ASEAN Economic Bulletin Vol. 24, No. 3 (2007), pp. 372–383 ISSN 0217-4472 print / ISSN 1793-2831 electronic

BOOK REVIEWS

DOI: 10.1355/ae24-3f

***Islamic Banking and Finance in South-East Asia: Its Development and Future*. By Angelo M. Venardos.** Singapore: World Scientific Press, 2006. Pp. 238.

Spanning more than seventy-five countries and charting an estimated average annual growth of 15 to 20 per cent, Islamic finance has emerged as a globally recognized and accepted form of financing. Southeast Asian regulators and stakeholders increasingly face challenges and opportunities in integrating the system of Islamic financing into mainstream systems of financing. With interest in Islamic finance rising rapidly worldwide, Singapore-based banker, Angelo M. Venardos's volume, *Islamic Banking and Finance in South-East Asia*, turns the spotlight on Southeast Asian forays into Islamic financing. In a concise volume, Venardos draws attention to the emerging Islamic financial hubs of Malaysia, Indonesia, Labuan, Singapore, and Brunei. As destinations that demonstrate considerable promise, the growth of Islamic finance in these four centres is outpacing many business segments in the global banking system. Recognizing the promise that Southeast Asia exhibits, Venardos's study covers the origins of Islamic finance, the fundamentals of its practice, and legal issues and challenges in Southeast Asia.

Islamic Banking and Finance in South-East Asia is a valuable addition to the existing repertoire on Islamic finance. With much of the existing literature focused on the Gulf and the Middle East, this study is one of the early pioneers in investigating the scope of Islamic finance in Southeast Asia. Venardos's volume will be of interest to an audience keen on exploring the historical developments, techniques, and rules and regulations of Islamic financing in the region. Written in a straightforward style and organized in an easy-to-digest format, the coverage of this book is wide-ranging. *Islamic Banking and Finance* draws from the disciplines of politics, law, religious studies, economics, and finance to provide an overview of the characteristics and operation of Islamic banking and finance in Southeast Asia.

Venardos approaches Islamic finance by setting it in the context of the underpinnings of Islam and the economic system it advocates. He delineates the major tenets of the Islamic belief system, highlights the key values in financial decision-making, and chronicles the spread and influence of Islam. He also considers the central questions of how Islamic principles are interpreted and applied across Southeast Asian countries. The role of Islamic beliefs and social values play in ordering financial transactions and structuring financial institutional behaviour are also important themes in this volume. The evolution of Islamic finance, as governed by *shari'a* law and Islamic jurisprudence, is contextualized in the development of an economic system that advances the goals of a just and fair society.

Outlining the contours of Islamic commercial law, Venardos juxtaposes conventional Judaic-Greco law and Islamic *shari'a* law. The close historical connection between Islam and commerce is an idea that is threaded through the thirteen chapters that comprise this book. The moderation of business and financial activities by spirituality is central to the practice of Islamic finance. Going beyond the well-known prohibition of paying or receiving interest (*riba*), Islamic commercial law also stipulates that property and its ownership are grounded in the Quran, and the *Sunna* are matters with which God is concerned. The inextricability of profit and loss sharing schemes from the practice of Islamic finance is also explored in depth. Business partnerships divide profits and losses in accordance with the capital share and effort, and such arrangements are not rooted in guaranteed rates of return. In contrast to interest-based financing of conventional systems, Islamic finance relies heavily on equity-based systems of financing, where the efforts and risk carried by business partners are the sole determinants of the profit and loss sharing arrangements.

Based on a religiously governed system of beliefs and values, a range of financial products has been developed in Southeast Asia. Fuelled by the twin drivers of the resident Muslim populations in the region and the arrival of Middle Eastern businesses, banks in Southeast Asia are being pushed to offer an increasingly wide range of financial products. Based on edicts that prohibit interest, uncertainty in contractual relationships, and *haram* (forbidden) products, financial institutions in Southeast Asia encountered a second wind in the development of Islamic financial products in the 1990s. Venardos categorizes the financial products into five types, specifically, equity securities, debt-financing contracts, debt securities, leasing arrangements, and insurance. Equity securities include trustee profit-sharing *mudarabah* set-ups and *musharakah* joint venture arrangements. Debt-financing contracts, the most developed of the categories, extends to *bai bithamanajil* where asset acquisition is financed through deferred instalments, *ijara*, where financing the use of the services of an asset are conducted through leasing, *al-ujr*, fee-based syndication, *murabaha* letters of credit, and *salam,* forward purchasing. Debt securities entail deferred contracts of exchange, loans (without interest or share in profit or loss), and the refinancing of assets. Islamic insurance, *takaful,* is a cooperative-based arrangement whereby members jointly guarantee themselves against any damage or loss suffered by the group.

