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# QUARTERLY NEWSLETTER



## ABOUT US

THE WIEF FOUNDATION WAS ESTABLISHED ON 6TH MARCH 2006 TO INSTITUTIONALISE THE WORLD ISLAMIC ECONOMIC FORUM (WIEF). BEING THE PROPRIETARY OWNER OF THE FORUM, IT ADMINISTERS AND ORGANISES THE ANNUAL WIEF, AS WELL AS ENSURING THE SMOOTH-RUNNING OF THE PROJECTS AND PROGRAMMES UNDER ITS PURVIEW.



The World Islamic Economic Forum (WIEF) has the primary aim to connect the people of the Muslim world together through economic cooperation and business partnerships, with the hope that with such development, more jobs will be created and more people will be empowered to lead the Muslim world beyond the 21st century.

The Forum, now in its fifth, has been crucial in bringing together government leaders, captains of industries, academic scholars, regional experts, professionals and corporate managers to discuss and find business solutions for problems in the Muslim world. The inaugural WIEF was held in Kuala Lumpur, Malaysia in 2005, the second in Islamabad, Pakistan in 2006, the third in Kuala Lumpur in 2007, the fourth in Kuwait in 2008 and the fifth in Jakarta, Indonesia in 2009.

The WIEF Foundation accords the highest importance to two of the most important segments of society: the women and youth of the Muslim World – which it seeks to

nurture to its maximum potential through training, education and business activities. Towards this objective, the Foundation establishes initiatives which consist of the WIEF Businesswomen Network (WBN), the WIEF Young Leaders Network (WYN) and the WIEF Education Trust (WET) to work on these areas.



WIEF FOUNDATION HAS ITS OWN CORPORATE ADMINISTRATIVE STRUCTURE WHICH INCLUDES THE BOARD OF TRUSTEES LED BY THE CHAIRMAN OF THE FOUNDATION, AND SUPPORTED BY THE INTERNATIONAL ADVISORY PANEL (IAP) AND A PERMANENT SECRETARIAT BASED IN KUALA LUMPUR.

The Board of Trustees brings a vast range of knowledge and experience to the task of governing the Foundation. The Board oversees the direction and execution of the Foundation's purpose and objectives.

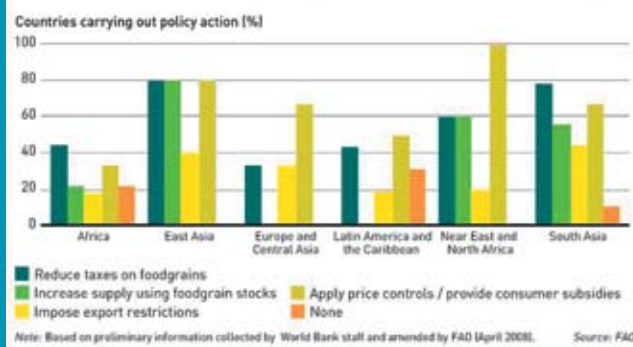
The WIEF International Advisory Panel is the advisory body of the WIEF Foundation that provides strategic input and intellectual content for the annual global and regional WIEF as well as its related initiatives. This body consists of business leaders from various industries, thought leaders as well as heads of OIC related organisations. The IAP meets at least twice a year under the chairmanship of Tun Musa Hitam, Chairman of the WIEF Foundation.

The Permanent Secretariat established in July 2008, serves as an administrative body of the WIEF Foundation that manages the day-to-day operations of the Foundation. With a fully dedicated Permanent Secretariat, the Foundation is able to fulfil its objective of organizing its annual and regional Forums and to implement the programmes established under each initiative.

