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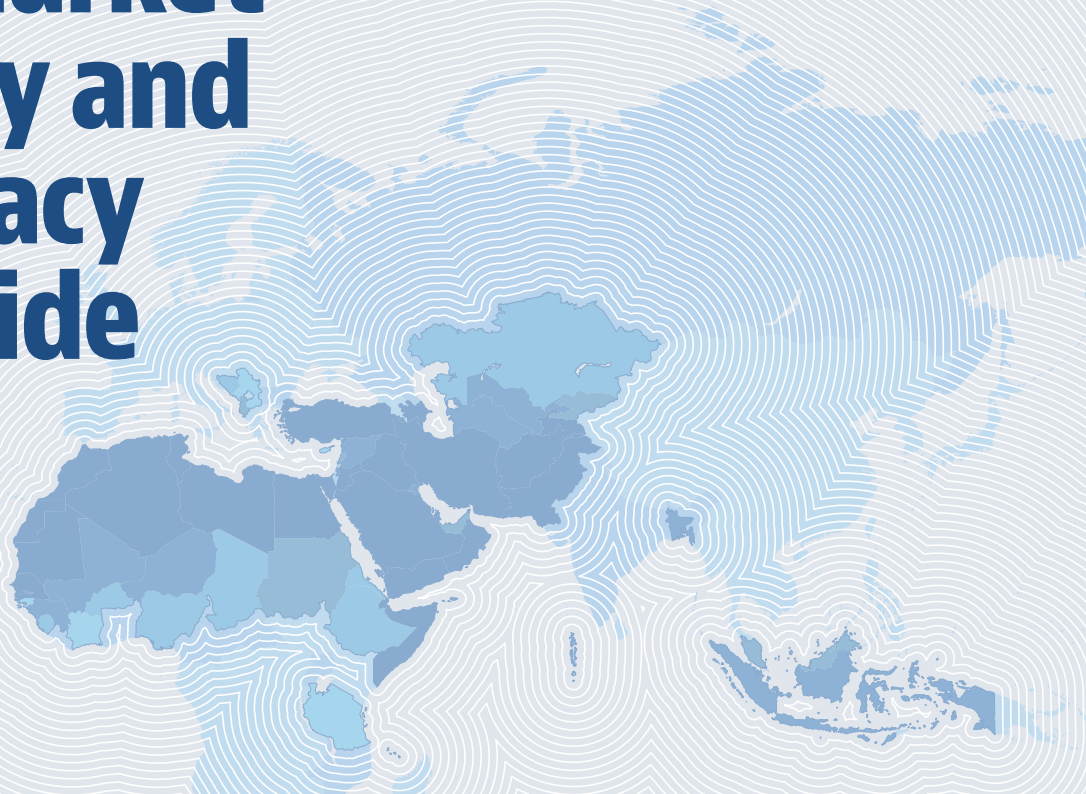
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# Social Market Economy and Democracy Worldwide



## The Case of Muslim Majority Countries

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# Foreword

by Dr. Gerhard Wahlers



**Dr. Gerhard Wahlers**

Over four years after radical change began to sweep across the Arab world, the Middle East is still struggling with a great number of economic and social challenges. One example of the challenges is the rate of youth unemployment in Arab countries, which, according to UN figures, stands at 26

percent – almost twice the global average. But economic and social problems also exist in countries outside of the Arab world with predominantly Muslim populations. At first glance, emerging economies like Indonesia and Malaysia are examples of impressive economic success. Upon closer inspection of the countries' occasionally very rapid growth, however, we encounter side effects such as an ever-widening gap between rich and poor. These observations were reason enough for the Konrad-Adenauer-Stiftung to turn its attention to the Muslim world in all its diversity. Foundation representatives met with experts from these countries to discuss the opportunities and possibilities for tackling their social and economic problems.

The social market economy seemed to us an appropriate concept to focus on, as it is inextricably linked with the economic success and social stability we enjoy here in Germany. Promoting the social market economy and fostering dialogue on a just economic and social order have always been integral to the Konrad-Adenauer-Stiftung's international activities. Although the roots of the social market economy lie in Christian social teachings, the underlying components of freedom and responsibility are universal and are the basis for a model system that can function well regardless of religion. So, although it may initially seem surprising to ask how elements of the social market economy can be established in the Muslim world, we see that it is an idea that actually makes good sense.

This is precisely where the Konrad-Adenauer-Stiftung comes in, with its project "Social Market Economy and Democracy Worldwide – The Case of Muslim Majority Countries". This publication provides insight into the project's progression and presents the results of the four workshops that were held around the globe in 2015. Each workshop focused on one concrete aspect of the social market economy, which was discussed by German experts and partners from all predominantly Muslim regions of the

world – Asia, the Middle East, Southeastern Europe, North Africa and sub-Saharan Africa. The topic under discussion in Senegal was competition regime; in Turkey it was social security systems; in Tunisia education and training systems; and in Malaysia finance and banking, with a focus on Islamic banking. The main conclusion was that interest in Germany's success model, the social market economy, is higher than ever before – some participants even termed it a "best practice example" for reconciling social and ecological values with economic success. Each country needs to find the appropriate means of translating and adapting the principles of the social market economy to its own society.

I would like to give special thanks to all who participated in the project as well as to the many Konrad-Adenauer-Stiftung employees both in Germany and abroad who helped prepare and run the workshops. All the work carried out across the world has made it apparent yet again what a valuable network we are able to rely on in our partner countries.

I wish you an interesting and thought-provoking read.



**Dr. Gerhard Wahlers**

*Deputy Secretary-General of the Konrad-Adenauer-Stiftung  
Head of the Department of European and International  
Cooperation*



# Enabling interfaith cooperation

Interview with Dr. Hans-Gert Pöttering, Chairman of the Konrad-Adenauer-Stiftung and former President of the European Parliament



Dr. Hans-Gert Pöttering

## **To what extent is the Konrad-Adenauer-Stiftung engaged in dialogue with Islam and the Muslim world?**

The Konrad-Adenauer-Stiftung has been actively fostering dialogue with the Muslim community and addressing Islamic issues in Germany and around the world for many years. A primary focus of our foundation's work is the global promotion of democracy, the rule of law, freedom of speech, press freedom, and women's rights. Muslim partners are a crucial part of this work in many of our international offices – particularly in predominantly Muslim countries. It is important for us, therefore, to maintain open and equal dialogue at all times. A good example that comes to mind of the foundation's global activities is our work in Indonesia – which, after all, has the world's largest Muslim population. Our project there is particularly concerned with promoting interfaith dialogue and prompting discussions on the compatibility of democracy and Islam.

From 2008 to 2014, under the title "Religion and Human Rights", we partnered up with Indonesia's State Islamic University to educate teachers at Koranic schools (locally known as *pesantren*) all across the country on the subjects of human rights, tolerance, and peace between religions. I think this serves as a good example of the foundation's concrete activities in the Muslim world.

In Germany, we organise regular meetings where members of the German Bundestag can meet with Muslim intellectuals to discuss theological aspects of Islam. We also publish many policy advice papers on issues affecting everyday reality for Muslims living in Germany – e.g. on the particularities of Alevism – and organise expert talks on the concrete challenges for the Muslim community in this country. Muslim pastoral care, for example, is one of the central topics of the German Islam Conference (DIK) in the current legislative period. Consequently, the Konrad-Adenauer-Stiftung has also turned its attention to the question of whether and how Muslim pastoral care should be extended into penal institutions, hospitals, and the armed forces. When examining these issues, we remain in direct contact with the Muslim community. We also supported the founding of the Muslim Forum Germany in spring 2015. It

is a positive thing when Sunnis, Shiites, Alevis, Yazidis and Christians can get together and talk to one another – rather than about one another – and discuss the concrete issues relating to Islam in Germany. It is important that civil society platforms such as these continue to receive support.

## **How important is the concept of the social market economy in the work of the Konrad-Adenauer-Stiftung?**

The concept of the social market economy has always been a main pillar of the Konrad-Adenauer-Stiftung's work. It runs through all the foundation's areas of activity – from historical examination, civic education and policy advice through to European and international cooperation. The social market emphasises individual responsibility and underscores the inalienable civil rights and liberties of each and every one of us. It not only shapes our economic order; it also shapes our social system, providing the foundations for a mutually supportive society that is able to provide the necessary support to its vulnerable members and those who, for whatever reason, are unable to participate in economic processes.

The social market economy, together with all its various elements – such as insistence on a functioning competition regime, a fair social security system, and an education and training system that promises equal opportunities and promotion prospects for all – has certainly been partly responsible for Germany's successful development over the past decade. The social market economy is a model of success – a concept that combines economic growth with social cohesion and one that is therefore in high demand

**“The social market economy is a model of success – a concept that combines economic growth with social cohesion and one that is therefore in high demand all across the globe.”**

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**“At a time when Germany is becoming increasingly diverse, it is important for us to learn more about the many facets of Islam and to speak to Muslims about practical aspects of democracy and the economy.”**

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all across the globe. However, particularly in the regions of the world that are experiencing rapid growth, a primary concern is to prevent the polarisation of society. We at the Konrad-Adenauer-Stiftung therefore also see it as our task to continually put forth the arguments for a social market economy and its recipes for success, incorporating these into our activities around the world.

**As part of the project “Social Market Economy and Democracy Worldwide – The Case of Muslim Majority Countries”, the Konrad-Adenauer-Stiftung organised a number of workshops throughout 2015, bringing together various social market economy institutions from around the world. What relevance does this project have, at a time when Muslims and Islam are very much in the spotlight?**

First of all, it has been established that the project was relevant to the work of the foundation in many different ways, and led to a number of concrete findings. We have already fully addressed theoretical questions about the commonalities between an Islamic economic order and our concept of a social market economy. This project has now gone a step further by bringing together experts from all predominantly Muslim regions of the world – from sub-Saharan Africa to the Middle East, Europe and Asia. These experts discussed the systems’ differences and commonalities in areas such as competition regime, social security, education and training, banking and finance. It became clear that zakat, the obligatory alms-giving that is one of the five pillars of Islam, is organised differently within the Muslim world. In Tanzania, for example, zakat is collected locally – usually by the mosques – while in Malaysia it is collected by the state. The findings of the project are impressive; they demonstrate the complexity of the various processes within the Muslim world. Today, we also know that only about five percent of Muslims worldwide put their money in Islamic banks, and that early childhood education is still primarily the preserve of the family in many Muslim countries.

In the course of the project we found out, among other things, that the dual vocational training system as it exists here in Germany is very well regarded in the Muslim world. And it is important for us to learn more about how the zakat system strengthens social cohesion, since it is clearly an important element in mutual support and welfare.

But the really decisive thing is that the project emphasised the importance of creating meeting spaces and openly discussing specific topics. At a time when Germany is becoming increasingly diverse, it is important for us to learn more about the many facets of Islam and to speak to Muslims about practical aspects of democracy and the economy. This also improves relations with Muslim communities in Germany. Discussions of this kind have to be respectful, open and driven by the desire to learn more about one another. Many aspects of life in the Muslim world are handled with a good deal of pragmatism, much like in Germany, and religion doesn’t always play a part. Again, the project made it clear that there are many commonalities and considerable mutual interest. That’s why the project can make an important contribution to enhancing the coexistence of different religions – in Germany and around the world.

