

Conference Report

International Conference on Islamic Economics in the 21st Century

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The International Conference on Islamic Economics in the 21st Century was the second international conference organized by the International Islamic University Malaysia (IIUM), in cooperation with the Islamic Research and Training Institute (IRTI) of the Islamic Development Bank (IDB). The conference was held 9–12 August 1999 in Kuala Lumpur, Malaysia.

The Malaysian Minister of Education Dato' Sri Mohd and the president of the IIUM, Najib Tun Abdul Razak, officially opened the conference. Several ambassadors to Malaysia from Islamic countries, academicians, and prominent Islamic bankers attended the opening session. Over 200 delegates from more than 15 Muslim and non-Muslim countries attended the conference. Delegates represented academicians from private and public institutions of higher learning and officials from central banks and monetary authorities. The delegates included economists, corporate executives, government officials, officers involved in Islamic banking, investment bankers, fund managers, officials from zakat and *waqf* institutions, researchers in Islamic economics and related areas, and students of economics. Approximately 25 to 30 percent of the attendants were delegates representing countries other than Malaysia.

Speakers and discussants included members of various universities and institutions such as the International Institute of Islamic Economics (Pakistan), the Islamic University of Palestine, Kausar University of Sciences (Pakistan), Rajshashi University (Bangladesh), King Abdel Aziz

University (Saudi Arabia), IRTI (Saudi Arabia), the National University of Malaysia, Shahid Behasti University (Iran), the Institute of Islamic Understanding Malaysia, University of Durham (United Kingdom), and the International Islamic University Malaysia (IIUM). Speakers also represented the corporate and government sectors, including those from the Al-Rajhi Banking and Investment Corporation in Saudi Arabia, World Assurance in Algeria, the Central Bank of Iran, Bank Islam in Malaysia, the Kuala Lumpur stock market, Ministry of Economic Affairs (Pakistan), Ministry of Planning and Development (Pakistan), and others.

The major aim of the conference was to appraise the latest state of knowledge and to explore present-day topics in the area of Islamic economics and related issues. In general, the themes of the papers presented covered the areas of existing Islamic economic thought, Islamic economic institutions, economic cooperation and development, and Islamic economics in light of globalization. In particular, the issues raised during the conference included the principles and interpretation of *riba*, Islamic bonds, *waqf*, *gharar*, zakah, and Islamic fund management. These issues include Islamic banking in Iran, Malaysia, and Bangladesh; monetary policies of the Central Banks in Islamic countries; and measuring the performance of Islamic financial institutions.

Each day of the conference schedule was divided into two periods; the first period was from 9:00 A.M. to 12:30 P.M., and the second was from 2:30 P.M. to 6:00 P.M. Each period commenced with a session. Six to eight papers were presented daily; hence, the total number of papers presented during the conference was approximately twenty-five. Each paper was presented, discussed by a discussant, and then questioned and commented on by the participants.

In the first session, the first paper presented was "The Principles of an Integrated Concept of Riba: Towards an Islamic Theory of Value" by Elmi M. Nur of the International Islamic University, Islamabad. The paper considered the matter of *riba* with strong theoretical foundations in economic, national, and legal consistency. This was followed by a paper titled "*Bay' al-Dayn* and Islamic Bond Issues in Malaysia" presented by both Saiful Rosly and Sano Koutob Moustapha of the economics department in IIUM. The paper identified the different types of Islamic bonds in Malaysia, the procedures taken in issuing these bonds, and vital issues related to the creation of Islamic bonds in Malaysia.

The third paper was titled "The Need for a New Approach of the Socioeconomic Development Role of Waqf in the 21st Century" presented by Mohammed Boudjellai of World Assurance in Algeria. The paper aimed mainly to assess the strengths and weaknesses of the *waqf* institution. Sami Al-Suwailem from Al-Rajhi Banking and Investment Corporation discussed the subject of *gharar* in his paper titled "Towards an Objective Measure of *Gharar* in Exchange." The paper attempted to develop an objective criterion for identifying and measuring *gharar* in exchange. The measure helps economists view *gharar* as an integrated theory of risk, so that it can be easily communicated to non-Muslim economists. Further, the paper provided a quantitative measure of *gharar* that can lead potentially to innovative risky transactions.