Photo by Ruzanna Muhammad

# HUNGRY FOR CHANGE

Policy actions to address high food prices, by region



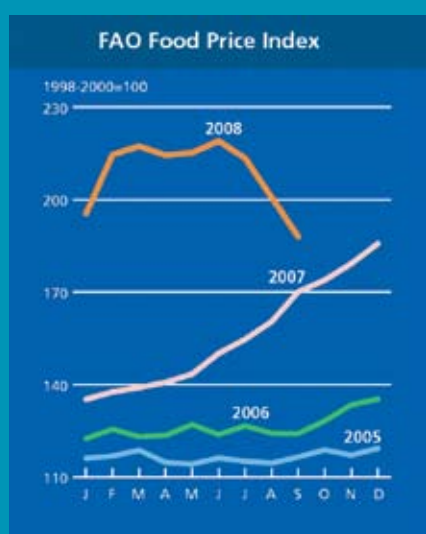
FOOD IS BECOMING INCREASINGLY SCARCE AND EXPENSIVE. THE FOOD CRISIS AFFECTS THE WORLD'S POOR IN AFRICA, SOUTH ASIA AND THE MIDDLE EAST. THE COST OF STAPLE FOOD SUCH AS RICE, CORN AND WHEAT HAVE SKYROCKETED OVER RECENT YEARS, AND HAVE BECOME UNAFFORDABLE FOR MANY PEOPLE. IT IS A CRISIS WITH CONSEQUENCES POTENTIALLY HARSHER THAN THE GLOBAL CRISIS IN THE FINANCIAL MARKETS.

Various complex and interlocking reasons such as a growing global demand, unfair world trade rules, speculation in the commodities market, as well as climate change, contribute to this dramatic hike in food prices. Furthermore, as a result of volatile food prices and increasing energy and water scarcity, more people are slipping into hunger.

Ban Ki-Moon, the Secretary-General of the United Nations said that food insecurity is a global challenge, and that challenge is becoming more difficult due to factors such as climate change. He raised concerns that development assistance for agriculture has been falling off steadily, from 13 per cent in the early 1980s to 2.9 per cent in 2005-2006. Concerns were also on food systems that are failing with falling grain reserves, soaring prices and food riots.

ACCORDING TO THE WORLD BANK, MORE THAN 2 BILLION PEOPLE ARE STRUGGLING WITH HIGH FOOD PRICES ON A DAILY BASIS. INEVITABLY, HIGH PRICES INTENSIFY THREATS OF MALNUTRITION THAT HAS ALREADY BEEN CAUSING FATALITIES OF OVER 3.5 MILLION CHILDREN A YEAR. UNFORTUNATELY, FOOD PRICES ARE EXPECTED TO REMAIN HIGH THROUGH TO 2015.

It was reported that the prices of staple foods have seen increases ranging from 30 per cent to 150 per cent in 2007 and 2008. According to the World Bank, the impact has increased the number of malnourished people worldwide to a total of nearly one billion people (967 million) in 2008. The volatility of prices consequently makes it difficult for farmers to invest and plan.

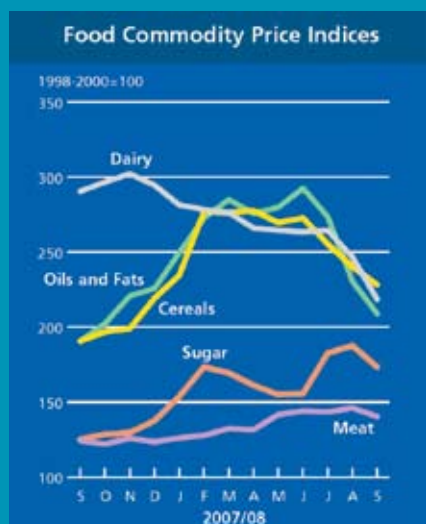


Source: fao.org

Ki-Moon further insisted that the world will face ever-more severe food crisis unless and until there is public action to stabilise food supplies and protect those who are most vulnerable.

According to the Food and Agriculture Organisation (FAO), high international prices have prompted major intervention policies by many countries, mainly to avert sharp price rises. For example, in 2007, several importing countries have reduced or suspended their import restrictions while many exporting countries have limited exports, as they feared large exports could create shortages at home and consequently result in higher domestic prices.

Moreover, the Director General of International Food Policy Research Institute, Joachim von Braun expressed that policymakers, development practitioners, donors, and private sectors should increase the ability of the world food system to respond to emergencies and build up its resilience with appropriate policy formulation, implementation, and adequate resource mobilisation.