*Interview by Thomas Volk and Gunter Rieck Moncayo*

# "A spectre is haunting Europe"

Commentary by Dr. Petra Bahr, head of the KAS Department of Politics and Consulting



Dr. Petra Bahr

A spectre is haunting Europe: the spirit of irreligious, modern societies, where the god of money reigns, where people see themselves as supreme beings, and where there is a risk of man becoming wolf to man because he will accept nothing and no one beyond himself.

From a distance, the outside view of Europe is sometimes that of a culture that has been profoundly influenced by Christianity but now has little more than its heritage to offer: this decline is symbolised by practically deserted cathedrals where nobody can be found praying anymore. And there are voices within Europe itself who welcome this spectre, believing it is the spirit of radical modernism. Does not religion take away our self-determination? Was it not a source of atrocity and violence in Europe as Christians brutally fought among each other and against other faiths? Are believers not subject to outside spiritual forces who use as the basis of their power holy books that are covered with the dust of centuries?

Christianity's path runs wider and deeper than that. It has not petered out, but is still very much evident with its more subtle influences on humanity, economic activity, the principles of science and education, and on a political culture where everyone is equal before the law. This unseen Christian Europe is not an opposing spirit to the Enlightenment or the spectre of the unenlightened. Christianity itself, with some effort, made its own way through the Enlightenment. It helped shape ideas of modernity: ideas of the individual, freedom, care, and public property.

It began when Christianity derived its own story. For that story to thrive, it needs people to express criticism of the Holy Scriptures and of holy men, and it needs an understanding that divine truth can be interpreted, but never in absolute terms. Religion has not forced us to choose between a secular state and the religious freedom of citizens in democratic communities; instead, it has given us new freedoms. It is no coincidence that economists credit the idea of a sustainable social market as being rooted in Christian values.

The market is free in order to serve the people. People are free to assume responsibility; they shape for themselves a system where freedom is available to all. That is an intel-

ligent translation of religious convictions into the secular rationality of the economy. In a transnational project, the Konrad-Adenauer-Stiftung is asking whether and how similar translations of religious concepts of individuals, societies and institutions can take place in Muslim countries in order to create a free, social and democratic market economy that cares about the needs of the people. The answer to that question is twofold: 1. Islam needs to be part of the global economic network so that the economic system can serve as many people as possible in the world. Therefore, we are dedicated to supporting the practical, political and theological development of Islam in Germany and across the world. 2. Europe has remained Christian, a fact that is both feared and applauded. As we have determined, the enduring influence of a Christian cultural heritage that does not negate in any way philosophical, Jewish and Muslim influences is at the core of Western beliefs. This project demonstrates that a culture of equality and freedom is not at all weak, but strong and robust. Religion can play a productive role in this system.

In order to champion this strong culture, to promote it and defend it, we must not shy away from the complex, unanswered questions posed by the globalised economic, education and political systems of the 21<sup>st</sup> century. The Konrad-Adenauer-Stiftung is committed to upholding such a stance.

# Concurrence

Workshop 1

# Competition



# Copy and paste is not the answer

## The countries of the Muslim world could learn a thing or two from German competition law – but they shouldn't adopt it wholesale.

by Anna Klein and Siri Warrlich

Football is no fun when players commit one foul after another. And that is why referees are needed. Figuratively speaking, the same is true of a country's economy – it needs a competition regime that punishes unfair conduct. Anyone who listens to Peter Hoeltzenbein from the German Federal Cartel Office talk for a few minutes gets the impression that there could be nothing simpler. But a look at the elaborate German competition regime proves that it is not so straightforward: instead of one public authority to enforce competition law, Germany has two – the Federal Cartel Office and the Federal Network Agency. While the Federal Cartel Office oversees companies, the Federal Network Agency regulates so-called network markets such as the postal sector, which are particularly prone to monopoly. In 2014, the Federal Cartel Office imposed fines totalling 1.12 billion euros on 67 companies – for anticompetitive business practices such as price fixing and market allocations.

A well-thought-out system of competition law and public authorities that oversee its enforcement are prerequisites for a functioning economy. But how can countries whose economies suffer from patron-client politics and corruption promote free competition? In any case, a “copy and paste” of the competition regime and enforcement institutions in Germany is not the answer, as three examples from Senegal, Malaysia and Turkey demonstrate.

### **Prof. Abdoulaye Sakho, Director of the Ecole Doctorale Sciences Juridiques, Politiques, Economiques et de Gestion at the Cheikh Anta Diop University in Senegal**

According to Prof. Sakho, Senegal is faced with a paradoxical situation when it comes to its competition regime. Sakho does not deny that such a regime is important, but he believes that large companies have to get established before cartels can become a problem. “For us and other states in the UEMOA – the West African Economic and Monetary Union – it is important that large companies set up operations in our countries,” says Sakho. “But then the UEMOA's competition authority comes and criticises us for the high level of market concentration.”

According to Sakho, around 80 percent of businesses in Senegal operate in the informal economic sector – that is, the part of the economy for which statistics are not



**Prof. Abdoulaye Sakho**

available. “The UEMOA's laws are made for big companies,” says Sakho, “not for very small ones.” The UEMOA functions a bit like the EU, he says, pointing out that its headquarters – and thus the competition authority – are located in Ouagadougou, the capital of Burkina Faso, and that small companies have

neither the resources nor the competence to inform an authority in another country when, for example two businesses collude to keep prices artificially high. He thinks that overall the UEMOA makes sense and offers many benefits, but he adds that “we cannot copy the EU's laws and expect them to be successful here too. Sensible laws must develop from the bottom up and take into account local conditions”.

### **Amin Ahmad, Institute for Leadership and Development Studies (Malaysia)**

The competition regime in Malaysia operates under completely different conditions to those in Senegal. Situated on the South China Sea, the newly industrialised country has successfully transformed itself from a raw materials supplier to a diverse centre of industry. It ranks among the fastest-developing Asian countries. The Malaysian middle class has also grown – the framework conditions, however, have not undergone sufficient development. This is because the country's system of economic governance and its competition regime go back to the 1970s and still harbour the potential for social conflict, as Amin Ahmad from the Institute for Leadership and Development explains: “On paper, the Malaysian state's strategy was neutral, but in practice it massively favoured the indigenous peoples – the Malays and other Bumiputera.” The New Economic Policy (NEP) was originally introduced in the 1970s to strengthen the native ethnic groups, which ultimately led to severe discrimination against the Chinese and Indian communities.

Meanwhile, Malaysian economic policy has been trying to achieve balanced prosperity, but this has given rise to a new problem: “Malaysia is stuck in a middle-class dilemma: the country is no longer growing,” says Ahmad. The state's planning takes a relatively long-term perspective; its strategies in the past focused on five-year phases. According to Ahmad, resources were often distributed unfairly, because a



In Dakar, around 20 experts discussed the practical aspects of the competition regime.



**Amin Ahmad**

small group of people exploited competition law for their own self-interest: “Corruption and nepotism are the dark sides of Malaysian economic policy.”

In addition, the country is grappling with a growing budget deficit. Since the Asian crisis, the state has injected huge amounts of money into the mar-

kets, but this has caused social tensions, as not every part of the population has benefited equally. “People outside the target group have the feeling that this policy has made their situation even worse,” says Ahmad.

To put the economy back on a free-market basis, Malaysia has been pursuing a liberal political course since 2010. State funds are increasingly being withdrawn from the market and invested in areas such as education – as the principles of a social market economy envisage. The state is also accommodating entrepreneurs by simplifying bureaucratic procedures. Ahmad sees these efforts as small steps in the right direction – and yet he believes it is still too soon to draw a positive conclusion.

**Sarper Şimşek, Foreign Trade Expert, Undersecretariat for Foreign Trade at the Ministry of Economy (Turkey)**

Sarper Şimşek is somewhat more optimistic in his assessment of economic policy in Turkey. He is a foreign trade

expert for the Undersecretariat of the Turkish Ministry of Economy. Competition law there, according to Şimşek, is based on the “European endeavour” that the country has officially pursued since 1999 [it has EU accession candidate status], and was also inspired by German law. It is overseen by Rekabet Kurumu (Turkish Competition Authority – TCA), whose experts analyse Turkish markets and publish reports. “This is particularly important for the ongoing privatisation that is taking place in a number of sectors,” explains Şimşek. After embarking on a liberal economic course, Turkey began to privatise state-owned enterprises in 1982; since then industrial families call most of the shots in the private sector. The TCA is the main supervisory body: “This authority is more or less independent, as new officeholders are appointed on a regular basis,” says Şimşek.

He would like the TCA to have more effective mechanisms to monitor competition, because, as he says, there is no regulatory instrument in Turkey that prevents strategically important economic sectors from forming close ties – “for example when energy companies get involved in the media market,” he says. He is critical of entrepreneurs who invest in economic areas that appear unrelated at first glance but that actually offer a strategic advantage – as the media sector does. “We have no law that prevents this. That is a major problem,” says Şimşek, adding that those with close connections to the government can often circumvent applicable competition rules.



Sarper Şimşek, second from left, talked about the competition regime in Turkey.

## Conclusion

The analyses of the situation in Senegal, Malaysia and Turkey show that a legal system is a dynamic construct that should ideally be adapted to the conditions of its environment. Many aspects of competition law in Germany have evolved historically. The international community, particularly countries with a history of colonialism, should bear in mind that their competition law will require changes and adjustments in certain areas as their economies develop. After all, the rules of football have also continued to adapt to new developments in technology and game play: who would have thought 20 years ago that cameras on the goal line rather than referees would decide if the ball was in the net or not?



**“Many foreign firms do come to Djibouti for business, but they often bring along their own staff from abroad instead of employing locals who are looking for work. Yet they should be doing the latter, to ensure that foreign investments actually make a sustainable, positive contribution in Djibouti.”**

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Hamda Moussa, Chamber of Commerce, Djibouti



# A fair fight



Taufik Arsyad

**“Komisi Pengawas Persaingan Usaha” – this is the name of Taufik Arsyad’s agency. Its role is to facilitate fair economic competition, so it is in many ways the counterpart to the German Federal Cartel Office. Its official English name is the Commission on Business Competition Supervision, but Arsyad simply calls it the Competition Authority. In interview with Siri Warrlich, the 41-year-old explains why his work requires good powers of persuasion and how he has brought the media on board to help.**

**Mr Arsyad, how does your work relate to fair competition between Indonesian companies?**

I head the Merger Directorate department, so my job is to monitor company amalgamations, so-called mergers. Every company that is planning a merger with another company must inform our agency about it. Then we check whether it complies with competition regulations and whether, for example, they could be creating a monopoly.

**Does the Indonesian Competition Authority have any other responsibilities?**

Certainly; we operate in two other major areas. The second thing we can do is decide for ourselves to conduct checks in cases where we suspect that a certain company is breaking competition law. Thirdly, we make recommendations to the government – for example, if new legislation might impede on competition regulations.

**How would you explain the cumbersome term “competition regime” to a child?**

Without a competition regime you have a free market but not necessarily a fair market. That only comes through the competition regime. A market without a competition regime is like a boxing match where a flyweight is asked to square up against Mike Tyson. A competition regime ensures that the companies that dominate the market do not abuse their position and that small companies still have the opportunity to get established in the market and to grow. For example, a competition regime prohibits the creation of cartels. Above all, a competition regime ensures there is an independent arbitrator – in Indonesia’s case, that is our agency.

