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THE GLOBAL FINANCIAL CRISIS AND THE ISLAMIC FINANCIAL SOLUTION

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ABSTRACT

The global credit crunch, food crisis and oil crisis has once again highlighted the fragility of capitalism, as the fallout from the credit crunch and the wider economic crisis continues, demands for alternatives are certain to grow. This research will focuses on financial crisis in the global conventional financial market and points out the various factors that have contributed to the crisis. The Islamic view on such factors is presented and shows how Islamic economic system can help to bring stability which the world needs.

INTRODUCTION

The world is in the midst of a financial crisis which threatens a worldwide economic recession. The 'Credit crunch' as it has come to be known brought panic and turmoil in the summer of 2007 to the world's financial markets causing the United States' housing market bubble to burst. The crisis threatens a worldwide economic recession, potentially bringing to a halt more than a decade of increasing prosperity and employment for western economies and potentially wiping a staggering $1 trillion off of the value of the world economy (Boeri and Luigi, 2008). The present financial crisis has had two main effects in the United States. Firstly, the banks have become less willing to lend money, driving up the price of borrowing. The value of bonds issued worldwide against mortgages, for example, has crashed from $1.9 billion for year to $500m in the year 2008. Secondly, some financial institutions have been devastated - most importantly for the private finance initiative(PFI) industry, the monoline insurers that insure the bonds issued to raise money for PFI projects (Cecchetti, 2008). They had, however, been guilty of buying dodgy mortgage-backed securities and therefore, have lost the high credit ratings they could lend to bond issuers.

The third world has also not been spared, Bangladesh, Indonesia, Malaysia, Pakistan, South America, Africa as well as the Middle East were all sold the idea of free markets, and all of these regions and nations now have capitalistic financial markets where large sums of wealth are the subject of speculation on the state of the economy and future revenue flows. Like all previous crisis much literature has once again been written about the causes of current crisis. Many economists and commentators, have highlighted the causes of credit crisis due to lack of proper regulation, legislation and transparency (Cecchetti, 2008; Adrian, and Shin,2008; Goodhart, 2008).

However, the current crisis shares many similarities with previous crisis that have occurred since the Great depression occurred in 1930. There do exist a whole host of specific factors inherent within capitalism that caused the current credit crunch, food and oil crisis. Such factors continue to plague the western economies and all those who have imitated them. Furthermore, this credit crunch has also highlighted the fragility of capitalism and the free-market economy, as the fallout from the credit crunch and the wider economic crisis continues, demands for alternatives are certain to grow. Islamic economists (eg, Siddiqui, 2009; Chapra, 2009, Bagsiraj, 2009) continually refer to the global economic crisis as a result of interest rates(Riba) from the great depression to the crisis in the western countries . Huge budgetary imbalances, excessive monetary expansion, large balance of payments deficits, insufficient foreign aid, and inadequate international cooperation can all be related to flaws in the theory of interest, which is also the root of the crisis. Core principles of Islamic economics system are justice, equity and welfare. Islamic economics seeks to establish a broad-based economic well-being with full employment and optimum rate of economic growth. It will bring socio-economic justice and equitable distribution of income and wealth. Islamic economics will also ensure the stability in the value of money to enable the medium of exchange to be a reliable unit of account and a stable store of value. On the other hand, Islamic banking system strikes a balance between flexibility and oversight. The proponent of Islamic banking system expects that credit crunch could not happen in the Islamic financial institutions, because this system operates based on partnership between the client and the banks. There is a social commitment within the Islamic banking and finance. The aim of this research is to focus on financial crisis in the global conventional financial market and will point out the various factors that have contributed to the crisis. The Islamic view on such factors will be presented in the form of an Islamic economy which will bring the much needed stability the world needs.

