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CURRENCY MANIPULATION FROM ISLAMIC MONETARY MANAGEMENT AND TRADE OUTLOOK

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ABSTRACT

The word "competitiveness" in foreign exchange seems to dynamically widen. It does not solely refer to stronger against other currencies. Currency manipulation is the main reason, a monetary maneuver conducted by export-based countries to even depreciate their currency rate to maintain its competitiveness. Implemented years ago, it seems to become a warm topic once again since the US-China trade clash. The controversies emerged due to its tempting benefits to the exporter countries, yet hurting the importer countries. However, it seemingly violates no regulation in international trade law. Hence, the urge to review this policy from a wider perspective. This paper will review the currency manipulation from Islamic monetary management and trade principles, as Islam strongly urges in good pricing management which aims to benefit all trading parties and maqasidi resources control. The result shows that currency manipulation violates major aspects of Islamic monetary management and trade principles. The outcome also proposes the alternative principles scheme to elude the currency manipulation implementation for a long-term beneficial trade.

Keywords: Currency Manipulation, Islamic Monetary Management, Islamic Trade.

INTRODUCTION

Generally, an exchange rate of a currency will be considered as "good" if it is stronger than the other. Therefore, the nation has more spending or buying power in another country. But here, the money supply and demand theory will take its part. When an exporter country's product has been widely used in another country, their currency becomes stronger, thus automatically rising its currency's value and also their exported product's price. The exported product now is not as interesting as before. Hence, the urge to devalue the currency. This is called currency manipulation, currency misalignments, exchange rate misalignments, or currency devaluation (Bayraktar, n.d.; Sanford, 2011; Thorstensen & Ferraz, 2014). It causes a massive global trade imbalance from $700 billion to $900 billion per year (Scott, 2014). The controversy lies in its teasing benefits to the exporter country, yet often injures the importer country, and almost no rigid regulation to control it (Eichengreen & Tong, 2011).

Background

International analysts recently accused "currency manipulation" or "currency misalignment" (Conrad & Jagassar, 2018), when it comes to the recent U.S-China trade clash. What distinguishes this from the other currency manipulation practice is that it involved 2 (two) giants of the world's economy. Table 1 represents the surplus of the balance of the Chinese side, while the U.S. has the deficit status for the whole year in 2019.

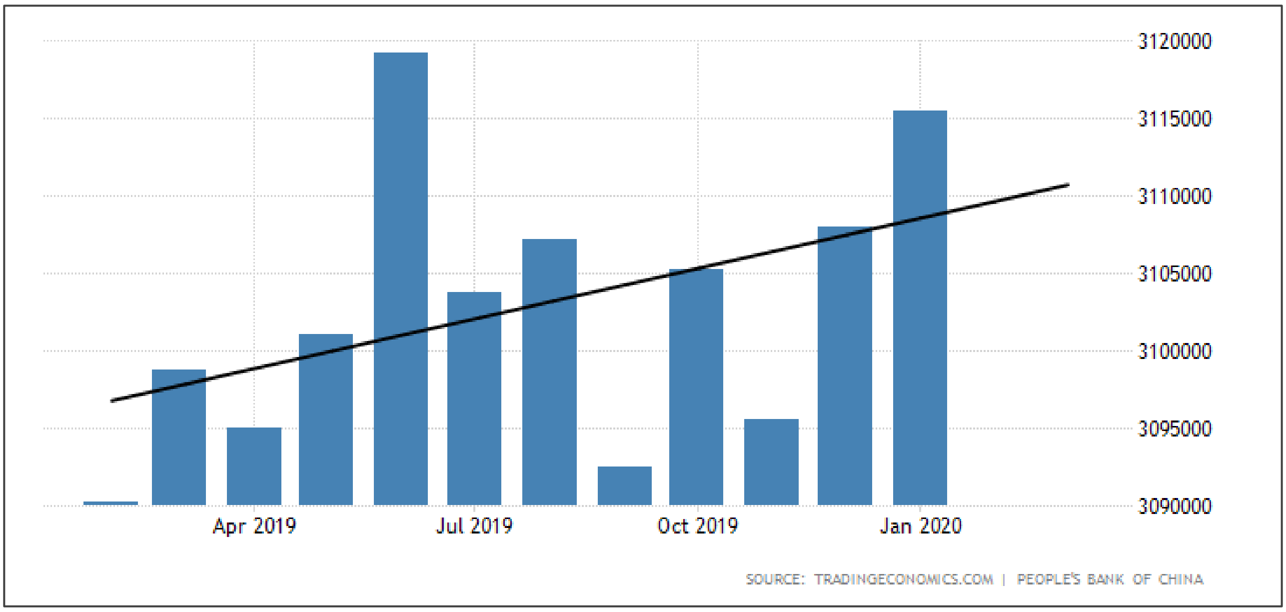
Table 1: U.S-China Balance of Trade Trends in 2019

Month	Exports	Imports	Balance
January 2019	7,134.3	41,603.8	-34,469.5
February 2019	8,433.6	33,194.4	-24,760.8
March 2019	10,426.5	31,175.7	-20,749.1
April 2019	7,896.3	34,798.9	-26,902.6
May 2019	9,074.5	39,269.1	-30,194.6
June 2019	9,034.7	39,002.3	-29,967.6
July 2019	8,733.7	41,508.7	-32,775.0
August 2019	9,430.6	41,187.3	-31,756.6
September 2019	8,597.7	40,220.1	-31,622.5
October 2019	8,886.4	40,145.7	-31,259.3
November 2019	10,103.3	36,468.9	-26,365.7
December 2019	8,875.1	33,668.4	-24,793.3
TOTAL 2019	**106,626.8**	**452,243.4**	**-345,616.7**

Source: U.S. Census Bureau

The Chinese foreign exchange reserves trends trade balance has also increased at the same time, this means that the Chinese have also increased their reserves during the trade war with the U.S. as shown in figure 1 below:

Figure 1: China Foreign Exchange Reserves Trends



Source: tradingeconomics.com

Therefore, while the Chinese foreign exchange reserve is getting higher, their trade balance is also gaining surplus. This is why the U.S is pretty much so annoyed by the Chinese currency devaluing policy, although they cannot enforce China since they cannot show which enactment or regulation is violated (Kashyap & Bothra, 2019). Even so, the currency manipulation practice is not always related to U.S and China. As the IMF reported, many countries were also involved as currency manipulators, even Muslim-based countries (Bergsten & Gagnon, 2012), as we will present in table 2 below:

Table 2: IMF's Foreign Exchange Reserves & External Balances Data 2011-2012

Country	Foreign exchange reserves, year-end 2011		2012 reserves increase to date (annualized billions of dollars)	Current account balance in 2012 (IMF forecast)		Bilateral trade balance with United States in 2011 (billions of dollars)
	Billions of US dollars	Percent of GDP		Billions of US dollars	Percent of GDP	
			Asia			
China[2]	3,262	45	139 (September)	191	2	280
Hong Kong	286	118	20 (October)	10	4	–31
Japan	1,225	21	–29 (October)	95	2	44
Korea[2]	335	30	30 (November)	22	2	5
Malaysia	129	46	5 (October)	23	8	10
Singapore[3]	486	187	n.a.	56	21	–18
Taiwan	386	83	16 (October)	32	7	12
Thailand	166	48	6 (November)	–1	–0	14

Oil exporters						
Algeria[1]	181	95	8 (June)	13	6	13
Angola[1]	28	28	8 (October)	10	9	12
Azerbaijan[1,2]	33	53	n.a.	15	20	2
Kazakhstan[1,2]	64	36	n.a.	12	6	1
Kuwait[1,2]	235	133	n.a.	77	44	5
Libya[1]	97	264	11 (June)	19	22	0
Norway[2]	547	113	144 (September)	76	15	3
Qatar[1,2]	101	58	n.a.	55	30	–2
Russia[1]	443	24	31 (November)	102	5	26
Saudi Arabia	527	91	123 (October)	171	26	29
United Arab Emirates[1,2]	779	216	n.a.	34	9	–13
Others						
Denmark[1]	78	24	16 (October)	15	5	5
Israel	73	30	1 (October)	–5	–2	10
Switzerland	271	43	225 (October)	63	10	–4

n.a. = not available

1. Bilateral trade balance is for merchandise only.
2. Reserves include 2010 estimated foreign assets of sovereign wealth funds.
3. Reserves are gross financial assets of the Government of Singapore as of March 2011 (may include some domestic assets).

Note: Manipulators in this table are based on 2001–11 data; see text for criteria.

Sources: IMF, *International Financial Statistics* and *World Economic Outlook* databases; Truman (2011, table 1); US Bureau of Economic Analysis and US Census Bureau; and central bank and finance ministry websites of the above countries.

Source: (Bergsten & Gagnon, 2012)

Hence, it is paramount to examine how Islamic monetary management and trade concept sees such practice. As a *rahmatan'lil 'alamiin* gospel, Islam urges to do both the *sharia* compliance (the legal perspective) and the *maslaha* fulfillment (the ethical perspective) in human life. This paper will analyze the aforesaid issue.

Research Problems

In summary, all the emphasized background leads to this main research problem: is currency manipulation compatible with Islamic monetary management and trade principles? And that will be what this research is all about.

Objectives

This paper aims to discover the compatibility of currency manipulation practice with the Islamic monetary management and trade principles concept.

Hypothesis

H_1: Currency manipulation violates all Islamic monetary management and trade principles.

H_2: Currency manipulation is an absolute parallel with Islamic monetary management and trade principles.

H_3: The currency manipulation violates some of the Islamic monetary management and international trade principles and is consequently partly parallel with some of the Islamic monetary management and trade principles.

H_4: The currency manipulation violates all the Islamic monetary management principles but is in line with all aspects of Islamic trade principles.

H_5: The currency manipulation is parallel with all the Islamic monetary management principles but contradicts with the entire Islamic trade principles.

Significance and Limitation
Due to minimum reference or discussion about how Islam reviews currency manipulation from the monetary and trade perspective, the research findings are expected to enrich the knowledge to the corresponding disciplines along with other possible future research.

LITERATURE REVIEW

Currency Manipulation
Worldview and Objectives
It was highly suspected to be similar to one-sided prolonged sterilized foreign exchange intervention to weaken the home currency, or, a way to gain trade advantage under the use of currency laws or regulations (Neely, 2011). Despite some highlighting that certain cases of foreign exchange are weakly related to a country's trade or even negatively related (Auboin & Ruta, 2011), currency manipulation is still believed by many international policymakers to be blamed for the trade deficit (Neely, 2011). Currency manipulation is also hard to spot, in general, exchange rates are used to reflect the power of one currency compared to the other. But since its subjectivity, the "equilibrium" rate of an exchange between two currencies will also be biased. Some said the equilibrium point is when surplus is reached, while others mentioned that it's the rate that equates prices or labor costs. The real challenge, is to establish an appropriate measures to detect a currency misalignment (Haltom, 2013).

Principles of Practice
Although still open for arguments, some research proposes criteria that indicate whether a country is involved with currency manipulation. The IMF also took its part, an aggressive intervention to keep a country's currencies undervalued can reasonably be labeled as currency manipulators (Bergsten & Gagnon, 2012). Hence, emerged these three main clusters of currency manipulators, certain east Asian countries, oil exporters, and some advanced economies in and around Europe. Below, are the indicators:

1) Their year-end foreign exchange reserves surpassed six months of goods and services imports, while normally it is only three months (IMF 2011)
2) Their foreign exchange reserves growth is way faster than their GDP.
3) Their current account was in surplus on average (as a share of GDP).
4) They had a gross national income per capita roughly within the median of 215 countries covered by the World Bank's Atlas method rankings (Bergsten & Gagnon, 2012).