Despite the strides taken by Southeast Asian countries in innovations in Islamic finance, challenges endure in the translation of Islamic law into Islamic financial practice. The complex and dense body of classical Islamic jurisprudence (*fiqh*) that relates to commercial and financial matters sets out detailed rules and regulations with moral dimensions. Due to the fact that the application of *fiqh* hinges on the interpretive skills of individual Islamic scholars, and their knowledge of primary and secondary sources, the interpretations of different schools do not advocate a singular perspective. Without predictability and consistency of perspectives, the application of Islamic law is varied across geographies and across time. For example, in the application of *salam,* forward purchasing contracts, there is no consensus on whether the availability of the good being bought should be ascertained on the day of the purchase or on the agreed date of delivery of the good. With such divergence, financial legislation is difficult to formulate, not to mention the uphill battle in codifying legislation from different periods.

Islamic Banking and Finance situates the spurt of activity and interest in Islamic finance in Southeast Asia within the larger trends of Islamization of the region. The arrival of Islam in Southeast Asia and the European legal structures inherited from episodes of colonialism have moulded the trajectory of Islamic banking in Southeast Asia. The rest of the volume is anchored by the five country chapters that cover Malaysia, Indonesia, Labuan, Brunei, and Singapore. Venardos explains the dynamics of the banking industries, origins of Islamic banking, reasons for its development, the present laws and regulations that govern Islamic banking, and puts forward recommendations for the future development of Islamic banking in each of the countries. This volume describes the trends in Indonesia, Malaysia, Labuan, Singapore, and Brunei in great detail. Had Venardos also delved deeper into comparative analysis between regional leader Malaysia, and relative newcomers Singapore and Indonesia, this volume would have been more compelling. Media coverage on Southeast Asia notes that the region is asserting itself as a major financial centre, and has also visibly flexed its muscles on the global financial stage. However, Venardos's book probes this trend further and explores the legal milestones in these five markets. Although the long march for Islamic finance in Southeast Asia appears to be over, the industry remains in its adolescence, especially in areas such as accounting, harmonization of standards and ratings, and transparency. Islamic finance in Southeast Asia today is moving from the niche market to the mainstream market. At the cusp of this transformation, stakeholders need to understand the values that underlie the ethos of Islamic finance and the myriad of forces driving its growth. Angelo Venardos's volume on Islamic banking and finance analyses these trends in Southeast Asia, and can serve as the foundation for conversations between government, business, and other regional stakeholders.

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DOI: 10.1355/ae24-3g

Managing Globalization: Lessons from China and India. **Edited by David A. Kelly, Ramkishen S. Rajan, and Gillian H. L. Goh.** Singapore: World Scientific, 2006. Pp. 481.

China and India, two fastest-growing and most populous nations in the world, have been attracting greater attention from experts and policy-makers in recent years. This book brings together various contributions by Chinese and Indian scholars for the Inaugural Conference of the Lee Kuan Yew School of Public Policy at the National University of Singapore in April 2005. Topics cover a wide range of issues, including that of the economy, social security, national security, and ethnicity and identity. Since this is a compilation of papers, the editors do not necessarily always draw any particular conclusion for readers. However, it undoubtedly provides plenty of analyses, information, and viewpoints on both China and India, and is expected to trigger further discussion by scholars and policy-makers concerned. Having said so, the following are some observations primarily focusing on the economic aspects of China and India (not necessarily on social and political aspects).

Firstly, we should bear in mind that although both economies attract attention equally, each has been developing under different socio-economic conditions and political regimes. For example, their economic models and development patterns are quite different in terms of the role played by the private sector and foreign direct investment (FDI) in the economy, industrial structures, language, and education. As the editors have suggested and perhaps many agree, that is why China and India can play complementary roles as non-rivals in the world market. Many would also agree to the "China and India (sometimes referred to as 'Chindia')" approach rather than "China versus India" approach. China could learn from India in terms of the governance of the private sector, laws, and regulations that ensure fair and competitive market environment, and India's various international aspects, while India could learn from China's FDI policy and infrastructural investment policy for instance. From such viewpoint, it is quite fascinating to compare and highlight which development path may fit other developing regions in order to increase their economic performance. Perhaps there is no universal development model and each region could follow either China or India or somewhere in between, taking into account its own conditions and development stage, but a comparative study of