



KEYNOTE ADDRESS I

ENHANCING ECONOMIC COOPERATION AMONG MUSLIM COUNTRIES - THE ROLE OF THE OIC

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Bi ism Allāh al-Raḥmān al-Raḥīm

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Distinguished Participants,

Ladies and Gentlemen,

al-Salām ʿalaykum wa rahmah Allāh wa barakātuh

At the beginning of my intervention, I would like to congratulate and commend the organizers of the conference – the International Islamic University Malaysia for nurturing this important meeting. I am pleased to know that the conference is being organized in conjunction with the 40-year anniversary celebration of the OIC and 25-year anniversary celebration of the International Islamic University Malaysia. This year also marks the twenty-fifth anniversary of the OIC Standing Committee for Economic and Commercial Cooperation, which constitutes a major milestone in the efforts of the OIC in strengthening economic cooperation among its Member States. This conference is also taking place in an environment of a severe global crisis which broke out in the United States in the summer of 2007 as the subprime mortgage crisis, and after rapidly being transmitted to Europe, it started to adversely affect the emerging and developing economies. Some economists and institutions, including the International Monetary Fund (IMF), now compare the current crisis with the Great Depression of 1929. All these facts signify the importance of this gathering and increase the expectations about the outcome of this conference. In this connection, I am certain that this conference will generate essential inputs to our efforts towards securing higher economic growth and prosperity in Muslim countries.

Distinguished Participants,

The topic of my speech is “Enhancing economic cooperation among Muslim countries – the role of the OIC”. Fostering greater economic and commercial cooperation among its Member States is considered to be one of the top priorities of our Organization. Before speaking on the OIC efforts to enhance economic cooperation among its Member States, I would like to dwell on the reform process within the OIC.

The 57-member Organisation of the Islamic Conference (OIC) is the second biggest governmental Organization after the United Nations (UN). Emphasizing the necessity of the organization to become an active partner in the international arena as a body representing the Islamic world, the Third Extraordinary session of the Islamic Summit

Conference held in Makkah al-Mukarramah, Kingdom of Saudi Arabia, on 7–8 December 2005, adopted the Ten-Year Program of Action to meet the Challenges facing the Muslim *Ummah* in the twenty-first century. This document mandated the Secretary General to undertake significant reforms within the organization in order to transform it into a powerful entity capable of making the voice of the Islamic world heard internationally.

Since the Makkah Summit, one of the most significant achievements in the reform of the Organization is the adoption by the Eleventh OIC Summit in March 2008 in Dakar, Senegal, of the new Charter which, among other things, aims at making the OIC more effective in implementing decisions, especially on problems faced by the Muslim world. We have diversified the activities of the General Secretariat and introduced innovative approaches to better conduct our work. As a result, the OIC performance witnessed progress in addressing the Member States' concerns and in the services provided to them. We also started to work on establishing an Independent Permanent Commission for Human Rights as envisioned in the Ten-Year Program of Action and the new Charter, which will satisfy a need that was absent and has been long overdue.

Furthermore, the OIC has also become an indispensable player at the international level in many domains, notably in the realms of dialogue among civilizations, defending the image of Islam, and combating the phenomenon of Islamophobia. Meanwhile, the OIC has been active in addressing political issues topping its agenda such as Palestine, Iraq, Lebanon, Afghanistan, Jammu and Kashmir, Darfur, Cyprus, Nagorno Karabakh, Somalia, and Cote d'Ivoire. It has also been involved in negotiations with a number of host countries with Muslim communities, such as the Philippines and Thailand, in a bid to alleviate the suffering of these communities, and to guarantee the respect of their fundamental human rights.

Fact-finding missions were dispatched to Iraq and Somalia, and Special Representatives were appointed by the OIC Secretary General for Somalia, Jammu and Kashmir and the Muslim Communities in Southern Thailand and Southern Philippines. Steps were taken to provide humanitarian assistance to Lebanon, Palestine, and other countries, as well as to organize the first OIC Donor's Conference in order to establish strategic storage reserve facilities to alleviate the food shortage in Niger.