**How smoothly is the implementation of fair economic competition going in Indonesia?**

I see one area in particular where we still need to make changes, and that is our third area of responsibility: the government still needs to be convinced of the importance of a clearly defined competition regime and that it has to comply with it too. In the past in Indonesia we had a decentralisation reform, which means that lots of the decision-making power is at local level. The bottom line of this is that we are negotiating with around 300



Taufik Arsyad with two German experts, Dr. John Weche (Monopolies Commission) and Dr. Stephan Fahr (European Central Bank)



different local governments departments. They all need to be convinced how important a clear competition regime is – and that is one of our jobs for the next five or ten years!

**Do you have a concrete example of the difficulties you experience when working with local government?**

Unfortunately, in some local governments we see client politics nullifying the competition regime. Some politicians award public contracts to companies run by their relatives.

**So how do you convince such politicians to allow fair competition?**

That's where the media come into play; they are very important to us. In

such cases, we make our recommendations to the government public and bring the media on board in the hope that they will put pressure on the politicians. Often, we also try to engage intensively on a personal level with the decision-makers. We all get together at a so-called FDG, a focus group discussion. One of our most important arguments relates to costs: when there is fair competition, suppliers benefit from the best price-performance ratio. The end result is that lots of services are also cheaper under fair competition. In order to prove this we research the issue ourselves and make our findings available to the media.



The participants of the workshop on competition regime: Andrea Kolb, in the centre in a white trouser suit, is the Resident Representative of the Konrad-Adenauer-Stiftung in Senegal.



**“In Germany, we see a ‘best practice example’ for the economic system. There, social and ecological values are combined and play an important role in the economy.”**

Khaled Zribi, Chairman of the Tunisian Young Entrepreneurs Association

# Modelled on Europe



Sarper Şimşek

**Sarper Şimşek (34) is an advisor to the Turkish economics minister. In an interview with Anna Klein and Kristina Milz, he praised the way competition is organised in his country, but called for less intervention from the state. He also explained what the biggest risks are for the Turkish labour market.**

## **What is the Turkish state's relationship to the economy? To what extent does it intervene in the market?**

Turkey's market economy has a long tradition. Since the 1980s, every government has tried to make the economy more liberal. For a market economy to be successful, you need the right kind of institutions – in the Muslim world, too, of course. The institutions exist, and in fact they are especially well developed in Turkey. We learned a great deal from the 2001 crisis. Our response was to set up a variety of independent authorities that keep an eye on the banking sector and energy market, for instance – but do not really intervene in the market. I would say that the state's influence has been significantly reduced. I should point out, however, that, strictly speaking, Turkey is not an out-and-out free market economy. But it is one of the freest, particularly in Eastern Europe and within the Muslim world.

## **What are your thoughts on future development? Does Turkey need more or less intervention in its economy?**

To be honest, I think that the state's influence is already very limited, especially since the crisis in 2001. But we want even less state intervention.

## **What role does Europe play in Turkey's economic policy?**

Europe has regulations and laws for the economy, and Turkey conforms to these. We are following a European

course with the economy in particular – especially when it comes to competition. I would say that our laws are 90-percent oriented towards European competition law.

## **How could Turkey's economic policy be improved?**

In order to establish a functioning, competitive economy, the market has to be opened up, and free trade needs to be strengthened. Half of our GDP comes from this open market, via imports and exports. For things to stay this way, we need strong, assertive institutions because they are what guarantees a free economy. Then investors know that policymakers cannot intervene too heavily.

## **So the institutions are a kind of buffer between investors and the government?**

Exactly. Turkey is different to the rest of the Muslim world insofar as we have, firstly, taken a fairly liberal economic course and, secondly, founded European-style institutions – we are still aiming for EU membership, after all.

## **One sector of the economy is subject to conflicting regulatory mechanisms: the media. On the one hand, media corporations have to conform to competition law, but on the other, they have a fundamental right to freedom of speech. To what extent should one differentiate here, and what is Turkey's approach?**

In some countries, governments and

the courts consider the media separately from other sectors of the economy. That's not the case in Turkey, but we desperately need it to happen because the media here have close ties to strategically important economic sectors. Obviously, this can lead to conflicts of interest. We can already see that happening in some countries in Europe. But free market principles say that such close ties should be prevented. Otherwise, you end up with resources that are unevenly allocated.

## **You've also spoken in Ankara about Turkey's social policy. State social security developed relatively late in Turkey – why is that?**

There are two main reasons. First, Europe's social security systems developed after industrialisation and under pressure from the working classes. Industrialisation began late in Turkey, which meant that pressure from the working classes also came later. The second reason is the legacy of the Ottoman society, in which social security was provided by strong, faith-based organisations for centuries. Poor people received help from them. That is also why it took a long time for Turkey to develop a modern state social-security system that follows clear regulations and laws.

## **During the Ottoman Empire, society was very heterogeneous. Today, Turkey's population is officially 99 percent Muslim. Do you think that this homogeneity is an advantage**

## The Turkish economic crisis

Turkey's worst crisis happened just under 15 years ago. In 2001, the economy was on its knees. Banks were ailing, shares had crashed, investors were worried, the lira's value had plummeted, the government deficit was huge, and inflation was rising. Turks began swapping their money for dollars or euros, and the International Monetary Fund pumped billions into the country to stop it going bankrupt. However, the crisis was also a major turning point. Far-reaching reforms were passed, banks were monitored more closely, and privatisation was pursued with vigour. The government managed to bring the deficit under control and make the central bank more independent. This economic success brought the AKP and Recep Tayyip Erdoğan to power.

### when it comes to establishing social security systems?

It is not an advantage for civil society. During the Ottoman Empire, people could found waqfs [foundations]. Every religious community could do this – including the Armenians, for instance. The civil societies that resulted from this each took care of their own problems. Faith-based civil society is obviously a lot weaker today than it was during the Ottoman Empire because the state now takes care of that sort of thing.

### Turkey was established as a secular state. Does Islam play a role in social security at all anymore?

In every country, social security has two sides: a civil side and a state side. Religion obviously still plays a role in civil society. However, the state side of social security [in Turkey] has nothing to do with Islam – that is set down in law in exactly the same way as it is in Western countries.

### But the roots of laws are often cultural, which means they are sometimes influenced by religion. First the idea, then the rule. Is it really possible for Turkey to separate the two spheres so cleanly?

Of course history and society influence laws. No one can deny that Islam and Muslim thought have affected our laws and way of life – but that is just a small piece of the mosaic that makes up our legislation. To a large extent,

our laws are literal translations of European laws. That's the case with civil law, for instance. So those things are an adaptation of Western ideals.

### One of your theories is that an absence of social security creates a hole that radical organisations can fill – as was the case in Tajikistan and Uzbekistan, for instance. Are there any signs of a similar thing happening in Turkey?

Radicalisation is a very contemporary issue. There are a few failed states among Muslim countries, and their social security systems have also collapsed. When poor people or people with disabilities do not receive any support, it creates a gap, a vacuum that organisations – be they civil or radical – will fill. That is dangerous. The state has always been strong in Turkey; we do not have such a gap. There has always been a functioning social security system, and most people are covered by social security. That is why radicalisation is a minority phenomenon here.

### But Turkey's economic development varies a great deal. In the east, where the Kurds live, the economy is not developing as well as it is in the rest of the country. And there have definitely been problems with Kurdish groups. Do you think that these also have something to do with a lack of social security?

In actual fact, Kurdish radicalism has nothing to do with Islamic fundamentalism – that is a different story. But you are right, this gap did exist, which reflects the weakness of the state in some regions of the country. But you can't compare the situation to other countries in the Middle East.

### What do you currently see as the biggest challenge for social security in Turkey?

Growing unemployment is currently the biggest risk. Ever since the global economic crisis hit in 2008, unemployment has been rising in many countries, including Turkey. This is putting a strain on social security systems. At the moment, unemployment stands at 11.3 percent. The government has designed programmes to encourage trade and investment. The number of working people who live below the poverty line is growing by five percent each year. That is a huge number, and we are trying to tackle it with these programmes.

### Unemployment, especially among young people, has always been cited as one of the reasons for the Arab Spring. Do you think it could pose a similar threat for Turkey?

High levels of youth unemployment are a problem for any country. The countries that were involved in the Arab Spring did not have state institutions that were as strong as ours here in Turkey. The education system, the healthcare system, the social security system – all of them were weak. Unemployment levels in those countries were catastrophic and cannot be compared with the situation in Turkey. Youth unemployment in Turkey stands at about 20 percent. Although that is very high, it is significantly lower than in other Mediterranean countries.

### Aside from unemployment rates, another big factor is how long people remain unemployed. Does Turkey have any figures on this?

Most youth unemployment is the result of internal migration from the country to the big cities. At first, it is very hard for young people to find work, but after a certain period of time



they do. People in Turkey do not remain unemployed for very long – I am confident about that. In the long term, the ageing population is the biggest risk for Turkey. But we will be able to learn from Germany’s experience in this regard.

**The average age in Turkey is currently 30.7. That’s going to change in future because birth rates are declining markedly. To what extent can Germany be a role model in this context?**

In terms of demographic changes, Germany has experienced the big upheavals ahead of Turkey. Its baby boomers are retiring, and we will be watching very closely to see how Germany deals with that. Right now, Turkish society is ageing, but it is still young. So we still have time to learn from the experiences of other countries.



The workshop facilitated contact between experts from different continents.