Muhammad Akram Khan from the Ministry of Economic Affairs in Pakistan presented a paper titled "Role of Supreme Audit Institutions in Shaping the Islamic Economy in the 21st Century." In this paper Muhammad Khan explained that because of international pressures and the Islamic value system, there is a need for expanding the scope of the supreme audit institutions (SAIs). Expanding their role would enable them to play an effective role in realizing the objectives of an Islamic economy. The subject of *waqf* was again discussed in Abul Hassan M. Sadeq's paper titled "Socioeconomic Development Role of *Waqf* in the 21st Century and Restructuring of its Administration with Special Reference to Bangladesh." The paper concluded with a suggested new model of *waqf* administration, thus heightening expectations that the institution of *waqf* will play a greater role in socioeconomic development in the 21st century.

A paper titled "The Performance of the Institution of Zakah in Theory and Practice" was presented by Monzer Kahf of IRTI. Kahf called for the reconsideration of the role of zakah in the Islamic economic system and a revision of the theoretical analysis used during the last quarter of this century by Islamic economists.

The second session concluded with a discussion on the "Islamization of Economics: Agenda for the 21st Century." Muhammad Sakar from the Islamic University in Palestine and K. S. Jomo from the University of Malaysia were the panelists.

During the third session, M. Sultan Abou-Ali who previously served as the deputy prime minister of services and the governor of the Central Bank of Egypt delivered the first keynote address of the conference: "Economic Cooperation among Muslim countries in the 21st Century." In his address,

Professor Abou-Ali called for closer economic cooperation among Muslim countries in all fields: trade, aid, technology, and production. He made a number of recommendations with the aim of achieving closer economic cooperation among Muslim countries. These recommendations included the need for stronger political commitment on behalf of Muslim countries to achieve closer economic cooperation, activation of existing cooperation amongst institutions in Muslim countries, establishing programmed agreements and treaties to realize gradual economic integration, and enhancing the role of businessmen in Muslim countries.

The third session included papers that discussed the prime importance of realizing the maximum possible benefits of economic integration of all Islamic countries. They discussed the challenges of oil industry development in the postcommunist Muslim states, the challenges of socioeconomic development in post-Soviet Islamic states (specifically Azerbaijan), and the role of Islamic economics on the political economy of globalization.

The fourth session included papers that explored the experience of a number of Islamic banks. A paper titled "Islamic Banking in Bangladesh, Expectations and Realities" was presented by M.A Hamid from Rajshashi University, Bangladesh. In the paper, Hamid stressed the importance of cooperation among Islamic and traditional banking organizations. Such cooperation results in making them partners in building a brighter future for mankind, both in the Muslim and non-Muslim worlds. "Islamic Banking: As Experienced in the Republic of Iran," was presented by Sayd Ali Ashgar Hedayati of the Central Bank of the Islamic Republic of Iran. Sayd Ali emphasized that Islamic banking as experienced in the Islamic Republic of Iran, like any other new established economic and social phenomenon, is entirely connected with spatial and temporal conditions of the environment of the society.

The second panel discussion that was conducted during the fourth session was titled "Islamic Economic Cooperation: Agenda for the 21st Century." Dr. Syed Nawab Haider Naqvi and Dr. Mohammed Ariff, executive director at the Malaysian Institute of Economic Research, Malaysia, headed the discussion. The speech described a number of vital facts regarding economic conditions in Muslim countries. The presenter highlighted the fact that Muslim countries should adopt radical structured economic policies in order to solve the current economic problems. The second keynote address, titled "Islamic Economics in the 21st century," took place at the end of the fourth session; the presenter, Moh'd Nejatullah Siddiqi (CRIE, King Abdul

Aziz University, Saudi Arabia), provided an overview of Islamic economics in the 21st century.

The fifth session witnessed further discussions whereby papers presented discussed the creation of money and the role of the Central Bank in an Islamic framework (a case study for Pakistan), money interest and alternative macroeconomic systems, and the design and effects of monetary policy in the Middle East by Mageda Kandil from the University of Wisconsin-Milwaukee. The paper examined the determination and implications of monetary policy across a sample of countries in the region that have kept a sufficient record of data for investigation: Algeria, Egypt, Jordan, Kuwait, Morocco, Saudi Arabia, Syria, and Tunisia. The paper's empirical results did not indicate that central banks enjoy a high degree of autonomy in the latter mentioned countries. The presenter recommended that in order to guarantee a smooth flow of credit, it is vital to relax supply-side constraints that limit the capacity and increase the inflationary pressure of expansionary monetary policy.