In the face of the mounting Islamophobia phenomenon in the West, the OIC has placed this issue at the top of its priorities and preoccupations by conducting a large-scale world-wide effort to confront it. We have

been able to achieve convincing progress at all levels, mainly at the UN Human Rights Council in Geneva, and the UN General Assembly in New York.

The aforementioned reforms will allow Member States to participate and coordinate more effectively across all regions, such as the Association of South East Asian Nations (ASEAN), the African Union, the Gulf Cooperation Council (GCC), and in international fora, like the United Nations or the World Trade Organization. Additionally, they will allow for the delineation of the duties and obligations of countries towards their fellow Member States. These reforms will also help member countries re-activate the potentials of the OIC so as to effectively meet the challenges of the twenty-first century and collectively contribute to the development and prosperity of the Muslim *Ummah*, which I am sure can lead to a more stable and peaceful world.

These facts display the important role of and the indispensable need for the OIC as the sole representative of the Muslim *Ummah*. The OIC also constitutes a strategically vast trading area and a sizable economic entity which offers a diversity of resources and complementarities; and allow member countries to benefit from economies of scale which will, in turn, contribute to increasing their productivity and competitiveness – a must in today's highly complicated global economy.

Ladies and Gentlemen,

Founded in September 1969, the OIC had initially started out as a political forum. Yet, it was soon realized that for joint political action to be effective it had to be based on and complemented by joint economic action. The OIC Charter also reiterated the necessity of cooperation for economic progress and the need to help Member States develop their productive capacity. In this way, a ground to identify the potential areas of cooperation among the OIC Member States was laid down. The aim was to pave the way for closer economic cooperation among the Member States.

In the past, the OIC has made serious efforts to develop the necessary institutional and multilateral legal framework within which the Member States could cooperate by initiating and implementing joint economic actions. The most important achievements of the OIC towards enhancing economic cooperation among its Member States could be briefly listed as follows:

In December 1973, the First Meeting of Finance Ministers of OIC Member States adopted a Declaration of Intent to establish the Islamic Development Bank (IDB) to foster economic development and social progress of Member States. On the basis of this document, in August 1974, the Second Meeting of Finance Ministers of OIC Member States approved the Articles of Agreement of the IDB, which became operational in October 1975.

In May 1976, the Islamic Commission for Economic, Cultural and Social Affairs was established as the regular expert committee of the Member States to examine the OIC economic, social and cultural cooperation activities and to make recommendations on them for final decision by the annual sessions of the Council of Foreign Ministers.

In May 1977, the Eighth Session of the Islamic Conference of Foreign Ministers (ICFM) – now Council of Foreign Ministers – approved the establishment of the Statistical, Economic and Social Research and Training Center for Islamic Countries (SESRIC) in Ankara, Turkey, with the aim of collecting and disseminating statistical data and information, as well as carrying out research and conducting training programs for the benefit of the Member States.

In May 1978, the Ninth Session of the Islamic Conference of Foreign Ministers approved the establishment of the Islamic Centre for Technical and Vocational Training and Research in Dhaka, Bangladesh, which, in 2001 became the Islamic University of Technology (IUT). The main objective of the University is to help in human resource development in the Member States of the OIC in the fields of engineering, technology, technical and vocational education.

In May 1979, the Tenth Session of the Islamic Conference of Foreign Ministers approved the establishment of the Islamic Chamber of Commerce and Industry (ICCI) in Karachi, Pakistan, as an affiliated organ of the OIC. The main objective of the ICCI is to strengthen collaboration in the fields of trade, commerce, information technology, insurance/reinsurance, shipping, banking, promotion of investment opportunities and joint ventures in the Member States.

In January 1981, the Third Islamic Summit Conference decided to establish the Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Conference (COMCEC). The COMCEC became operational at the Fourth Islamic Summit in 1984, with the election of the President of the Republic of Turkey as its chairman. The mandate of the COMCEC is to draw up programs for joint action, coordinate and follow-up the activities pertaining to economic

cooperation within the framework of the OIC. The COMCEC, as the organ responsible for enhancing economic and commercial cooperation among OIC Member States, continues to function effectively with the contributions of all Member States, OIC institutions and relevant international organizations. This year we celebrate the twenty-fifth anniversary of the COMCEC.

