphate State to other countries, including the countries in war status with the Caliphate State, with three exceptions:

- They are not allowed to export anything to countries in idle war status with the Caliphate State that might strengthen such countries;

- They are not allowed to export anything to countries in active war status with the Caliphate State; and
- They are not allowed to export anything needed by the citizens of the Caliphate State and faces shortage.

The import activities by the citizens of the Caliphate State, however, are regulated differently and in much easier manner: if the citizen is allowed by Islam to own something, then he is allowed to import it; that simple.

In addition to that, all the business deals of under-treaty traders are regulated according to the treaties themselves on both fronts: import and export, and within the general permissible guidelines, including the aforementioned three export forbiddances on the citizens themselves.

Belligerent traders, however, need special permit (e.g. visa) to enter the lands of the Caliphate State (Abu Yousuf, 1979:188-189) unless the habit has been established for belligerent traders who are citizens of certain belligerent countries not to acquire such permits (An-Nabhani, 2004:302). In such both cases, they are granted safety and security for themselves. Once that is granted, then all their accompanying goods are granted the same. This means that not all their goods are granted that, but only the goods that are physically with them. Hence, if they want to import other goods, then another permit is needed for that. In case those traders only want to export their goods to the Caliphate State without them coming, then goods-only permit might be granted up to the discretion of the Caliph. In case belligerent traders import anything without the necessary permits, then the Caliphate State has the right to confiscate it all without any compensation. In case they belong to a category of belligerent traders that is completely forbidden from dealing with the Caliphate State but they offer to import goods or materials of strategic significance, then the Caliph has the right to grant them special permits for such specific transactions.

When it comes to export activities of belligerent traders; all of them are subject to the aforementioned three export forbiddances. In addition to that, they are not allowed to buy anything of strategic significance, and in case they do then they are not allowed to take it out of the country.

Participant # 1 further argues that all kinds of foreign money investment should be forbidden in the Caliphate State (Hawarey, 2008b:341-342), where he defines "foreign money" as that owned by non-citizen(s) of the Caliphate State. He substantiates his argument stating that such investments have always been accompanied with pressure on the sovereignty of the subject State resulting in its increased vulnerability. He further argues that foreign commercial concessions are even more dangerous on the Caliphate State because of the attached protectionism that alone is enough to diminish the named sovereignty. Apparently, the future Caliph will need to assess these issues and make a decision according to some sort of cost/benefit analysis because the aforementioned substantiation of these arguments is rather non-ideological and is highly open to interpretation.

The above-mentioned norms state beyond doubt that global trade with the Caliphate State will be regulated (versus free); apparent governmental interventions will take place in its international business transactions. It is interesting to combine that with what Capitalist trade theorists say; Hill (2007:215) argues:

> The strategic trade policy arguments of the new trade theorists suggest an economic justification for government intervention in international trade. This justification challenges the rationale for unrestricted free trade in the work of classic trade theorists such as Adam Smith and David Ricardo.

An-Nabhani (2004:313) clearly states that such theory of free trade is contradictory with Islam and the Caliphate can never adopt it because foreign trade is one of the relations of the Caliphate State with other countries, and all such relations must be governed by the State through regulation and direct supervision. So, there is apparent consistency in the outcome between new Capitalist trade theorists and 21st- century pro-Caliphate scholars, even though the originating justifications are different.

Furthermore, Hill (2007:218) explains the protectionist trends during 1980-1993 and how agriculture has become one of the most nationally-protected sectors when it comes to global trade (Hill, 2007:223-224). A very famous way of doing so is subsidy, defined by Doyle (2005:144) as ‘a payment or a tax concession from the government that reduces producers' average production costs’. An-Nabhani (2004:314), on the other hand, argues against the theory of trade protectionism, stating that it falls short of being feasibly applicable in the Caliphate State because it regards governmental intervention for the mere sake of assuring balance in the international transactions or to overcome the deficit in such transactions, while the Caliphate as a regime intervenes to treat other countries based on reciprocity, to satisfy the needs of the country, to acquire financial profits, to acquire hardly-acquirable foreign currencies, and to spread Islam. In addition to that, An-Nabhani (2004:314-316) rejects the theory of national economy in global trade and argues it is inconsistent with Islam because it states that an economy needs industry and agriculture together, where industry-related international transactions must be nationally-regulated and protected while agriculture-related international transactions must be completely free. Such complete freedom, he argues, is unacceptable. It is very amazing in light of Hill's argument about agriculture and its current status of being heavily regulated and protected. So, again, there is apparent consistency in the outcome between Capitalist trade theorists and 21st- century pro-Caliphate scholars, even though the originating justifications are different: An-Nabhani rejected the complete agricultural freedom based on ideological basis, while Hill stated that the world just couldn't tolerate such complete freedom and the majority of governments has engaged in protecting it for the sake of preserving their own national interests.

