

**SPEECH BY TUN DR MAHATHIR BIN MOHAMAD AT GLOBAL
ENTREPRENEURSHIP SUMMIT 2013 BUSINESS NETWORKING
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CONVENTION CENTER**

**“Opportunities in Islamic and Conventional Finance as an
Innovative Financing Solution”**

1. I would like to thank the organisers of this Global Entrepreneurship Summit for their invitation to speak on “Opportunities in Islamic and Conventional Finance as an Innovative Financing Solution”. I am not sure I am qualified to speak on this subject as a layman but I will try.
2. Firstly I observe there has never been a time when the Muslims are so rich, financially speaking and in non-financial ways also as they are today. But wealth is not wealth unless it can be used to improve the quality of life of the wealthy. True Muslims face certain constraints which may seem to prevent their wealth from giving them the maximum benefits.
3. However, even with these constraints the wealth of the Muslim is so great that there must be ways to put it to good use at least for the benefit of those Muslims who suffer poverty and oppression. As Muslims we know that it is enjoined upon us to contribute towards the welfare of deserving members of the community through sadakah, zakat and fitrah. If this is done properly there should be no poor people among Muslims as we have enough money to ensure a minimal standard of living for every one of them. If they are poor today it is because we are not doing our duty as Muslims.
4. Currently much of the excess wealth of the Muslims and their countries are invested in bonds issued by non-Muslim countries. Buying bonds and giving loans are the same. The bond also yields interest and as we all know interest is haram to Muslims. Worse still we lose control over the money we lent. It may well be used against the Muslims. On the other hand if we refuse to accept interest then we will be enriching non-Muslims many of whom may actually be our enemies.

5. But if we cannot buy bonds or lend money what can we do with the huge wealth the Muslims have? We can at worst invest in Shariah compliant businesses all over the world. And there are a huge number of such businesses and industries up for sale now because of the downturn in many developed countries. Many of these companies are going bankrupt.

6. Properties are also on sale worldwide and these can also be bought. Properties increase in value over time. It is certainly more profitable to own properties than to keep money as money depreciates over time. The depreciation coincides with the appreciation of property over time.

7. There are industries which need money to survive or to grow and expand. There is not a single developed Muslims country in the world. By acquiring industries they will gain quick access to technologies. Unfortunately many rich Muslims and Muslim countries merely buy industries without bothering to manage them and to acquire and improve on the technologies. This negates much of the benefits from the industries and leaves Muslim countries as undeveloped as before, since wealth alone does not make a country developed.

8. Research and development laboratories need money. There are tens of thousands of discoveries and inventions which need money in order to attain commercial viability when marketed. Financing or acquisition of research laboratories would enable Muslims and their countries to quickly get at the cutting edge of current technologies.

9. Then there are known deposits of minerals including oil and gas all over the world. There are also known fields ready to be exploited. The Chinese are buying up these fields. But there are enough which can be acquired by Muslim funds. Control of natural resources would give the Muslims a strong influence on the world's economy and finances.

10. For all these a body or several bodies can be set up, headed by trustworthy managers to ensure a good return on investments. Systems of monitoring to avoid abuses can be developed and used so that the funds are not wasted.

11. An essential part of the exercise is to train Muslims in running these businesses. The tendency to have other people to manage and to pay them huge sums of money must be avoided.

That way Muslims will become dependent on others. Muslims have the capacity and can acquire the expertise to manage and to handle the investments as well as the businesses. Muslim engineers, accountants, technicians can be trained to take over the different elements of business including expansion and marketing.

12. These ideas are neither new nor quite innovative. But the fact is that we are not availing ourselves of all the opportunities presented to us now. Merely doing what others have been or are doing would be innovative for Muslims.

13. Some Muslim countries have been investing in some of these areas but have not bothered to master the business or acquire the technologies. Instead they tend to hire non-Muslims because they believe Muslims cannot manage or sadly, Muslims cannot be trusted to manage the businesses.

14. Looking for financial innovation is great. But Muslims are not doing even the conventional things which are known to solve many financial problems. Wealth is really not our problem. It is the management of wealth in conventional ways which is our problem. The introduction of Islamic banking is an innovation. But we have not exhausted the opportunities presented by Islamic banking. And of course we have not touched conventional banking except to lend them our money.