The Third Islamic Summit Conference also approved the establishment of the Islamic Centre for Development of Trade (ICDT) in Casablanca, Morocco, as a subsidiary organ of OIC. The main objective of the ICDT is to promote trade exchange among the OIC Member States by organizing trade fairs, specialized exhibitions and other trade activities.

The Third Islamic Summit Conference further decided to set up the Organization of Islamic Ship-owners Association (OISA) and approved its Statute as an affiliated institution of the OIC. The main objective of this Association is to coordinate and unify the efforts of the members in realizing cooperation among the maritime companies in Member States to maximize profit.

There are other institutions of the OIC established to enhance economic and commercial cooperation among Member States. Towards this end, they are carrying out relevant activities and implementing various programs and projects.

The COMCEC initiated the work for establishment of three multilateral financial schemes in order to promote intra-OIC trade among its members. The first, 'Longer Term Trade Financing Scheme', better known as the Export Financing Scheme (EFS), became operational in 1987 under the Islamic Development Bank (IDB). It aims to promote exports of non-conventional goods by providing funds. The second, 'Islamic Corporation for the Insurance of Investment and Export Credit' (ICIEC), was established as a member of the IDB group in 1994, and became operational in 1996 after completion of the necessary procedures. It aims to enlarge the trade transactions and the flow of investments among member countries by providing insurance and reinsurance for export credit and foreign investment. The third, 'Agreement on the Multilateral Islamic Clearing Union', was prepared by the IDB and approved, in principle, by the Eighth COMCEC in 1992. It aims to create a system for facilitating the settlement of the monetary transactions among the members of the union through providing an opportunity for them to pay in their national currency units while trading with other member countries. The Tenth COMCEC in

1994 invited the OIC members to consider working out clearing arrangements among themselves which could be, in principle, flexible in terms of goods covered and based on voluntary participation in terms of the membership. However, such arrangements could not be materialized, and since then, this agreement appears to be dormant. Under the prevailing current global financial crisis, it may constitute one of the instruments in combating the downward trend of international trade which is likely to influence the external trade of the OIC Member States.

One of the most important achievements of the COMCEC was the drawing up of the 'Framework Agreement on Trade Preferential System', which was approved by the Sixth COMCEC in October 1990. Due to its significance, I will take it up separately below.

In addition to the regular COMCEC agenda relating to economic and commercial cooperation, ministerial level meetings under the umbrella of COMCEC were also held concurrently with its annual sessions on Industry, Food Security and Agricultural Development, Transport, Communications, Energy, Infrastructure and Public Works, and Technical Cooperation.

Here, I would like to emphasize that the COMCEC has proven to be a very effective tool in strengthening and streamlining economic and trade ties among the Member States.

Over the 40 years, the OIC also developed multilateral legal framework for enhancing economic and commercial cooperation among its Member States. At present, there are eight agreements on cooperation in different sectors of economy: General Agreement for Economic, Technical and Commercial Cooperation; Agreement for the Promotion, Protection and Guarantee of Investment; Framework Agreement on Trade Preferential System; Protocol on the Preferential Tariff Scheme for TPS-OIC (PRETAS); TPS-OIC Rules of Origin; Statute for the Islamic Civil Aviation Council; Statute of Islamic States Telecommunication Union (ISTU); and Statute for the Standards and Metrology Institute for Islamic Countries (SMIIC).

Moreover, there is the Action Plan for Strengthening the Economic Cooperation among OIC Member Countries, which aims at enhancing cooperation among Member States in ten priority sectors of economy. This Action Plan was also adopted by the Third Islamic Summit Conference held in Makkah-Ṭā'if in 1981.