Green (2015) even mentioned that there is no clear aspect of the process of identifying currency manipulation. Only in the most egregious cases would a determination of currency manipulation prevail. Even so, no formal accusation of currency manipulation was made.

We simply assert that a currency manipulator is used to have an abnormal leap of foreign exchange reserve buying action compared to its national GDP and its gross national income per capita, while at the same time, they are encountered in international trade.

Present Practice among Muslim-based Countries
An annual average rate of nearly $1 trillion exchange rate intervention has been implemented by most of 20 countries (as listed in table 1) for several years to keep their currencies undervalued (Bergsten & Gagnon, 2012). Including the Muslim citizen-based countries. Most of them are included in the oil exporter cluster.

Out of those East Asian currency manipulator clusters, Japan is one of them. They had a foreign exchange reserve of a staggering $1.2 trillion, making it the world's second-largest holder. It seems that they tend to follow the Chinese style (Subramanian and Kessler 2012). The third group is mainly neighboring European countries that largely intervene in their euros instead of dollars. Even though they have relatively much smaller reserves than the first two groups.

Islamic Monetary Management Principles

Since currency manipulation is strongly related to intervening currency value in an international trade context instead of domestic need. The recent Islamic monetary management concept, in our readings, also has the least discussion to cover the issues. Hence, our categorization about the worldview or other elements of Islamic monetary management principles in this and later sub-chapter are based on our interpretation with the help of the existing Islamic scholars' notions in the Islamic macro-economic concept.

Islam provides a comprehensive view towards any action to its followers. Including environmental concern and sustainable impact in Islamic business ethics. Within the complete *Tawhidi* approach, sheer development is paramount to ensure a linear economic growth towards its equalizing capability to enhance the structures of production and consumption as well as those relating to the social, behavioral, cultural, political, and administrative aspects of life (Hassan, 2016).

Islamic economics has been recognized not only by its principles but also by its operations such as *sharia* compliance banks, monetary management, and even economic authority like *zakat* management. The fair prosperity of the whole people or other involved entity in Islamic economic activity is the whole objective (Chapra, 1996; Ismail, 2011).

As cited from Muhammad Umer Chapra (1996), Islam does not tend to manage money demand efficiently or equitably within certain rigid indicators. Instead, it uses a concept that relies on the approach.

The important three approaches are:

A crucial role of values and institutions impacted all aspects of human life. Islam does not have an anathema to value judgments. Rather, it is all about systematically trying to create an effective environmental system that is capable to allocate and distribute economic resources that conform with *maqasid*. Islam supports need-fulfillment and productive allocations, on the contrary, Islam disagrees with unnecessary and unproductive spending. Such notion, hugely impact how the Islamic economy concept developed, including monetary management and even how to manage currencies (Chapra, 1996).

Besides values, Islam also attempts to reinforce the actual social, economic, and political institutions with the price mechanism. It consists of the efficiency of resources usage, intending to make a positive contribution along with the value system (Chapra, 1996). Certain conditions underlie the price management, Ibn Taymiyyah mentioned; (i) that the goods or services are the basic needs of the people and (ii) the price fluctuation is not impacted by scarcity or the increased demand of desperately needed goods or services. The Islamic pricing benchmark also honors the ownership of individual property and his freedom to utilize it as long as he obeys the right of others (Omar, Noor, & Meera, 2010).

Islam also prohibits interest and reorganizes financial intermediation based on profit-and-loss sharing as interest-based financial intermediation tends to have an excessive consumption, speculation, and unproductive investment. Hence, the money demand (or other resources) tends to be more cautiously available for qualified stakeholders (Chapra, 1996).

Islamic Trade Principles

Although the so-called "Islamic governments" in the past, there is no clear evidence of Prophet Mohammad's (PBUH) importing or levying trade tariff policy to prohibit certain import activity (Bidabad, 2015). However, the lack of evidence does not mean that a theory cannot be built, as cited in Asad (1987). The next chapter will emphasize what Islamic scholars found for the topic.

Chapra (1992) outlined that the Islamic worldview consists of how the economic market system creates a sustainable price mechanism integration that minimizes unnecessary use on resources, the "moral filter". It referred to "Islamic moral value" that will filter many claims before being put in the actual marketplace. Siddiqi (1981) also highlighted that the resources would not be allowed for any kinds of production or luxuries until the necessities have been fulfilled. The filter is mainly based on *shura* (consultation) or another way to be devised to motivate stakeholders to obey the values. Islam straightforwardly proposes *shura* to find the best choice by consensus, including within the international trade context. It is also a good way to obtain different viewpoints, other party's rights, or even to outfight an unwanted conspiracy or any kind of unfairness (Bidabad, 2015; Hassan, 2016).

As Abu Hassan (2016) referred, Islam heavily commits to fairness and unity demands, as Muslim society's basic needs foundation. The people have the right to earn a living by themselves and only when this is impossible, the state could intervene. The *zakah* institution will role as a wealth tax comprising compulsory charity to even more facilitate the wellness of society. The real owners of the wealth are not the rich; they are only trustees. Thus the urge to help the poor. The word "zakah" itself (alms) means purification, which refers to income redistribution, not only for the sake of economic necessity but also spiritual salvation. Therefore, economic activity will be effectively integrated with ethics (Naqvi, 1981).

Undeniable importance in economic development and growth has been confirmed by scholars. International trading is an attempt to gain such goals. Each country has its specialization and therefore, could promote certain cooperation, including from the Muslim world (Bidabad, 2015).

Abu Hassan (2016) also cited that within the Islamic point of view, a gradual social change cannot be achieved by force, but by example. For instance, when the Muslim merchants have landed in a certain area, the residence was impressed by the traders' business system and hence became Muslims.