15. Today we are rich through our resources. It will take a long time before we exhaust our natural, God-given resources. So we can just sit tight and collect royalty from the people who have extracted our resources, especially oil and gas. Just by doing this we can continue to be very rich.

16. But for some countries the natural resources of oil and gas will be exhausted soon. And some Muslim countries have no resources at all. Identifying and exploiting other ways of acquiring wealth is always wise. We may have noticed that some developed non-Muslim countries are without any resources. We need to learn about them how they manage to overcome their lack of resources and still become developed.

17. Malaysia used to be the biggest producer of tin in the world. But our reserves have been exhausted. So we needed to look for other means of enriching ourselves.

18. We opened our country to foreign investors. This helped. But this is unreliable. So we decided to start our own manufacturing industries with the little capital that we have. This enabled us to acquire the technologies involved and to manage the businesses ourselves.

19. Despite being a developing country we went into the automotive industry. We decided to produce our own cars. We could not hope to compete in the market with the giants. What we were after was to master the art and science of engineering and modern manufacturing. We may not be very successful but we have mastered much of engineering skills and capacity, useful not just for making cars but other engineering products as well.

20. The deployment of the little capital that we had into automotive engineering was in a way innovative and strategic.

21. If we look at the Muslim world today we cannot but notice that Muslims have no manufacturing and engineering capability. We are far behind in the new fields of electronics and Information Technology. We build no airplanes of our own. Certainly we produce none of the sophisticated weapons we need to defend ourselves as enjoined by our religion. We Muslims are just consumers. We pay huge sums of money for the products of others.

22. But for how long are we to remain mindless consumers, able only to use what others have invented and produced.

23. Yet we must know that if we want to we can learn and acquire the knowledge and the skills to produce the things we need on our own. And we have the funds needed for all these.

24. Look at Japan, Korea and China. They could not produce anything other than handicrafts before. True – for centuries they produced the best silk, lacquer ware, brass ware, carved wood products and so on and so forth. But they could not cope with a mass-consumer market. Their economy became incapable of growing. And naturally they were weak and unable to defend themselves.

25. Their weapons were primitive. When the European came with their innovative weapons the Eastern countries were either conquered or dominated.

26. But China, Japan and Korea decided to acquire European engineering and manufacturing technologies. Very quickly they were able not only to produce the manufactured goods that they need, but to sell them in the world market and to push out the European goods.

27. Japan, Korea and China started with less money than is available to the Muslims, but by dint of hard work and a desire to free themselves from foreign domination they have succeeded.

28. When Japan decided to “Westernise” it was being innovative. Would the Muslims be considered innovative in their financial management if they decide to stop being consumers but to invest in mastering modern technologies so as to produce their own needs including their defence needs?

29. I would say it would be an innovation on their part if they use their enormous wealth to produce all their needs in all fields. To stop being consumers and to use their financial clout to free themselves from dependence on others would be a great change for the Muslims. It would be an innovation in their financial management.

30. Actually we are enjoined by the Quran to prepare for the defence of Islam and the Ummah. In the time of the Prophet we needed just war-horses, bows and arrows, and swords. Today these are useless for our defence.

31. Of course we can buy our weapons to defend ourselves. But that would make us dependent on others for carrying out the injunctions of our religion. Surely this is not right.

32. Of course it is not about our defence only. We need to be able to do everything that others, in particular the developed countries are doing. We should seek to be as well developed as these countries. Otherwise we will continue to be bullied.

33. To switch our use of our financial wealth from lending to others or to buy things from others but to invest instead in acquiring the capacity to produce our needs not just for defence but for our ordinary daily life would really be a great innovation in the use of our finances whether Islamic or conventional.

34. There are opportunities galore for us to do this. We have the money and we have the mental capacity to change. Indeed we will be carrying out the injunctions of Islam if we innovate this way.

35. Today Muslims are being oppressed everywhere. We can deplore the cruelty of others. But they will not change so as to improve the quality of our lives.

36. We have to do it ourselves. The Quran is quite specific here. Allah will not change our situation unless we strive to change it ourselves. And using our wealth to reduce our dependence on others will certainly be a good way to improve our situation. This would be a real innovation in our use of our wealth and financing capacities.