REVIEW OF LITERATURE

Since 2000–2001 Shari'ah-compliant finance has caught the attention of European and American financial institutions as rising petrodollars shifted potential sources of finance capital to the Middle East. Oil producing countries, trading in the US currency had billions of surpluses to invest in the United States and within the Middle Eastern region. Against this backdrop of monetary monopoly, Iraq became a victim of a 'unilaterist United States, employing militant imperialism that seeks to gain control over the world's energy supply and denies the self determination of sovereign nations regarding their chosen oil-export currency' (Clark, 2005, p. 2). With the invasion of Iraq in March 2003, the United States had virtually total control over the circulation (many call it recycling) of petrodollars and Iran, embargoed and isolated, was the only oil-producing country with some autonomy from American global monetary policy in relation to its global investments of petrodollars, Clark (2005, p. 1) further argues that the 'current geopolitical tensions between the United States and Iran extend beyond the publicly stated concerns regarding Iran's nuclear intentions, and likely include a proposed Iranian "petro euro" system for oil trade'. 11 September 2001 and fears that Arab money overseas was used to fund terrorism further led to a freeze on Arab bank accounts, personal and corporate, eventually leading to a massive withdrawal of investments in the United States (Baker, 2008, p. 12; Warde, 2007). During this period, oil prices rose to US$67 a barrel, raising oil revenues in the six Gulf Cooperation Council countries (Bahrain, United Arab Emirates, Kuwait, Oman, Qatar, and Saudi Arabia) to US$300 billion compared to $61 billion in 1998 (Warde, 2007). From 2001, Arab investors decreased investments in the United States by US$25 billion a year (up until 2005) when investments in the United States returned back to normal about a year after the occupation of Iraq in 2003 (Warde, 2007). The global economic crises of 2008–2009 were the result of an overheated global economy riding on the confidence at Wall Street of an American global monopoly over petrodollars. American financial products and services were deemed to be sound investments globally and thousands of agents of American investment agencies were deployed around the world to sell American stocks and derivatives. Without monetary regulation local and global, political optimism and libertarian economics promoted a loosening on credit and sub-prime loans, eventually leading to defaults on housing loans from those who lost their jobs in the manufacturing and service industries which suffered from high productions costs due to the rise in oil prices. Despite the negative impact of the economic crises on the economic growth of the majority of developing countries, the chase on petrodollars is still on.

The introduction of Shari'ah-compliant finance over the last decade, as an alternative to regular capitalistic ventures, did not initially gain the attention of the regular global banking and insurance sector. Shari'ah-compliant finance was asset-backed and low risk—hence restrictive and conservative. Regular and unregulated monetary transactions promotes profit from money trading, interest in financing and refinancing, such as the repacking of loans into sub-prime loans, financial speculation on derivatives and futures and so on, all of which are not allowed in Shari'ah-compliant transactions (Choudhury, 2004). Shari'ah-compliant financial services remained relatively stable during the period of economic crisis in 2008–2009, mostly on account of the rise in petroleum prices and increasing interest to invest within the Asian region. In May 2008, oil prices peaked at a record US$135/barrel (from US$65 the previous year), during a period in which oil prices raised liquidity in the Middle East (Lachman, 2008) and released significant amounts of money for Shari'ah compliant products and services. Indeed petrodollars have fuelled the growth of Islamic economics not only in the Middle East but globally. The stability of the Islamic financial industry will face its greatest test if oil prices drop significantly over the next few years, a situation which appears unlikely, given the strong demand from China and revival of the global economy and financial markets, energy futures in year end 2009. Specialists in Islamic finance represented by Governors of central banks, CEOs of Islamic banks, and scholars, had as early as 2005 argued for greater regulation of financial markets but by using Islamic principles of investment. Today they similarly argue that regulation is necessary, by any means, through regular state-directed systems of control on built in mechanisms of low risk, interest free, face to face transactions based in trust as instituted in Islamic finance (Mohammad Toufic Kanafani, 2005; Zeti Akhtar Aziz, 2009). The majority believe that the global economic crises which was sparked off by the repackaging of sub-prime loans in Wall Street, leading to a global escalation of money trading through banking and other investment institutions, would have been halted if proper regulatory mechanisms equivalent to Islamic finance had been in place in the United States. Toxic assets and derivatives have seen losses mount above US$650bn (£415bn) among the conventional banks in 2008–2009. In December 2005 at the World Islamic Banking Conference in Bahrain, several Islamic scholars participated in an open forum entitled, 'The Shari'ah Open Forum: Unlocking Market Opportunities: Consolidation, Innovation and Growth'. The focus was on retail, corporate, and investment banking growth and it engaged eminent Shari'ah scholars such as Dr Mohamed Elgari, Shari'ah Advisor and Professor of Islamic Economics at King Abdulaziz University, Kingdom of Saudi Arabia; Dr Hussain Hamid Hassan, Chairman, The Fatwa and Shari'ah Supervision Board, Dubai Islamic Bank, UAE; and Shaikh Nizam Yaquby, Shari'ah Scholar, Kingdom of Bahrain, in a debate on compliance and innovation in Islamic finance. There was a general concern for regulatory changes (similar to the proposals

