



Original Article

Reframing Global Trade: Fair Trade and Sharia Economics as Ethical Alternatives to Free Trade

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Abstract: In the era of globalization, Free Trade has emerged as the dominant paradigm in international trade policy, prioritizing liberalization, deregulation, and minimal state intervention. While widely promoted for economic efficiency, Free Trade increasingly falls short in addressing ethical, social, and environmental concerns, often compromising justice, equity, and sustainability. Despite extensive debates, limited research has examined integrated frameworks that embed moral and socio-economic principles into global trade. This study addresses this gap by exploring the intersection of Fair Trade and Sharia Economics as a normative and practical critique of Free Trade. Fair Trade introduces operational mechanisms for fairness, transparency, and equitable compensation for producers in developing countries, whereas Sharia Economics, guided by the framework of Maqasid syariah, provides a comprehensive moral vision that emphasizes distributive justice, public welfare, and environmental stewardship. Employing a qualitative, literature-based methodology, this research examines how the two frameworks complement each other to offer a more ethical and inclusive trade model. The findings suggest that integrating Fair Trade with Sharia principles offers a viable alternative to conventional Free Trade, promoting a system rooted in justice, inclusivity, and long-term sustainability, particularly in Muslim-majority and Global South contexts. This study contributes to the academic discourse by proposing a unified framework bridging secular and religious economic ethics. From a policy perspective, aligning trade regulations with both Fair Trade standards and Islamic moral principles can transform trade into a tool for human dignity, shared prosperity, and ecological sustainability. Further empirical research is encouraged to operationalize this integrated model across sectors.

Keywords: Fair Trade; Sharia Economics; Ethical Trade; Free Trade Critique; Sustainability.



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1. Introduction

In the current era of globalization, international trade remains a central mechanism for economic development (Xu, 2024). Among various models, the Free Trade paradigm has gained global dominance, premised on liberal economic theory that promotes deregulation, open markets, and comparative advantage (Purwono et al., 2022). Yet, growing criticism reveals that this paradigm often overlooks key ethical dimensions that lead to social inequality,

environmental degradation, and economic dependence. Rooted in the classical liberal thought of Adam Smith and David Ricardo, Free Trade relies on assumptions of self-interest, rationality, and market equilibrium (Watson, 2017). While Smith envisioned the “invisible hand” as a force to optimize public good through individual pursuit (Jonsson, 2010), and Ricardo advocated for specialization to maximize global efficiency, neither fully addressed the distributive consequences or moral accountability in trade practices (Hühn & Dierksmeier, 2016). These theoretical gaps become more visible in today’s context of labor exploitation and ecological crisis.

Meanwhile, alternative frameworks like Fair Trade and Sharia Economics offer more ethically grounded paradigms (Khalidin et al., 2024). Fair Trade seeks to empower marginalized producers, ensure fair pricing, and promote social and environmental justice through equitable supply chains (Sadekin et al., 2021). Sharia Economics, grounded in Islamic principles, emphasizes distributive justice (*adl*), the avoidance of exploitation (*zulm*), wealth redistribution through instruments like *zakaat*, and environmental protection (*hifz al-biah*) (Kurniadi & Salsabilla, 2025). Despite their different origins, Fair Trade, rooted in global civil movements and Sharia Economics in religious jurisprudence, both share a commitment to embedding ethics and human dignity in economic activity. Their integration offers a compelling countermodel to Free Trade, particularly in addressing issues of justice, sustainability, and shared prosperity.

Existing critiques of Free Trade often remain fragmented, focusing separately on inequality or environmental concerns. What is lacking is a comprehensive, value-based framework that integrates moral, social, and economic objectives in a cohesive manner. This paper addresses that gap by proposing the integration of Fair Trade and Sharia principles as an alternative paradigm that challenges the normative assumptions of Free Trade. This study draws upon the perspective of Syed Muhammad Naquib al-Attas, particularly his vision of de-Westernizing knowledge, which emphasizes the need to realign modern disciplines, including economics, with Islamic metaphysical and ethical foundations. This reinforces the importance of rethinking trade systems not only through secular critiques, but also through spiritually grounded worldviews

2. Materials and Methods

This study employs a qualitative research methodology, adopting a conceptual and literature-based approach (Abdussamad, 2021). The rationale behind this method lies in its capacity to explore abstract, normative, and ethical dimensions of trade paradigms, especially the intersection of Fair Trade and Sharia Economics as critical alternatives to Free Trade. Rather than relying on empirical or statistical data, this approach emphasizes deep textual analysis and theoretical interpretation to extract the value systems and assumptions embedded within each paradigm. The data in this research are drawn from a range of academic sources, including peer-reviewed journal articles, books, policy papers, and previous scholarly research. The literature selected spans the years 2000 to 2025, with particular focus on themes related to ethical trade practices, Islamic economic principles, sustainability, and critiques of liberal trade policies. A purposive sampling strategy was used to ensure that the materials reviewed were both contextually relevant and academically rigorous (Sugiyono, 2020).