RESEARCH DESIGN

Qualitative Research Approach

Pupu Saeful Rahmat (2009) mentioned that according to Kirk and Miller in Nasution (1988), in principle, qualitative research is a qualitative observation that clashed with quantitative observation. They defined qualitative methodology as a certain tradition in social science that fundamentally depends on a person's observation, language, and interpretation. In this context, the currency manipulation phenomena. Straus and Corbin in Cresswel, J. (1998) in Rahmat (2009) then defined qualitative research as research to obtain a discovery that cannot be achieved with a statistical procedure or other quantification methods. The aim is to learn about social life, history, behavior, functionality, organization, social activity, and others (Rahmat, 2009), which is suitable for this research.

Qualitative Analysis Method: Conformity Analysis

Miles and Huberman (1994) underlined the 3 (three) main processes of qualitative data analysis. Those are: 1) Data reduction; 2) Data display and; 3) Conclusion drawing and verification. Data reduction means a process of selecting, focusing, simplifying, abstracting, and transforming the data that appear in written-up field notes or transcription (Miles & Huberman, 1994). It will be conducted to identify the worldview, practical principle, and impact or aim from the currency manipulation, the Islamic monetary management, and Islamic trade principles literature review. Data display generally referred to an organized, compressed assembly of information that permits conclusion drawing and action from the data reduction (Miles & Huberman, 1994). Thus, it will be used as our way to display what we have identified about the worldview, practical principle, and impact or aim from the currency manipulation, the Islamic monetary management, and Islamic trade principles literature review. The conclusion draw and verification process then used to process the conformity analysis between the currency manipulation's worldview, practical principles and its impact with the Islamic monetary management and Islamic trade principles perspective.

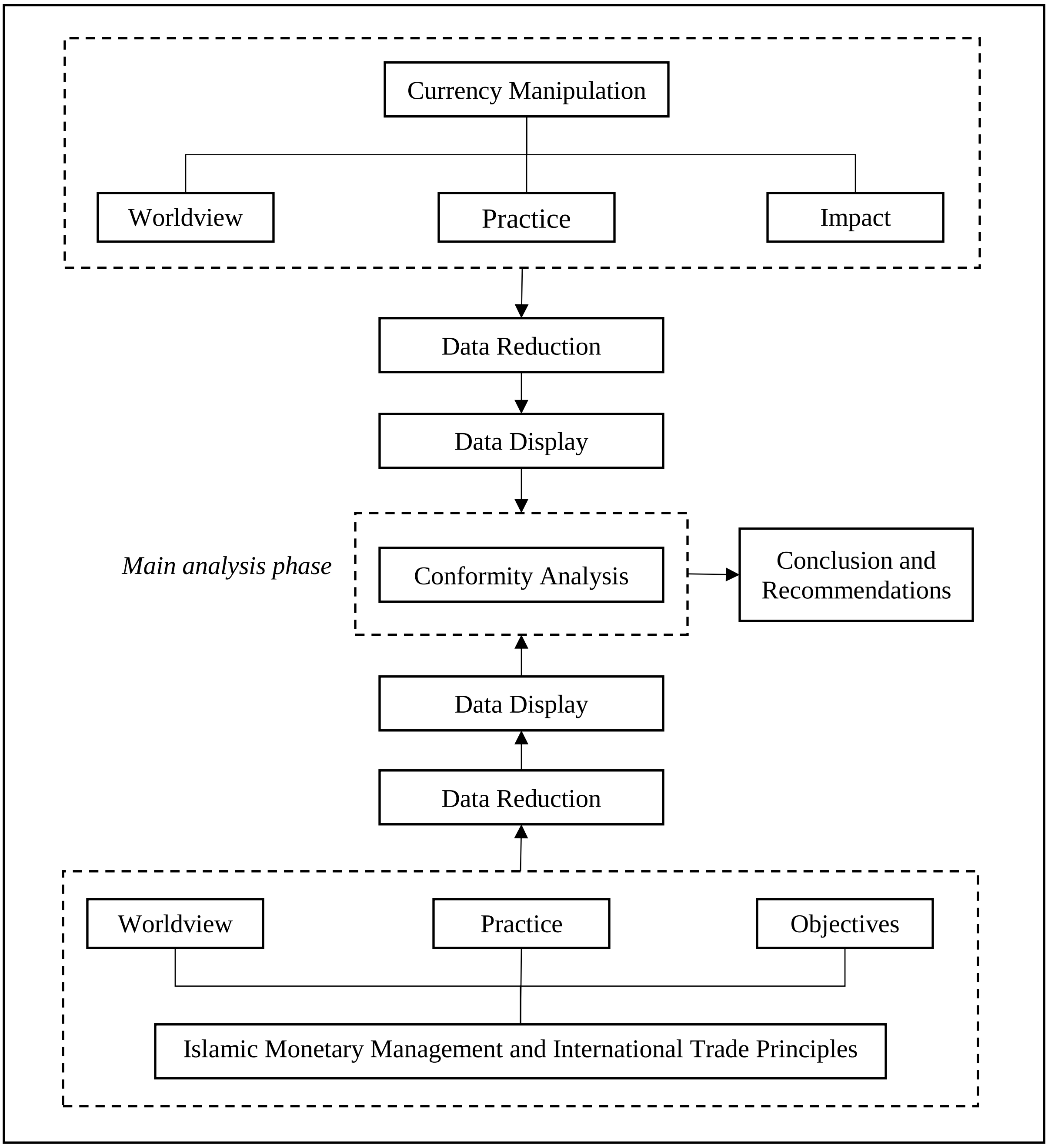
Data Collection Method

The literature data collection method will be utilized in this paper. The currency manipulation, Islamic monetary management, and international trade principles literature are obtained for further analysis. The reason behind this is that there existed a large number of facts and data stored in it. Such data allows researchers to know and analyze things that happen in the past while providing things to be analyzed or to be forecasted for the future (Rahmat, 2009).

