

2nd Islamic Finance and Trade Conference
Opening Remarks by Dr Muhammad Abdul Bari
The Secretary General of the MCB, 28 Oct 08

Bismillah, Alhamdulillah, wassalatu wassalamu ala rasulillah

Respected guests, brs/srs – Assalamualaikum. Peace be upon you.

The Second IFTC (Islamic Finance & Trade Conference) takes place against a backdrop of very sombre developments in Britain and globally. As will become apparent over the next two days, through the agenda of the second IFTC, the Muslim Council of Britain hopes to contribute to the process of providing a vision for the future of our nation in these troubled times and continue the MCB's core task of striving for the Common Good.

As the crisis gripping the world shows - governance, especially of finance capital, has been found seriously wanting. The crisis in the global financial markets, which has its origin in

the uncritical worship of free markets and the glorification of an artificial greed culture, has now managed to cripple most of the world's banking system and ushered in a worrying depression. Yet again, the poor and the disadvantaged are left to pick up the pieces and suffer the consequences of unsustainable profligacy by the few, secure in the knowledge that the public purse will pick up the tab for failure. Faced with the risk of total collapse of confidence in the global banking system, government after government have had to forego the demand to bring the perpetrators to task and instead put in place bail-outs to limit the damage.

The severity of the damage done demands that, after this acts of fire-fighting, more attention is paid to the causes of the crisis and

ways to prevent a repeat in the years to come. Already, changes in the regulatory regime for finance capital and incorporation of society's goals in their behaviour are on the cards. In particular, the continuing concentration of wealth in fewer hands globally, is causing strife and discontent which will become difficult to contain. Forceful means need to be found to ensure that institutions operating with implicit or explicit public guarantees and underwriting should deliver societies desired objectives before the narrow interests of their shareholders.

Greed and short-termism implicit in the dominant market-driven dispensation of the last few decades, also ushered in a culture of unsustainable consumption made possible by an alarming growth in the debt culture. The

result was unsustainable debt levels and profligate consumption leading to an acceleration of climate change. The **Stern Report** identified market failure as the engine of depletion of scarce environmental resources. Now, market failure has been identified as the root cause of the creation of unsustainable asset bubbles. There is now need for a fundamental review of the way we order society.

In considering this change in the basic direction of governance in our societies, the wisdom of the faiths can be tapped to our great advantage. Inculcation of humility, strictures against exploitation of man by man and discouragement of crass consumerism are the hallmarks of all great faith traditions. To this end, the prohibition of *riba* (usury) is also

common to the faith traditions. These clear guidelines of the faith traditions need now to be utilised to provide a steer in these trying times. Our traditions of mutual co-operation, co-operatives and financial prudence were swept away by profit driven shareholder greed. These noble traditions now need to be encouraged and revived.

In particular, there is a growing recognition of the need to explore more robust forms of financial intermediation. Islamic finance, with its emphasis on asset-backed transactions, and restrictions on creation and trading of debt, offers one such prospect. The time is opportune for the UK to investigate how Islamic finance can contribute towards overcoming the many challenges posed by the current credit crunch.

We hope that this IFTC will serve to rekindle interest in the nascent Islamic finance provision which has started in this country over the last few years.

The government has pledged to provide a level playing field for Islamic financial products and the emerging framework for their provision in the UK will serve as a solid starting point.

Of particular immediate interest is the possibility of novel ways of financing, now coming together to provide critical support to the hosting of the 2012 Olympic Games in London. The Thames Gateway, where the bulk of the games are to be held, also is host to one of the largest Muslim populations in the UK. This means that there are likely to be win win situations in building the Games' infrastructure.

I am glad to note that the IFTC organizers have found areas where Islamic financial products can potentially be utilised to help actualize the 2012 Games, despite the credit crunch. With goodwill on all sides I am confident that this initiative will serve us all well.

I am also hopeful that the broader debate on Islamic finance and trade during the two days of the IFTC will be followed up by meaningful co-operation by participants to help us chart our way out of the present financial crisis.

True to its founding objectives, I am sure participants at this IFTC will find that the MCB is committed to strive to provide inputs into seeking to realise the Common Good of our society.

I wish you all a successful and thought provoking second IFTC.

