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Contents

● Introduction

- 11** **HH Sheikh Hamdan bin
Mohammed Al Maktoum**
Crown Prince of Dubai

● Perspectives on Islamic finance

- 13** **The Hon Tun Musa Hitam**
Chairman of the WIEF Foundation
- 21** **Tan Sri Ahmad Fuzi Abdul Razak**
Secretary General of the WIEF Foundation
- 25** **HE Dr Ahmad Mohamed Ali Al Madani**
President of the Islamic Development Bank and
Honorary Fellow of the WIEF Foundation

● The global economic outlook

- 32** **A complex growth environment**
Global growth looks set to continue, but factors such as more moderate expansion in emerging markets, lower-than-expected inflation in advanced economies and geopolitical concerns could have a limiting influence
- 40** **Business management in a globalised world**
Globalisation presents a host of challenges for business leaders, from ensuring that employees are communicating brand values consistently to the ability to adapt quickly on a global scale
- 44** **Eradicating poverty, one microloan at a time**
Microfinance is playing an increasingly important role in enabling people to become economically active. However, it could be made more effective
- 49** **Sharia-compliant trade poised to expand rapidly**
The global Islamic finance and trade community is strengthening ties both within and beyond the Muslim world, as it seeks to expand its share of global volumes

● Growing economies

- 54** **Twenty-first century knowledge economies**
With a focus on diversifying their economies, the Gulf states are strengthening their education systems, and online services will have a big role to play
- 60** **Shifting demographics challenge GCC healthcare sector**
With increasing demand for healthcare services due to ageing populations and the proliferation of chronic diseases, the private sector could help countries to adapt to the changes required
- 66** **Women mean business**
Some women in the Gulf states are held back from professional development by social and cultural norms, but change is starting to sweep across the region
- 72** **Planning to succeed: smart cities and holistic communities**
Urban planners are now designing spaces around the principles of sustainability and quality of life, with integrated technology binding these dynamic cities
- 76** **Turning tides: Islamic tourism represents growing share of market**
While still a niche, Islamic tourism is a rapidly expanding segment of the global travel industry that is gaining prominence in the Muslim world and beyond

● Islamic banking and finance

- 84** **Islamic banking gains momentum**
Islamic banking is expected to maintain growth as its target market expands, and as its values increasingly appeal to non-Muslim customers
- 90** **Setting the bar high: good regulation sees commodity markets expand**
Sharia-compliant commodity markets have enjoyed considerable growth in trading volumes in recent years, and a number of new platforms have emerged



96 Developing best practices for Sharia fund management

Fund management vehicles such as waqf, pension funds and unit trusts have the potential to deepen financial markets in Islamic economies, but issues of good governance need to be addressed

100 Islamic finance eyes the conventional market

The advance of Islamic finance is starting to slow. Whatever the reason for this, the conventional market offers space for fresh expansion, but how can products be transferred?

106 Nurturing the development of exchange-traded investment

Sharia-compliant exchange-traded funds have much ground to cover before they register as a significant portion of the global industry, but they appeal to banks that are looking to diversify their client portfolios

112 Raising funds: sukuk issuance on track for record year

Debut sovereign issuances have made global headlines this year, as sukuk continues to attract international interest and demonstrate high average deal sizes

117 Life in the fast lane: keeping pace with innovation

Technological advancements are changing the face of finance worldwide. How are Islamic financial institutions responding to innovation in today's competitive market?

120 Takaful: in search of growth

While established takaful markets are showing signs of saturation, emerging economies with low insurance penetration are of significant interest

● The halal supply chain

126 Taking the lead: governments bolster halal and gain market share

Governments around the world are taking measures to improve domestic regulation as they recognise the opportunity to capture more of the global halal market

130 Global standards needed to unlock halal's potential

The halal industry suffers from a lack of international regulation, but progress is being made

134 Chain reaction: building a halal superhighway

A holistic supply chain is essential for ensuring the integrity of halal products in a globalised world, and this requires public- and private-sector input

139 The rise of the conscious consumer

Maintaining integrity is key to attracting consumers who are become increasingly discerning

142 Directory: Islamic finance and economy

150 Index of advertisers

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Business management in a globalised world

For businesses, globalisation brings opportunities and challenges in equal measure. In order to succeed, they must address issues of human resources, leadership and cultural differences, writes **Will Rankin**

Globalisation has been shaping the business world for longer than we might realise. Yet, it is a concept that remains misunderstood, and feared, by many. As the world becomes increasingly interconnected, owing to increased trade and cultural exchange, we have seen a shift away from the 'old ways' of doing business.