Currency of International Trade

There is an absolute pattern amongst the participants in the questionnaire and the Islamic literature, combined with solid economic justifications that advocate gold and silver as the currency or the standards of the currency of the yet-to-be-restored Caliphate State; (An-Nabhani, 2004:270-296), (Zalloum, 2004:197-231) and (Hawarey, 2008b:343-344). This has some resemblance to "Mercantilism", defined by Hill (2007:168-169) as the first theory of international trade that emerged in England in mid-16th century, where ‘at that time, gold and silver were the currency of trade between countries’ and where its basic principle ‘was that it was in a country's best interests to maintain a trade surplus' so it would 'accumulate gold and silver and, consequently, increase its national wealth, prestige, and power'. This simply means that the Caliphate State will not need to re-invent the wheel; rather take the best lessons ever from political economy and economic history of humans.

On the other hand, An-Nabhani (2004:314) has already stated that acquisition of hardly-acquirable foreign currencies is a goal on its own for the Caliphate State's governmental intervention in international business transactions. As a matter of fact, he draws a general guideline that the future Caliph might very well benefit from (An-Nabhani, 2000:292-293):

> In order to pay for the cost of imports, [the Caliphate State] may either offer [its] local currency in order to buy foreign currency, or commodities may be offered in foreign countries in order to obtain their currencies. The acquisition of foreign currency is therefore essential for the [Caliphate] State in order to generate trade relationships, or economic relationships with other countries. However, the [Caliphate] State's currency should not be jeopardized by making it susceptible to instability, or by undermining its credibility, just for the sake of establishing trade or economic relationships. Rather [the Caliphate]'s control over foreign economic relationships, whether these were trade relationships or otherwise, should be one of the fundamentals of these monetary relationships. This would facilitate the preservation of the [Caliphate]'s currency and, at the same time, [its] acquisition of the foreign currencies that are needed. In order to help achieve such a policy, the [Caliphate] State ought to avoid taking up short or long term loans, for these would be one of the matters that cause instability in its currency market and may decrease the value of its currency.

This makes it clear that the Caliphate State will pay extreme attention to the preservation of its currency. This is not unprecedented, as China nowadays faces a lot of pressure to appreciate its currency, the Renminbi, and it resists it; Dyer (2010) reports:

> Wen Jiabao, Chinese premier, has warned other countries that pressing China on currency policy amounts to protectionism and insists that the renminbi was not undervalued… International pressure on China to strengthen the renminbi is rising, especially from the US.

The fact that the Caliphate State will adopt gold and silver standards for its currency grants it, in a sense, a natural immunity against fluctuating financial markets and currency manipulators. It also adds great trust to its issued banknotes, as its Bayt al-Mal will have complete gold and silver coverage of them. While this will facilitate the usage of its currency in international business transactions, it must not be the only option, as An-Nabhani makes it clear, because the acquisition of hardly-acquirable foreign currencies is a strategic goal that the Caliph must observe with extreme care, and international trade is one of the best ways to acquire that.

Conclusions

While 21st- century pro-Caliphate scholars might have differing opinions about the most significant points the Caliph must observe when regulating international business transactions, which might collectively be regarded as a whole set of significant points in their reality, they all agree that the Caliphate State will need to set its own norms and, for many reasons, it will not be able to get along with the current ones. Furthermore, they have great interest in analyzing and understanding Capitalism. Not only that, but they even state or prophesize, explicitly or implicitly, that the Caliphate State's economic system will engage in a clash with Capitalism sooner or later. They already reject widely-known theories like free trade theory and trade protectionism theory in their Capitalist forms, proposing alternatives that are based on both ideological and economic justifications. They even propose to completely forbid foreign investments in the Caliphate States, which seems to be a debatable issue that the Caliph only would have the authority to resolve. As a matter of fact, and because of the undisputable authority embedded in the Caliph to eradicate juristic disagreements, it seems that the restoration of the Caliphate State will be the best thing to ever happen to Islamic financing and banking industry worldwide from pure business point of view.

The yet-to-be-restored Caliphate State will adopt an international trade policy that would differ from the Capitalist one in its perspective of the crucial factor in regulating international business transactions: it will pay extreme attention to the identity of the trader, not the country of origin of the goods. Accordingly, it will categorize traders into three segments: its own traders, under-treaty traders, and belligerent traders. Each category will be dealt with separately when it comes to its import and export activities.

