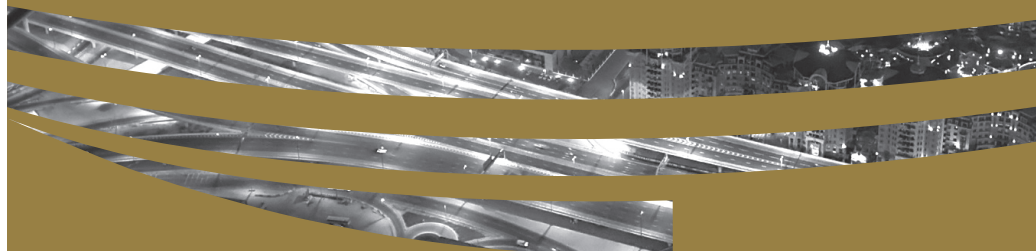
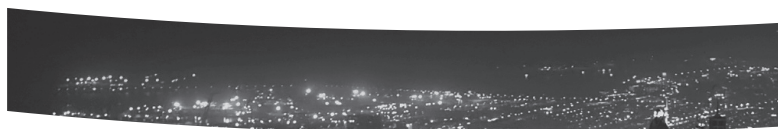




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SESSION BRIEFING

ISLAMIC ECONOMY VISION 2020: THE ROLE OF GOVERNMENTS AND THE PRIVATE SECTOR TO FACILITATE DEVELOPMENT OF THE ISLAMIC ECONOMIC SECTORS

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THE ROLE OF GOVERNMENT IN DRIVING A COMPETITIVE ISLAMIC ECONOMY AGENDA

Governments can play an instrumental role in enabling their country's economy through five key levers. A few governments have recognized early the need for Islamic products and services, which prompted them to dedicate significant effort into supporting the development of Islamic niche sectors. In this brief we present a number of examples of how some governments have successfully supported their "halal economies".



CLEAR VISION AND STRATEGIC CHOICES.

Islamic economy pioneers started by early defining their ambition and roadmap to reach the desired state. For that purpose, visionary leaders have identified the need for a clearly articulated vision to be used as guidance for further strategy cascading and unifying national goals.

The most prominent example of a successful vision can be seen in Malaysia. The country had a clear vision to become the "international hub of Islamic finance" with universal offering, service excellence & high returns. As a result, it focused on developing a full Islamic financial system with various Islamic offerings, such as banking, sukuk, asset management and takaful, and setting an ambitious goal of constituting 20% of the world's Islamic Financial Services market. Recently, Malaysia

went as far as issuing an Islamic Financial Service law. Indeed, Malaysia evolved from a local player to a regional (and in some areas global) hub -and center of reference- for Shariah compliant financial services.

Similarly, Malaysia's Ministry of Tourism vision is to "develop Malaysia as a world-class tourist destination" and its Tourism Transformation Plan targets to bring in 36M tourists & \$US 55B in tourism receipts by 2020. Part of its tourism strategy was a very strategic and focused approach to attracting tourists from Muslim countries with tailor-made offerings. Among the segments targeted are Arabic-speaking, Middle-East based, more conservative customers and families.

INTEGRATED REGULATORY FRAMEWORK.

A well-established and integrated regulatory framework is crucial for a competitive Islamic economy (the same way as it is for all economies). A clearly defined and enforced legal and administrative framework determines how individuals, firms and governments interact.

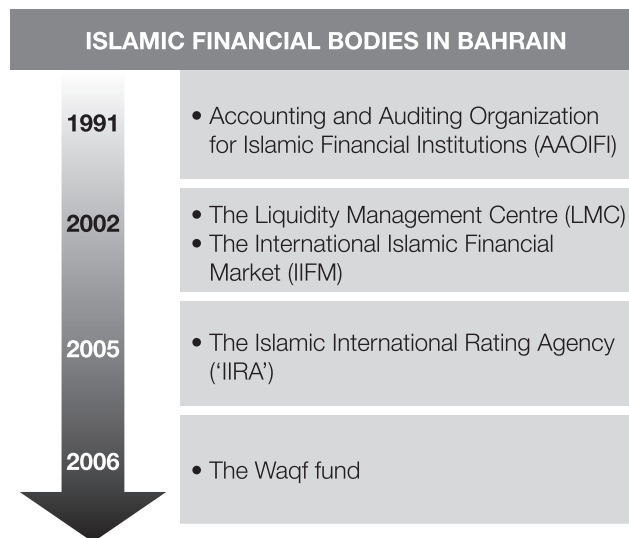
Among the governments that have recognized the importance of regulation that encourages the financial sector is the government of Bahrain. The country has a single regulator for Islamic Institutions in the Kingdom, the Central Bank. The Bank has also played a leading role in shaping the Bahraini Islamic financial services sector today by introducing a variety of Islamic products early, such as Islamic insurance (takaful and re-takaful) and securities (sukuk). It also runs conservative risk regulation that encourages long term view and enhances the stability of the sector and promulgated a comprehensive regulatory framework specific to Islamic insurance and reinsurance.

To date, Bahrain has 402 licensed financial institutions, 7 Islamic insurance companies (Takaful), 2 Re-Takaful companies, and 2000 funds registered for sale out of which 100 domiciled funds. Furthermore, it is home to leading regulatory bodies for Islamic finance, including The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), which prepares accounting, auditing, governance, ethics and Shariah standards for Islamic financial institutions and the industry.