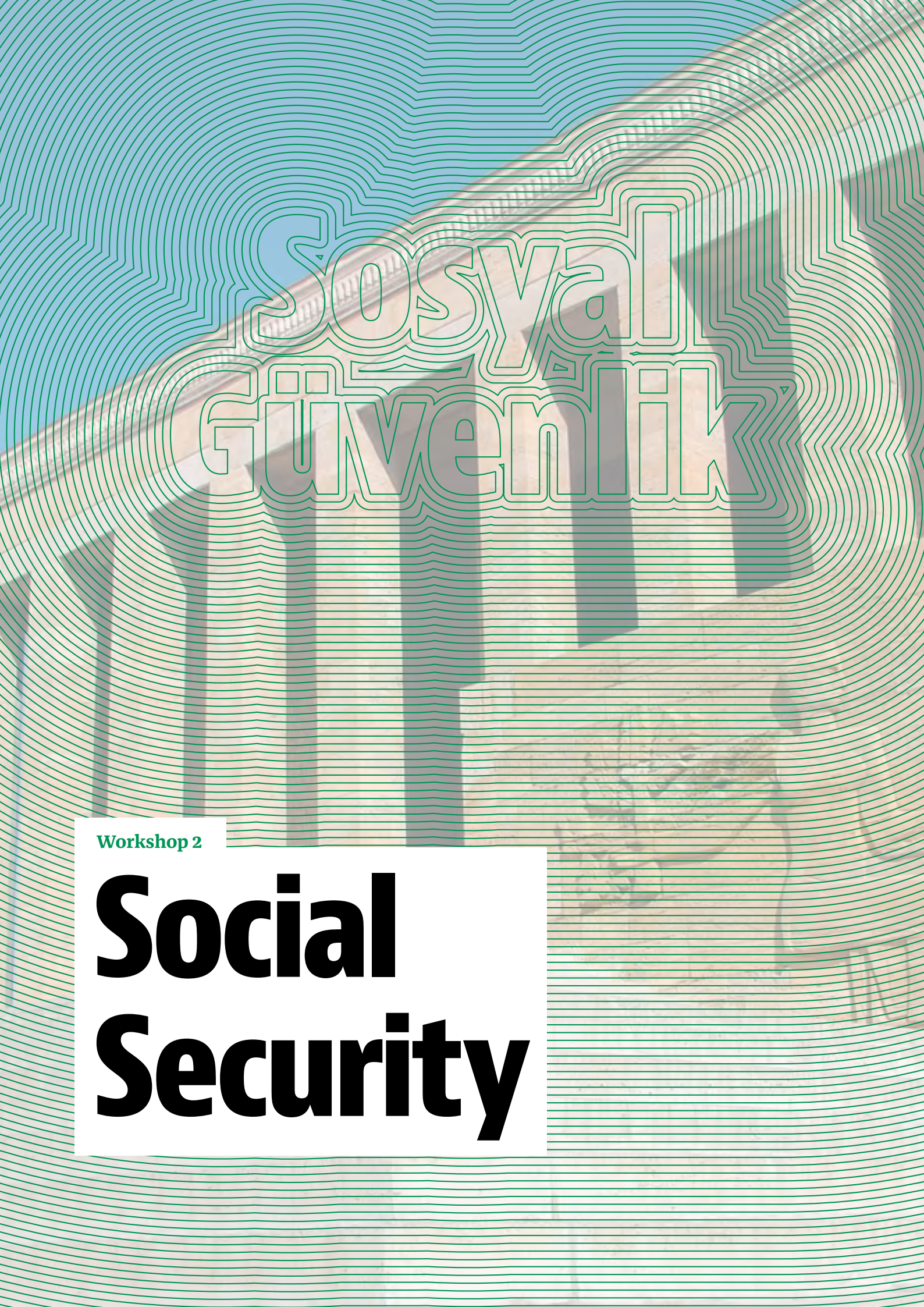
**„When countries follow the path of tolerance and democracy, they create an innovative environment that strengthens their**

**position in global competition. Looking at the Muslim world, these basic principles are sadly still lacking in many areas.“**

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Arda Batu, Secretary General of TÜRKONFED, Turkish Enterprise and Business Confederation





# Sosyal Güvenlik

Workshop 2

# Social Security

# “Zakat has the potential to raise a trillion dollars a year worldwide”



Enur Salihović

**The obligatory tax required of Muslims, known as zakat, is collected by the state in only a few Muslim countries. Zakat is voluntary in many countries, while in others – such as Bosnia and Herzegovina – collection is coordinated by non-governmental organisations. Enur Salihović, head of the Bosnian-Herzegovinian Zakat Office, explains in an interview with Mathias Birsens why he thinks this is the best way.**

## **What role does the zakat system play in providing social security in Bosnia and Herzegovina?**

The Zakat Office, of which I am the director, makes a valuable contribution to social security, and complements the efforts of established state institutions. It operates within the Muslim community and is the main organisation dealing with the religious practices of Muslims in Bosnia and Herzegovina. We are an independent non-governmental organisation, but in some cases the government entrusts to us the responsibility for regulating the religious affairs of the country’s Muslims.

We have excellent established state institutions and laws governing social security – similar to those in Germany. But there is a lack of funds because the economy is so weak. We use the zakat resources to support the state in assisting the population. We don’t give money to the state directly; instead, we invest first and foremost in education by awarding scholarships to students and others and by providing assistance to those in need across the country. That is our principal task. We don’t take over the role of the state.

## **In other words, you provide social security where the state can’t manage?**

Yes, that’s right, but I’d like to point out that we are not happy with the overall situation. We are unable to provide

additional social security to all the people we would like to help. We assist the population and give social security to some of the people excluded from the state welfare system.

## **Does that mean that there are still people in Bosnia and Herzegovina who receive assistance from neither the state welfare system nor the zakat system?**

Yes, unfortunately there are people for whom that is true. This is not a large proportion of the population, but we have to admit that there are still some people in this situation. We won’t allow anyone to go without food or other basic needs. We won’t let anyone starve – regardless of their religion – if we know about them. But – just like the state – we do not have the means to give the people sufficient assistance to raise their standard of living.

## **How many people in Bosnia and Herzegovina pay zakat?**

Precise figures are difficult to come by. There are two types of payment – zakat and zakat al-fitr (given at the end of Ramadan). More people – some 80 percent of the Muslim population – pay the latter, while only around 40 percent contribute zakat. In addition, some people who pay zakat fail to pay as much as they should. There is certainly room for improvement.

## **Do you want to work more closely with the state in the future, for example by offering tax breaks to zakat payers?**

Yes, we’re planning to do that in the future, but at the moment we don’t want to put added strain on the already scarce resources of the state. We’re trying to help make the state as strong as possible. And we’re not trying to obtain tax breaks, which would drain state funds. We always tell people to support the state, to pay their taxes, and to give the state what it needs. In the next five or ten years we will probably try to obtain tax breaks for donations in several European countries.

## **Although zakat is as old as Islam itself, the zakat system was not introduced in Bosnia and Herzegovina until 1969. Why is that?**

Zakat has been practised in Bosnia and Herzegovina ever since Islam was introduced into the country, but organised collection and the establishment of the necessary institutions did not occur until 1969. Since then, zakat has been deposited into a fund called “bayt al-mal”. We distribute the money in an organised way; it is not given from one Muslim to another. The reason for this is that at the time there was only one Muslim school in Bosnia. That was during the Communist era, and the Communists tried to stamp out all religions – including Islam. The Mus-



lim school's existence was threatened, so the Muslim community introduced the policy of mainly using zakat to finance the school, which founded an Islamic college eight years later. During the war of 1993–1994, money was also spent on social welfare. For example, zakat paid the electricity bills of people badly affected by the war. Since then we have continued to expand our social welfare activities.

#### **Why do you put such a strong focus on education?**

Education is the best way to stop the spread of poverty and to improve society. If a country's young people are not well educated, they will use drugs, engage in criminal activity, and have trouble finding suitable employment. Society will then have a disaster on its hands.

#### **Why is zakat collected and used differently in other countries than it is in Bosnia and Herzegovina?**

According to Islamic sharia law, the leaders of Muslim communities and states – such as Saudi Arabia, Sudan and Iran – have a duty to create an institution that collects and distributes zakat in an organised way. In some countries, such as Turkey, the state fails to fulfil this obligation. I believe that we have a greater impact on society when the collection and distribution of zakat is supervised and effectively organised. In some countries – including Bosnia – there are certain regions where zakat and zakat al-fitr are still given on a person-to-person basis. But what happens in these places? Some people receive a great deal of money – thousands of euros – while others who are much worse off receive nothing!

The funds are not distributed equally. You can do more if you have an effective method of collection and distribution, like in Bosnia, where local imams know everyone in a particular area. According to a recent estimate, zakat has the potential to raise a trillion dollars a year worldwide – 200 billion dollars alone would be sufficient to improve the lot of the world's poor and needy.



**“The zakat system is not yet well developed. It is currently only in the early stages of development, functioning as a complementary system to other types of social welfare. [...] I think it needs to be given much more attention so as to increase awareness and enable plans to be developed. We need to work much harder if we are to achieve this.”**

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Muhamet Mustafa, Chairman of the Parliamentary Committee for Economic Development, Kosovo

# “The state gives and the state decides”

**Ibrahim Muhanna is critical of the social system in the Gulf states – citizens wallow in overabundance, while guest workers suffer dreadful hardship.**

by Kristina Milz



Ibrahim Muhanna

Ibrahim Muhanna knows all about the hardships suffered by guest workers in Qatar, the home of the 2022 football World Cup. A group of ten construction workers would often have to sleep together in a small room, in appalling conditions, after having worked far too long in the blazing heat. “Some commit suicide, others fall from ladders because they’re so tired,” says Muhanna, a Lebanese national who studied in the US. Muhanna says it is only human to want to do something about this, and he believes that Qatar is now making an effort.

But as the chairman of a non-profit organisation dedicated to promoting actuarial education, Muhanna is con-

cerned with another unresolved problem – the time after the migrants in the Gulf region stop working. “I always say to politicians: you take in someone aged 20 or 25 to work in your country. He leaves his homeland, arrives in good health, works for ten years, and then maybe gets sick. The employer then refuses to extend his contract, and sends him back.” When workers return home, they have been outside their home country’s pension and welfare system the entire time, making it difficult for them to get back in.

Muhanna’s recommendation to the Gulf States is to “show goodwill” by establishing bilateral agreements with the workers’ countries of origin – the Philippines, for example, where the majority of housemaids working for families in the Gulf come from. Muhanna wants these women in the Gulf region to pay taxes, which the host country would then feed directly into the social system of the Philippines. This system is already in place between the individual Gulf states: Saudis who work in Kuwait pay taxes in Kuwait for the Saudi system, for example. When they return to Saudi Arabia, there is no interruption in the payments. In his role as an advisor, Muhanna recommends introducing the same system for other countries – but “nothing’s happened yet,” he says.

Muhanna believes that the Gulf states should adopt a more sustainable approach when dealing with their own citizens, too. Most countries in the region allow workers to retire at the age of 45. What’s more, people tend to start working later – as many study first – and life expectancy has increased considerably. As a result, people do not work for very long, retire early, and often live on a pension for decades.

There is also a long chain of responsibility – when it comes to widows’ pensions, for example. In the Gulf region, the age difference between husband – the “breadwinner” – and wife is traditionally very large. “A 50-year-old man could be married to a young girl of 20. And when he dies at the age of 70, she’s still only 40. She then receives a widow’s pension for another 30 or 40 years,” explains Muhanna. And if the man had several wives, the pension gets divided among



## Muhanna Foundation

The Muhanna Foundation was set up in Switzerland in 1994, and has its head office in Beirut. It is named after Ibrahim Muhanna, who is still the foundation's chairman. The goal of the foundation is to inform the public about social security issues in countries – particularly in the Arab world – with underdeveloped insurance sectors. The foundation is linked to the UN Department of Public Information. It regularly organises conferences, seminars and workshops, runs an actuarial science diploma programme, and provides scholarships to students in the region.

them. If one of them dies, however, the state does not save any money because the pension is a fixed rate and simply gets redistributed among the widows who are still alive. “This goes on until the last wife dies, normally the youngest,” says Muhanna.

The social security system in the Gulf states is managed by the state, so the private sector barely stands a chance. The state gives its citizens everything they need, starting with free electricity. And the pension and healthcare system is extremely generous. Gulf states can afford it, as financial difficulties are an alien concept in the age of crude oil. However, that also means there is a lack of motivation to democratise the region. “The state gives and the state decides,” sums up Muhanna. A number of partially democratic structures do exist in the Gulf, such as the highly active parliament in Kuwait, and Bahrain and Oman are becoming increasingly open to political participation of their citizens, but countries like Qatar, Saudi Arabia and the United Arab Emirates are far removed from establishing anything like a democracy.



Participants of the workshop on social security: Colin Dürkop, on the bottom step, is the Resident Representative of the Konrad-Adenauer-Stiftung in Turkey.