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of Barack Obama, in September 2009, exactly a year after a financial firestorm swept through Wall Street and the world, signalled by the demise of Lehman Brothers, one of the Wall Street giants)—yet these changes were proposed in December 2005. The Chief Executive Officer of the Noriba Bank, Mohamad Toufic Kanafani, speaking at the same World Islamic Banking Conference (WIBC) in December 2005, stated that from2000 to 2004 the amount of investments in Islamic finance had increased by 35%, during this period, managed by 265 Islamic financial institutions and denotes US$400 billion in investments. This far exceeds the US$25 billion invested in the United States in regular non-Sharia'ah compliant stocks and bonds. On 23 February 2008, in the thick of the global economic crisis, the Nikkei Islamic Finance Symposium held at Tokyo, entitled, 'Islamic Finance: Constant Evolution and Emerging Opportunities' concluded that the Islamic financial industry remained stable despite the global credit crunch and more attention should be put on the Sharia'ah compliant sukuk bonds to ease the credit crunch. Toshihiko Fukui, Governor of the Bank of Japan noted at the Nikkei Islamic Finance Symposium in Tokyo that the industry has not faced the stresses of regular financial markets over the last year and in 2008. He stated: Islamic finance has developed phenomenally in recent years. There are no precise figures that show the market size of the Islamic finance industry but according to estimates by the IFSB and other Islamic institutes, at the end of 2005, more than 300 financial institutions in more than 65 jurisdictions manage financial assets in a Shari'ah compliant manner which total between USD 700 billion to 1 trillion. From this figure, Islamic finance represents a modest one per cent of global financial assets but its growth in recent years is notable impressive. (Toshihiko Fukui, 2008) He added that it was targeted to grow at between 10% and 15%, although this growth estimate might be higher when it takes off in Europe.4 In recent years, Shari'ah-compliant products have taken off in different directions, from 'Energy Bank' in Bahrain to the United Kingdom's government sukuk (bonds), the first Sovereign sukuk to come out of the G8 at the tail end of the credit crunch in September 2009. The first Islamic bank in Italy will take off in late 2009 and will be part of the London-based European Islamic Investment Bank (EIIB). Islamic finance, if properly managed, reduces the dependency on the financier in the long runand on the national level, reduces National Debt or financial dependency on profit-oriented banks and credit institutions. Asford and Shakespeare (1991) and Shakespeare and Callen (2002) argue that it discourages financial colonization, encourages political freedom, and enables a nation to control its own destiny by encouraging wealth creation in a more egalitarian way. The extent to which it is able to increase the productive capacity of people, spread wealth more equally, and reduces dependency on external financial institutions which promote long term National Debt depends also on how nations in turn manage social transformation, linked to demographic changes, global competitiveness of industry and services and job creation. In other words, how much of this wealth generating efforts are converted to social and public capital? Does it lead to the enrichment of infrastructure and related social services which can generate efficient growth of tertiary education, technical proficiency and employment, and enable people to enjoy unprecedented increases in human development? These efforts reflect shifts in investment strategies in Europe—the pull of petrodollars rather than growing confidence in Islamic economics or interest in alternative perspectives of capitalism through the ideology of Islam. Conventional financial practices continue to dominate global transactions despite the possibility that interest free loans can release more money into the economy for public capital—in particular, infrastructural projects which can generate significant employment.

