

## **Najib urge Japan to partner Malaysia in Islamic finance**

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TOKYO, May 26 — Prime Minister Datuk Seri Najib Razak today urged Japan to partner Malaysia in engaging in Islamic finance-related activities and tap the huge global market.

With Japanese industrial expertise and technology, and Malaysia's technical expertise in Islamic finance, he said there was an opportunity to establish a formidable alliance, and nowhere more so than in Southeast and East Asia.

"Let us therefore strive to 'isshoni hatten shimashou', grow together," he said in his keynote address at the World Islamic Economic Forum (WEIF) Roundtable, jointly hosted by tWIEF)and the Alliance Forum Foundation.

Also present was WIEF chairman Tun Musa Hitam, Minister in the Prime Minister's Department Datuk Seri Idris Jala and delegates from 31 countries.

Despite recent rapid growth rates in the region, demand for Islamic finance in Southeast Asia was still low, said Najib.

"Indonesia's potential, for example, has hardly been tapped. The Philippines, Thailand and Cambodia have interest as well. So, this is an opportunity, and we welcome Japan's involvement in these new and expanding markets," he added.

Najib, who is here on a three-day official visit, said he first threw the idea of working together on Islamic finance during a meeting with his Japanese counterpart Shinzo Abe, in July 2013.

"We discussed support from the Japanese government and its authorities to encourage Japanese enterprises, financial institutions and investors to engage in Islamic finance-related activities with Malaysia.

"We, in turn, will offer technical assistance to Japan in this field," he added.

Citing Malaysia's own success, Najib said the country had done its part by consistently being the largest issuer of sukuk in the world.

In 2014, the total global sukuk outstanding was just over US\$300 billion (RM1.08 trillion), of which Malaysia accounted for US\$173 billion or 57.4 per cent of the total and Saudi Arabia, US\$50.4 billion or 16.7 per cent in second spot.

According Najib, who is also the Finance Minister, global Islamic finance assets today amount to an estimated US\$2 trillion.

While this is still a small amount compared to conventional financial assets, it is notable that the compounded annual growth rate from 2009-2014 has been a very impressive 17 per cent.

Japanese financial institutions are now moving into Islamic-related finance activities, said Najib, citing the Bank of Tokyo-Mitsubishi UFJ which became the first commercial bank from the country to issue sukuk via its Malaysian subsidiary in September last year.

Earlier in the year, Sumitomo Mitsui Corp Malaysia secured authorisation to offer Islamic financial services in Malaysia, he added.

With these first steps, Najib said he believes that both countries can use the experience to launch a more comprehensive cooperative partnership not only in Malaysia and Japan, but also in countries where corporations of both countries have business interests.

On a much larger scale, he said that in late 2013, China announced the plan to establish the Asian Infrastructure Investment Bank or AIIB, and currently has 57 charter members and a paid-up capital of US\$50 billion.

He added that Malaysia understands and respects that Japan has reservations over the AIIB, but regardless of the vehicle, it is apparent that Asian countries need to invest in tangible infrastructure assets.

“I would say without hesitation that the Islamic finance model is eminently suited for these purposes, being able to command better financing terms, given its inherent asset-backed nature,” Najib said. — Bernama

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