Methodological Framework

In conclusion, we can say that the use of conformity analysis is all that this paper's research methodology talks about. The main process will be data reduction, data display, and conclusion drawing and verification. The data then are collected from the literature review method. We will depict such understanding in figure 2 below.

Figure 2: Research Methodology Framework



Each of the currency manipulation concepts, Islamic monetary management, and international trade principles has its elements, worldview, practice, and impact. Put it boldly, the elements will be analyzed for their conformity, to provide a conclusion on whether the currency manipulation is contradicting the Islamic monetary management and international trade principles concept, or is even in line with it.

Data reduction means to directly identify certain analysis of elements from the currency manipulation and Islamic monetary management and international trade principle concept, sourced from the second chapter. Those elements are the worldview, practice, and impact or objectives.

1) The Worldview of Currency Manipulation

Currency manipulation drove by the need for competitiveness in international trade. The surplus balance is the main objective. Hence, we can conclude that the worldview of currency manipulation is rooted in national economy needs, the national interest in an international trade competition, and a free-market trading-based system.

2) The Worldview of Islamic Monetary Management

Since Islam does not have an anathema to value judgments as Chapra (1996) highlighted and it is rather positively oriented towards them while simultaneously trying to create an enabling environment for making these effective in actualizing an allocation and distribution of resources based on *maqasid*. In consequence, the Islamic monetary management principles are underlined by the understanding of the properness of resource usage as what God has ordered.

3) The Worldview of Islamic Trade Principles

As Abu Hassan (2016) has outlined, Islam is immensely committed to justice and brotherhood that Muslim society takes care of as the "people" basic needs. We interpret the world "people" as all members of humankind, not for Muslims only. Therefore, we can conclude that the worldview of the Islamic trade principles concept is grounded from the nature of human beings to live in a prosperous for.

4) The Practice of Currency Manipulation

The process of currency manipulation, in principle, is a country's action to buy foreign reserves until they reach a certain nominal currency to compete with their trading partner. It is usually weaker compared to the "normal" currency volatility rhythm. In practice, it is widely used by export-based country, to save their product in price competitiveness abroad.

5) The Practice of Islamic Monetary Management

One of the main aspects of Islamic monetary management is price control, that strongly related to this paper topic. What Islam sees as price value is not only based on the free-market equilibrium process as the mainstream economic thought but also the Islamic sustainable development perspective. There is also a certain condition that allowed the government to intervene about pricing, these conditions are as the Ibnu Taymiyyah has concluded: (i) that the goods or services are the basic needs of the people and (ii) the fluctuation of the price is not based on supply scarcity or any other essential needs monopoly. As long as the price is giving benefits to all trading parties and leads to the *maqasidi* resources usage and follow some certain condition (as Ibn Taymiyyah has mentioned), then it will consider as good pricing management.

6) The Practice of Islamic Trade Principles

What distinct Islamic price control is the existence of the "moral filter", that is to prevent unnecessary use of resources both for consumption and production. This means that people would pass their potential claims on resources through the "filter of Islamic values" first before taking any action. It is also heavily relied on *shura* (consultation), or another way to be devised to motivate consumers and business people to hold the same vision (Hassan, 2016). Islam prohibits interest and reorganizes financial intermediation based on profit-and-loss sharing as well, as Abu Hassan (2015) mentioned. Bijan Bidabad (2016) also emphasizes the consultation process (*Shura)* to agree to international trade. Therefore, we interpret this principle as a strong rule against any kind of oppression, the urge to have a consultation in an agreement, and strive to gain trust for every trading party.

7) Impact of Currency Manipulation

There has been a wide assertion among economists that currency manipulation leads to the low exported product price of a nation abroad, and *vice versa*, the imported price from other countries will stay high. In other words, the more currency manipulation held, the more a nation's product sovereign the other nations market. We are aware of the next possible consequence, that this could be a perfect intervention to monopolize the world's economy.

8) Objectives of Islamic Monetary Management

Chapra (1996) and Ismail (2011) declared a fundamental agreement that Islamic economics is a new field in modern economic science. It recognizes not only its principles but also its operations. Amongst all, is the main function of a central bank to maintain price stability and prosperity of the whole people (Chapra, 1996; Ismail, 2011).

9) Objectives of Islamic Trade

It is obvious that Islam also recognizes trade as of undeniable importance in economic development and growth. International trading breeds specialization among countries and promotes international cooperation. Hence, it does not violate any Islamic trade principle (Bidabad, 2015). Abu Hassan (2016) also adds that from an Islamic point of view, a social change must be gradually achieved not by force, but rather by example.

Data Display

The data display referred to an organized, compressed assembly of information that permits conclusion drawing and action from the data reduction (Miles & Huberman, 1994). It will be our guide to display what we have identified about the worldview, practical principle, and impact or aim from the currency manipulation, the Islamic monetary management, and Islamic trade principles literature review. Many ways to display the data, such as figures, tables, charts, etc. (Verdinelli & Scagnoli, 2013). In this paper, we choose tables (see Table 3 below).

Table 3: Result of Data Reduction Analysis

Aspects	Islamic Monetary Management	Currency Manipulation	Islamic Trade
Worldview Principles	Underlined by the understanding of the properness of resource usage as what God has ordered.	The national economy needs, the national interest in an international trade competition and based on the free-market international trade system.	Grounded from the understanding that the nature of human beings to live in a prosper for all.
Practical Principles	The price determining mechanism is based on a certain condition (as Ibn Taymiyyah notion) and it is not only based on the free-market equilibrium	A country's buying action of foreign reserves until they reach the nominal currency as they want to be compared to their trading partner. It is usually weaker compared to	Islam strongly restricts oppression, encourages to have a consultation in an agreement, and strives to gain trust for every trading party. Main point: the urge to

	process but also the urge to the *maqasidi* allocation and distribution of resources.	the "normal" currency volatility rhythm.	have a good agreement by *shura*, the prohibition of interest, and promote profit-loss sharing-based cooperation.
Impact-Objectives Principles	The main functions of a central bank in Islam ─ as the institution for monetary management ─ are to maintain price stability and prosperity of the whole people.	It leads to a low exported product price of a nation abroad, and *vice versa*, the imported price from other countries will stay high. In other words, the more currency manipulation held, the more a nation's product sovereign the other nations market.	As a tool to enhance economic development and growth and promotes international division of labor and specialization among countries and international communication.