Source: fao.org

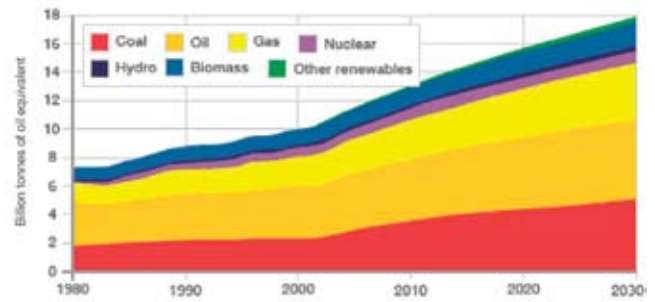
He further suggested that three sets of complementary policy actions should be taken. This consist of the need to increase investment in agricultural productivity, reduce market volatility, and invest in social protection and child nutrition. These three actions should be supported by a new global architecture for governing food, nutrition, and agriculture.

While many Organisation of the Islamic Conference (OIC) member countries are agriculture centred economies producing a major portion of the world's food commodities, the oil-rich Muslim economies could intensify their existing economic cooperation and business partnerships with agriculture-based Muslim economies. This would make the Muslim economies globally competitive. Reaping high investment returns, investing more in agriculture would secure their own food sources, and ultimately contribute to alleviation of the food crisis from other Muslim countries.

The time to act is now. Businesses, farmers, governments and the public need a collective action and work together to counter global risks. The challenges of energy, food and water are pivotal as they are the drivers of the world economy and security.

# KEEN<sub>ON</sub>GREEN

THE CURRENT ENERGY SITUATION IS A COLLIGATION OF PROBLEMS AND OPPORTUNITIES. WITH ROBUST ECONOMIC GROWTH AND EXPANDING POPULATIONS, WORLD ENERGY CONSUMPTION IS PROJECTED TO INCREASE STRONGLY. FURTHERMORE, AS A RESULT OF THE INDUSTRIAL REVOLUTION, CARBON EMISSION AND GLOBAL WARMING HAVE MADE ENERGY A NECESSITY AS WELL AS A SERIOUS GLOBAL ISSUE.



Source: World Energy Outlook, International Energy Agency, 2007

With the rapid growth, many experts believe that supply of oil and natural gas will be unable to keep up with the demand for oil and natural gas. Consequently, the crisis calls for improved efficiency in industries, buildings and transport to help reduce environment damage through excessive energy consumption.

Renewable energy and coal are the fastest growing energy sources, with consumption increasing by 2.1 per cent and 2.0 per cent, respectively according to International Energy Agency (IEA). Projected high prices for oil and natural gas, and the rising concern on environmental impacts of fossil fuel usage further improve prospects for renewable energy sources. The UN reported that millions of new jobs will be created

worldwide over the next few decades by the development of alternative energy technologies.

With the economic trends and population growth, it translates to increased energy use due to the commercial sector activities. The need for services such as health, education, financial increases as the population increases. Economic growth also determines



Photo by Ruzanna Muhammad

the degree to which additional activities are offered and utilized in the commercial sector. Economic growth translates to higher levels of economic activity, which translates into increased income and in turn increased demand.

**INEVITABLY, TOTAL ENERGY USAGE WILL CONTINUE TO RISE AS INCREASED WEALTH PROMPTS GREATER OVERALL CONSUMPTION. WITH NO SINGLE SOLUTION TO OVERCOME THE ENERGY CRISIS; INDIVIDUALS, THE SOCIETY, CORPORATIONS AND GOVERNMENTS ARE ALL RESPONSIBLE IN HELPING TO EASE THE CRISIS.**

Fortunately, there have been transitions to a low or even zero carbon economy including feed-in tariffs such as those that were introduced a few years ago in Germany. The German renewable sector, for example, now already generates \$240 billion in annual revenue, employs 250,000 people, and is expected to provide more jobs than the country's auto industry by 2020.

The green economy thus has to grow at a more progressive pace in order to take advantage of manpower needs fuelled by the cost of rapid increase of greenhouse gases. However "green jobs" are dependent upon subsidy shift from oil and natural gas towards wind, solar, and geothermal power.