# “What are we waiting for, a crisis?”



Terence Gomez

**Terence Gomez, a political analyst and professor at the University of Malaya, is an expert on the social system in Malaysia. In an interview with Kristina Milz, he describes the important role that religion plays in providing social welfare. He also calls for a reform of social security so that the country doesn't end up with a situation like that in South Korea in the late 1990s.**

## **Islam is the official state religion in Malaysia, but only 60 percent of the population are Muslims. How does religion influence the economy?**

Religion became a major factor after the Iranian Revolution, which had a strong influence on Muslims in south-east Asia, including those in Malaysia. The Iranian Revolution was an Islamic revolution led by an Ayatollah who put into practice a vision of political Islam. The Iranian economy also centred around Islam. It was a completely novel experiment. People poured into Iran to get to know its model of governance. This ushered in a period of Islamisation in the late 1970s.

## **Much is said today about the division of the Muslim world into Shia and Sunni. The Iranian Revolution was a Shi'ite movement, but Malaysian Muslims are Sunnis. How is it possible that they were inspired by Iran?**

The split between Shia and Sunni is a new phenomenon. It was not an issue in the 1970s. People only thought: “This is an Islamic political model, and it is an alternative way to organise society and develop the economy.” It has only been in the last several years that Islam has become very complicated in sectarian terms. Most of the people in southeast Asia had no idea about the difference between Shia and Sunni.

## **How did Islamisation take place in Malaysia?**

Here too, Islam took on a more prominent role in society. Political parties

based on Islam were formed. They grew and challenged the secular, ethnic-based parties. At the same time, the country underwent incredibly rapid economic modernisation, which had serious social consequences.

A prosperous middle class emerged. Men began to divorce their wives, or to take several wives. Children felt isolated, and families fell apart. These changes and problems in society led people to turn increasingly to Islam. The process of Islamisation was therefore also a product of the rapid economic development.

## **Today Malaysia is clearly dominated by Islam. This can also be seen in social security. The zakat system – the “purifying” alms that constitute one of the pillars of Islam – is organised by the state. But it is only Muslims who profit from it. How, then, does the zakat system work in Malaysia?**

Payment is voluntary. Most Muslims think: “Okay, I’ll participate because it is one of my duties as a Muslim.” They can also deduct it from their taxes. Looked at this way, it’s not only the case that not everyone benefits from it, but it also results in the tax system collecting less revenue.

## **Can this be reconciled with the idea of zakat? Shouldn't security be provided to all Malaysians?**

Well, only Muslims pay into the system, so it is naturally difficult to distribute contributions to everyone. That would

create social tensions. Malaysia is an extremely divided society in terms of religion. It will be problematic if only half the population pays zakat, but everyone receives it. Zakat is based on religion; it is one of the pillars of Islam. So how is it possible to give it to non-Muslims?

## **But isn't the basic idea of zakat to help those in need? There are also non-Muslims who are poor. They don't receive any assistance?**

If you want my personal opinion, I would prefer a tax-based system – and it should be universal. I have no problem with zakat, and I know that it's only for Muslims, but I would like there to be a general social security system. Everyone should receive assistance, regardless of their religion or ethnic background. The sole criterion should be need. Everyone who needs help should receive it. And everyone should pay into the system. You never know if you will need it one day. You don't know if you are going to suddenly lose your job or fall ill. That can happen to anybody at any time. Why should we arrange this according to religion?

## **So you think the state should look after everyone?**

Yes. Zakat can also be practised within families, or organised by mosques. It doesn't have to be formalised within the state. The churches in Malaysia, for example, collect donations and distribute them to people in need. The

point is that this is too important an issue to leave to churches and mosques alone. The same goes for NGOs. This is the duty of the state, and it should not delegate the responsibility.

**What concrete steps can the Malaysian state make to ensure other religious and ethnic groups benefit from the social security system?**

The entire secular welfare system must be reformed. It operates too much on an ad hoc basis. Germany's system of social market economy, for instance, is very sophisticated and complex. There should be such a system in every highly industrialised country, including Malaysia. I am also thinking here of South Korea. It was one of the Asian economic miracles and became very wealthy. But it didn't have a functioning system of social security, as is the case in Malaysia today. Then came the currency crisis in 1997, and the economy collapsed. The wealthy lost their businesses and suddenly found themselves penniless and out of work. They could not comprehend what had happened. They could no longer provide for their families. Do you know what South Korea did after the crisis? It introduced a social security system that provides people with a safety net. It learned an important lesson: even the wealthy can lose everything overnight. The history of South Korea is a good example. So what are we waiting for, a crisis? It can happen any time and any place. The politicians know this just as well as I do. Why isn't anything being done? Because it costs too much. A good social security system relies on taxes, and no one wants taxes. What politician has the courage to stand up and say: "If you want social security, you have to pay for it." It is a matter of educating the people; you have to explain it to them so that they understand.

**Shouldn't it be much easier to convince people in predominantly Muslim societies that they must pay for social security? After all, such societies have the religiously grounded practice of giving zakat to help people in need. Moreover, the community traditionally plays a more**



In Ankara, around a dozen experts discussed the practical aspects of social security. Pictured is Sarper Şimşek, an advisor to the Turkish economics minister.

**significant role in predominantly Muslim societies.**

I see that differently. Let's look at Christianity, for example Catholicism in Latin America: the concept of liberation theology was a Christian movement. Christian communities came together and looked out for one another, helped each other out and found ways to support the poor. There was a strong sense of community. I myself am a Catholic; I have also experienced this in Malaysia. Here, neighbours and members of the parish help one another. My church, for example, paid for my education. My father died at an early age, and my family could never have afforded to send me to the university. They told me: "When you're finished with your studies, pay it back." And that's what I did. That's what community means to me – and this sense of community is found in all religions, not just in Islam.

# “The one you do for the here and now – the other for the hereafter”

**Zakat – the alms-giving tax – is one of the five pillars of Islam and is a duty incumbent on every Muslim with a certain level of income. Yet the tax is collected by the state in only a few Muslim countries – in Tanzania it is a strictly private affair; each individual decides how much to give and to whom. Hawa Mmanga from the Public Service Pension Fund explains why that is a good thing in an interview with Mathias Birsens and Kristina Milz.**



Hawa Mmanga

## **How is the zakat system organised in Tanzania?**

No one organises the zakat system in Tanzania. Neither the government nor religious organisations are responsible for it. We are also under no obligation to give our zakat to the mosque or to the imam. How the zakat money is used is left to each individual to decide. When I have the money, I can ask you if you know any people in your local area who are in need. Some people would give the money to the imam, while others would go looking for needy people on the streets – every person takes a different approach to zakat. We can use this money to pay

the people who teach the Koran at the madrasa [a school for Islamic studies]. Or if you have a business that is not doing well at the moment, we can give you zakat money to get you back on your feet. It will then be your duty to pay the next time round. In other words, you won't receive any zakat next year, but will instead find someone who is needy and give them zakat money.

So if you have a profitable company, you give a portion of your profits as zakat. That's how it is actually supposed to be used. The aim of zakat is to reduce poverty, but some people use zakat improperly, for example, to finance a

wedding. They wastefully spend the money they are given. Others use it in the intended way: they run a business, generate profits, and then start to give zakat themselves.

## **That sounds like the Tanzanian state is not fulfilling its obligations.**

The state is not under any obligation to supervise the practice of zakat. Tanzania is a secular, not a Muslim state.

## **But the state has a duty to supervise the social welfare system.**

The social welfare system and zakat are two entirely different things.

## **But don't both systems help needy people?**

Yes, but the two systems must be viewed individually and kept distinct. You are not obliged to practise zakat – you must be religious and believe that you have to pay zakat. And you must know precisely what the zakat money is to be used for.

The social welfare system, on the other hand, is compulsory – the government forces you to pay. But in the case of zakat, it is your faith alone that compels you to pay. You believe you will be punished for not paying zakat. But you know neither who will punish you nor when and how you will be punished.

They are therefore two different things: the one you do for the here and now – the other for the hereafter.



Workshop 3

# Training / Education

# The education system has to be rebuilt

**The faculty of Islamic Studies in Sarajevo is part of a long-standing tradition of Islamic education in Bosnia and Herzegovina. Strong emphasis is placed on training imams, but teachers of religious studies are also educated here. Prof. Ahmet Alibašić spoke with Jessica Gehring about the shortcomings in the Bosnian education system – and his desire for greater religious influence.**



Ahmet Alibašić

## **What special challenges does the education system in Bosnia and Herzegovina face?**

There are two main challenges. One is the quality of education in general. In medicine, for instance, it's actually quite good, but in law the quality is continually diminishing, just as it is in political science and sociology.

The other typical problem in Bosnia is the education system's tenuous link with the economy. Most jobs are in administration – and here the state is the main employer. In order to get such a job, you need connections. So education isn't everything. You definitely need it to qualify, but then, more than anything, you need to make use of your connections. That's why young people focus solely on obtaining some kind of certificate.

However, if the private sector, which hardly exists in Bosnia right now, were to grow, that would enable universities to adopt a new orientation. The two challenges are interconnected: if there are more jobs in the private sector, the quality of education will also improve, because the universities will be able to collaborate with businesses, and people will be able to pursue an education with a definite goal in mind.

## **How can you help rectify these deficiencies in your training of imams and religious studies teachers?**

Upon completion of their studies, most of the people we train receive a job within our own congregations and communities. That's why the people in

the municipalities are so keen for the faculty to provide high-quality education and training.

Since we also train staff for the public universities, we are doubly scrutinised: on one side through the control mechanisms of the universities and other authorities such as the ministries and their inspectors, and on the other side by our communities and churches. They all have a vested interest in a good education system. But we, and all religious studies faculties, are just one small cog in the entire educational system. All the theological faculties combined have no more than 1,500 to 2,000 students. That's just 1.5 percent of the total student body. Our influence on the system is therefore quite limited.

## **Do you think Islam plays an important role in the education system?**

There's no Christian, Muslim, or any other religious influence on our education system – unfortunately. Perhaps it would be better if there were, or at least some of the values and principles of Islam, for instance. Because at the moment our education system is in the midst of a kind of “incomplete” period of transition. The original system of values collapsed after the war – and it has yet to be renewed or replaced by a liberal, democratic value system. Yes, okay, maybe nominally, in terms of human dignity and so forth.

For students, however, it has nothing at all to do with religion; Islam plays no role in choosing a profession – for them it's only about getting some sort of certificate and using that to move on.





Professor Alibašić talks to Jessica Gehring.

We've missed the chance to introduce a new system that would be desirable for students and professors. Nobody has a clear and coherent collective vision. What's needed – after the war and all of that – is for the education system to be rebuilt.

### **What do you recommend should be done?**

There was a reform proposal – it has been dragging on forever and is now moving backwards rather than forwards. People are fed up with it. What we need, essentially, is advisory support. There have been various helpful external influences, but there is still so much to be done.

What we need to do first, in my opinion, is to pause for a moment and be honest with ourselves. Maybe that can only happen after things get worse than they are – or when our system becomes depoliticised. Many teachers and professors here have one foot in politics and the other in the classroom. That's not good because their thoughts are in the wrong place. Several things need to be addressed:

in higher education alone there are 170,000 students and only 10,000 faculty and staff members. That's simply not enough.

We need energy – and money. We still don't have sufficient funding for research and libraries, and without that, we can't continue.