Conformity Analysis

Finally, we can analyze the conformity of currency manipulation with Islamic monetary management and international trade principles. In the same way, to explain the data reduction chapter, we will divide our analysis into numbers. The first one is for the worldview analysis, the second for the practice, and the third is for the impact/objectives.

1) Worldview Conformity Analysis

At a glance, there seems like a pierce distinction between the currency manipulation worldview and the Islamic monetary management and international trade principles. But the word "national economy needs" and "national interest" in an international trade context looks narrowed from their origin. What we believe, is that the national economy needs or the national interest will always defend their interest no matter how, including the "the winner takes all" paradigm. In other words, "the national interest" means fighting each other to someone's interest finally achieved. However, it also does not always mean negative. Thus, it is neutral.

The national economy needs can also refer as the need for a good investment partner to have a joint venture, the need of exporter country for certain goods to gain low cost of certain products for domestic consumption, the interest of creating a job with foreign direct investment, and other "neutral" interest. Although we notice that the narrowed perception of "national interest" is widely understood due to the empirical practice of international trade with a free-market system, which often leads to an act to beat each other. In consequence, we can say that such action is overall neutral, it does not violate Islamic monetary management and international trade principles, despite we notice that it is also not "too parallel" with it since the subjectivity of the international trader's goal.

2) Practical Conformity Analysis

In our view, this is synonymous with the activity of price intervention. The uniqueness is, they control the price of their goods in the international context, not in the domestic. Hence, it seems like it has the least anticipation of regulation about this kind of practice since many sciences of macroeconomic theory─specifically the monetary management theory─ are generally discussed in the domestic context. What we believe is that this is a new phenomenon as a consequence of the free-market international trade system. Ibn Taymiyyah's notion about price control, as we have reviewed, is limited to these certain conditions: (i) that the goods or services are the basic needs of the people and (ii) the hike of the price is not a result of scarcity of the supply or the increase of people, where people in this modern life cannot avoid. These price control powers are, in principle, belong to the internal government only, not others.

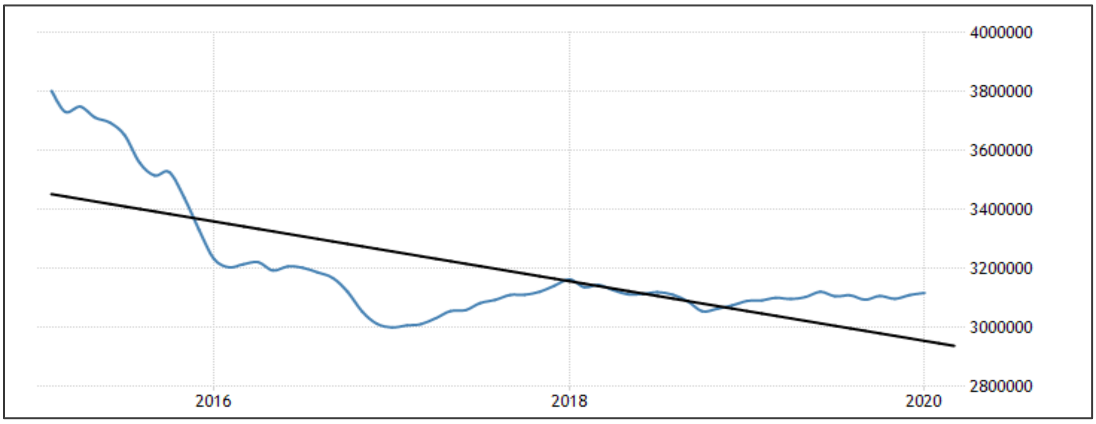
But since there is no enforcement mechanism given in by the world's financial institution today, then a country can intervene their exported product by currency manipulation which is categorized as a "normal" way in an importing country.

Now, it seems the currency manipulation can breach the *siyasah syar'iyah* (Islamic politics) rules due to the foreign capability to intervene pricing in a country, but since we analyze this practical conformity with economical perspective, all we can say is, what if the markets have a beneficial effect with the low cost of their unavoidable need to that certain product? And these spending power matters caused by low pricing strategy are pretty much also emphasized by the Islamic worldview, that prosperity for all is what all the Islamic monetary management and international trade principles are concerned about. Therefore, the low pricing exported product policy-oriented aspect in the currency manipulation is even in line with Islamic monetary management and international trade worldview.

The second concern is about the buying action of the foreign exchange reserve. As Islamic monetary management has outlined, every action of money management must lead to effectiveness and efficiency. We interpret this "efficiency" as "not wasteful". But to have a more valid basis of analysis about this foreign exchange reserve buying action, it should be grounded from the Islamic perspective about consumer behavior. Tahir Ahmad Wani (2013) has summarised Muslim consumers should buy things based on the value provided, as a way Islam encourages value-based buying behavior. Muslims should stop indulging in buying goods or services that are either *haram* (unlawful) or potentially trouble-making for others. They are supposed to live a simple life and not overspend on things they do not need. From his conclusion, it enlightens the main point of how Muslims should behave in their consumption activities, that is to not buy something which still unclear about its value.