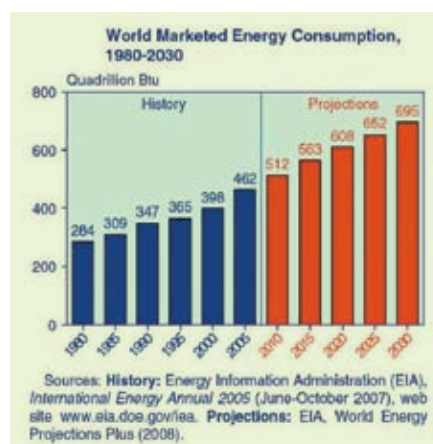
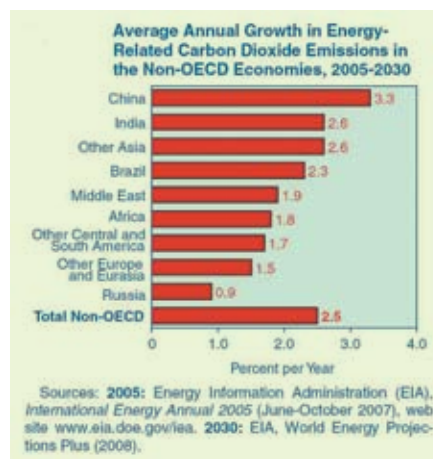
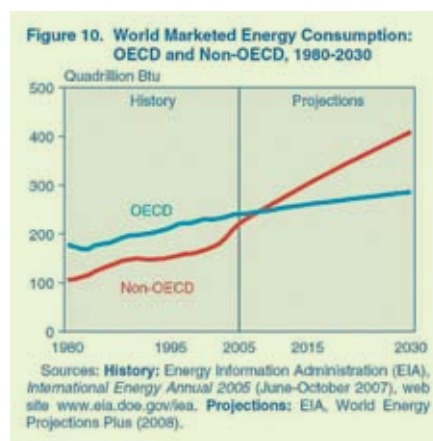
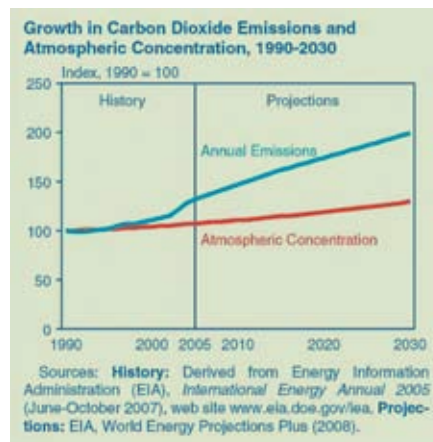
Governments and policy makers need to show the way forward for businesses around the world through policies, awareness campaigns and so on. Government needs to adopt a myriad of measures to reduce energy waste and unnecessary carbon dioxide (CO<sub>2</sub>) production which includes tax breaks for energy-saving technology, rises

in energy prices and tougher regulations for cars and houses.

Jacques Diouf, the Director-General of Food and Agriculture Organization of the United Nations (FAO) said, fossil energy scarcity could mean that alternative energies will become increasingly important. The energy market is so large and the demand could be so high that it has the potential to change the traditional agricultural market systems completely. Thus, the real solution to the energy crisis is not simply more alternative energy, to erect huge forests of wind mills or just to install solar panels. Conversely, to solve the energy crisis, a holistic systems solution which surrounds not only energy but also economics, agriculture, science, and politics is needed.

Echoing the benefit of a holistic systems solution, UN Under-Secretary General and UNEP Executive Director, Achim Steiner said "Enormous economic, social and environmental benefits are likely to arise from combating climate change and reinvesting in natural infrastructure - benefits ranging from new green jobs in clean tech and clean energy businesses up to those in sustainable agriculture and conservation-based enterprises,"

As energy is a central pillar to most Muslim countries in the Middle East and other Muslim majority countries like Brunei, Malaysia and Indonesia, great interest in exploring alternative energy sources in the Muslim world is inevitable. Many analysts believe that until cleaner technologies are developed and adopted, energy efficiency is the easiest way for the world to significantly curb CO<sub>2</sub> emissions. Such developments call for new partnership opportunities between the Middle East and the developing countries in the Muslim world, as well as large energy consuming countries like China, Japan and India.