In business terms, globalisation means looking long and hard at competition on a global scale. The biggest companies are no longer national firms, but multinational corporations with a strong presence globally. The internet has shaped commerce into a level playing field, and heralded a new era of greater, easier communication.

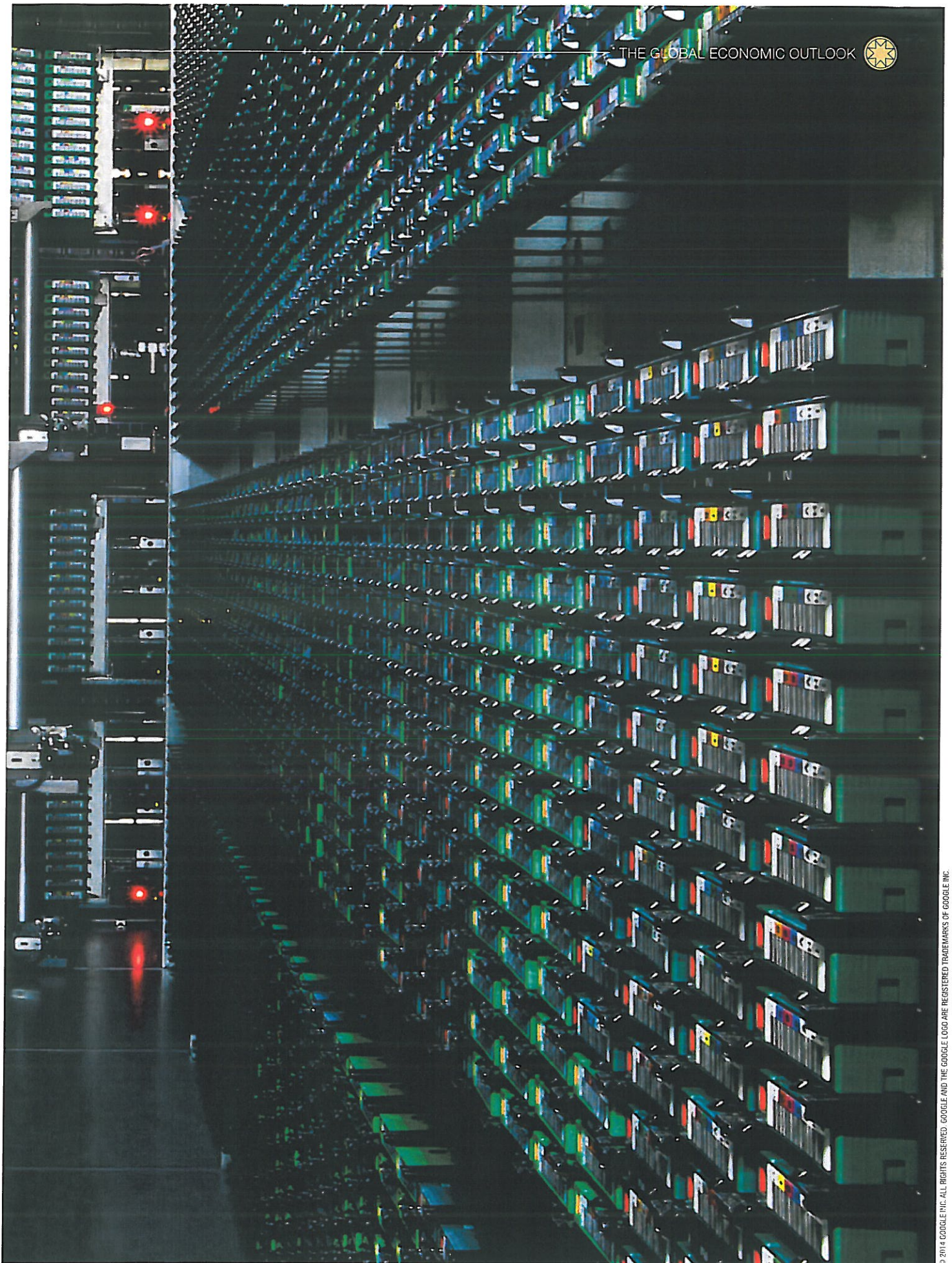
A Google data centre in South Carolina. Technology is one of the key drivers of globalisation

