

Goh Chok Tong: Integration of Awqaf (Islamic endowment) in the Islamic financial sector

Speech Mr Goh Chok Tong, Senior Minister of the Republic of Singapore and Chairman of the Monetary Authority of Singapore, at the opening ceremony of the Singapore International WAQF Conference 2007, Singapore, 6 March 2007.

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Excellencies and Distinguished Guests
Ladies and Gentlemen

A very good morning to all of you, and a very warm welcome to our guests from the Middle East and the region. I hope you will find time from your busy schedule of meetings to enjoy the sights, sounds and culinary delights of Singapore. For Singapore offers you a unique experience – we are traditional yet modern, Asian but cosmopolitan, geographically small but with a large global outlook.

Singapore is indeed honoured to host this first international conference in the region on waqf. I congratulate the Islamic Religious Council of Singapore (MUIS), the Islamic Research and Training Institute of the Islamic Development Bank Group and the Kuwait Awqaf Public Foundation for taking the initiative to organise this event. We look forward to more such meetings.

Asia and Middle East rediscovering each other

Asia and the Middle East have had a long and fruitful history of exchanges. Links between our two regions are ancient. Long before Marco Polo travelled to China, Arab merchants were already doing business in Asia using overland and sea routes. The most famous trading routes were the Silk Road and Spice Route, which served as major conduits for the flow of trade, people, ideas and religious beliefs between Asia and the Middle East. In the 14th Century, Muslim traders introduced Islam into Southeast Asia. This was three hundred years before Catholic missionaries brought Christianity.

However, this flow ebbed some time in the last century or so. Due to colonialism and the Cold War, Asia and the Middle East lost their close contact with each other. Fortunately, recent global developments have re-ignited the mutual interest of countries in Asia and the Middle East in each other.

The key factor is globalisation. Globalisation means that changes and events in one part of the world will impact on other parts quickly and in a variety of ways and across a broad range of areas. The international landscape post-September 11 world underscored this point dramatically.

Asian countries recognise that the Middle East is an increasingly important part of the global strategic balance. Political developments in the Middle East will affect Asia, which is home to 60% of the world's Muslim population. Asian countries have therefore stepped up efforts to engage the Middle East and understand the region better. Plans by Middle Eastern countries to invest more than US\$1 trillion in infrastructure and other developments mean plenty of opportunities for Asian countries to participate in the Middle East's growth.

Happily, this interest is not one way. The Middle Eastern countries have also become more interested in Asia. Post-September 11, Middle Eastern countries have started to look East to lessen their reliance on the West for management, science and technology, education, governance systems and developmental models. They are also increasingly aware of the dynamism of a rising Asia.

Singapore began to take a focused interest on the Middle East three years ago. My overall impression is that the Middle East is at a tipping point.

The region faces major political and security challenges like the Palestinian-Israeli conflict, situation in Iraq and Iranian nuclear issue. These are deeply complex and inter-connected issues, made even more complicated by a long history of distrust and religious conflict. We in Asia wish the Middle East well. We hope that the Middle Eastern countries can find ways to either resolve the issues or at least manage them in such a way as to avoid the region from tipping over.

Despite the challenges, there are many positive developments to balance the negative challenges in the Middle East. Breathtaking physical transformation and impressive development are taking place

there. High oil prices and sound policies underpin this strong economic performance. Within the region, the Gulf states are taking the lead to modernise and diversify their economies in as quick a time as possible.

If these positive forces tip the region in the direction of peace, cooperation and development, the Middle East will, together with Asia, transform the world in this century.

Asia's growth story is already well-known. China and India will be the lead players. Japan is experiencing renewed vigour. Prospects for ASEAN on the whole are good, though there are occasional hiccups. Asia is integrating through trade, tourism, people-to-people exchanges, investment flows and production chains. If there are no mishaps, by 2050, half of humanity – the more than 3 billion people in Asia – will enjoy a standard of living which their grandparents did not even dream of.

Naturally, Asia's growth trajectory will not be a straight line. Asia has its share of problems too – the North Korean nuclear issue, tensions across the Taiwan Straits, Kashmir and terrorism. But these issues can be and are being managed.

Many countries in the Middle East are keen to engage Asia but I have been told that their businessmen are not so familiar with doing business in China and Southeast Asia. This is where Singapore can play a role. As a key financial and commercial hub, Singapore is well-positioned as a gateway for Middle East companies to expand in Asia. Middle Eastern investors can leverage on Singapore's networks and knowledge to venture into Asian markets.

There is much that Asia and the Middle East can do together, as we embark on this journey of rediscovery. Although there are significant differences between Asia and the Middle East, we also share common interests and common challenges. We both want to reconcile tradition with modernity and change, to develop without losing our core values. Both Asia and the Middle East can profit by sharing experiences.

This was the reason why Singapore had initiated the Asia-Middle East Dialogue (AMED). AMED would help to share developmental experience, promote greater understanding and serve as a bridge between the two regions.