This research is guided by a central question: How do Fair Trade and Sharia Economics offer ethical critiques and alternatives to the Free Trade paradigm? This inquiry is explored through two analytical lenses: first, by examining the normative assumptions and economic principles that underpin each paradigm, and second, by investigating how Fair Trade and Sharia-based approaches can be integrated into a coherent ethical framework for global trade. To address these questions, the study utilizes a thematic comparative analysis. This involves systematically comparing the philosophical foundations, operational principles, and social impacts of Free Trade, Fair Trade, and Sharia Economics. The aim is to highlight their areas of convergence and divergence, and ultimately to propose a unified framework that supports a more just, inclusive, and sustainable global trade system. Through this qualitative strategy, the research seeks to offer a critical, value-based perspective that complements and deepens existing critiques of Free Trade

3. Results and Discussion

3.1. The Ethical Shortcoming of Free Trade

Free trade has long been promoted as a mechanism for achieving global economic efficiency and growth (Gao, 2024). Based on liberal economic theory, it advocates for the reduction of tariffs, the elimination of non-tariff barriers, and minimal government interference in market dynamics (Hadili et al., 2021). The intellectual foundations laid by Adam Smith and David Ricardo emphasized the idea that free markets, through the invisible hand, would naturally lead to optimal allocation of resources and mutual benefit. However, these assumptions often fail to materialize in practice. Instead, Free Trade has led to imbalances between countries, deepened inequality, and allowed powerful corporations to exploit labor and natural resources in the Global South (Zhang, 2025). Critically, Free Trade tends to assume that all market participants operate on a level playing field, ignoring structural disparities in capital, infrastructure, and geopolitical power. Countries with greater technological advancement or historical industrial dominance often capture

disproportionate benefits, while developing nations remain trapped in the export of low-value commodities with minimal value addition (Ding, 2024). Laborers in such countries frequently face substandard wages, poor working conditions, and limited legal protections, realities that contradict the promise of shared prosperity. From an ethical perspective, Free Trade fails to address issues of distributive justice. The absence of regulatory mechanisms can allow monopolies to flourish and public goods to be degraded (Tesón, 2012). Environmental externalities, such as pollution, deforestation, and biodiversity loss, are often overlooked in trade agreements, resulting in long-term harm to vulnerable populations. Furthermore, the principle of maximizing self-interest, which underpins liberal trade theory, lacks a moral compass. It justifies outcomes regardless of fairness or human dignity, as long as they are economically efficient.

3.2. Maqasid Shariah with the Moral Economy and Fair Trade as a Secular Ethical Movement

Sharia Economics presents a compelling counterpoint to this moral vacuum. As a discipline derived from Islamic law and ethical philosophy, it advocates for an economic order where justice (*'adl*), balance (*tawazun*), and public welfare (*maslahah*) are central. The framework of maqasid shariah, or the higher objectives of Islamic law, outlines the protection of essential human interests, faith, life, intellect, lineage, and wealth as prerequisites for a just society (Aulia et al., 2024). These objectives directly inform economic principles such as risk-sharing, prohibition of *riba*, ethical production, and concern for environmental preservation (*hifz bi'ah*) (Dusuki & Abdullah, 2011). In trade, maqashid shariah calls for policies that not only allow exchange but also ensure that such exchange upholds the dignity of all parties involved (Bashori et al., 2023). The role of the state is not passive; it is mandated to intervene where markets fail to uphold justice or when the weak are at risk of exploitation. This is in stark contrast to the Free Trade paradigm, where government intervention is often seen as a distortion. In the Islamic tradition, institutions such as *zakat* and *waqaf* function to redistribute wealth and reduce poverty, not through charity but as structural components of a just economic system (Karimullah, 2023).

Syed Muhammad Naquib al-Attas's philosophy reinforces this perspective by critiquing the Western secular knowledge system that separates economics from moral and spiritual considerations (Azma et al., 2024). His concept of the Islamization of knowledge urges Muslim societies to develop disciplines that are not merely reactive to Western models but rooted in a worldview that prioritizes ethical responsibility, spiritual awareness, and human well-being (Huringiin & Azfathir, 2018). In this light, Islamic economics is not a parallel system; it is a corrective one aimed at restoring harmony between material progress and moral accountability. Parallel to the Sharia Economic, the Fair Trade movement has developed as a response to the injustices perpetuated by conventional trade systems. Fair Trade emphasizes the need for ethical standards in global commerce, particularly in ensuring fair compensation, safe working conditions, and environmental responsibility for producers in developing countries. It emerged in the post-colonial context where former colonies were integrated into global markets under unfavourable terms, and where multinational corporations dominated trade channels to the detriment of local economies (Marco Tulio, Juciara Nunes, 2023).