# “There is no respect for vocational training in Turkey”

**The Turkish labour market is facing a number of problems. For example, apprenticeships are not being filled because the craft trades sector is held in low esteem. The TÜRKONFED association, a partner of the Konrad-Adenauer-Stiftung, wants to change this – and believes joint initiatives with Europe are the answer.**

by Jessica Gehring

The Turkish labour market is currently in a paradoxical situation: on the one hand, youth unemployment stands at 20 percent and is on the rise; on the other hand, there are apprenticeships available that nobody wants. This is because, in Turkey, vocational training programmes are regarded as something solely for the lower classes. Non-governmental organisation TÜRKONFED (Turkish Enterprise and Business Confederation) wants to change that view.

The objective of the nationwide confederation is to bring together many individual, regional-level federations and associations. Its declared goals are to further regional development, promote vocational education and employment, and boost competitiveness and innovation – with a primary focus on small and medium-sized enterprises (SMEs) throughout Turkey. TÜRKONFED conducts academic field studies, locates problems in regional development, and proposes solutions to politicians and businesses. The confederation represents companies with a total business volume of 208 billion US dollars.

Despite the fact that the last extensive report was published in 2007, Deputy Secretary General of TÜRKONFED Dr. Betül Çelikkaleli says that its findings still apply today. She explains the complexity of the situation: “Young people in Turkey see apprenticeships as poorly paid jobs. Employers, on the other hand, find schemes such as dual vocational training unsuitable, even though this system has already proved its worth in other countries. This is only because they have no experience of it, and do not know what they can expect from their employees. In general, you could say that there is simply no respect for vocational training programmes in Turkey.”

Much like in many of its neighbouring countries, the state is Turkey’s primary employer. The problem is that there are barely any vacancies in administration – and no new jobs are being created either. Furthermore, religion plays a major role in the predominantly Muslim country – including in education. “People here place great value on the religious education of their children and send them to appropriate schools to learn about Islam,” explains Çelikkaleli. “That is all well and good, but it’s of no interest to employers – they need trained craftspeople, tradespeople and



Betül Çelikkaleli

mechanics.” An additional factor is that women in particular still find themselves largely barred from apprenticeships in skilled craft trades. Either their families disapprove, or young women are not thought capable of being able to complete the training. TÜRKONFED has therefore increased its efforts to encourage women to take up apprenticeships by organising special workshops and initiatives.

Another large problem, according to Çelikkaleli, is the general inflexibility of young people when it comes to relocating. Very few are willing to leave the security of the family nest. But there are incentives: startups are provided with a great deal of support and good share capital. There are also mentoring schemes that offer young entrepreneurs guidance and long-term support. All that is lacking are the applicants and the ideas.

Since 11 February 2014, TÜRKONFED has been a member of the European SME umbrella organisation UEAPME (Union Européenne de l’Artisanat et des Petites et Moyennes Entreprises). This organisation represents the interests of the skilled craft trades and SMEs throughout the European Union. As TÜRKONFED is a member, every organisation it represents must take EU training regulations into account when offering apprenticeships and incorporate these regulations into their standards. This should ensure that training is of consistently high quality across the board. “It’s an important first step towards changing the general perception of apprenticeships,” says Çelikkaleli. Armed with a training certificate that is recognised across Europe, young women and men stand a good chance of finding suitable employment.



# “Women are playing much too small a role”

**Faiza Kefi has had a remarkably successful career. She was the first woman at the helm of the Tunisian Ministry of Environment – serving from 1999 to 2004 – and the first president of the Tunisian audit office. Today, she is a member of the executive committee of the ruling party Nidaa Tounes. In an interview with Anuscha Loza, she expresses optimism for the future of Tunisian women in the workplace.**



Faiza Kefi

**Ms Kefi, as a politician in Tunisia, you are in a male-dominated environment – at least for the time being. How do you view the role of women in the workplace in Tunisia?**

Let's not fool ourselves: unfortunately, women are playing too small a role – much too small a role! Female workers are still underrepresented in our labour market. Politicians are responsible for making the appropriate decisions and investments to ensure that the proportion of women in vocational training programmes increases.

**How optimistic are you that this will happen?**

I'm not just optimistic – I am certain that women in Tunisia will become a major pillar of our labour market in the coming years. And I'm not just saying that for idealistic reasons or because I myself am a woman.

**So where does your conviction come from?**

The demographic facts speak for themselves. We will have to rely on our female workers in order to make the most of our resources. Tunisia has enormous, untapped potential.

**Is the door open wide enough for women to realise their potential?**

Yes. At universities, female students are now commonplace. And the door to vocational training opportunities is just as wide open. There is no discrimination in this area – and that is making women more and more self-confident. We need to reach a point where both

women and men can leave behind traditionalist ways of thinking – in every area of life.

**What exactly do you mean by “traditionalist ways of thinking”?**

We are talking about the fact that women need to find their way into vocational training. But I'm thinking one step beyond that. They shouldn't just receive training; they should dare to go into professions that are traditionally perceived as masculine. And the same goes for men, the other way around. Men in the textile industry, women in technical jobs – that's what we need to achieve. Our labour market will then take a major step forward and our economy will benefit enormously.

# “It doesn’t help us if everyone is busy studying”



**Prof. Niang is developing concepts for a better education system in Senegal.**

by Anuscha Loza

Mouhamed Fadel Niang

When it comes to the education system in Senegal, Prof. Mouhamed Fadel Niang prefers to talk about solutions rather than problems. At the Institut supérieure d’enseignement professionnel (ISEP) in Thiès, Niang develops concepts to help more young people make the transition from school into the world of work. The institute is funded by the government: politicians have recognised the signs of the times, and education and training are at the very centre of current government planning.

“We have to make sure that training professionals and business owners communicate,” says Niang. “Only then can we ensure that young people are properly trained and acquire the skills that are actually required in business.” But the companies need to benefit, too: only then is the incentive great enough for them to create the capacities and structures required for training young people. “It is also important to establish measures for assessing the quality

of trainers and training courses. Companies need to know that they will benefit from offering training positions,” explains Niang.

Another key feature of a successful training system is flexibility in all directions. Anyone who chooses vocational training – whether straight from school or after a bachelor’s degree – should be able to switch to a university career at any point. Niang hopes that people will come to regard vocational training more positively. “Traditional education still has a much better reputation. If you’re at uni, you’ve achieved something – unfortunately, this belief is still deeply anchored in the minds of most people,” says Niang.

Niang speaks passionately, reads out figures and statistics, and emphasises his arguments with ardent gestures. “60 percent of all Africans are under the age of 20. The continent needs workers; it doesn’t help us if everyone is busy studying.” Training programmes are important for boosting the country’s economy – particularly in the areas of agriculture, tourism and multimedia. Niang is particularly concerned about the latter. “Many people associate vocational training with traditional craft trades. But the internet is actually one of the areas that interests us most.” Senegal needs young employees who can confidently handle computers, and network and office systems, he says. The country would then be able to keep up with the rest of world – as the potential is certainly there. Demographic developments represent a great opportunity for Senegal: whereas most industrialised countries have aging populations, Senegal is seeing high birth rates and therefore has a large labour pool. And that could be part of the solution to its other problems, too.



In Tunis, Prof. Niang talked about the Senegalese education system.

# “Vocational training should not be regarded as second best”



Djayadi Hanan

**Political scientist Djayadi Hanan has worked at the Institute for Education Reform in Indonesia for many years. In an interview with Anuscha Loza, he talks about the importance of the dual training system in his country – and why Indonesia cannot yet serve as a role model in this area.**

**Mr Hanan, what position does dual vocational training take in the Indonesian education system?**

An increasingly important one. We still have much work to do, of course, but political awareness of this educational approach is very much there – and awareness is also growing in society.

**Are politicians doing anything concrete to create more training opportunities?**

Definitely. A number of government programmes have been launched, with the goal of promoting dual study programmes and vocational occupations. I believe political involvement of this kind is incredibly important. Vocational training should not be regarded as second best or as an emergency option. We have to improve its image with the help of creative campaigns.

**Is it working? In what ways have people’s opinions changed?**

Like I said, the awareness is there. People see the point and the benefit of dual training systems. This is also reflected in the fact that the middle class is growing steadily.



Participants in the workshop on training and education: Dr. Hardy Ostry, in the centre of the back row wearing a red tie, is the Resident Representative of the Konrad-Adenauer-Stiftung in Tunisia.

**That all sounds very positive. But how do you explain the fact that vocational training programmes have been successfully established in Indonesia, while many other predominantly Muslim countries are having such difficulties?**

I believe we are a nation that thinks very pragmatically. People understand that education has to be tailored to the specific needs of individual countries. The available resources dictate what kind of workers are needed. This is ultimately also down to the social market economy – it’s important to specialise.

**So is Indonesia setting a shining example?**

The partial success we have achieved so far is very motivating. But, of course, it doesn’t hide the fact that we still have a long way to go. We have already made much progress. In 1999 the Indonesian constitution was redrafted and, since then, 20 percent of all available funds have been targeted towards training and education. But despite this, just under 50 percent of all school leavers go on to complete a course of education or training. Our goal is to reach 70 or even 80 percent – and that’s what we’re working towards.



# Perbankan Islam

Workshop 4

# Islamic Banking



# Koran-compliant competition

**Malaysia is known as the global hub of Islamic banking. Berlin saw its first Islamic bank, Kuveyt Türk, open this year. Although German customers are still hesitant, there is great potential.**

by Julia Gurol

Lending money, speculating and collecting interest are part of everyday life for Western bankers. But for Tahir Ali Sheikh those things are taboo. He is an executive at CIMB Islamic Bank Berhad, the largest Islamic bank in Malaysia, where he oversees sharia compliance.

Compliance with Islam is the foundation of Islamic finance. As a result, there are big differences between finance under Islamic law and Western finance. The Koran prohibits the collection of interest, stating in Sura 2:275: “Those who consume interest cannot stand [on the Day of Resurrection] except as one stands who is being beaten by Satan into insanity.” But that doesn’t mean Tahir Ali Sheikh’s customers get credit free of charge; the lending process just works differently. Instead of lending money for, say, a new car, CIMB Bank acquires its customers’ object of desire itself and then sells it to the customer at a premium. The customer pays back the total amount in instalments, just like with other loans. This form of interest-free bond is called a “sukuk”.

Malaysia is considered the centre of Islamic banking, and it also has the largest sukuk market. Around 60 percent of the world’s Islamic financial transactions happen in Malaysia. Outside of Malaysia, too, demand has been growing continually for investment options and savings products that comply with Islamic religious law. “Islamic banking can establish itself as a realistic competitor for the conventional banking system, and in so doing it can attract non-Muslim customers as well,” says Sheikh. In his eyes, the advantages of Islamic finance couldn’t be more obvious. The fact that all financial transactions have to be based on physical assets, such as real estate, reduces the probability of speculative bubbles, losses from subprime mortgages, or risky credit derivatives. In Malaysia, long-term investors have shown the greatest interest in these products. “Islamic finance is booming in Malaysia and the industry is becoming more and more diverse,” says Sheikh.

International financial centres have shown an interest in the concept of Islamic banking, too. London is already on the way to becoming a hub of Islamic finance in Europe, as it assiduously courts wealthy sheikhs and government funds. In Germany, however, Koran-compliant banking has yet to gain a foothold.

