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RESEARCH ARTICLE

The Mechanisms of Attracting Investment in Islam and International Law Considering Contemporary Global Challenges

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ABSTRACT

The study highlights the critical role of foreign investment in addressing global challenges such as resource scarcity and limited government financial capacity. With the state's role as a producer diminishing due to economic constraints, partnerships with the private sector and foreign investors have become essential. To ensure investor confidence, a combination of international mechanisms and Islamic principles is necessary, requiring effective implementation and adherence by all stakeholders. The study emphasizes the importance of understanding mechanisms adopted by international organizations to promote investment and their alignment with sustainable development goals. It concludes that a stable legal environment plays a pivotal role in attracting foreign investment. Additionally, leveraging international organizations and specialized financial agencies can maximize benefits and foster favorable outcomes. Coordinating global efforts to create an attractive climate for investors is essential for encouraging cross-border investments. This approach can bridge economic gaps and provide long-term solutions to pressing global economic challenges.

INTRODUCTION

Considering resource scarcity and the challenges faced by governments, the role of the state in providing all services to its citizens has diminished. As a result, countries are striving to enhance the role of the private sector and attract foreign investment to support governments in meeting the economic needs of their populations. To succeed in this endeavor, it is essential to provide a set of mechanisms to attract foreign investment. Among these mechanisms, one of the most important is offering legal protection to investors, encouraging them to invest their funds outside their home countries. Additionally, creating a healthy investment environment free from complications and bureaucracy is crucial, as it greatly influences foreign investors and provides them with a sense of security .The significance of this research lies in shedding light on international mechanisms that help attract foreign investors, as well as those outlined in Islamic principles, with a focus on maximizing the benefits of international specialized agencies in this field to achieve the desired goal . The research problem lies in the difficulty of accurately and comprehensively listing all the mechanisms that help attract foreign investment, due to the scarcity of previous studies. Most of these studies have focused on the theoretical aspects of defining investment types and legal protection, without addressing the practical and applied aspects of effectively utilizing international mechanisms and Islamic principles to attract foreign investment .The research relies on both descriptive and analytical approaches. We describe and analyze in detail the mechanisms for attracting foreign investment to assess their effectiveness in achieving the intended goal of attracting foreign investors .The objectives of the research are to understand the role of foreign investment in addressing contemporary global challenges, the mechanisms through which investors can secure their funds, the relationship between sustainable development and investment, the development needed in investment protection mechanisms, the strategies followed by international organizations to encourage investment, and the importance of legal stability and its impact on attracting foreign investment .Regarding previous studies, the researcher Jamila Maalem and Jamal Belkhbat reviewed the role of the state in the economy in their article "The Role of the State in the Economy: Between the Necessity of Intervention or the Inevitable Withdrawal", published in Journal of Industrial Economics (Khazartak), Vol. 11, Issue 2, 2021, pp. 363-381. The study presented arguments supporting state intervention in the economic life and the adoption of market mechanisms as the optimal solution to development challenges worldwide. The study concluded that relying solely on the state or the private sector would inevitably lead to the failure of any economic development path. Therefore, the harmonious integration of government intervention and market mechanisms is the third path that achieves balanced and comprehensive development. Also there is a study by Muhammad Ali Samiran titled "Encouraging Investment in Islamic Jurisprudence: A Comparative Study with Jordanian Law", published in Studies, Sharia and Law Sciences, Vol. 46, Issue 1, 2019, the study examined topics such as the concept of encouraging investment, its Islamic ruling, Jordanian law regarding the subject, general guidelines for promoting investment, and the ruling on Muslim participation with non-Muslims, as well as the status of foreign investment and the incentives provided for it. The study aimed to clarify the Islamic ruling on both domestic and foreign investment and its regulations. The study's problem focused on the ruling of Muslim dealings with non-Muslims and the ruling on foreign investments. The study concluded several findings and recommendations, including that encouraging investment involves motivating individuals both materially and morally by creating an investment environment that encourages them to sacrifice current benefits for future gains in accordance with Islamic law. The study also concluded that it is permissible for a Muslim to participate with a non-Muslim if the authority remains with the Muslim, there is no interest-based dealing, and foreign investment is permissible, along with the incentives provided, if they comply with Sharia regulations and interests. In a study by Saleh Said Dhiyab Al Hosni, Wan Zulkifli Bin Wan Hassan, and Muhammad Nazir Alias, titled "The Importance of Investment in Islamic Sharia and Its Legal Protection Under Omani Law: An Analytical Study", published in the Journal of Contemporary Islamic Law (2024), Vol. 9(1): 70-81, DOI: https://doi.org/10.26475/jcil.2024.9.1.08, the study addressed a crucial issue in the modern era: the necessity of legal protection for investments, particularly Islamic investments, in host countries. The research aimed to highlight the importance of investment in Islamic Sharia, analyze the legal protections available under Omani law, and shed light on some key points in the Omani law for simplifying litigation procedures, especially concerning the jurisdictions and formation of courts and the timeframes set for resolving investment-related cases. The research employed a descriptive and analytical approach, referring to previous research, studies, books, and journals, and analyzing the relevant legal texts and rules. The study concluded several key findings, including that Islamic Sharia encourages investment and discourages hoarding, that investment tools in Islam are diverse and cover various sectors, and that the Omani legislator has given special attention to investment, providing necessary legal protection through the Foreign Capital Investment Law of 2019. This law includes clear provisions for regulating foreign investment and its management, with protective measures such as the prioritization of investment project cases in Omani courts and the prohibition of expropriation of any investment project except by court order, among other protective measures. This research contributes to enriching the scientific and legal library with important information on investment in Islamic law and its legal protection in Oman, benefiting researchers, specialists, and students in this field. It also helps shed light on important aspects of Oman's legislative framework related to investment, enhancing the Sultanate's efforts to attract foreign investments and provide an attractive and encouraging investment environment in accordance with Islamic law**.**

