

Protectionist Tax Policies and Sustainable Development: A Critical Analysis through Fiqh Muamalah and Islamic Economic Principles

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Abstract: Protectionist tax policies represent a significant shift in fiscal approaches to global trade, with far-reaching implications for the international economic order. Measures such as increased import tariffs and withdrawal from multilateral trade agreements have sparked considerable ethical and legal debates, particularly within the framework of Islamic economics, which emphasizes justice ('adl), public welfare (maslahah), and the prohibition of harm (dharar). This study aims to analyze the legality of such protectionist fiscal policies through the lens of fiqh muamalah and Islamic economics. Employing a qualitative, literature-based approach (conceptual paper), this research examines core theoretical constructs in Islamic economic jurisprudence and synthesizes relevant findings from previous studies. The findings indicate that protectionist tax policies tend to conflict with key values of maqasid al-shari'ah, particularly in terms of equitable wealth distribution and the safeguarding of public welfare. Furthermore, these policies may cause systemic dharar to trade partner nations and contribute to global economic uncertainty conditions that are considered misaligned with Shariah principles. The primary contribution of this article lies in its integration of fiqh muamalah's conceptual framework with contemporary fiscal policy analysis, offering a normative evaluative paradigm for assessing global economic policies from the perspective of Islamic law. This research expands the discourse within Islamic economics and provides a conceptual foundation for formulating more ethical and justice-oriented fiscal policies in a global context.

Keywords: Tax Policy, Protectionism, Fiqh Muamalah, Legal Evaluation, Islamic Economics

Introduction

Protectionist economic policies have triggered a profound transformation in the global trade and fiscal landscape. Among the most controversial measures are the imposition of high import tariffs on goods from countries such as Indonesia, China, Mexico, and the European Union, as well as the United States' withdrawal from multilateral trade agreements such as the Trans-Pacific Partnership (TPP), enacted

during the administration of President Donald J. Trump. These strategies, while purportedly aimed at protecting domestic industries and reducing the trade deficit, have sparked global economic tensions and retaliatory actions from trade partner countries (Beržiūnas, 2019). Such policies have also weakened the legitimacy of the multilateral trading system administered by the World Trade Organization (WTO) (Hoda, 2019). At the macroeconomic level, protectionist tax policies have led to contractions in global GDP and heightened recession risks in key trading partners such as China and Germany (Duche-Pérez et al., 2024). In this context, it is crucial to examine protectionist fiscal policies not only in terms of their macroeconomic effects but also through a normative Islamic framework, particularly that of fiqh muamalah and Islamic economics, which prioritize justice, public welfare (maslahah), and the prohibition of harm.

Previous studies have analyzed protectionist policies from various economic and political perspectives. For example, Kang & Min (2018) argues that protectionist policies are not entirely impulsive but rather strategically designed within the framework of economic nationalism (Kang & Min, 2018). Other research highlights the negative impact of these policies on bilateral trade, the stability of international institutions, and increasing uncertainty in global supply chains (Shen, 2019). However, studies that explicitly evaluate protectionist tax policies from the perspective of fiqh muamalah and Islamic economics remain scarce. This gap is significant, as the Muslim community requires a normative basis to assess whether such impactful global economic policies align with or violate core Shariah principles.

The key concepts in this study are grounded in fiqh muamalah and Islamic economics, which emphasize distributive justice ('adl), protection of public interest (maslahah), and the prohibition of harmful practices such as gharar (excessive uncertainty) and dharar (harm). In addition, maqasid al-shari'ah which focuses on protecting the five essential objectives of Shariah (religion, life, intellect, lineage, and wealth) serves as a normative analytical tool for evaluating contemporary fiscal policies. This approach is especially relevant to determine whether a non-Muslim state's fiscal policy, with global implications, can be ethically evaluated through Islamic principles, particularly in the context of cross-border economic justice.

This study aims to critically analyze the legality of protectionist tax policies based on the principles of fiqh muamalah and Islamic economics. The central research question addressed is: How can the legality of protectionist tax policies be assessed from the perspective of fiqh muamalah and Islamic economics? The study not only seeks to explain the misalignment between protectionist policies and Islamic principles of justice but also examines how such policies may undermine maslahah and global economic justice, particularly for developing countries that serve as U.S. trade partners.

Methodologically, earlier studies often rely on conventional political-economic frameworks or quantitative predictive models such as the Global Trade Analysis Project (GTAP). For instance, Cretegny (2017) applied GTAP to evaluate the impact of tariff policies on U.S. and Chinese GDP (Cretegny, 2017). While such approaches offer strong technical insights, normative frameworks based on Shariah values remain underexplored. Yet, Islamic values offer significant potential in assessing the ethics and legality of major fiscal policies with global consequences. Addressing this oversight is essential to advancing contemporary Islamic economic literature.

The scholarly contribution of this article lies in its integrative effort to bridge contemporary economic policy analysis with fiqh muamalah and Islamic economics – an intersection that is rarely explored in international political economy literature. This article introduces a novel approach by connecting modern fiscal protectionism discourse with normative Islamic frameworks, offering a conceptual foundation for ethical public policy-making in a globalized world. As such, the article aspires to enrich Islamic economics discourse, extending its relevance beyond domestic concerns to global fiscal policy dynamics (Dalelkhan & Turekulova, 2022).