And yet it all looks so promising on the surface. “The market for Islamic banking in Germany is huge,” says Zaid El-Mogaddedi, who heads the Institute for Islamic Banking



Tahir Ali Sheikh

and Finance (IFIBAF) in Frankfurt. “There are around 4.5 million Muslims in Germany. That means we have the second-largest Muslim population in Europe.” Local financial service providers looking for new customer segments will not be able to overlook this Islamic community in the long term, says El-Mogaddedi. And yet Germany is still hesitant. Why is that? El-Mogaddedi gives several reasons.

One reason is the quality of the services on offer. They are still not as good as those of conventional banks, says El-Mogaddedi. To really get established, Islamic banks have to be competitive. “Money decides the game. Islamic banks have to be competitive. No customer is going to pay more just because a bank is ethical and sharia-compliant,” says El-Mogaddedi. Islamic banks have to offer the same services as conventional banks, and with similar prices and condi-

tions. El-Mogaddedi is firmly convinced that the country's large Islamic community is an interesting hidden revenue source that needs to be captured with competitive services. Until that happens, he says, Islamic banks will not have a serious chance on the market.

To see the truth in what he says, one need only look at the first Islamic bank in Germany, Kuveyt Türk (KT). It received a banking license from the Federal Financial Supervisory Authority in early 2015 and opened three branches (in Mannheim, Frankfurt and Berlin) during the first six months of the year. KT Bank wants to get 200,000 customers in the coming years. Its target for 2015 is 20,000. But as of August, two months after its branches opened, KT Bank had just 120 account holders.

Islamic banks face another problem besides not being competitive: the word "Islamic". El-Mogaddedi tells an anecdote to explain. A few years ago he presented a plan to introduce interest-free sukuk bonds to a representative of Commerzbank to see how the bank would react and to gauge how open conventional banks would be to sharia-compliant finance. "Towards the end of our meeting, the Commerzbank representative asked me whether Islamic banking is a way of secretly financing terrorism. A question like that shows Islamic banking doesn't have a chance there," says El-Mogaddedi. That banker's question reflects the fear of many clients of conventional banks. Having something called a "Sharia Board" does not help dispel that fear. Every Islamic bank has one of these ethics committees, which is responsible for ensuring that banking practices comply with ethical standards and with the tenants of Islam. It is made up of scholars with economic and theological training and prepares legal opinions, or fatwas, for each bank transaction. Kuveyt Türk Bank has renamed its Sharia Board the "Ethics

Council", because it says the new name creates less mistrust and has fewer negative connotations.

Another, smaller problem lies in the makeup of the target audience in Germany. Some 2.7 million of Germany's Muslim population are from Turkey, a country where Islamic finance is not particularly popular. Ever since a scandal involving Islamic financial products in the 1990s, many Turks have preferred to keep their money with Kemalist banks.

It is unclear whether Kuveyt Türk will ultimately be successful and whether Islamic finance will expand in Germany in future. For now, Islamic finance is still in its infancy here. But there is great potential, at least according to some estimates. A study by consultancy Roland Berger showed a market potential of nearly 13 million customers in Germany for ethically based investments whose main features include Islamic financial principles. And Frankfurt's IFIBAF (Institute for Islamic Banking and Finance) determined that around 15 percent of Muslims in Germany were interested in sharia-compliant financial products in 2009. El-Mogaddedi believes that number could be twice as high with the right approach. The experiences of bankers like Tahir Ali Sheikh may very well help to make that target a reality.



In Kuala Lumpur, around a dozen experts discussed the practical aspects of Islamic banking. Pictured is Salim Zagar, a business owner from Tanzania.

# “Sukuks will kick-start the market”

**Those who collect interest will face the fires of hell, the Koran says. This warning has made interest-free bonds a core feature of Islamic banking. Sulaiman Al-Harthy of Bank Muscat in Oman spoke with Julia Gurol about how these bonds, known as sukuks, work – and about the role that Islamic banking plays in his life.**

**Mr Harthy, you took an unusual path when you left conventional banking to become a representative of sharia banking. Has that move ever caused problems for you?**  
Not so far. But I avoid getting into debates that revolve around specific issues in Islam. That simply isn't my area of expertise. Let me tell you what my strategy is. I'm just open with people and say, "Hey, I'm a banker and I want to do business. If you want to debate specific issues in Islam, ask my colleague XY." That works very well, and it lets me be honest with everyone.

**It's been three years since you left the conventional banking world. Do you ever miss "traditional" banking?**  
I do, I really do. When I started working for an Islamic bank, it meant a 180-degree turn in my professional and personal life. Suddenly, I could no longer just go into a restaurant and order a steak and a glass of wine. Why? Because I would lose all my credibility as an Islamic banker if one of my customers saw me doing that. Knowing the industry is one thing and abiding by Islamic principles is another. It wasn't easy. But I'm still happy to have the chance to build this industry from the ground up in my country.



Participants in the workshop on Islamic banking: Jan Senkyr, in the centre of the front row, is the Resident Representative of the Konrad-Adenauer-Stiftung in Malaysia.





Sulaiman Al-Harthy

### **What is Oman expecting out of this sukuk issue?**

There's one thing you need to understand. In Oman, we've never had a single government bond. That means interest rates have only been based on the cost of funds. The sukuk will help create a uniform rate for extending credit.

### **If this first 500 million US dollar sukuk is successful, will Oman have more sukuks? Have any plans been made?**

You know, we spend far too much time debating in the Islamic world. This topic is no exception. Instead of debating what is right and what is wrong, we should just sit down, get to work and start issuing sukuks.

Why am I convinced that this is the right way to go? Because sukuks will kick-start the market. For example, in the Islamic world we have lots of funds for maintaining mosques. These funds have to invest their money somehow and somewhere – and we need to create those investment options for them. There are very few options at this point in time, but I'm convinced that sukuks are the best way to drive the market forward and boost investment.

**And you appear to be doing that with great success.**

**Oman will soon be issuing a sukuk bond worth 500 million US dollars. Can you tell us what a sukuk is and sum up what makes it different from traditional bonds?**

You could say a sukuk is a type of Islamic bond. However, unlike traditional bonds, a sukuk focuses on very real physical assets or material goods. So it's not a speculative bond that is tied to something with no real value.

Here's how it works. The government, in my case the government of Oman, identifies a certain piece of agricultural land and sells that piece of land to the sukuk creditors. They then let it back to the government, which pays rent for the land. So a sukuk – in contrast to traditional bonds, which are often speculative – is a kind of ownership certificate. Meaning that the sukuk creditor owns a piece of land of exactly the same value that he invested.

**How exactly is a sukuk issued? How is Oman going about it?**

For us, regulation is at the top of our agenda now. After all, this is the first issue process we have ever gone through. The sukuk we will soon be issuing will also be listed on the stock exchange. That means that if an investor wants his money before the value date in five years, he can't just ask the government to sell the land and pay him the money. But he can sell it on the stock exchange instead. We need to create clear guidelines for that first.



# Would the financial crisis have happened with Islamic banking?

**Islamic finance is crisis-proof, say Muslim experts. A German economist, however, says that not even the Koran could have prevented the financial crisis. We look at both arguments.**

by Maximilian Nowroth



Velid Efendic

In 2009, when the global financial crisis was at its peak, somewhat surprisingly it was Catholics who campaigned for a financial system based on Islamic law. “The ethical principles of Islamic finance can reconnect banks with their customers,” claimed an article in *L’Osservatore Romano*, the official newspaper of the Vatican. The article made headlines around the world. Many observers considered Islamic banks to be the winners in the financial crisis, because their ban on interest and their focus on non-speculative transactions protected them from the global financial crisis triggered by bad mortgages in the United States.

This raised a question that sparked intense debate at the conference in Kuala Lumpur: Would the global economic and financial crisis of 2009 perhaps not have happened if banks had been operating on the principles established in the Koran?

Nik Mohamed Din Nik Musa, who heads the PR department at the Malaysia International Islamic Financial Centre (MIFC) of Malaysia’s central bank in Kuala Lumpur, emphasised how stable Islamic banks were during the financial

crisis. The five largest Western banks received a total of 163 billion US dollars in government aid, he said, but not a single Islamic bank had to be bailed out with taxpayers’ money during the crisis. “The stability of the Islamic financial system during the crisis inspired global financial centres to start thinking about Islamic finance as a sustainable alternative to the current system,” said Musa. He also pointed out that capital reserves were significantly higher at Islamic banks than at their Western competitors before the crisis, and that their business is based on the real economy rather than on the money economy. “As a result, Islamic finance minimised the scope of the crisis,” said Musa.

Prof. Volker Nienhaus of Germany challenged that claim. “The financial crisis could have happened just as easily in an Islamic financial system,” said Nienhaus, an economist who has been researching Arab and Islamic banks for over 30 years. He pointed out that both Islamic and conventional banks in predominantly Muslim countries such as Malaysia, Indonesia and Turkey were not affected by the financial crisis. The reason, he said, was that none of those countries played a role on the international banking market at the time. In addition, although Muslim countries did not prop up their banks with government money, they did artificially inflate the price of real estate that many banks had invested in. “That is why the balance sheets of Islamic banks looked relatively healthy during the financial crisis,” concluded Nienhaus.

Nik Mohamed Din Nik Musa of Malaysia’s central bank responded by saying that the pillars of Islamic finance – ethics, the real economy, political governance and transparency, cooperation and risk sharing – have always been a natural means for avoiding financial crises. Musa stressed that, in particular, the focus on the real economy and the ban on risky speculation (*gharar*) would prevent a crash.

Prof. Nienhaus agreed that highly speculative investments are missing from the Islamic financial system. “But there are Western banks that are working hard on that,” he continued. Indeed, Deutsche Bank advertises derivatives that comply with Islamic law on its website. Derivatives are exactly what investor Warren Buffett called “financial weapons of mass destruction” when talking about their role in the crisis. And the Sharia Board at British multinational bank HSBC includes a member whose express function is to review structured

finance products. “These developments too,” said Nienhaus, “demonstrate that the Islamic financial sector is just as likely to experience a crisis like the one the Western system had.”

Economist Velid Efendic, Assistant Professor at the School of Business and Economics in Sarajevo, has a different opinion. At the conference he said: “The financial crisis probably would not have happened with an Islamic banking system – or at least the damage to the economy would have been far less serious.” The reason for this, he explained, is that Islamic banks do not have receivables from contracts with their customers on their balance sheets; instead they contain only real assets that the banks invest on behalf of their clients. As a result, Islamic banks could not have been part of a price bubble in the real estate market like the one that formed in the US in 2007. “They would not have had the financial resources for that,” Efendic concluded.

Prof. Nienhaus countered that argument by saying that Islamic banks have the same problem as Western banks – they sometimes make real estate loans to people who actually cannot afford to buy. Banks will go ahead with it anyway, he said, if they believe that the price of that particular property will rise in the future and they will be able to sell the property in an emergency. “So Islamic banks are

just as likely as conventional banks to have bubbles and insolvency crises,” asserted Nienhaus. This is especially true of real estate financing, a core area for Islamic banking, he said. As an example, Nienhaus cited the collapse of the real estate sector in Dubai in 2009. At that time, the Emirate had refinanced the construction of local real estate through investments in the American real estate sector. “Islamic banks were involved in that too,” said Nienhaus. As a result of the growing number of bankruptcies in the American real estate sector, Dubai was no longer able to service its own debt of roughly 60 billion US dollars and had to cancel numerous construction projects.