Foreign Investment and Addressing the Contemporary Challenges Faced by the World

Investment is the process of transferring capital across countries with the aim of utilizing it in various economic activities, such as establishing or contributing to productive projects, subscribing to stocks and bonds, or providing loans, with the goal of obtaining profitable returns. This is done under the condition that the investment takes place outside the legal, monetary, financial, and economic system of the investing country (Al-Maghribi, 2018).

In recent times, countries have been competing to attract foreign investments by implementing a range of measures aimed at improving the investment climate and reassuring foreign investors. The primary goals of these measures include developing the national economy and attracting foreign currency. The effects of investment on national economies and development are diverse. Foreign investment serves as a key driver of development and is one of the most important engines of economic growth and job creation. When investments increase, the effectiveness of the economic system improves .However, the benefits of foreign direct investment (FDI) do not accumulate automatically or uniformly across countries, sectors, and local communities. In developing countries, the presence of FDI yields numerous benefits for development. Host countries aim to address challenges that hinder investment, as a good investment environment requires extensive transparency, supportive policies, and human and institutional capacity-building to implement these policies. The positive effects of investment extend to multiple parties, as outlined below: For the foreign investor, the benefits are diverse. Investors enjoy the freedom to manage their investment projects, select, supervise, and direct these projects, and choose partners in ways that serve their interests and ensure the safety of their funds. Foreign investors are also protected from inflation and non-commercial risks. Additionally, investments allow access to raw materials from host countries for manufacturing purposes and benefit from investment-friendly laws, tax exemptions, and incentives provided by host countries to attract foreign investments .Furthermore, foreign investors can market surplus goods that cannot be sold in their home markets. They also benefit from lower labor costs and easier competition with local companies. Finally, spreading investments across multiple countries reduces the overall risk associated with investments. (Khassawneh, 2006)

