

Values and Economic Policies: Islam and Social Market Economy compared

KAS-REGIONAL-PROGRAM GULF-STATES HOLDS CONFERENCE ON ECONOMIC POLICIES IN ABU DHABI WITH EXPERTS FROM THREE CONTINENTS

Experts from more than a dozen Islamic and European countries followed the invitation of the Regional Program Gulf-States of the Konrad-Adenauer-Stiftung, and gathered in Abu Dhabi for the conference „After the crisis – approaches for a value based economic policy“ from October 11th – 13th, 2010. Guest of Honour was Hoger Haibach, Member of the German Parliament and Majority Speaker on Economic Development and Cooperation; Konrad-Adenauer-Stiftung was represented by Frank Spengler, Deputy Head of European and International Cooperation. The conference aims to identify possible approaches that can contribute significantly to avoiding future economic crises and to enhancing sustainable economic growth.

The conference, which KAS organized jointly with the German-Emirati Joint Council for Industry and Commerce and the Abu Dhabi Council for Economic Development, aimed to identify similarities between the so-called Social Market Economy and an Economic Policy based on an Islamic value system. The central question of the discussions was whether either of the two concepts can contribute significantly to avoiding future economic crises.

The participants of the conference were deliberately chosen from various Arabic, Asian and European countries as to have the entire range of school of thoughts on Islam represented. Having been able to win such a wide range of speakers KAS once again

demonstrated its excellent worldwide network of academics and decision makers.

Among the participants were Dr. Halah El-Sokari from the Khalifa Fund for Enterprise Development in Abu Dhabi, Lawyer and Islamic Finance expert Dr. Kilian Bälz from Cairo, Dr. Abdul Qayyum from the Pakistan Institute of Development Economics, Professor Marcus Marktanner from the American University in Beirut as well as Professor Mohamed Aslam Haneef from the International Islamic University in Kuala Lumpur and Cornelia Richter, Director General Planning and Development Department of the Gesellschaft für Technische Zusammenarbeit (GTZ). They discussed environmental and socio-political issues, financial market regulations and entrepreneurial approaches as well as market dynamics and competition in context of both economic policy concepts.

High-level guests at the opening

Holger Haibach MP, Majority Speaker on Economic Development and Cooperation, Fahad Saeed Al-Raqbani, Director General of the Abu Dhabi Council for Economic Development, as well as Frank Spengler, Deputy Head of European and International Cooperation at the KAS, inaugurated the conference in presence of more than 100 representatives of politics and industry.

“Close cooperation between the different economic regions and systems is the key to sustainable economic development and to avoiding a possible new crisis”, explained Holger Haibach. The recent positive devel-

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opments in Germany and in various Arabic countries, especially the vibrant economic growth in the United Arab Emirates, indicate that both systems seem to follow the right approach, stated Haibach.

Fahad Saeed Al-Raqbani presented the "Abu Dhabi Economic Vision 2030" and the economic policy measures taken to achieve the ambitious goals in the Emirate. Abu Dhabi is aiming for sustainable economic growth, which allows the country greater independence from revenues from natural resources.

In his opening remarks Frank Spengler commented on the value orientation of the Social Market Economy and of Islamic economic policies: "It is remarkable that both economic systems are based on values that derive from more than just economic theory. They are deeply rooted in their respective religious faiths: Islamic Financing follows the Sharia while the German concept of Social Market Economy is based on the Christian belief in freedom, justice and the social nature of mankind."

Value based economic systems can soften effects of future economic crises

All three speakers agreed that a value based economic system is not only more sustainable and can better cater to the needs of the people but it can also soften the effects of future economic crises. However, differences between Islamic economic policy and the Social Market Economy in regards to the origin of values and the conclusions drawn for economic policies do exist.

Differing assessments of the situation came to light during the conference. In his presentation "Is Islamic Finance the solution? Islamic Finance and the Global Crisis" Dr. Kilian Bälz stated clearly that Islamic Finance as it is practiced today cannot be a cure for future crises. Islamic Financing concentrates more on individual cases rather than taking the larger picture into consideration. He thought it remarkable that a small number of Islamic scholars were able to certify Islamic Banking Products without the existence of a binding regulatory framework. Hence the system lacks re-

gulatory measures to thwart off future financial crises.

In his closing remarks Bälz stated that Islamic Banking could indeed develop into a leading financial policy model, if it moved from certification to standardization and to a more ethically oriented approach. He regarded the financial crisis as an opportunity for the rise of Islamic Financing as the crisis has seriously put conventional economic wisdom into question.

Corporate Social Responsibility increasingly more important

Dr. Geoffrey Williams of Owens, Williams & Wood Consulting in Kuala Lumpur emphasized the strength of an economic system based on Islamic values. While the financial crisis led to total collapse of the western economic system, it affected the Islamic world merely as harsh.

In his presentation "Islamic Finance and the principles for Responsible Management" Dr. Williams pointed out the important role of responsible corporate management. Responsible entrepreneurship could contribute to counterbalance the injustices created by the markets. Responsible Management and an economic policy that advocates Corporate Social Responsibility does not only conform with Islamic values but also to the principles of the Social Market Economy. The participants discussed whether the results of an economic policy based on Islamic values indeed exceed the minimum-standards set by the United Nations Global Compact on issues such as environmental protection, social standards, corruption and human rights.