As easily observed, the Third Islamic Summit constitutes a turning point in the efforts of the OIC Member States to strengthen economic

and commercial cooperation among them. In addition to its decisions to establish three main Standing Committees – the COMCEC, the COMSTECH and the COMIAC – as well as the ICDT and OISA, it drew out the first major and comprehensive document in the field of economic cooperation, namely, the ‘Plan of Action to Strengthen Economic and Commercial Cooperation’ which included modalities of cooperation in ten sectors: Food and Agriculture, Trade, Industry, Transport, Communication and Tourism, Financial and Monetary Issues, Energy, Science and Technology, Manpower and Social Affairs, Population and Health, and Technical Cooperation.

The 1981 Action Plan had to be reviewed due to the rapid developments being observed at the world’s economic and political environment at the end of the 1980s and the beginning of 1990s, like the fall of the Berlin wall, the German re-unification, the collapse of the Socialist Bloc, disintegration of the Soviet Union, and the creation of the Single European Market.

Based on the past experiences of the OIC and the new global changes and agenda, a new Strategy and Plan of Action was prepared and adopted by the COMCEC in 1994. This new Strategy set the overall objectives and basic principles, and modalities and mechanisms, while the new Plan identified, in each sector, problems and issues as well as sectoral objectives and defined programs of action in the following fields: Food, Agriculture and Rural Development; Industry; Energy and Mining; Foreign Trade; Transport and Communications; Tourism; Money, Banking and Capital Flows; Technology and Technical Cooperation; Human Resource Development; and Environment.

Despite the various efforts made, the experience has shown a slow pace in the implementation of the OIC Plan of Action. Indeed, the success of the Plan remained rather limited in terms of both tangible end-results and follow-up at technical and political levels. Several and varied reasons have impeded or slowed down the successful implementation of the OIC Plan of Action. They range from organizational and technical to financial and political reasons; and are also related to the structure and actual context of the Plan document, as well as to the complex and diversified structures of the OIC countries as a group. The OIC Plan of Action document suffers from three fundamental shortcomings, which make it more of a declaration of intent rather than a plan. These three shortcomings are: the absence of a time frame; the absence of specific quantitative targets; and the absence of priority settings. As we shall see in the later part, some of

these shortcomings, like setting a time frame, priorities and specific quantitative targets, were eliminated while preparing the OIC Ten-Year Program of Action.

Distinguished Participants,

The OIC Ten-Year Program of Action, adopted by the Third Extraordinary Session of the Islamic Summit Conference in 2005, provides a blueprint encompassing all spheres of concerns for the Muslim world and calls for collective action on the part of the Muslim *Ummah*. The Program of Action prioritizes on strengthening economic and commercial cooperation among Member States, energizing trade and investment, supporting the development of African Member States, alleviating poverty, and working for capacity-building in the Least Developed Member States of the OIC. It has also mandated the COMCEC to increase the level of intra-OIC trade from 14.5% in 2004 to 20% in 2015.

In this context, I am pleased to note that the efforts being exerted at the OIC level have started to bear fruit and several positive developments have taken place in recent years.

Firstly, the share of the OIC Member States in the world GDP is increasing. In 2007, with almost 22% of the world total population, OIC Member States accounted for 6.8% of the world total GDP and 9.8% of its total merchandise exports against 6.1% and 9.2%, respectively, in 2006. Moreover, according to initial estimations, in 2008 the share of the OIC Member States in world GDP is projected at 7.3%.

Secondly, there has been a steady increase in intra-OIC trade in the course of recent years. Intra-OIC trade has risen to 16.67% in 2008 from its 14.5% level in 2004. Thus, the share of the OIC in the world GDP and intra-OIC trade have shown a positive upward trend.

Thirdly, a significant progress has been made in developing the legal framework to establish a trade preferential system among OIC countries (TPS-OIC). Currently, there are 21 Member States participating in the Trade Negotiating Committee, the authorized body under the COMCEC in charge of conducting trade negotiations. As a result of the efforts of this committee, two very important agreements, namely the Protocol on the Preferential Tariff Scheme for TPS-OIC (PRETAS) and TPS-OIC Rules of Origin, have been finalized and opened to the signature and ratification of the Member States. As of today, fifteen Member States have signed and 7 have ratified the

PRETAS. Also, eleven countries have signed and 4 have ratified the TPS-OIC Rules of Origin. These documents will enable us to harmonize the rules of trade and put in place a common trade system, which will help us to better face our economic challenges.