Investment brings numerous positive benefits to host countries. Developing countries' governments aim to tackle unemployment by attracting foreign investments, which stimulate economic development in the host nation. Creating a more favorable investment environment offers significant benefits to local industries, especially those requiring access to international markets to achieve full sales potential and meet their objectives. Investment generates employment opportunities, thereby reducing unemployment and creating new jobs. This is particularly evident with multinational corporations engaged in diverse activities that require a large labor force, particularly in export-oriented manufacturing industries in developing countries. Indirectly, this also increases national revenue .Foreign direct investment (FDI) not only creates jobs but also facilitates the training and technical development of the workforce. One significant advantage of FDI is the development of human capital. Human capital refers to the skills and knowledge of individuals capable of performing work, commonly known as the workforce. The skills acquired through training and experience-sharing enhance the overall education and human capital of the country. Continuous workforce training improves productivity, which in turn raises wages .Foreign investment also contributes to the improvement of the host country's infrastructure and helps bridge the substantial gap between savings and investment by supplementing local resources. Additionally, it plays a key role in technology transfer from multinational corporations to the host country's economy. This transfer fosters scientific collaboration between foreign company branches and local research centers, enabling the latter to adopt cutting-edge technologies and research methods .Investment further boosts the private sector's contribution to national income and creates a new class of entrepreneurs by involving local individuals in investment projects. Host countries strive to increase exports and improve their balance of payments, particularly when projects are focused on exporting goods. They also work to reduce imports by enhancing local production, thereby replacing imported goods with domestically produced alternatives. Foreign investments help countries enter new markets and improve their trade activity with the global economy, fostering the development of international trade .Ultimately, foreign investment leads to a more balanced supply and demand market, regulates the import of goods, and encourages local manufacturing. Products that were once imported are now produced domestically and even exported abroad, transforming the economic landscape of the host country (Al-Musaybali, 2003).

The concept of the "guardian state," whose role was traditionally limited to providing public goods such as security, justice, defense, and enacting laws and legislation, was widely accepted. However, the Great Depression in capitalist societies and the failure of market mechanisms to address its devastating consequences highlighted the need for a pivotal role for the state through intervention to restore balance and achieve economic recovery. With the spread of socialist ideas, state intervention expanded significantly, giving rise to the "productive state" that played a major role in production, reducing the private sector's influence and increasing state control over all aspects of economic and social life. This dominance led to an economic reality characterized by mismanagement, widespread corruption, and significant economic decline, ultimately causing the collapse of the socialist system and the rise of capitalism in a new form known as globalization. Globalization imposed an economic model based on openness, free movement of goods, services, and capital, reducing the role of the state and enhancing the role of the private sector as the primary driver of development. In the late 1980s and early 1990s, this corrective trend gained momentum due to the collapse of the Soviet Union and the abandonment of centralized decision-making. The principles of neoliberal policies were solidified through the Washington Consensus, which emphasized three main elements: expanding reliance on free markets for both domestic and international transactions, liberalizing trade, and opening doors for foreign investment; promoting private sector involvement, both domestic and foreign, as a cornerstone of development and encouraging it to provide services previously monopolized by the public sector, such as public utilities; and reducing the role and intervention of the government in economic and social affairs. This led to a decline in state planning for guiding the economy and development, and a withdrawal from productive investment, limiting the government's role to create a favorable environment for local and foreign capital. This new approach, cemented by the Washington Consensus, aimed to integrate countries implementing IMF and World Bank programs into the global capitalist economy by reducing the state's role in managing the economy; rebuilding markets as primary drivers of growth and prioritizing them in managing the national economy; reintegrating national economies into the global capitalist system; and encouraging investments in all forms. The state can promote private investment by improving infrastructure, ensuring transparency in legal systems, and providing investors with the necessary information to make investment decisions .Achieving efficiency in using economic resources involves productive efficiency (producing goods at the lowest cost), allocative efficiency (producing goods in the quantities and specifications required by society), and dynamic efficiency (technological advancement). The state can support this role through research and development centers and appropriate tax policies .China's remarkable success, transforming from a backward socialist state to a competitor among the world's leading economies, would not have occurred without its economic openness and adoption of the principle of a socialist market economy. This was achieved by encouraging both domestic and foreign investment, establishing industrial complexes, and abandoning ineffective central planning while maintaining a supervisory role for the state (Mouallem & Belkhebat, 2021).

International Mechanisms for Attracting Investment

1nternational Organizations

International Finance Corporation (IFC): The IFC operates through the World Bank, striving to achieve economic development by improving people's lives and promoting the growth of the private sector in developing countries. This is accomplished by investing in high-impact projects, financing other investors, and sharing expertise. The IFC focuses on supporting fragile and conflict-affected countries, agricultural industries, forestry, financial institutions, and investment funds within those nations. Priority is given to sectors such as education, health, infrastructure, and manufacturing. Additionally, the IFC encourages public-private partnerships, tourism, retail, real estate, trade finance, and supply chains. The IFC emphasizes impact investment by fostering growth through the provision of strategic capital to visionary entrepreneurs, facilitating large-scale, sustainable solutions, and creating opportunities for all. Its mission extends beyond simply providing financial resources and policy reforms. The goal is to nurture human potential in some of the world's most challenging environments by generating jobs, fostering innovation, and developing markets that lift millions out of poverty and create opportunities ((IFC), n.d.).