Despite the fact that the Caliphate State will adopt gold and silver as its currency or as the basis of its currency, it will not risk leaving its currency vulnerable for the sake of acquiring more financial profits from its international business activities. Actually, it will target to acquire foreign currencies that are regarded of solid value, hence hardly acquirable. This simply means that the Caliphate State will be open to various currency options when conducting business with international entities, and will not restrict that to a certain currency, including its own.

EPILOGUE

While Chapter 1 established the inevitability of the restoration of the Caliphate State, Chapter 2 covered the fundamentals of the economic system and fiscal policy such State is most likely to adopt. Finally, Chapter 3 tackled the considerations the Caliphate State is most likely to take into account when tackling international business transactions and global trade deals.

While this book/dissertation was meant to serve as future reference for any entity that would like to do business with the Caliphate State, Chapter 3 did deal with the current dilemma the Islamic financing and banking industry is facing and explained the radical resolution of it. Still, this was an unintentional byproduct of the conducted research.

Researchers are invited to further analyze and study the issues discussed in this book/dissertation, while governments and thinktanks are invited to further engage 21st- century pro-Caliphate scholars in their forums and discussions, maybe to avoid what many regard as inevitable clash between Capitalism and Islam once the Caliphate State is restored.

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Appendix 1
The Questionnaire

Part 1

1.1 How would you assess the chance of having a Caliphate State re-established?
* impossible
* maybe
* possible
* probable
* inevitable

1.2 From an academic point of view, would such Caliphate State have significant economic power to justify worrying about its international business transactions?
* yes
* maybe
* no

1.3 Comments/explanations about the above answers.

Part 2

2.1 What are the pillars of an economic system to be adopted by a Caliphate State?

2.2 What are the most significant differences between a Caliphate economic system and a Capitalist one? Any relevance to current economic crisis?

2.3 Comments about the above answers.

Part 3

3.1 What about the most significant points the Caliphate State will observe when regulating international business transactions?

3.2 Why can't Caliphate State just get along with current international business norms?

3.3 Had it been present nowadays, what would Caliphate State have done in the current financial crisis?

3.4 Comments.

Appendix 2
Resumes of Questionnaire Participants

Participant # 1 (2009 September 30)
Mohammed Hawarey
Born in 1931, he has B.A. in Education, B.A. in Literature, M.A. in Comparative Religion, Ph.D. in Comparative Religion and Ph.D. in the Interpretation of the Holy Qur'an. He has authored more than 15 books on themes of Islam, politics, intellect, international relations, and others, including: "Faith Changes the Human", "Imams of Islamic Sharia", "Peace: To Where?", "Entry Into Knowledge", among which his book "Twenty Symposiums & Comments in Explanation and Discussion of Islam Draft Application in Life", which he recorded as audio and video lectures and has direct relevance to the topic of this book/dissertation.

Participant # 2 (2009 October 26)
Aayedh Alshaarawi
Born in 1949, he has B.A. in Accountancy, B.A. in Business Management, M.A. in Islamic Banking, and Ph.D. in Islamic Economy. He has authored more than 8 books on themes of intellect, Islamic economy and banking, and others, including: "Intellectual and Media Pollution", "Islamic Banks", "Profit Delusion in Bank Interests", among which his book "The Economic System in Islam" has direct relevance to the topic of this book/dissertation.

Participant # 3 (2009 November 03)
Yousuf Baadarani
Born in 1939, he ran for a seat in the Lebanese Parliament in 1962 on behalf of a pro-Caliphate organization. Regarded a prominent philosopher and political thinker, he has authored more than 8 books on themes of ideology, philosophy, politics, conflicts, and Islam, including: "European Hatred of Islam: A plot in its second millennium", "Christianity: A Roman political scheme", "9/11 Hijacking The World: An American plan", "The Dilemma of Western Thought", among which his book "Economic Philosophy" has direct relevance to the topic of this book/dissertation.

Participant # 4 (2009 November 09)
Mohammed Malkawi
Born in 1957, he has B.S., M.S. and Ph.D. in Computer Engineering. Former faculty member at the University of Wisconsin and current faculty member at Argosy University in Chicago City, he is regarded a pro-Caliphate activist; he is the author of the book "Fall of Capitalism and Rise of Islam" which has direct relevance to the topic of this book/dissertation.