By combining an exploratory approach and content analysis based on classical and contemporary literature in fiqh muamalah and international economic studies, this research is built on a conceptual framework that integrates maqasid al-shari'ah with evaluative tools for assessing fiscal protectionism. This foundation will guide the methodology section in constructing literature-based critical arguments to analyze the legality and ethics of protectionist tax policies from an Islamic legal perspective.

Literature Review

The primary conceptual foundation of this study is fiqh muamalah, which serves as a normative framework for assessing economic activities, particularly fiscal policies such as protectionism. Fiqh muamalah is a branch of Islamic jurisprudence that regulates economic and social transactions based on Islamic principles derived from the Qur'an, Hadith, ijma' (scholarly consensus), and qiyas (analogical reasoning). Conceptually, it upholds the freedom to engage in transactions while imposing restrictions on harmful practices such as riba (usury), gharar (excessive uncertainty), and dharar (harm), and promotes public welfare (maslahah) and distributive justice ('adl) (Fuad, 2022). The concept of maqasid al-shari'ah, introduced by Imam al-Shatibi, further provides a goal-oriented framework that focuses on the protection of five fundamental objectives—religion, life, intellect, lineage, and wealth—which form the basis for evaluating the legitimacy of public policies within Islamic economics (Farahidy, 2022).

Previous studies have examined the relationship between fiscal policy and Islamic economic principles. For instance, research concluded that fiscal policy within Islamic economics must adhere to maqasid al-shari'ah and be implemented to promote societal welfare and ensure equitable wealth distribution (Oktaviani et al., 2023). In the context of domestic economic protection, fiscal interventions such as taxation must be normatively evaluated, as they may lead to injustice if they disproportionately burden specific groups without strong justification grounded in maslahah (Dinda et al., 2023). Similarly, the importance of integrating maqasid al-shari'ah into fiscal policy to respond to modern global economic challenges, including protectionism and trade imbalances.

Nonetheless, the majority of these studies are limited to normative analyses of domestic fiscal systems and do not specifically address the phenomenon of protectionist tax policies enacted by global powers like the United States. This reveals a gap in the academic literature concerning how protectionist fiscal policies of major economies affect the principles of justice in Islamic economics, particularly in the context of global trade relations. While Nuha et al. (2024) have underscored the importance of correlating Islamic law with Islamic economic practices in Indonesia, their study does not extend to the aggressive foreign economic policies of global powers (Nuha et al., 2024).

This article aims to address that gap by offering a critical and conceptual approach to protectionist tax policies, explicitly linking them to the core values of fiqh muamalah. The article's main contribution lies in its integrative exploration of contemporary fiscal policy and Islamic economic theory, particularly in evaluating the legality and fairness of such policies from the standpoint of dharar prohibition, maslahah protection, and the principle of 'adl. Moreover, the article expands the understanding of how unilateral policies of a single country can disrupt the global trading order and how Islam, as a normative legal and ethical system, responds to such dynamics.

Theoretical approaches in earlier studies have predominantly relied on normative and deductive methods rooted in classical texts, with limited efforts to integrate contemporary fiscal policy analysis with fiqh muamalah principles. For example, Lubis et al. (2024) adopted a normative approach to assess the legality of online gold investments through fiqh muamalah, but did not venture into the realm of macroeconomic policy or international relations (Lubis et al., 2024). Similarly, Bunayan (2018) examined legal disputes in murabahah contracts but focused solely on micro-level transactions rather than the fiscal policies of global powers (Bunayan, 2018). This signals the need for a new, more reflective and exploratory approach, which this study adopts.

This article also offers a synthesis of classical fiqh muamalah and the contemporary challenges posed by global fiscal policy. By combining al-Shatibi's *maqasid al-shari'ah* framework with analysis of protectionist measures enacted by countries like the U.S., the study builds a robust conceptual foundation. For example, Yasin and Ma'arif (2022), in their analysis of dumping practices from Imam Suyuthi's perspective, affirm that economic policies causing substantial harm to other parties can be classified as *dharar* and are not permissible under Shariah unless justified by necessity or compelling public interest (Utsman & Ma'arif, 2022). Therefore, this article constructs an evaluative framework that merges the principles of *maqasid*, fiqh muamalah, and the ethics of fiscal policymaking.

With a solid theoretical foundation, a clear mapping of previous research, and the identification of a distinct literature gap, this literature review serves as the conceptual basis for the subsequent analysis. The study employs an exploratory approach using content analysis to investigate the extent to which protectionist tax policies can be critically evaluated from the perspective of Islamic legal and economic ethics.

Results and Discussion

Protectionist tax policies, such as those implemented by the United States, reflect a fundamental shift in fiscal approaches to international trade. The key findings of this study reveal that such policies have a direct impact on economic distribution patterns, fiscal justice, and cross-border trade ethics. From the perspective of fiqh muamalah and Islamic economics, these policies are subject to considerable debate due to their potential to contain elements of injustice ('adam al-'adl) and harm (*dharar*), both of which are prohibited under Shariah principles.

