

Seminars, Conferences, Addresses

Third International Conference on Islamic Economics

Putra World Trade Center
Kuala Lumpur, Malaysia
Rajab 23-25, 1412/January 28-30, 1992

The Third International Conference on Islamic Economics was held in Kuala Lumpur, Malaysia, during 23-25 Rajab 1412/28-30 January 1992 under the auspices of Malaysia's International Islamic University (IIU) and in collaboration with the Islamic Development Bank (IDB) and the International Association of Islamic Economics (IAIE).

In his welcome address, 'AbdulḤamīd AbūSulaymān, rector, IIU, Kuala Lumpur, Malaysia, stressed that Islam provides an alternative to the economic system of the West and its reformed model, Marxism, which has collapsed.

The conference was opened by Datuk Sri Anwar Ibrahim, finance minister of Malaysia, and was concluded by Datuk Amar Dr. Sulaiman Hj. Daud, education minister of Malaysia. While recognizing the importance of implementing Islamic principles in areas such as trade and finance, Anwar Ibrahim felt that efforts to promote growth and generate wealth are more pressing. He stressed the need for creating wealth to eradicate poverty, a pivotal concern of Islamic economics.

Datuk Daud emphasized that institutions of higher learning should develop rigorous and meaningful analytical tools comparable with Western

models without compromising the basic values of the Islamic economic system. He urged Muslim countries to coordinate their economic policies and close ranks in the spirit of Muslim unity and universal brotherhood.

Khurshid Ahmad, Faisal Laureate, Institute of Policy Studies, Islamabad, Pakistan, gave the keynote address. After discussing the development experiences of the last forty years, he said that the entire approach to development must be revised. In his view, this new approach must be interdisciplinary and feature the total integration of ethical and moral aspects based on a balanced role of the state and the replacement of debt-financing by profit-sharing and risk-sharing finance methods.

Aynul Hasan, Acadia University, Canada, while presenting his paper "Is an Equity Financed Budget Deficit Stable in an Interest-Free Economy?," stated that the stability of an interest-free system wherein budget deficits are equity financed was demonstrated in a fixed-price, closed-economy, macro-economic model.

M. Fahim Khan, Islamic Research and Training Institute (IDB), Jeddah, Saudi Arabia, presented "A Simple Model of Income Determination: Growth and Economic Development in the Perspective of an Interest-Free Economy." Using a simple IS-LM model, he concluded that an Islamic financial system would generate a macroframework that would lead the economy to full employment and, thereafter, further growth and development.

Anas Zarqa, Centre for Research in Islamic Economics (CRIE), King Abdul Aziz University, Jeddah, Saudi Arabia, discussed "Sharī'ah Compatible Shares: A Suggested Formula and Rationale." He proposed Islamic preference shares and based his statements on those *fiqhī* provisions allowing profit-sharing ratios to differ from capital participation ratios and variable profit-sharing ratios to be linked with the level of realized profits.

Hatem El-Karanshawi, al Azhar University, Cairo, Egypt, and the American University in Cairo, presented a paper on "Financing Economic Development from an Islamic Perspective." The study delineated a framework for channeling surplus Muslim funds to needy Muslim countries using Islamic principles of finance, instead of placing them in the international market. It was argued that adherence to Islamic development concepts, financial instruments, and market principles would wipe out the structural discrepancies and reduce the absolute size of the financial gap among Muslim countries.

Mohammad A. Khan, Director General, Auditor General Department, Lahore, Pakistan, presented his paper on "Long-Term Finance in Islamic Countries: A Case Study of Pakistan." He examined the Islamicity of long-term financial instruments applied in Pakistan and suggested measures to render them compatible with the Islamic financial norm.

Rodney Wilson, University of Durham, Durham, UK, spoke on the "Role of Equity Participation in Financing Economic Development." He applauded

equity financing conducted in a very moral manner under the principles of risk sharing and cooperation through participation. Equity financing is certainly preferable when compared with debt financing, wherein conflicts of interest often exist between borrowers and lenders. However, it was pointed out, equity markets are also notorious for indulging in speculation and other morally objectionable dealings.

In his paper on the "Role of Finance in Development: The Ottoman Experience," Ahmet Tabakoglu of the Economic Research Centre for Middle East and Islamic Countries, Marmara University, Turkey, concluded that the Ottoman Empire, between the eleventh and the fifteenth centuries C.E., was founded on the principle of justice wherein economic behavior of Muslims was altruistic, the economy was supply oriented, and state expenditures were adjusted to available revenues aiming at achievement of social welfare.

John R. Presley, Loughborough University of Technology, UK, discussed "Financing Economic Development in Islamic Economics: Attitudes towards Is-lamic Finance in Small Manufacturing Business in Saudi Arabia." During his presentation, he related the results of a survey on the attitude of business concerns towards Islamic financial instruments, particularly *mushārahah* and *mudārabah*.

Munawar Iqbal, IAIE Secretary General, presented a paper on "Causes of Fiscal Problems in Muslim Countries and Some Suggestions for Reform." Drawing on the experience of Pakistan, he highlighted the economic misery and growing budget deficits prevailing in many Muslim countries. Structural changes in both expenditure and revenue sides of the government budget were proposed to rectify the situation.