During his conference contribution on "The growth efficiency of Islamic Banks: Pakistan - a case study" Professor Abdul Qayyum argued that Islamic Finance could not function outside the Islamic context. The system is rooted too deeply in the Islamic way of life, for it to succeed in a non-Islamic environment.

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Interest free investments an alternative for the West?

Velid Efendić from the University Sarajevo addressed the different approaches to interest rates in the western and the Islamic banking systems. He presented options for the introduction of interest free investment models in western economies. He did point out, however, that existing frameworks make the implementation of these almost impossible.

Professor Marcus Marktanner from the American University in Beirut explained in detail the fundamental principles of the German Social Market Economy and the historical context in which the system was created. He emphasized as imperative for a functioning Social Market Economy the existence of freedom of contract, free price development, and free trade. State intervention must at all times be market compliant and never be geared at individual cases. They have to be limited to preventing power abuse by the market, guaranteeing equality of opportunity and balancing social injustices. These standards were only able to be defined due to the values and the idea of man held by the founding fathers of the Social Market Economy.

Free Market is the basis, state interventions have to be well founded

Furthermore, in his lecture on „A Social Market Economy perspective on Ibn Khaldun“ Marktanner drew various interesting analogies between the Social Market Economy and Islamic economics as defined in the writings of Islamic scholar Ibn Khaldun in the 14th century. Surprising parallels unfold in regards to the principle of subsidiarity, matters of private liability and the role of the state as market supervisor. Professor Marktanner called for a broadening of the normative and philosophical dialog towards a return to discussing a value based economy.

Professor Mohamed Aslam Haneef from the International Islamic University in Kuala Lumpur highlighted the correlation between the economy on the one hand and philoso-

phy and religion on the other. In his presentation „The Role of the market and the state in the economy: Islamic Economy and Social Market Economy“ he stated that the financial crisis revealed once more, that free markets alone cannot guarantee society's well-being. Therefore, it is of utmost importance to find alternatives to the mainstream neoclassical economic systems; he regarded the German Social Market Economy as such an alternative. Professor Haneef compared the role of the market and the state in an Islamic economic system with that of the German Social Market Economy focusing on the conceptual dimensions of the two. He identified the human dignity and the social individual as the central common idea. Concluding his lecture, he stated that the Social Market Economy presents itself as an excellent and viable alternative for Islamic countries.

Mutual understanding of importance of entrepreneurship

Especially interesting insights into the entrepreneurship in Islamic countries and into the fostering of entrepreneurship in the United Arab Emirates (UAE) were given by Dr. Halah El-Sokari from the Khalifa Fund for Enterprise Development. Dr. El-Sokari presented the work of the Fund and explained its goals to create a more productive society and to build a sustainable economy. The fund tries to provide market opportunities and an SME-friendly environment. Innovative financial products need to enable the financial independence of these enterprises and thus allow for a culture of innovation. The Khalifa Fund wants to promote a positive development of the Emirati economy and society as a whole.

Cornelia Richter, Director General Planning and Development Department of the Gesellschaft für Technische Zusammenarbeit (GTZ), presented exemplary cases from Islamic countries where GTZ-projects were conducted in conformity with the principles of the Social Market Economy. However, she pointed out that the Social Market Economy in Germany was developed on the backdrop of the 2. World War. Therefore, when trying to „export“ this system one has

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to respect the local political, institutional, social and cultural conditions in the respective countries. Rather than implementing the Social Market Economy as it exists in Germany, it would be more feasible to introduce the basic principles of the system to other countries.

A multitude of presentations and lively discussions

Further presentations were given by: Manuela Kasper-Claridge, Head of DW-TV's Business Department, Deutschen Welle, Berlin on "German Family Businesses and their Entrepreneurial Approaches". Mrs. Kasper-Claridge showed a number of short documentaries, which showcased the significance of family businesses in the German Economy, dominated by mid-sized companies.

"Competition Policy in the Social Market Economy", was the title of a presentation by Dr. Heiko Fritz from the German University Cairo, Egypt. A lecture by Dr. Stephan Roll, German Institute for International and Security Affairs, Berlin, dealt with "Arab Business Elites – Driving Forces or main opponents of Market Reform". He described the structure of the Arab industrial elite and analyzed its interests and goals in a more or less free market economy.

In his lecture "Implementing social and environment corporate responsibility programs" Brian Lariche, Lariche Community and Academy of Responsible Management, Kuala Lumpur, Malaysia elaborated on options for implementing the principles of Corporate Social Responsibility.

A first insight into the developments of an Islamic country from a different geographical region was given by Oleg Rijichenko, Acting Head of Business and Analysis Sector, Chamber of Commerce and Industry, Uzbekistan in his lecture: "Impact of the global financial crisis on the economy of Uzbekistan and factors that prevented and mitigated its consequences". An overview of the economic situation in countries influenced by Islamic concepts was given by Professor Habibullah Khan, Professor of Eco-

nomics and Finance Universitas 21 Global, Singapore in his presentation titled: "The Impact of Globalization on Islamic Countries: A Brief Assessment".

All in all the conference "After the crisis – approaches for a value based economic policy" offered an impressive overview of the various existing schools of thoughts on economic policies in Islamic countries. The comparison with the politico-economic principles of the Social Market Economy showed remarkable analogies between the two concepts. The Regional-Program Gulf-States of the Konrad-Adenauer-Stiftung will continue to address these issues and will publish the conference material in the near future.



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