RESEARCH METHODOLOGY

Statement of the Problem

Modern economics has been used to a purely materialistic and secular approach that does not allow religious concepts to interfere with its theories and concepts, on the premise that economy is outside the domain of religion. It is, however, an interesting irony that every dollar note has the admission: "In God we trust", but when it comes to develop theories to earn dollars or to distribute or spend them, trust is placed only on human ideas based on personal assessments; God is held totally out of picture, as being irrelevant to economic activities.

It is perhaps for the first time that, as an aftermath of the present financial crisis, when different quarters are coming up with different suggestions to solve the problem, the 'World Economic Forum' has invited representatives of religion to give their input to the initiative of reshaping the economic set-up on the basis of values, principles and fresh thoughts. This commendable initiative deserves full support from religious circles. As a humble student of Islamic disciplines, and particularly of Islamic economic principles, I would like to highlight some basic points, derived from Islamic economic precepts, that I believe, are essential for independent and fresh consideration while seeking solutions to our economic problems.

What this research is going to contend may look too radical in the present environment, dominated by conventional economic thoughts, but if we are seeking a comprehensive reform in our present system which has been proven by empirical evidence to be faulty, we should not be afraid of any suggestion of radical change, so far as it is based on sound and strong arguments. The universal nature of the present crisis needs universal change in our present financial set up; a patch up solution to repair only minor wear and tear cannot work. We need an overhaul of our economic system that may redesign it on the basis of true values and sound principles that make it equitable, well-balanced and inherently immune from turmoil.

What has encouraged me to do research on this matter are the valuable remarks of the Chairman of 'The World Economic Forum' in its last annual meeting, specially, his following words;

"Today we have reached a tipping point, which leaves us with only one choice: change or face the continued decline and misery."

Since change is necessary, no idea for a global change should be beyond the scope of fresh thinking. This research will discuss all the details of the reform needed in our present system.

OBJECTIVES OF THE STUDY

1. To study the present global financial crises
2. The role of money in present global financial crises
3. The remedies from Islamic perspective to global financial crises

DATA COLLECTION

This study is based on the secondary data. India being a secular country we don't have any Islamic financial system to collect the primary data. The required data will be collected from the various sources like Bahrain Islamic Bank , Bank Islam Brunei Darussalam, Bank Islam

Malaysia, Bank of London and The Middle East, Bank Muamalat Indonesia, Bank Muamalat Malaysia, Bank ,Nagara Malaysia, Bank Islam Brunei Darussalam (BIBD),Bank Islam Malaysia, Abu Dhabi Islamic Bank , Affin Islamic Bank, Alliance Islamic Bank, Asian Finance Bank, www.radianceweekly.com, Federal Reserve Bank of New York.

IMPORTANCE OF THE STUDY

While globalization has made fewer borders between countries, this panic situation also spread to other part of the world. Both institutional and individual investors of the US, UK, and European countries hastily withdrew their investments in capital markets of developing countries, such Indonesia, and make their domestic investors become even more panic. This condition somewhat brought destabilization of the country economy, and brought problem on the country exchange rate. To calm down the domestic investors, the government took an initiative to close the capital market for some days and made public explanations that the country real sector economy was still on control and people were expected not to panic for that situation. This is because crisis on financial sector will bring very harmful impacts on the real sector if not immediately settle down.

Additionally, Sakti (2009) noted that the volume of transactions in the world money markets (which consist of currency speculation and derivative market transaction) amounted US$ 1.5 trillion in a day, while in very contrast, the transaction volume in the world real sectors amounted only US$ 6 trillion in a year. This non-productive activity is frightened to bring real economy situation in a long time of crisis – a crisis which the impacts may really and directly harm the people of the world.