Fair trade's operational principles, such as price guarantees, direct purchasing from producers, long-term trading relationships, and support for cooperatives, seek to shift power from intermediaries to producers. Transparency and accountability are emphasized throughout the supply chain. Importantly, fair trade recognizes that market outcomes must be morally evaluated, and not merely accepted as the result of impersonal forces (Beldad & Hegner, 2018). However, fair trade does have limitations. While it presents a moral response to market injustices, it operates within the same global capitalist framework and depends largely on consumer choices in the Global North. The lack of a cohesive philosophical foundation, such as that found in maqasid shariah, limits its capacity to challenge the broader systemic causes of inequality and exploitation. It offers improvements, but not transformation.

3.3. Point of Convergence Between Fair Trade and Sharia Economics

Despite their different origins, fair trade as a secular civil society movement and sharia economics as a religious ethical system, both share a commitment to justice, dignity, and sustainability (Mintarja et al., 2019). Both frameworks view economic activity as a means to achieve broader human and social objectives, rather than an end in itself. Fair trade's focus on fair prices and labor conditions aligns with sharia's emphasis on equitable transactions (*mu'amalat*). The participatory nature of cooperatives and producer networks mirrors the Islamic emphasis on communal welfare and shared responsibility. Environmental consciousness is another key area of convergence. Fair trade sets environmental standards for producers, such as avoiding harmful chemicals and encouraging sustainable practices (Sadekin et al., 2021). In Islam, the protection of the environment is not only a social obligation but a religious one. The Qur'anic concept of *khalifah* places responsibility on humans to preserve the Earth, which is echoed in trade policies that must avoid harm (*la darar wa la dirar*). Institutionally, both systems promote economic democratization. Fair Trade supports smallholder farmers and artisans through organizational capacity-building and collective bargaining, while Sharia economics promotes inclusive finance through interest-free microfinance, risk-sharing contracts (*Mudarabah*, *musharakah*), and non-exploitative commercial arrangements (Abubakar Muhammad et al., 2025). These mechanisms serve not only to empower producers but also to create resilient and self-reliant communities.

Integrating fair trade and sharia economics offers a pathway to build a global trading system grounded in ethics, equity, and sustainability (Hudaya, 2019). Such integration would involve aligning trade regulations with moral principles, embedding justice in supply chains, and promoting accountability beyond profit metrics. It would also require rethinking the philosophical foundations of trade, away from market absolutism toward a model that centers human dignity, social cohesion, and environmental care. This integration framework can be practically implemented through hybrid institutions. For example, fair trade-certified cooperatives can adopt Sharia-compliant financing to support small producers. Governments in Muslim-majority countries can incorporate both sets of principles into their trade policies, ensuring that exports meet ethical standards while also conforming to religious obligations. Islamic financial institutions can partner with ethical trade networks to promote investment in socially responsible and environmentally sound enterprises (Elamin, 2023). Case studies from countries such as Indonesia and Malaysia demonstrate promising models where Islamic microfinance institutions support small-scale producers who are also engaged in ethical trade networks. These models, while still evolving, demonstrate that such integration is not only theoretically sound but practically feasible. It opens up new avenues for rethinking global trade, not as a zero-sum competition, but as a cooperative effort to promote shared prosperity across cultural, religious, and economic boundaries.

4. Conclusions

This study concludes that the Free Trade paradigm, despite its dominance in global economic discourse, is increasingly insufficient in addressing ethical, social, and environmental concerns. Its emphasis on deregulation and market efficiency often comes at the expense of justice, equity, and ecological sustainability. In contrast, Fair Trade and Sharia Economics provide normative alternatives that embed moral values into trade systems. Fair Trade introduces operational mechanisms for fairness and transparency, while Sharia Economics, through the framework of *maqasid shariah*, offers a comprehensive moral vision grounded in justice and public welfare. The integration of these two paradigms presents a viable model for ethical global trade, particularly relevant to Muslim-majority and developing countries in the Global South. This paper contributes to the academic discourse by proposing a unified framework that bridges secular and religious economic ethics. To move from theory to practice, future policies should align trade regulations with both Fair Trade standards and Islamic moral principles. Further empirical research is encouraged to test this integrated model across sectors, supporting the vision of trade not just as an economic tool, but as a means to promote human dignity, shared prosperity, and sustainability.

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