Multilateral Investment Guarantee Agency (MIGA)

The Multilateral Investment Guarantee Agency (MIGA) has made significant efforts to overcome poverty in all its areas of operation, particularly in high-risk markets. These efforts drive social and economic development forward and support investment-driven growth. MIGA works to address challenges faced by investors in developing countries by offering guarantees against political risks and helping attract private investors .MIGA's strategy focuses on its strengths, which include promoting investments in new and challenging markets and facilitating infrastructure project financing while mitigating risks. Additionally, MIGA manages an Investment Information Network, offering specialized services directly to countries and investment regions. It also operates an Investment Promotion Network**, providing a platform for investment promotion agencies and other stakeholders involved in investment processes. This network supplies country-specific, sectoral, and investment opportunity information, as well as updates on the investment environment. It includes 16 investment promotion agencies and free zones from 13 Arab countries (Messaadawi, 2021).

International Centre for Settlement of Investment Disputes (ICSID)

There was a desire to resolve the legal and financial issues arising from the nationalization of foreign companies by developing countries, as well as the World Bank's interest in finding fair solutions for foreign investors who suffered losses due to these nationalizations. The goal was to provide appropriate compensation for the financial damages incurred so that investors would not be deterred from investing in these countries again. This concern was linked to maintaining the World Bank's ability to secure capital from international financial markets to fund projects in the developing world .To address this, the World Bank preferred to establish an institutional solution in the form of a body for resolving investment disputes between investors and host countries, with binding and enforceable rulings ((UNCTAD), 2024).

Sustainable Development

Among the Sustainable Development Goals (SDGs) related to attracting investment are Goal 2 – Zero Hunger: This goal aims to increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research, agricultural extension services, technology development, and gene banks for both plants and animals. These efforts are intended to boost agricultural productivity in developing countries, particularly in the least developed countries (LDCs) . Goal 7 – Affordable and Clean Energy: This goal focuses on strengthening international cooperation to facilitate access to clean energy research and technology. This includes renewable energy, energy efficiency, advanced and cleaner fossil fuel technology, and promoting investment in energy infrastructure and clean energy technology by 2030. Goal 10 – Reduced Inequalities: This goal aims to encourage official development assistance (ODA) and financial flows, including foreign direct investment (FDI), to countries where the need is greatest. Priority is given to least developed countries, African nations, small island developing states (SIDS), and landlocked developing countries (LLDCs), in alignment with their national plans and programs. Goal 17 – Partnerships for the Goals (Finance): This goal seeks to establish and implement investment promotion systems for least developed countries (LDCs) (Nations, 2024).

The Diplomatic Protection Claim

The jurist Emer de Vattel established the principle of diplomatic protection in 1758 when he wrote, "Whoever harms a citizen indirectly harms the state, and it is the duty of the state to protect that citizen." This principle gained attention during the Codification Conference held in The Hague in 1930. After World War II, developments significantly impacted the law of diplomatic protection. These included the 1965 Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID), numerous bilateral investment treaties that ensure the protection of foreign investments, the adoption of human rights treaties, and the granting of individual rights that do not require the involvement of the individual's home state for enforcement against other states (Dugard, 2017).

It has been defined as the right of states to act on behalf of their nationals before the authorities of the state in which those nationals reside, provided a set of conditions are met. These conditions include:

The Nationality Condition: The affected person, when requesting the protection of a particular state, must hold the nationality of that state continuously until the conclusion of the claim (Briggs, 1965).

The requirement of prior exhaustion of local remedies stipulates that the injured foreign individual must have no legal avenues remaining within the host state's judicial system to obtain compensation for the harm suffered. If all available legal remedies have been exhausted without success, the individual may then seek recourse from their home state, requesting diplomatic intervention on their behalf. Additionally, the requirement of proper conduct (the "clean hands" doctrine) mandates that the foreign individual residing in the host state must not have violated its domestic laws and must respect its policies. Only by adhering to this standard can the individual seek diplomatic protection from their home state if they suffer harm within the host state (Fakhry, 2025).