A synthesis of the literature reveals that the U.S. policy of corporate tax cuts coupled with import tariff hikes—particularly through the 2017 Tax Cuts and Jobs Act (TCJA)—was designed to stimulate domestic economic growth by protecting local industries. However, studies show that this policy significantly worsened wealth inequality, with 70% of the tax cut benefits accruing to the top 10% of income earners (Haughton et al., 2017). From an Islamic economic perspective, such unequal distribution contradicts the principles of 'adl and *maqasid al-shari'ah*, which demand social justice and balanced prosperity (Madjid et al., 2024).

The protectionist U.S. fiscal policies tend to increase budget deficits without guaranteeing long-term economic growth (Bernardi, 2017). From a fiqh muamalah standpoint, fiscal policies that generate uncertainty (*gharar*) in national budgets and long-term socioeconomic development fail to meet the criterion of *maslahah*. Additionally, these policies have disrupted international trade relations, including the unilateral termination of multilateral trade agreements, causing global market instability and economic harm to weaker trading partners. Such practices conflict with Islamic principles of relational justice between nations and the prohibition against monopolistic or exploitative trade practices.

When assessed through the lens of Islamic economic theory, protectionist fiscal policies do not align with *maqasid al-shari'ah*, which emphasize wealth preservation (*hifz al-mal*) and equitable distribution. According to Ahmad et al. (2017), Muslim communities perceive such foreign economic policies as discriminatory and harmful, exacerbating global social and economic inequalities (Ahmad & Balogun, 2017). This introduces significant ethical implications in international trade relations, particularly for countries with Islamic economic systems.

Compared to earlier studies, this approach enriches contemporary Islamic legal discourse related to the legitimacy of modern fiscal policies. Most previous research has focused on domestic issues such as zakat and taxation without directly linking them to international economic protectionism. This article adds a new dimension by integrating protectionism with fiqh muamalah and Islamic economics across borders. This perspective is crucial for assessing how Islamic values can guide the development of fair and beneficial fiscal policy on a global scale.

The study also acknowledges its limitations, particularly the lack of access to primary policy documents and the limited empirical representation of perspectives from U.S. trade partners. Additionally, literature offering direct evaluations of protectionist fiscal policies from an Islamic legal viewpoint remains scarce. Hence, this research is exploratory and may be expanded through empirical studies focused on regional or bilateral policy contexts.

The implications of this study offer significant contributions to the development of fiscal policy frameworks rooted in Islamic values that are more just and humane. For policymakers, the findings provide a normative reference for formulating economic policies that emphasize maslahah and distributive justice. Future research is recommended to test the conceptual validity of these findings in the context of Muslim-majority countries or within the framework of Islamic multilateral organizations such as the OIC.

As Islamic economics continues to evolve, integrating fiqh muamalah with global issues such as fiscal protectionism becomes increasingly relevant. This study not only addresses a gap in the literature but also offers a normative and ethical foundation for evaluating international economic policy from a justice-oriented, Islamic perspective. Through this theoretical synthesis, the study strengthens the position of Islamic economics as a value-based system capable of guiding and shaping global policy discourse.

Conclusion

The findings of this conceptual study indicate that protectionist tax policies raise several normative concerns when assessed through the lens of fiqh muamalah and Islamic economics. Although such policies are politically intended to safeguard domestic industries, they tend to generate wealth inequality, fiscal injustice, and potential harm to international trade partners. Within the maqasid al-shari'ah framework, these policies appear inconsistent with the objectives of Shariah, particularly in preserving wealth (hifz al-mal) and protecting public welfare (maslahah). Foundational principles of fiqh muamalah, such as the prohibition of dharar (harm) and gharar (uncertainty), also suggest that policies causing disproportionate damage or fostering uncertainty in the global economic order cannot be ethically or legally justified under Islamic law. These findings directly address the research question and underscore the importance of critically evaluating global economic policies through the perspective of Islamic legal and ethical standards.

The main contribution of this article lies in its effort to integrate classical Islamic economic theories with contemporary fiscal policy dynamics—particularly in the context of globalization and the unilateralism of dominant powers. This study adds a normative and ethical dimension to the field of international economic analysis, which has traditionally been dominated by conventional economic frameworks. Furthermore, the article offers a conceptual framework rooted in fiqh muamalah that can serve as an evaluative tool for various forms of cross-border fiscal intervention. Theoretically, this work broadens the application of maqasid al-shari'ah principles in public policy and affirms the relevance of Islamic economic jurisprudence in addressing modern global challenges.

This study opens avenues for further empirical and comparative research at both bilateral and regional policy levels, particularly in Muslim-majority countries. Its practical implications point to the need for fiscal policy formulation that prioritizes not only economic efficiency but also global justice and public welfare. By addressing this issue, the article offers a meaningful contribution to strengthening the epistemology of Islamic economics as a discipline that is not only normative but also responsive to global social and political realities.

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