# INDONESIA COUNTRY IN TRANSITION



INDONESIA, THE LARGEST MUSLIM COUNTRY, BY POPULATION HAS MORE THAN 237 MILLION PEOPLE WHICH INCLUDE A MIDDLE CLASS OF 18 MILLION. INDONESIA BENEFITS FROM PREFERENTIAL ACCESS TO ITS NEIGHBOURING MARKETS AND IS BLESSED WITH LOW LABOUR COSTS AND THE AVAILABILITY OF ABUNDANT NATURAL RESOURCES SUCH AS PETROLEUM, TIN, NATURAL GAS, NICKEL, TIMBER, BAUXITE, COPPER, FERTILE SOILS, COAL, GOLD AND SILVER.

After more than ten years, the impact of the 1997 Asian Financial Crisis still lingers in the mind of most Indonesians today. Indonesia is the country that was most severely hit by the crisis, which started hitting financial and monetary sectors that inevitably changed the Indonesian political and socio-economic landscape.

Today, Indonesia is a country with a democratic government with an open economic practice. In 2001, the decentralisation policy was implemented, whereby policy making and budget allocation was moved from Central Government to City/Regency governments. With this policy, local governments are able to directly invite investments.

Enforcement on investment rules and regulations are improving as well. In March 2007, the Parliament passed a significant investment law, which stated the principle of equal treatment for all investors regardless of national origin, as well as a tax administration law that strengthened the rights of taxpayers and limited arbitrary decision making by tax officials. Other noteworthy changes include reducing the time for refunds of value-added tax, streamlining business licensing procedures, and implementing good corporate governance and risk management standards for state-owned banks.

The approved 2008 budget proposed a substantial reallocation of spending to priority areas, including infrastructure and social sectors, with an increase of spending on the community empowerment

program aimed at reducing poverty. The Gross Domestic Product (GDP) growth is projected to ease to 6.0 per cent in 2008, before picking up to 6.2 per cent in 2009.

To further sustain Indonesia's economy, the Capital Investment Coordinating Agency (BKPM) launched the roadmap of Indonesian Capital Investment in 2009. The 'roadmap' identified three focused sectors: food, energy and infrastructure. The decision to focus on the three sectors was prior consideration on the global economic progress as well as future economic direction.

With the world confronting another global financial crisis, President Susilo Bambang Yudhoyono recently said the government had allocated Rp 50 trillion (approximately US\$4.9 billion) to tackle the consequences

of the global financial crisis. The government is providing about Rp 12.5 trillion of stimulus in the form of waived value added tax to help industries coping with the global economic slowdown. The government's plan to promote economic growth amid the present global slowdown is also boosted with the Rp 52.3 trillion unused portion of budget expenditures in 2008.

In January 2009, the BKPM stated that direct investment in Indonesia may reach double-digits this year. This optimism is spurred by incentives and the stimulus packages designed by the government. BKPM chairman, M.Lutfi said investment last year grew by about 15.5 percent from 2007. Indonesia secured US\$17 billion in investment last year, the highest in Southeast Asia, leaving Singapore behind with \$12 billion, he said. The government is providing about Rp 12.5 trillion of stimulus in the form of waived value added tax to help industries coping with the global economic slowdown. These stimulus measures would provide some leeway for businesses to make investments. The stimulus focuses on businesses engaging in infrastructure, the energy sector and manufacturing.

To further attract investment in Indonesia, President Susilo Bambang Yudhoyono had also launched the much-awaited free trade zone for Batam, Bintan and Karimun in Riau Islands. The launching, ending five years of legal uncertainty for businesses, was marked with the issue of government regulations on customs, tax and duties for goods entering the three islands. The perks of the free trade zone is that companies operating in the islands will no longer pay value-added tax (VAT), import duties and luxury tax, spurring hope that more foreign businesses will invest in the islands to tap low production costs.

After all these legal hurdles are cleared and the platforms for cooperation and initiatives for growth are provided, everyone remains upbeat on how these economic cooperation and initiatives would strengthen the ties and relationships in the Muslim as well as the rest of the world at times of simultaneous global crises.



## CORPORATE MEMBERS



## WORLD ISLAMIC ECONOMIC FORUM FOUNDATION (725725-A)

2nd Floor Kompleks Antarabangsa Jalan Sultan Ismail 50250 Kuala Lumpur Malaysia

T: 603 2145 5500 F: 603 2145 5504 enquiry@wief.org www.wief.org

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