Before stepping down as Prime Minister, I stepped up Singapore's relations with the Middle East, and continue to do so in my present capacity. In the past three years, I have visited almost all the Middle Eastern and the Maghreb countries – Egypt, Algeria, Jordan, the Gulf States, Iran, Israel and the Palestinian Territories – to name a few. Trade and investment between Singapore and the Middle East have shot up. To date, Singapore companies have secured more than S\$6 billion worth of projects. Funds from the Middle East managed in Singapore have increased to around S\$28 billion. But there is room for greater growth. I have started a second round of visits to the Middle East, beginning with Abu Dhabi this year. I want to further strengthen Singapore's relations with them.

Let me now turn to the theme of today's conference – integrating awqaf into the Islamic financial sector. I have dealt at some length on relations between Asia and the Middle East because I wanted to put this conference in a larger context. The evolution of awqaf and Islamic finance is in a sense about how Muslims are adapting traditional concepts to modern living and how Islamic finance is moving out of the Middle East into the rest of the world.

Growth of Islamic finance

The growth of Islamic finance as an ethical means of investing wealth arose because Muslims wanted to invest their monies to get good returns, but in accordance with Islamic principles. While the proportion of Islamic banking assets as a percentage of total banking assets remain small – at about less than 20%, – this has risen over the years. We are seeing more examples of successful and viable Islamic financing products in the international marketplace.

Islamic banking is getting more widespread in Muslim and non-Muslim countries alike. Takaful insurance and Islamic mutual funds are becoming commonplace. In fact, these products have become so popular, even non-Muslims are investing in them. We can expect to see Islamic finance develop further globally, eventually becoming an integral component of the international financial system.

Singapore wants to develop Islamic finance as well. This will make our international financial centre more complete. The development of Islamic finance here can take advantage of our capabilities in wealth management, project financing and trade financing. We have been working in close partnership

with the industry to review our regulatory framework, and support and facilitate financial institutions to provide a wide suite of Islamic financial services and products.

More Middle Eastern banks are setting up offices in Singapore. At the end of 2005, we had six Middle Eastern banks. In 2006, two more came. Since the beginning of this year, three banks have applied to set up representative offices here. Many of these Middle Eastern banks service Islamic financing needs. Singapore welcomes more banks from the Middle East to set up here and to partner us in the growth of our financial centre.

Beyond Middle Eastern banks, we have also seen international banks such as Citigroup and Standard Chartered introduce Islamic finance and murabaha products from Singapore. More financial institutions are using Singapore as a launch pad for innovative new Islamic products.

Singapore will continue to co-operate with market participants and other countries like Malaysia, Indonesia, Bahrain, Kuwait and the UAE on the development of Islamic finance.

Integration of Awqaf into Islamic finance

Let me now turn to waqf.

Historically, the revenue generated in waqf has been applied to traditional uses like maintenance of religious buildings. But this is changing. Proceeds from the estates are now used to contribute more widely to society. Rules governing the administration of waqf have become increasingly progressive. In Kuwait and Qatar, revenue from waqf has been used to build hospitals, universities and commercial and office complexes. Townships have even been built in Morocco. Such innovative financial uses help to unlock the economic potential of waqf.

In Singapore, we have the example of an integrated mixed-development at Bencoolen Street, comprising a mosque, service apartments and a commercial complex. This was made possible through the innovative financing solution provided by the launch of the musyarakah bond. MUIS, which administers a number of waqf, has also made use of the proceeds to fund Islamic education. Non-Muslims have benefited from waqf as proceeds have been used to purchase medicine for needy Singaporeans, regardless of race and religion.

The Malay/Muslim community in Singapore, while holding fast to the values of Islam also maintains an open and progressive attitude in the practice of its faith in our multi-racial and multi-religious society. The Singaporean Muslim's identity stresses the importance of contextualising one's beliefs to the environment, but without compromising the tenets of faith.

The environment required to ensure the growth of waqf is similar to conventional charitable trusts. Singapore has established itself as a strong centre for the administration of charities and trusts. We have introduced several initiatives to make Singapore a more conducive jurisdiction for trusts, a vehicle commonly used for philanthropic purposes. This includes measures to modernise our trust laws, update our regulatory framework and make our tax regime more conducive for the establishment of trusts. This will help Singapore to become a centre for the development of waqf.

Conclusion

Let me conclude. Asia and the Middle East are becoming more interdependent. With our destinies intertwined, it is critical for Asia and the Middle East to continue our efforts at engaging each other, strengthening our bonds and enhancing mutual understanding. To overcome the common challenges we face, we should continue sharing our experiences. I hope that this conference is the first of many in bringing together interested parties from all over the world to explore new and innovative ideas, and to learn from each other.

Barring unforeseen developments, I believe that Asia and the Middle East can overcome their challenges and prosper together in this century. Certainly, we must all do what we can to make this an Asia-Middle East Century.

Thank you.