It is an aspect of a state's personal jurisdiction, defined as the set of measures employed to secure protection in accordance with international law when international standards for the treatment of a foreign national have been violated. We view it as the process by which a state takes action to protect one of its nationals judicially in a foreign country against that country .The Permanent Court of International Justice affirmed the right to diplomatic protection in 1924 in the Mavrommatis Palestine Concessions case, stating that when a state takes up the case of one of its nationals and resorts to diplomatic protection or international judicial proceedings on their behalf, it is in effect asserting its own rights—specifically, its right to ensure that international law is respected in relation to its nationals .Similarly, the International Court of Justice reaffirmed the principle of diplomatic protection in the Anglo-Iranian Oil Company Case (Preliminary Objection) in 1952, where the United Kingdom instituted proceedings based on its right to exercise diplomatic protection (Anglo-Iranian Oil Company Case (Preliminary Objection), 2001).

Similarly, in the case concerning the Barcelona Traction, Light and Power Company, Limited (Second Phase), it was emphasized that international law in the field of diplomatic protection is in constant development (Barcelona Traction, Light and Power Company, Limited (Second Phase), 1970).

An investor residing in a state enjoys a minimum set of rights that must not be violated. Otherwise, the host state for the investment may incur international responsibility. The protection initially involves the foreign investor seeking recourse in the host state's courts to obtain compensation for any infringement of their rights. If the investor fails to secure adequate compensation through the judiciary of that state, they may turn to their home state, requesting intervention through diplomatic means with the host state for the investment. This framework governs the applicable law regarding the investor's claims. In this context, the International Court of Justice has noted that diplomatic protection is a principle of customary international law, meaning that every state has the right to defend one of its nationals and to initiate international legal proceedings on their behalf (La Grand Case (Germany v. United States of America), 2001).

International Arbitration

There is unanimous agreement that arbitration is the preferred method for resolving investment disputes, especially in matters involving a foreign party. This consensus arises due to several advantages of arbitration, including confidentiality in conducting sessions and outcomes when requested by both parties, the expertise of arbitrators in technical issues, the speed of dispute resolution, and lower financial costs, as both disputants pay arbitration fees jointly. Additionally, the timeframe for resolving disputes is known, unlike in courts, and arbitration offers flexibility in choosing arbitrators, the venue, and timing of the arbitration. Investment arbitration, also known as Investor-State Dispute Settlement (ISDS), is a mechanism for resolving disputes between foreign investors and host states. It enables foreign investors to sue host states through independent and qualified arbitrators, bypassing national jurisdictions, which might be perceived as biased or lacking independence. Disputes are resolved based on various protections granted under international treaties. Arbitration has played a significant role in resolving investment disputes by ensuring the neutrality of arbitrated bodies, fostering trust among foreign investors, and safeguarding their rights in the host state. Simultaneously, it helps states protect public funds and resources, ensuring that investor contributions align with development plans. Forms of arbitration include: - Arbitration Clause: Incorporated within the investment contract, it stipulates arbitration as the method for resolving future disputes between the contracting parties. -Arbitration Agreement: A standalone agreement where parties decide to submit existing disputes to arbitration for resolution. International conventions such as the 1958 New York Convention (Article 2) and the 1985 UNCITRAL Model Law on International Commercial Arbitration (Article 7) recognize the arbitration agreement, covering both the arbitration clause and agreement. Arbitration clauses are more prevalent, appearing in approximately 80% of international trade and investment contracts. National arbitration laws often emphasize the independence of arbitration agreements from the main contract, as seen in Article 23 of Egypt's Arbitration Law, which ensures that an arbitration clause remains valid even if the main contract is annulled or terminated. Types of Arbitration in Investment Disputes: Arbitration Based on a Clause in the Investment Contract: As outlined in Article 25.1 of the Washington Convention, jurisdiction covers disputes directly related to investments if both the host state and the foreign investor's state are signatories to the Convention. Such arbitration requires : Both states being signatories to the Washington Convention, A contract between the host state and the foreign investor including an ICSID arbitration clause; Arbitration Based on a Bilateral Investment Treaty (BIT): This occurs in the absence of a direct contract between the host state and the investor. Disputes are resolved under the terms of the BIT, such as Article 9 of a BIT, which provides for arbitration after six months of unsuccessful negotiations. Investors may submit disputes to The International Centre for Settlement of Investment Disputes (ICSID), An ad hoc arbitral tribunal established under UNCITRAL rules. Through BITs, the state agrees to arbitration upon signing the treaty, while the investor consents by filing an arbitration claim (Abdel Fattah, 2024).