Velid Efendic acknowledges that Islamic banks may have been involved in an overheated real estate market if prices were rising faster than actual demand – possibly due to speculators. “But that is a natural process, and one that is still rooted in supply and demand, a fundamental concept of economics,” Efendic said. “I would call that a natural bubble. Natural bubbles are much smaller and less susceptible to complete collapse than the housing bubble was in the US at that time.”

Six years have passed since the financial crisis, and the question now is whether Islamic banks can still use the crisis to successfully position themselves in the Western world as an alternative to the current system. Nik Mohamed Din Nik Musa said Islamic finance has had solid growth in recent years, with an average rate of more than 17 percent per year. He expects investments at Islamic banks to double to more than four trillion US dollars by 2020.

Prof. Nienhaus is sceptical that Islamic banks could be successful in Germany as an ethical alternative to the current system. “I don’t believe Islamic banks will be successful in Germany if they position themselves primarily as ethical, alternative banks,” he said. After all, he argued, Germany already has several banks, such as GLS Bank, that occupy that niche and are attracting customers. In addition, an Islamic bank uses more complicated terms and contracts than a conventional bank because it has to comply both with German law and sharia law, he continued. An Islamic bank such as Kuveyt Türk (KT), which entered the German market this summer, would therefore first have to convince Western-minded investors that opening an account there is worth the extra effort.



Volker Nienhaus

# What have we learned?

## Project findings on Islam, religious dialogue and international cooperation

Thomas Volk/ Gunter Rieck Moncayo



Thomas Volk

The project “Social Market Economy and Democracy Worldwide – The Case of Muslim Majority Countries” has generated numerous findings about Islamic issues and allowed us to learn more about the diverse facets of the Muslim world. The project focuses on the specific analysis of four pillars of the social market economy in the Muslim world. Its bottom-up perspective and the exchange it encouraged between practitioners at government agencies and scientific institutions in Germany and in predominantly Muslim countries across the world highlighted the diversity within the global Islamic community. This also delivers a strong message regarding



Gunter Rieck Moncayo

Muslim communities in Europe and Germany: there is no such thing as a monolithic, uniform, Islamic economic and social order.

### Openness towards competition and property rights in Islam

This is true, for example, of competition regimes. The majority of the evaluated predominantly Muslim countries do have a competition authority, but the state also has a strong political influence on competition law. The phenomenon of a strong, controlling state is clearly identifiable in many Muslim countries and is particularly noticeable in the enforcement of Islam as the state religion and in its interaction with other religions. Particularly in the case of competition regime, however, it became clear that religion does not have an especially dominant role. The competition regimes have much more to do with the structure of state institutions, careful division of powers, and combatting corruption. It is hard to distinguish a definitive Islamic slant to specific competition regime institutions, although, in principle, Islam upholds concepts like competition and right of ownership.

### A ban on interest and prohibition on speculation are elements of Islamic Banking

Indeed, from the very beginning, Islamic traditions have cultivated a positive relationship with economic issues – after all, the Prophet Muhammad was himself a merchant and he established a market system in Medina very early on. And yet, an established Islamic economic system is not yet a full-fledged concept. But such an Islamic concept certainly does exist in the area of finance and banking. One workshop dealt with the question of Islamic banking. It examined the theoretical foundations of Islamic banking and the feasibility of the concept in predominantly Muslim countries and beyond. While a ban on interest and prohibition on speculation constitute two significant pillars of Islamic banking, the actual features of this financial system remain the subject of controversial debate. Although the ban on interest is explicitly mentioned in Islamic writings, Islamic banking is a comparatively new phenomenon. Countries such as Oman have only recently started offering specially designated “halal” (permitted) Islamic banking products. Malaysia, on the other hand, is currently building a totally new financial district for Islamic banks and is expecting to increase their clientele. In the meantime, the first Islamic bank has also got off the ground in Germany. It is hoping to appeal to the more than four million potential Muslim customers.

### The German dual vocational training system is admired in the Muslim world

The training and education policy workshop demonstrated that education and knowledge are also central to the economic clout of young people in the Muslim world. The average age in nearly all predominantly Muslim countries is under 30, so the education systems in these countries are confronted with major challenges. Islamic educational institutions are (re)gaining social acceptance in many countries, including Turkey, Malaysia and Indonesia. In Turkey, İmam Hatip schools have become more popular, and they are now permitted to issue university entrance qualifications. The German dual vocational training system is admired in the Muslim world, as it is in many countries



worldwide. While higher education is particularly valued in many predominantly Muslim countries, vocational professions are regarded as less prestigious. They are therefore less sought after among young people, even though there is a great need for well-trained specialists. In view of this low acceptance and the fact that vocational education systems are limited, if they exist at all, one potentially promising way to strengthen the practical components of the education system in these countries might be collaboration on dual higher education between training companies and universities. Another important educational issue in the Muslim world is pre-school education. To a large extent this is not state organised but taken care of within the family. However, studies have shown that good pre-school education is key to an individual's further progression in life. A campaign to promote pre-school education, particularly as part of the women's movement, could meet with success in the Muslim world.

### **Zakat is one of the five pillars of Islam and offers a link to the subsidiarity principle**

An important finding of the workshop on social security was that the concept of zakat (the Islamic alms-giving tax) has much in common with the concept of the social market economy. Zakat is one of the five pillars of Islam and therefore a religious duty for every practicing Muslim. It is organised differently in each Muslim country (privately, by the authorities, or by the state) and does not replace state healthcare, old-age or long-term care insurance. Zakat contains a large element of the subsidiarity principle; payment of the alms should encourage and strengthen the recipient's

own initiative. Just as Islamic banking and financial systems are not seen as obligatory by all Muslims, so the attitude towards zakat varies widely.

### **Such dialogue, at the work level and on equal terms, is still irreplaceable**

Alongside the practical insights derived from the workshops, the participants repeatedly underlined that there is a need for many more such forums for professional encounter and the discussion of specific questions relating to the economic systems in various regions of the world. Such dialogue, on equal terms, between the representatives of public authorities, scientific institutions and organisations in Germany and various predominantly Muslim countries should improve mutual understanding of different practices and intensify knowledge transfer in both directions. Although today's globalised, digital world has accelerated and concentrated important processes, personal encounters and the direct exchange of views and experiences are still irreplaceable when it comes to ensuring successful and, above all, peaceful cooperation.

The social market economy is Germany's success story, and it is already very well regarded in the Muslim world. People in those countries are not so much interested in its philosophical and socio-ethical foundations but rather in the positive economic and social results that it has achieved. Implementation of this economic and social system is often based on preconditions that do not exist in this form in many other parts of the world. Nevertheless, the social market economy can function as a guiding principle, without defining the exact way of how it should be implemented.



Gunter Rieck Moncayo talks to Sulaiman Al-Harthy, a banker from Oman.



Thomas Volk talks to Hamda Moussa from Djibouti's chamber of commerce.

### **The approaches taken in the Muslim world could deliver new impetus for the concept of social market economy**

The implementation of Eucken's principles can only take place gradually; each system must adapt in its own way. The dialogue initiated and conducted within this project provides a good opportunity for making this happen. For practical reasons, the way the social market economy has been implemented in Germany might not be the right way for many predominantly Muslim countries. And, conversely, some of the approaches taken in the Muslim world could give us a fresh perspective and deliver new impetus for our work.

This project has shown that development cooperation is crucial in areas such as the fight against corruption, women's rights, support for small and medium-sized businesses, microfinance, and educating the public about democracy and the rule of law. More specifically, there should be greater cooperation with the foreign trade chambers in predominantly Muslim countries, with the goal of promoting even further their interest in the dual vocational training system. The insights the project provided into the diversity of the Muslim world can also contribute to an improved appraisal of certain developments within Muslim communities in Germany. Many areas that are assumed to have an Islamic slant actually operate more pragmatically than expected. Islamic banking is a good example of this, as there is only a small percentage of customers for whom "Islamic" is the deciding factor in their investment decisions – like in conventional banking, profit maximisation is not neglected. Dialogue with the Muslim world has taken on a greater significance, and it includes a desire to learn more about

Islamic approaches to schooling, social security, competition regime, and banking and finance. Another critical finding of this project is perhaps that attempts to simplify and compare do not always work and that the diversity of Islam in its regional and institutional manifestations is set to continue.

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# The authors from the journalist academy of the Konrad-Adenauer-Stiftung

The brochure “Social Market Economy and Democracy Worldwide – The Case of Muslim Majority Countries” is a joint production by three Konrad-Adenauer-Stiftung departments: European and International Cooperation, Politics and Consulting, and Scholarships and Cultural Activities. For the last 35 years, the latter department has incorporated the KAS Journalism Academy, which provided a large number of the authors who contributed to the publication. A total of eight current and former journalism scholarship holders, in teams of two, attended the workshops in Dakar, Ankara, Tunis and Kuala Lumpur. We present the reports they compiled on these two pages.



**Mathias Birsens** (22) is studying Islamic Studies at the university of Hamburg and is a scholarship holder of the journalists' academy of the Konrad Adenauer foundation since 2013. He is especially interested in the Palestine Question. During the conference in Ankara he learned that non-state social institutions like the islamic charity „Zakat“ can play an important role for the social security within a country.



**Jessica Gehring** (23) is doing her second bachelor degree in political science at the university of Tuebingen. Since April 2013 she is a scholarship holder of the journalists' academy of the Konrad-Adenauer-Foundation. Her enthusiasm and interests lie in the exploration of the Middle East by travelling through countries such as Jordan, Kurdistan-Iraq and Palestine. Through inspiring discussions and talks at the conference in Tunis she has learned a lot about different educational systems of muslim majority countries. Coincidentally, there is urgent need of action: only good education can open doors.



**Julia Gurol** (21) is an M.A. Graduate Student of „Political Science“ at the Rheinische Friedrich-Wilhelms-Universität Bonn. Since 2013 she is a scholar of the journalists' academy of the Konrad-Adenauer-Foundation and is therefore working as a freelance journalist for different media such as Rheinische Post and WirtschaftsWoche. Julia is highly interested in Peace and Conflict Studies, social movements and uprisings in the Near and Middle East (MENA) as well as in the German and European security politics towards the MENA region. In Kuala Lumpur she got to know that islamic banking and islamic finance are not only of interest for muslim majority countries but can also attract people in Europe.



**Anna Klein** (22) studies political science and communication at the university of Augsburg – and holds a scholarship of the KAS journalists' academy since 2013. She is interested in Islam not only since she chose her BA thesis' topic which is dealing with the Islamic State. As a reporter at the KAS conference in Dakar, she found it particularly interesting how varied the connection between religion and economy in the different Muslim majority countries is.



**Anuscha Loza** (26) holds a degree in french and italian philology and works as a freelance journalist in Munich. From 2009 to 2014 she took part in the KAS journalists' academy. She loved the spirit during the workshop in Tunis and was impressed how the work united the participants of every language and origin. She learned from the presentations and workshops that education is a universal asset – with all its challenges, as well as with all its opportunities.



**Kristina Milz** (27) Kristina Milz is a PhD student, graduate of the KAS journalists' academy and a freelance journalist for the Middle East. She studied History and Political Sciences. As an author she writes especially portraits, reports and essays about the Orient and the Islamic World.



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