Fourthly, the International Islamic Trade Financing Corporation (ITFC) has been established within the IDB Group with an authorized capital of US\$3 billion and a subscribed capital of \$750 million. The ITFC trade finance approvals in 2007 amounted to US\$2.6 billion, seventy-seven percent of which were directed to financing intra-OIC trade.

In addition to these measures, the OIC is also focusing on trade facilitation issues such as the development of infrastructure, particularly in transportation. This area is considered as an essential factor to consolidate, reinforce and enhance the mutual economic and commercial cooperation among the Member States. In relation to this, the Eleventh Session of the Islamic Summit Conference held on 13-14 March 2008, in Dakar, Republic of Senegal, adopted the resolution on the OIC Dakar-Port Sudan Railway Line, which will connect the West African countries with the East African countries. This project will be of vital importance for each of these countries as it will open a corridor of development across many least developed countries of the OIC and promote constructive integration in terms of real economic benefit and equal partnership.

As an important step towards implementing this project, I personally took the initiative to convene the First Meeting of the Committee for implementing the OIC Dakar-Port Sudan Railway Line project on 19–20 July 2008, at the OIC Headquarters in Jeddah, Kingdom of Saudi Arabia. During the meeting, the Member States concerned demonstrated their keen interest in the OIC Dakar-Port Sudan Railway Line project.

In order to keep moving on the project, the OIC General Secretariat prepared the Draft Project Document of the OIC Dakar-Port Sudan Railways and circulated it among the concerned Member States. This document will be examined by the Expert Group Meeting, which will be held in Sudan in the course of 2009.

Ladies and Gentlemen,

Another landmark achievement in implementing the Ten-Year Program of Action is the establishment of the Islamic Solidarity Fund for Development (ISFD) within the IDB with a targeted amount of US\$10

billion. The Fund aims to (a) reduce poverty, (b) build the productive capacities of the OIC Member States, (c) reduce illiteracy, and (d) eradicate diseases and epidemics, particularly malaria, tuberculosis (TB) and AIDS. The ISFD was officially launched during the Thirty-second Meeting of the IDB Board of Governors, held on 29–30 May, 2007 in Dakar, Senegal.

In its meeting held in Tehran, Islamic Republic of Iran, in February 2008, the Board of Directors of the ISFD has approved the Fund's first five-year strategy. The Strategy emphasizes poverty reduction as an overarching objective. Two thematic programs were emphasized in the Strategy for implementation, namely Vocational Literacy Program (VOLIP) and Microfinance Support Program (MSP). These programs aim at filling the double gap of knowledge and access to financing for the poor in the Islamic States. The cost of each program is estimated at US\$500 million. It is expected that 5 million people will benefit from these programs. Most of the beneficiaries will be women and unemployed young people. In addition, the Board of Directors of the Fund approved 23 projects with a total ISFD contribution of US\$323 million since its launch in May 2007.

The Ten-Year Program of Action also committed to promote activities aimed at achieving economic and social development in the OIC African Member States and called for the adoption of a Special Program for the Development of Africa.

In line with this, in 2008 the IDB developed a Special Program for the Development of Africa (SPDA). The SPDA is a 5-year program for the period 2008–2012. The sectoral priorities under the SPDA are intended to reduce poverty (particularly achieving the United Nations Millennium Development Goals) and at the same time promote economic growth and raise the African Member States' competitiveness in the global arena.

It is expected that the SPDA would, over the 5-year period, generate a total financing volume of US\$12 billion. The program focuses on the following priority areas: (a) increase productivity of agriculture for food security; (b) assist countries to develop and manage water and sanitation projects; (c) support power generation and distribution capacities; (d) support construction and maintenance of transport infrastructure; (e) reinforce the education sector to prepare the youth for the workplace and inculcate ethical attitude and passion for achievement; and (f) fight major communicable diseases and contribute to the strengthening of the health system.