Mechanisms for Attracting Investment in Islam

Protection of Foreign Ownership

International protection of human rights is derived from a collection of multilateral international treaties, supplementary protocols, and annexes, which collectively form human rights law. Through these instruments, it attains its status as international law. From the totality of these treaties emerges the international legal framework in general, and specifically in the field of human rights protection, often referred to as the "International Bill of Human Rights. (Bashir, 2007)"

Ownership, in linguistic terms, refers to attribution to the owner. The term "ownership" signifies possession of something or the ability to exercise exclusive control over it. In technical terms, the right of ownership is defined as the exclusive right to use, exploit, and dispose of an object permanently, all within the limits of the law (Al-Sanhouri, n. d.).

The right of ownership, as one of the fundamental human rights, represents the fruit of human activities. It embodies the freedom to acquire property, the freedom to dispose of it, and the freedom to produce without restrictions. Ownership is considered a sacred right exercised within the limits of laws and regulations, without abuse or misuse .This right was enshrined in the Universal Declaration of Human Rights, proclaimed by the United Nations General Assembly on December 10, 1948. Article 17 of the declaration states : Everyone has the right to own property alone as well as in association with others, No one shall be arbitrarily deprived of his property. The declaration aimed to provide guarantees for the right of ownership by explicitly prohibiting arbitrary deprivation of property. Accordingly, the right of ownership, like other human rights, was included in the Universal Declaration to emphasize its importance and the need for its regulation. Additionally, Protocol No. 1 of the European Convention on Human Rights and Fundamental Freedoms affirms that every natural or legal person has the right to the peaceful enjoyment of their possessions. It states :No one shall be deprived of their possessions except in the public interest and subject to the conditions provided for by law and the general principles of international law. The Charter of Fundamental Rights of the European Union states that every individual has the right to own, use, dispose of, and bequeath their lawfully acquired possessions. No one shall be deprived of their possessions except in the public interest and in the cases and under the conditions provided for by law, subject to fair compensation being paid in good time for their loss. The use of property may be regulated by law insofar as is necessary for general interest. Intellectual property is also protected (Al-Hayiti, 2010).

The Arab Charter on Human Rights states that the right to private property is guaranteed for every person, and it prohibits, under all circumstances, the arbitrary or unlawful confiscation of all or part of their property. The African Charter on Human and Peoples' Rights also states that the right to property is guaranteed and may not be interfered with except for necessity or public interest, in accordance with the provisions of laws issued in this regard. The American Convention on Human Rights (San José, Costa Rica) states that "everyone has the right to use and enjoy their property, and no one shall be deprived of their property except upon payment of just compensation, and only for reasons of public utility or social interest, and in accordance with the law".

The Participation of a Muslim with a Non-Muslim

Scholars have differed regarding the ruling on a Muslim entering a partnership with a non-Muslim, presenting two opinions: The First Opinion : Most scholars hold that equality in religion is not a condition for the validity of a partnership. Thus, a Muslim may partner with a non-Muslim, even with the difference in religion. This is the opinion of the Hanafi, Maliki, and Hanbali schools, except for mufawadha (comprehensive partnership) between a Muslim and a non-Muslim according to the Hanafis. They differed on whether equality in religion is a condition for its validity, as non-Muslims engage in trade activities that are impermissible for Muslims, such as trading in alcohol and pork.

Since their commercial activities are not equivalent, the essence of mufawadha (mutual delegation and equality) is not realized. Hence, Abu Hanifa and Muhammad ibn al-Hasan prohibited such partnerships due to the lack of equality in religion, while Abu Yusuf permitted them, arguing that they are equal in terms of agency and suretyship . Comprehensive partnerships between two dhimmis (non-Muslims under Muslim rule) are permissible as they are equal in commercial dealings . Abdul Aziz Al-Khayyat states : "The opinion of Abu Yusuf is more convincing because each partner has the right to act independently, and both are considered eligible for mutual delegation. The differences in transactions are irrelevant, as equality pertains to eligibility ". Most scholars supporting this opinion cite evidence from the Prophet Muhammad's (peace be upon him) interactions with the Jews of Khaybar. Additionally, the Prophet purchased food from a Jew and pledged his armor as collateral, and he passed away while his armor was still pawned with the Jew. Moreover, a Jew once presented food to the Prophet, which he ate, affirming that he only consumed lawful and pure items (Samiran, 2019).

