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International  
Conference on  
Islamic Economics in the  
Kuala Lumpur,  
Malaysia.

21<sup>st</sup> Century

27 - 30 Rabi'ul Ākhir 1420  
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Organised by the International Islamic University Malaysia & the Islamic Research  
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BSN Commercial Bank  
HEARTBEAT OF THE COMMUNITY



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# Message



MINISTRY OF EDUCATION MALAYSIA

*Assalāmu'alaikum Waraḥmatullāhi Wabarakātuh and Salam Sejahtera*

Let me take this opportunity to firstly welcome all participants to this major international conference organised by the International Islamic University Malaysia this year. On behalf of the Government and people of Malaysia and the IIUM, let me convey our warmest welcome to everyone.

The events that have occurred in the region since July 1997 will certainly be noted in history books as one of the constant reminders to mankind that there is always a need for self-evaluation or *muḥāsabah*. This is to enable us to identify our strengths and weaknesses so that we can take the necessary steps to constantly improve ourselves. It is in this light that the *International Conference on Islamic Economics in the 21st Century*, is both timely and necessary. Timely, as it takes place during a period of turmoil, providing the opportunity for us to take stock and plan for the new century. Necessary, as the existing international trading and financial system have shown lines of vulnerability and shortcomings that are not only minor 'aberrations', but possibly stemming from some flawed theoretical and conceptual underpinnings of contemporary economics and finance.

I thank the Islamic Research and Training Institute of the Islamic Development Bank, Jeddah for their financial support of this conference. The constant support of the IDB is very reassuring, especially when the IIUM is trying to pursue, promote and develop Islamic education in general, and of Islamic economics and finance in particular. I am also informed that we have been very fortunate to receive sponsorship from a few Malaysian companies and organisations. To these parties, I thank them.

I wish all participants a successful conference. Each of the four days addresses an important theme. To talk of Islamic economics in the 21st Century, I believe all these themes must be given serious attention. I look forward to receiving the deliberations and recommendations and hope that all relevant parties will work together to forge greater understanding and concrete strategies to face the challenges of the next millennium.

*Wassalām*

Dato' Sri Mohd Najib Tun Abdul Razak

# Foreword



*Assalāmu'alaikum Warahmatullāhi Wabarakātuh*

It gives me great pleasure to welcome all delegates to the *International Conference on Islamic Economics in the 21st Century*. It has been almost five years since the International Islamic University Malaysia (IIUM) has organised a conference of international level in the area of Islamic economics. Organising a conference involving more than 200 delegates from more than 15 countries, besides Malaysia, is not an easy task. Despite difficult times, I must commend the Kulliyah of Economics and Management Sciences for being able to organise such a major event involving the IIUM. It is very clear that their experience in organising three previous events in 1987, 1992, and 1994, have provided the Kulliyah with the relevant expertise and confidence to undertake this very challenging task.

In addition to the hard work and contribution of all the committee members, I must also thank the Islamic Research and Training Institute (IRTI) of the Islamic Development Bank (IDB), Jeddah, for their continued support to the IIUM and its activities. Again, in the case of this conference, IRTI has been an active co-sponsor and financial contributor. Our deepest appreciation goes to the IDB, which is celebrating its silver jubilee this year. I also take this opportunity to thank all the Malaysian sponsors for their concern in IIUM activities and Islamic economics, in particular. In these economically challenging times, it is very encouraging to know that Malaysian companies and organisations are still willing to donate for events such as this.

I wish all delegates a productive conference and, especially to our international delegates, we wish you a pleasant stay in Malaysia. The IIUM welcomes all of you to visit the campus grounds on the third day of the conference.

*Salam Sejahtera, Ahlan wa Sahlan wa Marhaban bi Kum.*

PROF. DR. M. KAMAL HASSAN  
Rector

International Islamic University Malaysia  
August 9, 1999

# Foreword



Islamic economics, banking and finance is now established as a distinct academic discipline but there is a need to vitalise the discipline by implementing appropriate programs, policies and activities so that it can effectively take up the challenges of the future. The Islamic Research and Training Institute (IRTI), Islamic Development Bank (IDB) and other institutions of the *Ummah* like the International Islamic University Malaysia (IIUM) have the responsibility to individually as well as jointly implement such activities and policies which can be instrumental in making the discipline dynamic. With these objectives, both the institutions are implementing several programmes of their own and in collaboration with other institutions. This conference is a part of a series of joint IIUM-IRTI activities, several of which have been organised in the past.

The objectives of this conference are: To take a critical look at the state of Islamic economics as an academic and practical reality by the end of the 20th century, visualise the challenges and opportunities which it is expected to face in the 21st century and identify the means and modalities to provide the discipline with vitality and dynamism.

The response to the call for papers was very encouraging. The number of proposals and papers received were far more than expected and covered a wide area of the discipline. This shows the tremendous interest in the discipline, and the prospects of a rapid increase in the Islamic economic community in the future. The organising committee has taken every care to choose papers on the basis of quality and merit. It is hoped that the same enthusiasm will prevail throughout the rest of the conference. The proceedings of the conference would certainly be a useful contribution to the existing stock of academic literature on the subject.

The Department of Economics, Kulliyah of Economics and Management Sciences, IIUM has shown initiative and enthusiasm, first, in proposing this joint activity and then in handling it professionally at various stages of implementation. Without their initiative and commitment, this activity would not have been possible. It is hoped that the participants will find this activity rewarding and each one of them will make useful contributions towards achieving the objectives of the conference. It is only through collective efforts that we make the discipline of Islamic economics dynamic, scientific and progressive.

Mabid Ali Al-Jarhi  
Director,  
Islamic Research & Training Institute