Distinguished participants,

In a globalized and inter-connected world, it became clear that tourism is one of the biggest and most dynamically growing economic sectors. Tourism generates foreign exchange and provides intensive employment opportunities. In this regard, tourism cooperation activities have recently assumed greater importance on the agenda of the OIC. This is certainly a reflection of the fact that the OIC Member States have started to rank among the major international tourism destinations, such as Turkey, Malaysia, Egypt, Tunisia, Morocco and others. International tourist arrivals in the OIC Member States were about 116 million and tourism revenues were more than US\$75 billion in 2006. Intra-OIC tourist arrivals amounted to one third of the total. This figure denotes the promising outcome of the OIC efforts in enhancing economic cooperation among the Member States.

The development of the tourism sector in the OIC Member States is also closely linked to the realization of the objectives of the OIC Ten-Year Program of Action. Up to date, six sessions of the Islamic Conference of Tourism Ministers (ICTM) have taken place.

The last sixth session of the ICTM examined and adopted “the Framework for Development and Cooperation in the Domain of Tourism between the OIC Member States”, aimed at increasing public awareness in the OIC countries about the existing tourism attractions, resources and facilities in the Islamic world with a view to encouraging tourist visits to other Islamic countries by providing full information to potential visitors, as well as expanding and upgrading the existing tourist capacities. In this regard, the Government of the Syrian Arab Republic, as chairman of the Sixth ICTM and the OIC General Secretariat have organized the First Coordination Committee Meeting on the implementation of “the Framework for Development and Cooperation in the Domain of Tourism between the OIC Member States” in Damascus, Syria, in March 2009. Moreover, OIC Member States have started to initiate joint projects in this field. Here as an example, I can mention the project entitled: “Sustainable Tourism Development in a Network of Cross-border Parks and Protected areas in West Africa”, which covers nine OIC Member States. In addition, the first OIC Tourism Fair (2005, Turkey) and the First Islamic Tourism Forum (2007, Saudi Arabia) were successfully organized as the most significant tools for the promotion and marketing of various tourism products and related

services. In this connection, I am pleased to inform that the Second Tourism Fair will be held in Beirut, Republic of Lebanon, in June 2009. I am confident that this fair will result in enhancing the area of cooperation among the Member States.

I would also like to draw your attention to another sector of the economy where OIC Member States are actively promoting cooperation. This is the cotton sector, which plays an important role in the socio-economic development of more than 20 OIC Member States. They constitute a share of 28% of the world total cotton production, 24% of world total cotton consumption, 36% of world cotton export and 27% of world cotton imports. Cotton is particularly important for the socio-economic well-being and development of the Central and West African Member States. The development of the cotton sector in these countries is of prime importance: its production is an important economic activity; and cotton farming also provides employment for the majority of the rural population.

However, against such a significant role of cotton production and exports in the West and Central African countries, the price of cotton, adjusted for inflation, tends to decline over the long-run according to a study¹ by the International Cotton Advisory Committee (ICAC²). The main factor behind this phenomenon is the distortive effect of the domestic subsidies in agriculture practiced by the United States and the European Union. These subsidies that are designed to support their cotton producers, encourage higher production and exports; and create pressure to decrease cotton prices in international markets. The declining price of cotton constitutes a very big threat to the sustainable growth and development in cotton-producing and -exporting developing countries, and a major obstacle against our efforts in combating poverty in African countries.

Therefore, since 2005, the OIC assigned prime importance to energize the development of the cotton sector in the Member States, in particular, in the West and Central African countries. The OIC has steered the preparation and adoption of the OIC 5-Year Cotton Program (2007-2011) to assist Member States in enhancing cotton production and promoting the cotton sector, especially in Africa.