Unfortunately, it will infringe on today's currency manipulation practice. If we observe what currency manipulation's practice among countries, many of the country's bought foreign exchange reserve exceeded multiple times than its national GDP or its national income. The problem is, there is not much to do with it and it has the least significancy for the domestic economy, even in China. As Du, Lin & Han (2018) has reported, high foreign exchange reserves caused by holding costs are too high. Thus idle resources and funds. Borrowed loans accounted for a larger proportion of interest costs are relatively high, while foreign exchange reserves are a symbol of "real resources", their holdings are unfortunately also costly. The opportunity cost of holding a foreign exchange reserve is equal to the domestic capital productivity minus the rate of return on holding foreign exchange reserves. In other words, when the reserve ratio loan is too high, the holding foreign exchange reserves cost will neither be an economic advantage nor will it affect the growth of the domestic economy (Du, Lin, & Han, 2018). The Du, Lin, Han (2018) statement may also be grounded by the decreasing trend of Chinese foreign exchange reserves within recent years.

Figure 3: The Decreasing Trend of Chinese Foreign Exchange Reserve since 2015



Source: tradingeconomics.com

Hence, it is reasonable to say that the practical principle of currency manipulation breach both the Islamic monetary management─the excess of buying something (in this case the foreign exchange) which violates the Islamic consuming behavior─ and the Islamic trade principles, especially the absolute claim of profit.

3) Impact-Objective Conformity Analysis

The controversy among currency manipulation is arguably also originated from its impact. Many believed that currency manipulation practice is only profitable for the exporter country and oppresses the importing country. The currency manipulation makes the export higher due to the decreasing price and the import lower due to the rising price caused by the currency scenario. But the positive side usually from those who are labeled as currency manipulator─also argues that it is a kind of "protection" policy towards their product abroad, nothing else. The currency manipulation can provide "price stability" to the people, while the objective of Islamic monetary management is also "enhance economic development and growth and promotes international division of labor and specialization among countries and international communication".

As it confirms that currency manipulation could intervene price to keep it stay low, and simultaneously benefits the market, it may help them to get an efficient expense. However, it is hard to say that it gave them prosperity as well. The main point here is the further consequence from both producer's and consumer's side. If the currency manipulation keeps implemented, what happens next is the big circulation of money will own by the exporter country and the small circulation of money belongs to the importing country. Now, we can not say that the currency manipulation gave the importer country poverty, it just makes them keep living in a very standard way.

However, is that always beneficial? Ultimately, the answer is not. For instance, the growth of Chinese excessive foreign exchange has led to failure. Due to overheating of China's economic development in recent years, the variety of fixed assets investment grows too fast, resulting in rising consumer prices, real estate, etc. The Chinese central bank also desperately tries to control this momentum with certain tight monetary policy, and constantly raise interest rates and finance Institutional deposit reserve ratio, designed to control the problem of excess liquidity. Unfortunately, the foreign exchange reserves keep continuing to rise and thus correspond to the base money, which greatly weakens the effect of monetary policy, that is, on the one hand, strict monetary policy that will absorb too much money. It also reported that their massive foreign exchange reserve leads to an unnecessary inflation hike due to the overwhelming supply of money (Du et al., 2018). In consequence, instead of giving prosperity as the Islamic monetary management aimed, currency manipulation can lead to a catastrophic failure of money supply healthiness.

Even from the Islamic trade principle, it is undeniable that expanding products lead to the establishment of new manufacturing and even jobs, a country's essential need to enhance its economy. But for a long-term aspect, there is also a substantial threat when a country performs a currency manipulation. That is the loss of trust. A fundamental entity that emphasized by Islamic trade principles to have good trade activities since the very first beginning. It is noticeable that the expanding product's market share could lead to the establishment of new manufacture and even jobs, a country's essential need to enhance the economy, but what we've afraid, is that: 1). This is only a short-term advantage and; 2) It creates a ticking bomb of distrust among markets. Once it happens, it will be notoriously hard to get the trust back.

We also realized that this also occurred in Muslim countries, it will produce an atmosphere in the international communities that there is no difference in having a trade with Islamic or non-Islamic trade countries. The objective of *dakwah* through the business will vanish and the mainstream system─which capitalist system as the majority─will become a stronger paradigm among the international world. Hence, we can say that currency manipulation, in the short term, may cause positive to the economic enhancement—as the Islamic trade wanted—but it creates a worn-out long-term effect for further international trade.

In conclusion, we pointed out that currency manipulation violates both Islamic monetary management and international trade objectives. The currency manipulation seems promising at a glance, but the fact that it brings more harm to the executor.

Summary of Analysis
The analysis finally finds its edge. To make it easier to conclude, we will present the summary of our analysis in the previous sub-topic in the following table.

Table 4: Summary of Conformity Analysis

Concepts	Currency Manipulation		
	Worldview	**Practical**	**Impact**
Islamic Monetary Management Principles	It is vastly different since there is no consideration about God on it, but national economic interest does not always contradict with Islamic Monetary Management Principles.	The unclear amount of foreign exchange buying and its usage that is generally conducted by the central bank leads to unproductive resource allocation, which the fact that it also has an insignificant effect on domestic monetary enhancement.	It can ruin supply-demand money management and drive unnecessary inflation. This will occur due to the excessive supply of money, and it will keep boosting the use of interest in banks. Endless inflation cycles.
Conclusion	**Neutral**	**Contradict**	**Contradict**
Islamic Trade Principles	It also has a major difference, but the national economic interest as the currency manipulation worldview can also be interpreted as bringing prosperity for all too. Hence, it has no violation in its worldview but it is also "not too parallel".	In its practice, the low cost-oriented currency management can be beneficial to the markets, but since the exporter country does not fulfill the "real" right of the importing country which is the market provider, it violates the profit-loss sharing and even trustworthiness principles.	Currency manipulation gives short-term benefits: the low export product price (although it is not too beneficial compared to the other aspects). But it also creates a long-term peril: the loss of trustworthiness among all. Even the *rahmatan'lil 'alamiin* effect can also vanish.
Conclusion	**Neutral**	**Contradict**	**Contradict**