Improvements in transportation – such as larger cargo ships – have lowered the cost of transporting goods and allowed businesses to take advantage of new economies of scale. Goods and people can now travel more quickly than ever before.

One of the greatest knock-on effects of increased globalisation is greater freedom to trade. Entities such as the World Trade Organisation are rigorously promoting free trade between countries, helping to remove barriers – both physical and legislative.

Companies are now able to leverage cost-effective labour in less economically developed countries and produce goods tens of thousands of miles away from the intended markets, while still ensuring giant-sized profits. These changes, some inevitable, some the result of legislative manoeuvres, bring a host of challenges, opportunities, risks and threats. Yet, whether or not you fear the impact of globalisation, it is here to stay.

Indeed, when Clare Short, former UK Secretary of State for International Development, quipped: "People have accused me of being in favour of globalisation. This is equivalent to accusing me of being in favour of



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the sun rising in the morning,” she captured the spirit of governments worldwide, the majority of which see globalisation as a good thing.

Furthermore, globalisation is not a new concept. Since the early days of industrialisation, people have noticed the inevitable rising tide of globalisation. The 19th-century missionary David Livingstone was quoted as saying: “The use of railroads, steamships [and] telegraphs break down nationalities and bring peoples geographically remote into close connection commercially and politically. They make the world one, and capital, like water, tends to a common level.”

Today, the affects of globalisation can be felt more than ever, and companies are consciously adapting their management styles to take advantage of the possibilities open to them. However, Albert Goldson, Executive Director of Indo-Brazilian Associates, a New York-based global advisory think tank, believes that while increased globalisation with respect to business is inevitable, one true border will remain – cultural identity, which he considers a permanent fixture.

“This is a form of psychologically protecting oneself from losing their cultural or family identity to others and maintaining one’s cultural values,” he explains. “Social media and pop culture give the perception that most of the world is coming closer together by providing a wider area of commonality. This aspect is positive because business people have more to discuss to establish and strengthen relationships on a personal level.”

However, when it comes down to business, executives fall back to their default culture, warns the analyst. “That is why ‘millennials’ doing business internationally are astounded when they can chat endlessly with their foreign counterparts about pop culture and believe that they’re just like them, but when the business negotiations commence their counterpart seems to be a different person altogether – Jack is now Jacques,” he explains.

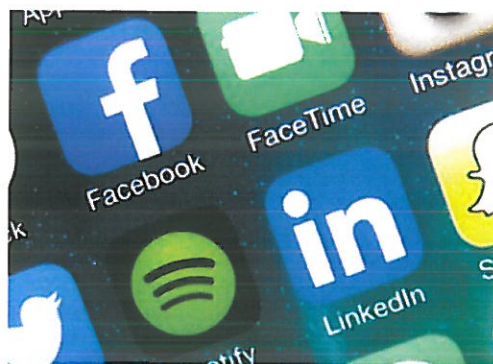
The people factor

While the internet breaks down physical borders, other less tangible borders remain. Goldson feels the heart of the problem with globalisation is not business culture clashes, nor regulation, but people – their ability to adapt to the rapidly changing world of business in a globalised context.

Complicating matters further, Goldson suggests, is the surge of the ‘mega-rich’ – people raised and educated in many countries and cultures, and who are ultimately stateless – without a base country. He explains: “Negotiating with executives at this level is an unworldly challenge, because they are global chameleons, changing their colours contingent on the culture they interact with; and never having any strong emotional ties to any one of them.”