Most of the participants here are well aware that one of the biggest challenges confronting the OIC today is the vast economic imbalances that exist among its Member States. This disparity should be viewed as an imperative for cooperation rather than as an obstacle for closer

interactions. For that reason, the OIC and its institutions are giving greater focus to economic development and cooperation among its Member States through initiating and implementing various programs and projects for the benefit of Member States. The governments and the business community in all OIC Member States must, therefore, take serious steps to put these institutions to greater use if economic integration among them is to be enhanced.

Ladies and Gentlemen,

On this occasion, I would also like to briefly elaborate on the global financial crisis, which was preceded by a food crisis that disrupted the international agricultural economy and highlighted the fragility of world food security. As a result of soaring food and oil prices, it has been estimated that another 100 million people around the world had been driven into poverty. These prices have eased now. Nonetheless, hundreds of millions in poor nations try to balance household budgets on incomes of US\$2 a day or less.

In response to the food crisis, the OIC Council of Foreign Ministers in its thirty-fifth session considered the issue of food security in the OIC Member States and adopted one relevant resolution. This resolution called on the Member States to unite their efforts in order to tackle the food crisis and reaffirmed the importance of cooperation among them in order to launch joint agricultural projects aimed at increasing their agricultural production through investments, transfer of expertise, or provision of agricultural land. In this regard, I am pleased to note that partnership agreements are being concluded between a number of OIC countries that have financial resources, management capabilities and technologies, and countries that have land, water and human resources.

Last November, the President of the World Bank Group, Mr. Robert Zoellick noted that the global financial crisis would hit hardest the “poorest and most vulnerable” in the developing world. He reckoned that each 1 percent decline in developing-country growth rates would push an additional 20 million people into poverty. When people are pushed into poverty, conflicts and threats to national, regional or international peace and security are likely to increase around the world. So, the current global crisis cannot be considered solely on its economic aspects and results as it is likely to generate critical political, social, and demographic problems.

The World Bank forecasts that the world economy will shrink by 1–2% this year, with difficulties likely to extend into 2010. These figures are much worse than the Bank's earlier forecasts. The IMF also shares similar predictions: it sees the world economy contracting by between 0.5–1% in 2009. A recovery could come in the first two quarters of 2010. The 30-nation Organization for Economic Cooperation and Development (OECD) is much more pessimistic: it predicts that its member economies would contract by 4.3% this year with the recession continuing into 2010 – a much more negative forecast than figures from the World Bank. Furthermore, according to the IMF's most recent April 2009 issue of the 'World Economic Outlook', the global economy is experiencing the deepest downturn in the post-World War II period. Two professors of economics compared the current global crisis with the Great Depression of 1929; and they showed that the world economy is now plummeting as it did in the Great Depression; indeed, world industrial production, trade volume and stock markets are diving faster now than during the 1929–30 period. Fortunately, today the policy response, in terms of monetary and fiscal measures, is much better.³

The ongoing global financial crisis prompted many to question the integrity and the sustainability of the existing international monetary and financial system. "The outbreak of the crisis and its spillover to the entire world reflect the inherent vulnerabilities and systemic risks in the existing international monetary system,"⁴ says the Governor of China's Central Bank, Mr. Zhou Xiaochuan. In his essay posted on the Bank's website in March 2009, he proposed to substitute the US dollar as the international reserve currency with a new global system controlled by the IMF. He underlined that "the desirable goal of reforming the international monetary system . . . is to create an international reserve currency that is disconnected from individual nations and is able to remain stable in the long-run, thus removing the inherent deficiencies caused by using credit-based national currencies." To this end, Mr. Zhou proposed to expand the role of the IMF's Special Drawing Rights (SDR) so as to use it in international trade and financial transactions. This article reflects the concerns of China about the potential inflationary risks of printing dollar by the US Federal Reserve in combating the current crisis, and these concerns are very pertinent if one considers that China holds in US dollars the bulk of its US\$2,000 billion of foreign exchange reserves. It also raises a serious criticism towards the present international monetary and financial system. I am sure that this conference will also discuss the causes and effects of this global crisis

with a view to putting forward tangible recommendations to save the economies of the developing countries, and, in particular, the least developed ones which are the most vulnerable to such crises.