Appendix 3
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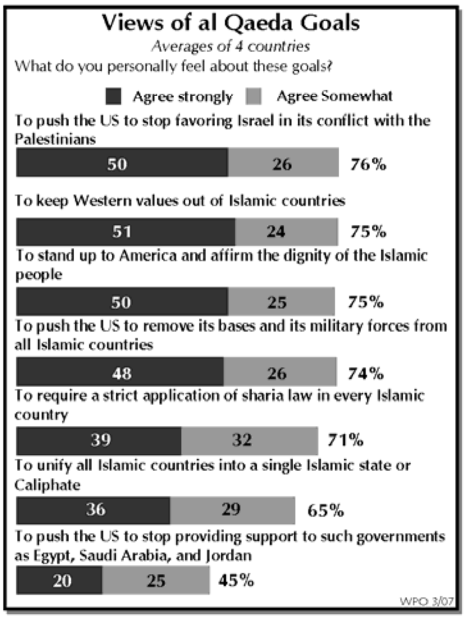
Similar majorities also endorsed the goal "to push the US to remove its bases and its military forces from all Islamic countries:" Egypt (92%), Pakistan (71%), Morocco (72%) and Indonesia (64%). Again, large majorities also correctly believed that this was an al Qaeda goal, ranging from 59 percent in Pakistan to 81 percent in Egypt.



Majorities said they considered pushing the United States "to stop favoring Israel in its conflict with the Palestinians" to be one of al Qaeda's goals and also said it was a goal they supported. In Egypt, 81 percent thought al Qaeda was striving to accomplish this and an overwhelming 95 percent said they agreed with this objective. In Morocco, 76 percent believed this was an al Qaeda objective and 75 percent supported it themselves. In Indonesia, 65 percent said it was an al Qaeda goal and the same percentage said they agreed with it personally. In Pakistan, a slim majority said it was an al Qaeda goal (51%) and a larger one (65%) said they shared the goal.

Majorities in all countries said they believed al Qaeda tries "to stand up to America and affirm the dignity of the Islamic people." This was also the goal most widely shared overall by respondents across all countries. Three-quarters or more said this was al Qaeda's goal in Egypt (78%), Indonesia (76%) and Morocco (75%) as did a majority in Pakistan (57%). Large majorities across all four countries said they personally agreed with this goal: 90 percent in Egypt (80% strongly), 72 percent in Indonesia (38% strongly), 69 percent in Morocco (40% strongly) and 65% in Pakistan (41% strongly).

Majorities in all four countries—though smaller ones—said that al Qaeda sought "to require a strict application of Shari'a law in every Islamic country." Seventy-four percent of Moroccans said this was an al Qaeda objective and 65 percent of Indonesians and 62 percent of both Egyptians and Pakistanis agreed. This goal was strongly supported by respondents themselves in every country except Indonesia. Three-quarters or more personally supported the application of Islamic law in Pakistan (79%), Morocco (76%) and Egypt (74%). A narrow majority of Indonesians (53%) also expressed support for this goal, though 40 percent said they disagreed with it. About one in five disagreed in Egypt (22%) and Morocco (19%). Less than one in ten disagreed in Pakistan (8%). (It should be noted that there is no Islamic equivalent to the Roman Catholic papacy. No single religious leader or institution in the Islamic world has the authority to define sharia).

The two remaining goals represent potential threats to governments in the Islamic world. The first is "to unify all Islamic countries into a single Islamic state or caliphate." Majorities in all countries polled perceived correctly that al Qaeda wanted to achieve this: 67 percent in Morocco, 61 percent in

The Author

Mosa'b (pronounced as *Mos-Ab*) was born in Shaa'ban 1393 H. (September 1973 G.) in the family of the Hawarey (i.e. Disciple) of Prophet Mohammad S.A.W.: Al-Zubayr bin Al-Awwam R.A., the son of Saffiyyah the aunt of Rasulullah S.A.W., thus Khadeejah R.A. is his aunt, Hamza and Abbas R.A. are his uncles, Ali and Jaafer R.A. are his cousins, and Abu baker R.A. is his father in law.

He is authorized (holds *Ejazah*) in the narration of the six Hadith books of Sahih Al-Bukhari, Sahih Muslim, Sonan Al-Tirmithi, Sonan Al-Nisae'i, Sonan Abi Dawod, and Sonan Ebn Majeh, in addition to the three Hadith books of Mosnad Ahmed, Mowattaa' Malek, and Sonan Al-Darimi. He narrates three Hadiths through gap-free continuous chains of narrators up to Prophet Mohammed S.A.W.

He conducted collegiate studies in Turkey, America, Pakistan, Switzerland, and Britain. He holds 1 degree of Bachelor of Science in Civil Engineering, 2 degrees of Master of Science in Civil Engineering, 1 degree of Master of Business Administration in International Business Management and Islamic Economy, 1 degree of Doctor of Geodetic and Photogrammetric Engineering, and 1 degree of Doctor of Islamic Studies. He has more than 40 publications in Arabic, English and Turkish in various refereed and peer-reviewed journals and conferences and elsewhere.

http://mosab.hawarey.org/