Approval of Foreign Direct Investment

Islam guides investments according to its priorities and objectives, aiming to fulfill the spiritual, intellectual, and physical needs of individuals in a Muslim society. The goals of investment in Islam are diverse and evolving, aligned with the changing needs and desires of people. These goals encompass various dimensions, including spiritual, intellectual, and material aspects. Investment is categorized into necessities, needs, and enhancements: ensuring protection from absolute poverty, achieving sufficiency, and fostering prosperity .Islamic law permits foreign direct investment (FDI) if it aligns with the objectives of Sharia, adheres to the host country's laws, and avoids harm. For example, when the Prophet Muhammad (PBUH) allowed the Jews of Khaybar to cultivate Muslim-owned lands in return for a share of the produce, it mirrored modern investment agreements between developing countries and foreign entities. In this agreement - :The Muslim State (represented by the Prophet) provided the land for cultivation, The Jews of Khaybar brought their technical and financial expertise to manage and cultivate the land. This arrangement demonstrates the permissibility of engaging foreign expertise and resources, if it aligns with Islamic principles and benefits the Muslim community. The framework is applicable to other sectors, such as industry, trade, and natural resources. Modern FDI trends reflect opportunities for Muslim nations to benefit from external investments. Despite global FDI declining by 12% in 2022 due to overlapping crises—such as the Ukraine war and economic instability—developing countries saw a modest growth of 4%, reaching $916 billion and constituting over 70% of global FDI. Islamic law encourages the proper use of such investments, provided they respect Sharia, ensure mutual benefits, and avoid harm to society or the state. In summary, Islam supports FDI within a framework that safeguards Sharia principles, respects mutual rights, and contributes to the welfare of Muslim societies while ensuring the lawful management of resources (Samiran, 2019).

Encouraging Development

Investment is a vital topic in Islam, as the religion encourages the utilization of wealth through investment and discourages hoarding to promote economic and social development. Islamic investment focuses on fostering development in its various dimensions—economic and social—aligning with the view of Muslim scholars that growing and increasing wealth is a religious necessity. Developing nations, particularly Islamic ones, strive to establish proper frameworks and laws to attract foreign investment, especially Islamic investment. Scholars have drawn upon several Quranic verses to support the legitimacy of working and investing wealth instead of leaving it idle. For instance, Allah says:" Once the prayer is over, disperse throughout the land and seek the bounty of Allah. And remember Allah often so you may be successful". *(Surah Al-Jumu'ah: 10)* This verse highlights the legitimacy of work that stimulates the economy by investing, moving, and utilizing wealth in various forms of lawful trade, seeking Allah's blessings in doing so. Islam emphasizes investing wealth to expand the nation's resources. Moreover, investment is a religious responsibility for rulers, as they are tasked with protecting the wealth of the ummah. Islamic law provides broad opportunities for investment, contributing significantly to economic and social development. Investment is considered one of the most effective means of building wealth in Islam, as it strengthens communities, increases resources, and supports developmental projects. Its aim is to achieve comprehensive development across various fields, ensuring stability and prosperity for all members of society (Al Hosni, Hassan, & Alias, 2024).

DISCUSSION

Despite the development of various mechanisms by international organizations and specialized centers to attract foreign investors, these efforts remain insufficient to address contemporary global challenges. International organizations often struggle to overcome obstacles stemming from political and economic issues, with wars being one of the most significant barriers. Conflicts and instability have a direct and substantial negative impact on foreign investments, as they disrupt the conditions of stability, security, and trust that investors require. Addressing these issues necessitates concerted efforts to end conflicts and expand agreements and treaties aimed at mutual investment and project financing. However, such efforts should not focus on just any projects; they must prioritize initiatives like integrated management programs, renewable energy projects, private sector development, and vocational education and training.

Administrative inefficiencies and bureaucratic hurdles pose another major challenge for foreign investors. Lengthy and cumbersome procedures, such as slow licensing processes, often waste significant time and effort, discouraging potential investors from pursuing opportunities. Reforms are urgently needed to streamline these processes, ensuring a smoother and more efficient experience for investors. Additionally, regional economic integration can play a critical role in creating a unified and investor-friendly environment by harmonizing regulations and fostering cross-border cooperation. Establishing dedicated offices to protect the rights of investors and swiftly address their concerns would further enhance confidence in the investment climate.