Topics discussed in the sixth session covered a critical analysis of the nature of Islamic banking practices and their relevance to Shari'ah and the financial performance measurement and distribution policy of Islamic financial institutions. Topics related to the size and profitability of Islamic financial institutions with special reference to management and control issues, and the performance and prospects of Islamic banking in the 21st century, were both tackled during the seventh session.

The third keynote address discussed the issue of Islamic banking and finance in the 21st century. The presenter of the keynote address, Mr. Mabid al-Jarihi, is currently the director of IRTI, which is an arm of the Islamic Development Bank. In his presentation, he considered very important topics related to the theme of Islamic Finance in the 21st Century: The Way Ahead, including the successes and failures of Islamic economics, critical questions in Islamic finance, potential contributions, comparative banking systems, and financial markets. At the end of the presentation the presenter suggested a shopping list of five points. The presenter predicted (in the third point) that the practice of Islamic banking and finance would become more prevalent, more competitive, and would manage a greater share, perhaps 75 percent of Muslim's financial resources.

The eighth session included papers that addressed Islamic banking in Malaysia, Islamic fund management, and risk sharing and management in infrastructure financing (an Islamic evaluation). Awang Adek Husin of the

Bank Negara Malaysia presented a paper titled "The Islamic Financial Landscape in Malaysia," in which he emphasized the need for greater efforts and more effective means of networking to strengthen the relationship among Islamic banks. In addition, Awang emphasized the importance of showing that Islamic banking has the dynamism and sophistication to strive for the betterment of society, address the ills of the nation, and overcome economic imbalances.

The final session included papers that discussed optimal contracts for Islamic banking and *bay' al-dayn* (selling on credit) and Islamic bonds issues in Malaysia, and optimal consumption asset financing from an Islamic perspective. Muhammed Ebrahim from the University of Brunei prepared a paper on the latter subject under the title "Optimal Consumption Asset Financing from an Islamic Perspective." The focus of the study was to assist Islamic banks to design optimally their clients' consumption asset facilities. Muhammed Ebrahim proposed a judicious methodology of security design for financing consumption assets which avoids transmission of the cost of default to the financier.

The conference was successful for many reasons. The total number of the delegates was very reasonable, with a minimum of 200 delegates participating in the activities of the conference. In addition, the conference dealt with important topics related to Islamic economics. And finally, it was clearly noticeable that the conference was very well organized.

On the other hand, some factors need to be considered for future conferences. It would have been useful for the international delegates to have a chance to visit the Central Bank of Malaysia and some Islamic banks in Malaysia and the Kuala Lumpur stock market in order to update their own knowledge concerning the current situation of the financial system in the country. Another point that should be taken into consideration is inviting a larger number of international delegates. As mentioned before, the number of international delegates did not exceed 25 percent of the total participants at the conference. By increasing the percent of international participants there will be greater opportunity to update and exchange ideas between participants who are familiar with different financial systems.

Four renowned academicians specializing in the area of Islamic economics and banking were unable to attend the conference: John Presley/ Loughbrough University (U.K.), Rodney Wilson/ Durham University (U.K.), Mageda Kandil/ University of Wisconsin (U.S.A.), and Sami Al

Homoud/ IRTI (Saudi Arabia). Their contribution and attendance would have been of great value.

The conference successfully tackled several important topics in the area of Islamic economics. The vast experience of the presenters and discussants provided those who attended the conference with a unique opportunity to gain additional insight and knowledge in the various areas of Islamic economics and its trends for the 21st century. The conference provided a unique opportunity for the delegates to establish and enhance global interaction. It also promoted cooperation at an individual and institutional level, reviewed the abilities of Islamic economic institutions, identified critical areas, and formulated plans to further contribute to the progress of Islamic economics in the next millenium. In light of the success of this conference, it is highly recommended that it be conducted annually.