The Brunei Halal Brand is a government project to promote the country's Halal certification & brand. The initiative started in July 2009, under leadership of Ministry of Industry & Primary Resources. The commercial arm of the Brunei Halal Brand, the Ghanim Intl. Food Corporation, is a JV with Hong Kong's Kerry

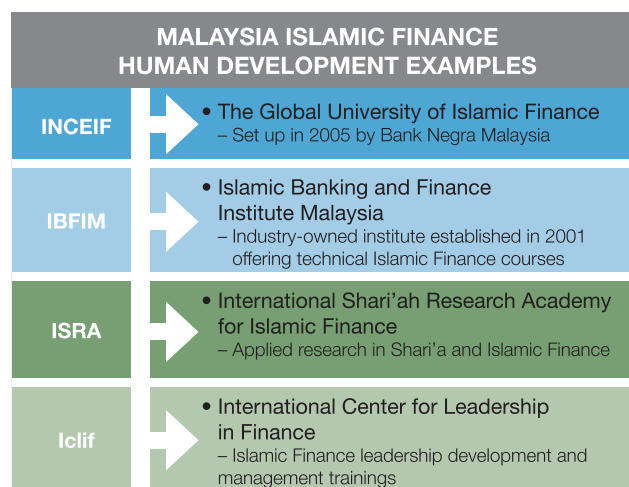
Group, and primarily manages the use of the Halal trademark and assists SMEs in reaching out to global markets via promotion. Tougher interpretation of Brunei Halal standards has led to its popularity amongst customers. For example, Brunei's standards are more stringent than Malaysia's, which allows animals to be stunned before slaughtering.

As of 2012, 565 products were certified under the Brunei Halal stamp primarily in food and beverage but also in cosmetics, personal care & pharmaceuticals. The Brunei Halal Brand pursues aggressive promotion & presence at major global foods conferences, including the 2013 Dubai Gulf Food.



AVAILABILITY OF A TALENT PIPELINE.

Nowadays basic primary education alone is not sufficient to achieve full potential. Countries cannot progressively develop without creating competitive higher education and training institutions, as more complex products and production processes require a diverse and skilled workforce. Malaysia is investing heavily in turning itself into a regional supplier of human capital and has seen a growing presence of overseas universities on top of its home-grown universities, broadening the country's higher education offering. As a result the country fosters a wide availability of talent at different required skill levels. Moreover, Malaysia has invested in specialized programs to promote its stronghold sectors, such as INCEIF, the only dedicated Islamic finance university globally.



DISTINCTIVE PROMOTION PROGRAM.

Promoting a country's economic activities has become a central part of most countries' development strategies, driven largely by countries' investment promotion agencies or sector-specific promotion agencies. This is also true for Islamic sub-sectors.

The United Kingdom is one of the non-Muslim countries that has recently focused attention on promoting Islamic finance when its government launched a campaign to promote London as an Islamic finance center in March 2013. Other noteworthy activities include the 2013 World Islamic Economic Forum being held in London; hence, for the first time outside a Muslim city or Asia. The UK has also set up several supporting entities to promote Islamic finance, including the UK Islamic Finance Secretariat and the UK Islamic Finance Council. With 2,000

registered organizations and individuals, the UKIFS coordinates and promotes the development of Islamic finance in the UK and acts as primary contact point for UK government bodies. The UK Islamic Finance Council promotes UK Islamic finance by providing trainings, seminars, roadshows, and advisory to government.

Other countries are also marketing their activities in unconventional, nascent halal sectors. Malaysia is carrying out high industry visibility and promotion through forums and exhibitions such as the National Halal Pharmaceutical convention and exhibition or the Miihas expo to promote its businesses in the Halal Pharma industry.

ECONOMIC "BOOSTERS".

Perhaps the most successful example of halal-related infrastructure lies in the notion of halal parks, which have created significant impact in their host countries. Halal parks are clusters of halal manufacturing and service businesses, which aim to consolidate the value chain for the businesses they host. Malaysia has emerged as a leader in the field, with 24 parks to date; however, more countries are eyeing the establishment of halal parks on their grounds. Pakistan and the UK, for instance, each have a halal food park in its early development stages, in Karachi and the South of Wales, respectively.

Halal Parks have successfully attracted USD 2.25B of total investments to Malaysia as of 2013, 80% of which are foreign direct investments. Investments in Halal Parks have also strengthened Malaysia's manufacturing base, contributing to an increase of 6% in Halal exports between 2012 & 2013.

MALAYSIA HALAL PARK INVESTMENTS EXAMPLE	
Malaysian Halal Parks	Investments (in USD)
Selangor Halal Hub	545M
POIC Tanjung Langsat <i>(Oil & Gas, Palm Oil, Petrochemicals, Steel & Marine-related)</i>	482M
Tanjung Manis Halal Food Park	577M

Two centuries ago most people believed that the main role for a government was that of a policeman preserving law and order. Modern times have shown that governments play a vital role in promoting their country's competitiveness and maintaining economic stability. For some economies the development of a strong supporting infrastructure has been instrumental in promoting growth, while others the government has offered a lucrative regulatory and tax environment for doing business. One thing remains certain, it is only through a clear strategy on "where to play" and "how to win" that nations can climb up the development ladder.

This work was prepared by Thomson Reuters with the contribution of Dr. Yasar Jarrar, Dr. Saeeda Jaffar, and Basma Abdel Motaal of Bain & Company Middle East. Dr. Yasar Jarrar is a Partner at Bain & Company Middle East, where he leads the firm's Public Sector practice in the Middle East. Dr. Saeeda Jaffar is a Principal at Bain & Company Middle East and is affiliated with the Middle East Financial Services practice.