MAERSK LINE



EDWARD SMITH/EMPICS ENTERTAINMENT/PRESS ASSOCIATION IMAGES

(Above) Improvements in transportation have changed the very fundamentals of global trade

(Left) Smartphones and social media have lowered social barriers

James Berkeley, an expert in profitable expansion and Managing Director of UK-based Ellice Consulting, also feels the biggest challenge is people – particularly business leaders. “People can see most of the globalisation risks, at least the experienced people. In many cases they know how to address them. What they struggle with is maintaining the right level of focus and discipline in their organisations to [overcome or circumnavigate challenges], and, most importantly, the right level of resolve in senior and mid-management to see the job through to its conclusion,” he says.

Berkeley adds that, all too often, people fall prey to a single failed attempt and the mindset that the challenge is too tough for them personally, or as an organisation, to attempt again. He feels the problem is one of leadership. “It comes down to knowledge, skills and behaviour. Leaders need to find talent that’s aligned with their beliefs. An establishment can open in another country; but [locally acquired] staff may not share the same ethos as management.”

He says modern organisations must create alignment between their core beliefs and operating



CHRISTIANE OELRICH/DPA/PRESS ASSOCIATION IMAGES

A classroom in Jakarta, Indonesia, a country that is fast becoming a key education market as globalisation extends its reach

beliefs, driven by strong leadership: "this is the crucial point as to whether an organisation will do well or poorly in other markets."

Communicating with the consumer

One example of the kind of challenge globalisation presents to modern businesses is the evolving landscape of the education sector. There used to be six to eight core global markets, but now the industry is moving into new markets, such as Indonesia, Nigeria and Mexico, where attitudes towards education vary considerably, demanding localised marketing strategies.



The heart of the problem with globalisation is not business culture clashes, nor regulation, but people

Berkley argues that marketing in the sector is now owned by the consumer – with the rise of the internet, reaching a global audience is easier than before, and consumers take a much more active role in seeking the services they need. "You need to consider the value proposition, the ideal customer and how to best influence them," he says.

Online learning and virtual classrooms are also a result of globalisation, enabled by advances in information and communication technology. People often prefer to study close to home; now the classroom can be in their home.

On every level, globalisation is radically altering our environment and lifestyle, and creating new opportunities as well as challenges for businesses.

While Goldson and Berkeley view people management and communication as a hurdle to globalisation, James E Lalumiere, President of Florida-based Project Development International, has a different perspective.

Crossing cultural borders

As a programme management service provider, creating social infrastructure projects in developing countries, he sees his biggest issue as the vetting of local partners. "Our clients are generally in the public sector, so the involvement of local partners who don't represent political, ethical, or personal obstacles for us is time consuming, but vital to entering into any business opportunities. They also provide us with an intimate understanding of local cultural idiosyncrasies," he says.

Lalumiere also sees borders as more cultural than physical, citing the example of Nigeria, a country split along religious lines with a concentration of Muslims in the North and Christians in the South. Ethnic, religious and cultural differences need to be taken into account in business interaction, even within the same country.

While cultural differences can be viewed as a hurdle for some, Lalumiere stresses the opportunities and benefits that they bring: "We should celebrate differences. The cultural and historical backgrounds of the people and businesses that interact globally create an array of talents, capabilities, and preferences. It is a true opportunity to learn and grow by interacting with diverse cultures."

Modern management is still 'growing into' globalisation, particularly in mid-size to small firms, while global multinationals have, of course, been pursuing it for decades. "Smaller firms... are learning to make the best use of management resources to operate and compete in international markets. It takes time, but it can be done properly, effectively and profitably," Lalumiere concludes.

The main challenge in managing a business in a globalised world revolves around one key idea: ensuring your talent pool is ready, able and willing to take on the challenges.

But Lee Kuan Yew, the Singaporean politician and former Prime Minister, often described as the founding father of Singapore, which is an example of a successful multiethnic and multicultural society, should offer the final words of wisdom: "The perennial challenge is to remain competitive. To be competitive, we must remain a cohesive, multi-racial, multi-religious nation based on meritocracy. We have to strengthen our national consciousness at a time when the forces of globalisation are deconstructing the very notion of nationhood." ●