Creating a stable and predictable legal framework is equally vital. Investor-friendly laws should be enacted to protect assets, ensuring that they cannot be confiscated except through judicial ruling. Moreover, restrictions on the movement of goods and production inputs, such as customs barriers, must be removed to lower production costs and improve competitiveness.

International partnerships can also provide valuable expertise and resources to support investment promotion efforts. Countries should collaborate with organizations like the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the Arab Investment and Export Credit Guarantee Corporation. Establishing external offices to market investment opportunities and offer tailored investment services can further bolster these efforts.

A comprehensive and transparent investment database is another essential tool for attracting foreign investors. Such a resource would allow potential investors to make informed decisions and align their projects with national priorities, ensuring mutual benefits.

The development of human capital is a critical factor that cannot be overlooked. While low labor costs may initially attract investors, the availability of skilled labor is essential for long-term success. To address this, governments should implement training programs tailored to the needs of industries undergoing gradual development. Strategies must also focus on enhancing the technical and vocational skills of the workforce to align with market demands.

Incentives play a crucial role in encouraging foreign investment. These could include tax breaks for strategic sectors and financial benefits tied to productivity thresholds. At the same time, investment should be channeled into sectors with significant long-term benefits, such as renewable energy, private sector development, and education.

By addressing these challenges through a comprehensive and strategic approach, countries can create a dynamic and stable environment for foreign investment. This, in turn, fosters economic growth, generates employment opportunities, and promotes sustainable development, ensuring a brighter and more prosperous future (Ahmed, 2020).

Therefore, foreign investors should be allowed to own companies 100%, subject to specific legal regulations. Additionally, tax reductions should be offered for certain transactions, along with granting rights to own real estate and lease land. Full foreign ownership in the services sector should also be permitted in compliance with international treaties and agreements. Institutions should be established to facilitate transactions for foreign investors, ensuring that all procedures are completed in one location. Furthermore, global centers for trade and foreign investment should be established to enhance international investment opportunities (Hussein, 2014).

After reviewing the above, it becomes clear that there is an urgent need to enhance and support the principles and advantages established by Islamic law as key factors for attracting foreign investments. These principles are comprehensive and flexible, addressing the requirements for safe and sustainable investments that benefit both the investor and the host country. Ensuring investor confidence is paramount, particularly by safeguarding their assets and personal security. This can be achieved through clear legal guarantees that protect investors' assets from unlawful confiscation, streamlined administrative processes to reduce bureaucratic delays, and a stable political and economic environment that facilitates fair and transparent dispute resolution mechanisms.

In future investment agreements, it is essential to incorporate provisions that support sustainable development in host countries while minimizing legal disputes with investors. The current system for resolving disputes, such as arbitration through institutions like the International Centre for Settlement of Investment Disputes (ICSID), often pressures foreign investors by leaving them with limited and rigid options, which can feel coercive. This has led some countries to amend their investment-related laws to avoid such arbitration mechanisms, opting for more flexible and amicable approaches. At the same time, investment laws must prioritize environmental protection by enforcing strict standards to prevent pollution and encourage investments in renewable energy projects, aligning with global sustainability goals.

To strengthen the developmental dimension of investment agreements, it is crucial to balance the rights and responsibilities of both states and investors. This includes managing the complexities of the current international investment agreement system, integrating investment policies with national development strategies, and embedding sustainable development goals (SDGs) into investment policies. Moreover, it is vital to ensure coherence between national investment policies and their effectiveness by introducing new standards in agreements that emphasize sustainable development.

A robust legal and institutional framework is equally critical. Investor-friendly measures, such as the establishment of one-stop service centers to handle all foreign investment procedures in a single location would significantly enhance the investment climate. Additionally, creating a comprehensive database of investment opportunities, paired with efforts to promote vocational training and technical education, would ensure the availability of skilled labor, an essential factor for attracting foreign direct investment (FDI). Financial and tax incentives should also be offered, particularly for projects aligned with national priorities, alongside measures to reduce customs restrictions on raw materials and production inputs, thereby lowering overall production costs for investors.

By implementing these reforms and embedding these principles into policies and agreements, host countries can create a stable, dynamic, and investor-friendly environment. This would not only boost foreign investment inflows but also promote economic and social development, creating a sustainable future for all stakeholders involved.

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