

SHARIAH NEWSLETTER

JULY 2025

7TH EDITION

ISLAMIC VIEW TO THE TARIFFS CRISIS: RETURN TO SIMPLICITY

Assalamualaikum, Dear Readers!

Welcome to our July 2025 edition of Shariah Insights, your trusted source for updates on Shariah-compliant finance, governance, and market developments. This month, we will share about a Tariff Crisis. As global economic tensions escalate, rising tariffs on imported goods are causing higher prices and increasing financial pressure on families and businesses worldwide. Islam reminds us that every hardship carries lessons and opportunities for reflection.

Tariffs – essentially taxes imposed on imported goods are not just an economic mechanism. They directly affect consumers, businesses of all sizes, and entire communities by increasing the prices of goods and services. As costs rise, purchasing power weakens, and spending slows down, eventually threatening national and global economies. Financial analysts fear this could lead to demand destruction and, in worst cases, recessionary conditions. Furthermore, retaliatory tariffs among countries risk igniting global trade conflicts.

For people of faith, particularly Muslims, such times are not merely economic hardships but moments for sincere reflection. Islam encourages believers to view every worldly trial as an opportunity to strengthen spiritual resilience, revisit our life choices, and realign our economic practices in accordance with Shariah principles.

Shariah-Compliant Investment: A Sustainable Financial Solution

With conventional financial markets driven by speculative, interest-based mechanisms, many Muslims seek halal alternatives that align with fairness, justice, and social responsibility. The rising awareness of Shariah-compliant investing offers a powerful solution amidst the unpredictability of tariffs and market fluctuations. Halal investments channel wealth into ventures free from *riba* (interest), *gharar* (excessive uncertainty), and prohibited industries like alcohol, gambling, or unethical trade. More importantly, it ensures wealth circulates within permissible, productive, and community-enriching sectors.

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The Call for Simplicity and Responsible Consumption

In today's world, where consumerism dominates lifestyles, societies increasingly glorify extravagance while looking down upon frugality. Materialism pushes individuals and institutions alike to pursue excessive accumulation of wealth, often at the expense of ethics, sustainability, and communal wellbeing. Islam teaches us to return to simplicity (*al-basatah*). The Prophet Muhammad ﷺ said: "Wealth is not in having many possessions, but in having contentment of the soul." (Sahih al-Bukhari) In the face of rising costs driven by tariffs and inflation, Muslims are encouraged to avoid wastefulness (*israf*) and to make conscientious decisions about spending and investing. Living moderately, avoiding unnecessary luxuries, and prioritizing essential needs help insulate communities from economic shocks while fostering spiritual calmness.

Tariffs and The Muslim Ethical Responsibility

Islamic principles support governments implementing tariffs for valid reasons: protecting local industries, ensuring national security, or safeguarding public interests. However, Shariah prohibits exploitation, excessive burden on the poor, and unjustified imposition of taxes.

The Prophet ﷺ emphasized fairness in trade and governance:

"Whoever imposes a tax not sanctioned by Allah will not enter Paradise."

(Sunan Abi Dawood, 2931)

Therefore, Muslims have a duty to:

- Advocate for balanced, fair economic policies
- Support ethical businesses and markets
- Avoid practices that harm societal welfare
- Be vigilant investors, ensuring their financial actions do not contribute to social injustice

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Contrary to secular financial systems, Islamic finance promotes:

- Socio-economic justice
- Ethical wealth distribution
- Mutually beneficial partnerships
- Moderated risk-sharing models

Such frameworks encourage both individual financial security and community development, ensuring that economic benefits are not hoarded by the few but extended to the many.



A Time for Conscious Living

Economic challenges like the current tariff crisis are pivotal reminders for Muslims to revisit our economic ethics. Islam champions moderation, conscious wealth management, and investing for both worldly benefit and eternal reward. While tariffs disrupt markets, our principles remain constant: to live responsibly, share our sustenance, and trust in Allah's provision.

As believers, we are encouraged to navigate modern economic complexities without compromising our values. By embracing simplicity, rejecting wastefulness, and participating in Shariah-compliant financial avenues, Muslims can not only safeguard themselves amidst financial uncertainty but also uplift their communities towards a fairer, more resilient society.