LIMITATIONS OF STUDY

The Islamic financial system has not grown in its full and the non acceptability by the RBI, there are the certain sharia'h issues were Islamic scholars have not come forward and issued the concise and precise futwah, which may be the limitations of this study. Though all the possible efforts will be made to make the study objective and precise, still certain limitations exist. The present study will be having the normal limitation of time, funds, and lack of other facilities normally faced by single student researcher.

Understanding Islamic Economics

Islam neither endorses the capitalist nor the communist financial model. However, both the capitalist and socialist systems share certain elements with Islam, such as encouraging people to work, to be productive and earn as much as they can. Islam promotes an awareness of the hereafter in the hearts and minds of believers and instructs them not to be overcome by greed or excessively attached to money. The Islamic economic and financial system is based on a set of values, ideals and morals, such as honesty, credibility, transparency, clear evidence, facilitation, co-operation, complementarily and solidarity. These morals and ideals are fundamental because they ensure stability, security and safety for all those involved in financial transactions. Furthermore, the Islamic Shariah prohibits economic and financial transactions that involve interest (riba), lying, gambling, cheating, gharar (risk or uncertainty), monopoly, exploitation, greed, unfairness and taking people's money unjustly.

Financial Economics vs. Islamic Economics

Islam has a completely different philosophy for the economy that results in a very different society from a capitalist one. The overall direction of the Islamic economic system is to secure the satisfaction of all basic needs for every individual completely, and to enable them to satisfy their needs as much as possible. From this perspective, Islam looks at people individually rather than the whole of society. This means economic policies will look to cater for all rather than just leaving satisfaction to the market. This may be achieved by a host of rules Islam has to ensure wealth distribution and by government involvement in the economy to ensure that it moves in the direction Islam has designated. While both systems accept money to be a store of value and a medium of exchange, the financial market-based economic system permits money to be treated like any other commodity which can be traded for a profit/interest.

In contrast, most Islamic scholars require money to be fully asset backed and also consider it impermissible to allow money to be traded for money except at par. From the Islamic perspective, a key consequence of permitting both creation of credit money and interest-based lending is to allow banks and other financial institutions to generate massive amounts of wealth at the expense of the rest of society, especially the poor, resulting in the inevitable charge that the economic system persistently favours the rich over the poor.

Financial Crisis and Islamic Banking

A financial crisis of the present kind would not happen if the requirements of Shariah were properly implemented; for example, the issue of risk-sharing. If commercial banks were required to share the profits and losses of their clients, whether in business investments or mortgages, they would be much more careful when choosing which deals to finance. This is because their financial returns would depend on the performance of the projects. A banking system based on true Islamic principles would prohibit the paying and receiving of interest as well as the artificial creation of money via the process of fractional reserve. In the fractional reserve banking practice, banks lend more money than they actually have in deposits. This creates a big problem in the economy, as very little equity can be used as collateral to borrow large sums of money; this is what creates a financial bubble. In the Islamic economy, Islamic banks act as venture capital firms collecting people's wealth and investing it in the economy, then distributing the profits amongst depositors. Islamic banks act as investment partners for those who need money to do businesses, becoming part owners of the business. The banks should only be able to recoup their original capital by selling their share of the mortgage/business at the prevailing market value. As real partners, Islamic banks should have no objection to owning real assets and hence should be ready to share the consequential risk. This scheme, although seemingly inconsequential, could constitute a major relief to Islamic banks' clients, as they would no longer live under the burden of debt and fear of repossession.

Challenges Facing Islamic banking

The Islamic banking and finance industry is still in its infancy stage, and it certainly faces many challenges due to the fact that Islamic banks operate in an economy that is driven and manipulated by interest. In a financial economy, the banking sector is supported and regulated by the central bank. The central bank's regulation and policies are created for conventional commercial banks and it acts as lender of last resort. Unfortunately, most Islamic banks do not enjoy such privileges. Another challenge facing Islamic banks is that they work under operational procedures that are different from those of the conventional banks; the resulting non compatibility prevents the central banks from controlling or giving support to Islamic banks if a liquidity gap arises. Since the Islamic finance industry is working under the secular system, it may suffer from the same systemic problems that contemporary conventional financial institutions are facing. For example, due to lack of proper regulation, Islamic banks do not genuinely engage in risk-sharing, which means defaulting clients of Islamic banks suffer the same consequences as clients of interest-based banks. If Islamic banks engage in money creation, they also will suffer the same inflation and boom-bust cycle that is evident in Western economies.