Now in the midst of the worst financial crisis, the world is desperately looking for a viable solution towards a sustainable financial system. In this connection, the Islamic banking and finance has now an opportunity to be an important stakeholder of the new world financial order in regaining trusts and building confidence. This is due to the confirmation made by a number of experts and officials of Islamic banks and financial institutions that Islamic banks have not been affected by the global financial crisis, and that any bad effects would be limited due to the nature of Islamic banking.

Despite its beginnings in the 1970s, Islamic banking has flourished in various Member States of the OIC. Islamic banking has also recently done rather well in non-Muslim countries and its assets are thought to be anywhere from US\$700 billion to US\$900 billion as of 2009.

Islamic bonds called *sukūk* have been issued by many corporations and countries of the world and their combined value has reached US\$100 billion according to some estimates. The value of total *sukūk* issued till the year end of 2008 is estimated at around US\$82 billion. Islamic banking is one of the growing domains of banking which shows promise for the future. However, Islamic banking and finance still has some way to go before it can be a serious alternative to conventional finance and banking, as it still constitutes a small proportion of the global financial services sector. Therefore, this conference is an opportunity for us to think on how to make Islamic Economics as an alternative and a viable economic system for our countries.

Distinguished Participants,

Before concluding, I would like to mention that Islamic solidarity was the key concept which motivated the establishment of the OIC in 1969. In that year, the OIC was born in a different world than today. Most of the Member Countries were young states which gained independence after the World War II, and were going through difficult processes of transition in consolidating their states. They had a major goal: a rapid socio-economic development. This was necessary to close the income and development gap between them and the developed countries. There were serious, technical discussions among economists whether they were considered 'underdeveloped' or 'developing'. The years 1969 and 1970 were marked as the end of the 'First UN Development

Decade'. The 1970s were designated as the 'Second UN Development Decade' by the UN General Assembly. It was also a divided world between the 'North' and 'South'. They were from the 'South'. The 'North-South' dialog was not very promising in opening avenues for development in an environment of severe competition, except for the selling of raw materials. But, they had another alternative in their struggle to achieve economic growth and industrialization: cooperation among themselves, i.e., the 'South-South' cooperation. They increasingly sought ways of cooperation to increase trade and investment, and solve common problems in bilateral or multilateral arrangements. The OIC was instrumental in this respect.

Over the years, the OIC did not become a union of countries such as the 'European Union', but successfully functioned as a common platform in enhancing economic cooperation among its members. It brought together countries possessing varying demographic, economic and geographical features, diverse state systems and social structures. Major transformations took place in the world economy and politics after the establishment of the OIC, and the various changes and challenges facing the Muslim countries marked and influenced the development process of the Organization. With time, it has evolved into a full-fledged 57-member inter-governmental organization, the second after the United Nations. And today, while celebrating its Fortieth Anniversary, it is more-than-ever mature and ready to serve the causes of its Member States and the Muslim *Ummah*.

In conclusion, I would like to say that I have dwelled on a large array of economic issues of vital concern to our Islamic *Ummah*. All these issues deserve profound consideration and need to be addressed in earnest. I firmly believe that the deliberations you will hold and the recommendations you will adopt will be highly instrumental in advancing Islamic Economics in Muslim countries and worldwide.

I wish you successful deliberations and, I look forward to the positive outcome of this important conference.

Thank you for your attention.

Wa al-salām ʿalaykum wa raḥmah Allāh wa barakātuh

ENDNOTES

1. ICAC, Trends in World Cotton prices seen in January 2009 at http://www.icac.org/cotton_info/speeches/Townsend/2007/wto_june_2007.pdf

2. ICAC is an association of governments of cotton producing and consuming countries
3. Eichengreen, B., and K.H.O. Rourke, "A Tale of Two Depressions", 6 April 2009, <http://www.voxeu.org/index.php?q=node/3421>.
4. Zhou Xiaochuan, Governor, People's Bank of China, posted on 23.3.2009, <http://www.pbc.gov.cn/english/detail.asp?col=6500&id=178>