Zubair Hasan and Muhammad Arif, both from IIU, presented a paper entitled "Basic Needs Fulfillment Guarantee in Islam and a Measure of Its Financial Dimension in Selected Countries." They discussed why they favored measuring basic needs fulfillment in relative, rather than absolute, terms for making intertemporal and international comparisons.

In his paper on "Public Borrowing in Early Islamic History: A Review of the Records," Faisal Laureate M. Nejatullah Siddiqi, CRIES, Jeddah, Saudi Arabia, reported seven cases of public borrowing by the Prophet and nine cases of public borrowing during the 'Abbāsīd era. He maintained that several 'Abbāsīd rulers even borrowed on interest. Interestingly, there was no public borrowing during the time of *al khulafā' al rāshidūn* or the Umayyad periods.

Iraj Toutouchian, al Zahara University, Tehran, Iran, presented a paper on "Some Considerations on the Size of the Public Sector in the Islamic Republic of Iran." He demonstrated that the economic responsibilities of the government under the new Iranian constitution, as reflected in the general format and objectives of the economic system comprising the private, cooper-

ative, and public sectors, have increased. The postrevolution economic activities were reviewed to gauge their conformity with the new constitution.

The paper on "Provision of Public Goods: The Role of Voluntary (Waqf) Sector in Islamic History" by Abdul Azim Islahi, Aligarh University, Aligarh, India, was read by Abidin Salamah of the Sudanese Estate Bank, Khartoum, Sudan. It gave a historical account of motives, purposes, kinds of waqf properties, management, supervision, problems, and regulation aspects of the waqf.

I. O. Talwo, Iloran University, Iloran, Nigeria, in his paper on "Efficiency of the Islamic Approach to External Debt-Management in North Africa and the Middle East," applied an econometric model to analyze the role of the terms of trade, the cost of borrowing, debt maturity, the level of economic development, and the degree of openness of the economy. Adoption of the Islamic approach for development was emphasized.

A paper on the "Role of the Cash Waqfs (*Awqāf al Nuqūd*) for Modern Islamic Economies" was presented by Murat Cizacka, Faculty of Economics and Administrative Sciences, Bogazici University, Istanbul, Turkey. The study comprised a detailed statistical account of cash *awqāf* which numbered 1,139 during 1520-1546 but declined to 527 by 1578-1598, despite the addition of 213 new *awqāf* during the same period. The causes of their disappearance were identified, and it was recommended that cash *awqāf* be combined with venture capital in order to guarantee their permanency.

"The Survival and Development Strategies of the Minority of Nubian Muslims in Nairobi," by Mohammed S. Mukras, University of Nairobi, Nairobi, Kenya, was read by Tahir Beg of IIU, Selangor, Malaysia. The paper, an econometric study of the socioeconomic characteristics of Nubian Muslims, stressed that the Nubian community must strengthen its commitment to Islam, improve education, and gain access to the labor and capital markets in order to increase in-house transfers for improving its well-being.

Other important events consisted of two public lectures, three workshops, and three panel discussions. The public lectures on "Islam and the International Debt Problem" and "Islamization of Economics" were delivered, respectively, by Umer Chapra and M. Nejatullah Siddiqi, both of Saudi Arabia. The workshops were on "Government Financing: Islamically Compatible Modes Other Than Taxation and Printing Money," "Interdisciplinary Approach to Comprehensive Development," and "Financing Grass-Roots Level Development."

The panel discussions focused on "Development Experience of Muslim Countries," "Development Financing: Experience of Islamic Financial Institutions," and "Fifteen Years of Islamic Economics." During the panel discussions, Tan Sri Jaffar Hussein, governor of the Central Bank of Malaysia, emphasized that Muslim countries which are now at the lower end of devel-

opment and socioeconomic justice could change the situation for the better if they were united, committed, and creative. He called on Islamic banks to mobilize funds effectively to stem the outflow of funds from Muslim to non-Muslim countries. He stressed the need to promote development financing for the production of goods for exports, as many Muslim countries are suffering from large balance of payments deficits which made it hard for them to finance their development plans. He proposed that the institution of zakah be developed into an important tool for development financing among Muslim countries.

Ismail M. Salleh, Institute of Strategic International Studies, Kuala Lumpur, Malaysia, reviewed Malaysia's development experience over the last thirty years. He attributed its successful development to the government's pragmatic policies, which included a very high level of forced savings; restructuring the economy; prudent regulatory, fiscal, and monetary policies; and concentration on building the physical and human infrastructure for the growth of manufacturing industries. However, the government did all of this at the expense of short-term popularity.

The International Association of Islamic Economics conducted its annual business, and those who attended the meeting of the Coordination Committee of the Heads of Institutions Involved in Teaching and Research in Islamic Economics discussed their progress and plans for the promotion of Islamic economics.

Resolutions passed emphasized development efforts based on freedom, stability, and justice to help the "majority of one billion Muslims (living) in a state of poverty, illiteracy and suffering which is destructive of Islamic living" even though Muslim countries are endowed with enough human and natural resources for development. With this goal in mind, Muslim economists, Sharī'ah scholars, and other professionals were called upon to improve their work environment on the basis of *shūrā*. Governors of central banks in the Muslim world were called upon to promote and strengthen Islamic finance. Muslim countries were called upon to use Islamic modes of financing instead of interest-based financing. The conference opined that the implementation of zakah should be coordinated with other financing measures to achieve the socioeconomic goals of Islam.

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