CONCLUSION

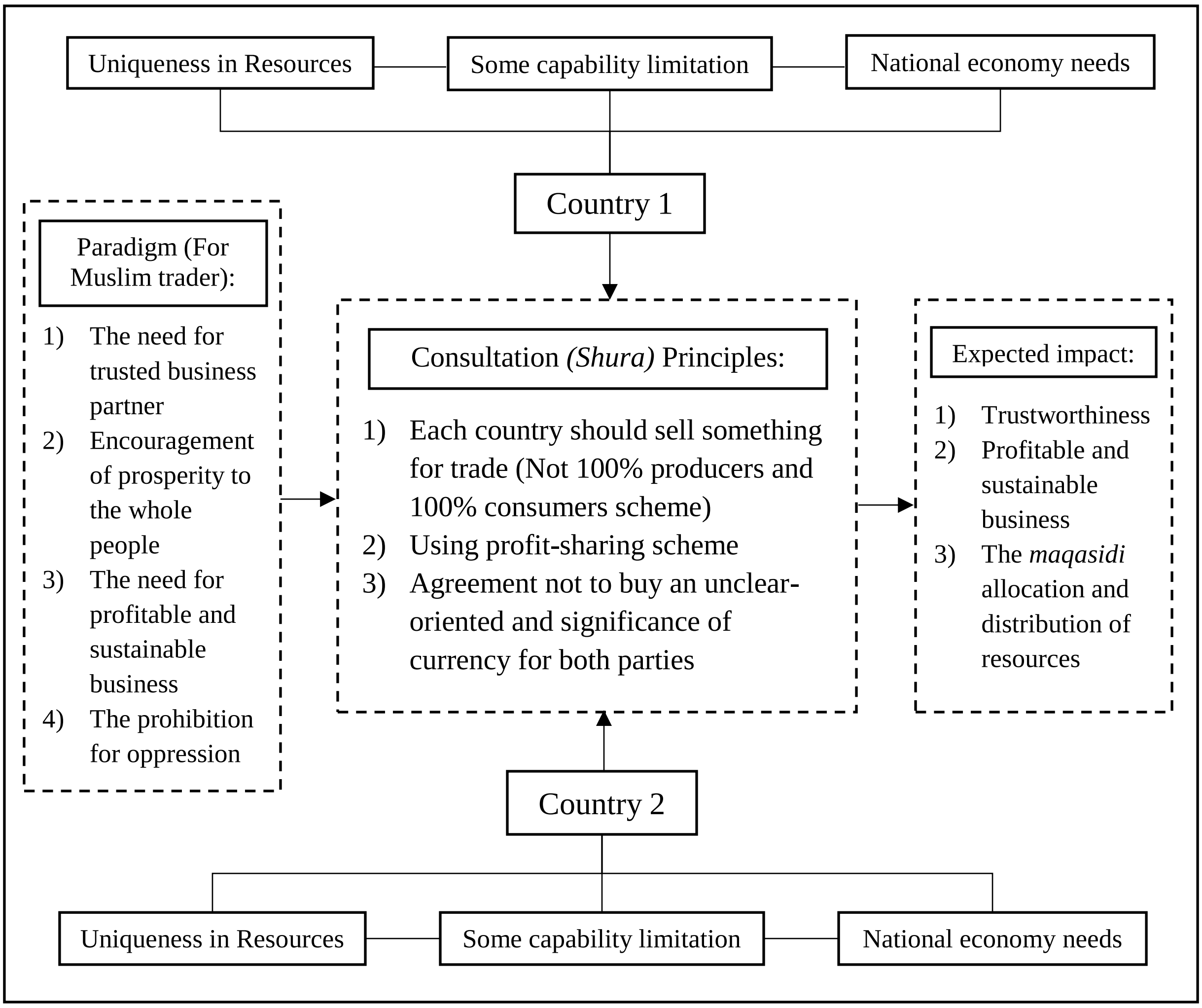
Currency manipulation is a new phenomenon as a consequence of the free-market-based international trade system. This kind of practice may not be fully covered by Islamic monetary management and the international trade concept. This strongly encouraged us as Islamic economy scholars to examine currency manipulation as well in constructing the Islamic concept. As our conclusion, we discovered that the currency manipulation practice violates 2/3 aspects of the Islamic monetary management and international trade principles (its practice and impact) and parallel with 1/3 aspects of the Islamic monetary management and international trade principles (its neutral worldview). Therefore, the 3rd hypothesis is accepted.

However, since currency manipulation brings more harm *(mudharat)* than its benefit *(maslaha),* then we believed that currency manipulation practice is prohibited in Islam. We also have to acknowledge here, that currency manipulation is distinct from the conventional currency devaluation policy. The abnormal leap of foreign exchange reserve buying action compared to its national GDP and its gross national income per capita is the main difference. It is likely to be huge and has an unclear purpose about the foreign exchange bought, which violates the Islamic consuming ethics principle.

The Proposal: The Counter-Currency Manipulation from Islamic Perspective

We also propose an alternative way to alienate currency manipulation in international trade, since business in Islam should determine its participant techniques in sustainable development activities (Hassan, 2016). The humble proposal we provided here is grounded in Islamic monetary management and the international trade concept's important keywords that we have discovered in the previous analysis. Those are 1) Sustainable business encouragement; 2) Trustworthiness; 3) Consultation *(Shura)*; 4) Prosperity for the whole people; 5) The restriction of oppression; 6) profit-loss sharing; 7) The prohibition of unclear amounts and objectives in buying foreign exchange reserve and; 8) The *maqasidi* allocation and distribution of resources. The mechanism will be as presented in figure 4 below:

Figure 4: The Counter-Currency Manipulation Proposal



With our humble proposal, we strongly hope it could guide any involved stakeholders to conduct universally good trading activities and of course, it is still open for arguments. Notice that the paradigm may not always need to be fully understood by our trading partner (in case that they are not Muslim) the main backup lies on its consultation (agreement) aspect.

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