Risk Sharing

Conventional banks' lending secured by collateral substantially divorces bankers from their clients' risks, and causes heavy conflicts of interest. Conventional banks also skew the provision of funds to those who are already rich. Poor people with good ideas but no collateral often fail to attract finance under this system, with the result that wealth inequality increases from one generation to the next. Islamic banks' risk-sharing finance should do away with such conflicts and bring greater stability to economic activity. If the value of an Islamic bank's liabilities were determined by the performance of its assets, there would be no sub-prime crisis. Unfortunately, risk-sharing techniques do not predominate in the world of modern finance. In fact, the intention is often the opposite. Entrepreneurs and conventional bankers like to increase excessive risk, and then insulate themselves from it, in order to increase their return on capital. In this way, an entrepreneur can borrow from a bank at fixed interest and then invest in a business that makes profit. The entrepreneur retains profit out of the borrowed money. Such incentive encourages entrepreneurs to borrow heavily and grow their business operations. One consequence of this approach is that a few large organizations have come to dominate the business landscape. The heavy indebtedness of such corporations means that a moderate rise in interest rates combined with a moderate fall in revenues can quickly erode an entire profit margin. This is one reason that share prices can change so dramatically over relatively short periods. Furthermore, interest charges on bank finance are a cost item in the production process and, therefore, act to increase the price of goods and services. The interest payments that society receives from the conventional banking system are funded by society itself.

Money Creation

The most powerful destabilizing factor of all in modern markets is the activity of money creation by the conventional banking system. By creating money out of nothing and putting it into circulation, central banks and commercial banks have together caused a succession of speculative bubbles that can be traced back more than 300 years in the Western world. When newly created money is spent on assets such as property and shares, their prices naturally tend to rise. Conversely, when banks reduce the rate of money creation, buyers disappear from markets and prices begin to fall. The ability to create money is therefore a hugely powerful political and economic tool, and one that is almost always abused in due course. There are two Islamic regulations in particular that work to prevent money creation by the banking system. These are the law of 'trust' and the prohibition of interest (riba). By issuing "promises to repay" that are in excess of their cash reserves, and by lending these promises at interest, modern banks have contravened both of these regulations in order to earn profit.

Demand for Alternatives

The current crisis shares many similarities with previous crises that have occurred since the Great Depression of the 1930s. There exists a whole host of specific factors inherent within capitalism that have caused the current credit crunch and food and oil crisis. Such factors continue to plague Western economies and all those that have imitated them. Furthermore, this credit crunch has also highlighted the fragility of capitalism and the free-market economy. As the fallout from the credit crunch and the wider economic crisis continues, demands for alternatives are certain to grow. In the midst of such an unprecedented crisis, Islamic banking and finance is witnessing phenomenal growth, with the global value of Islamic finance approaching $1 trillion. According to an estimate by the Asian Development Bank, the average annual growth of the Islamic banking and financial sector is more than 15 percent. Islamic banking and finance is now among the fastest-growing financial segments in the international financial system. This has lead to much research and interest. A few commentators have already predicted that the Islamic banking and finance industry may have a remedy and this fast-growing industry can come forward to solve the credit crisis. While the relatively small size of the Islamic finance industry may make this unrealistic at the moment, there exists an unprecedented opportunity to present the details of the Islamic economic system as well as the solutions Islam has for some of the current problems.

Significant Challenges

The global financial crisis is hitting the developing countries too. Although Muslim world are not the centre of the crisis, the Middle Eastern region is, unfortunately, being severely affected by it. They are first victims, due to their political de-stability. Their economies are victimized when exports declined and uncalled for demand from industrialized and emerging economies contracts. The governments of the developing countries will face significant challenges managing the short run difficulties of the financial crisis while also maintaining conditions for long-term growth. With regards to monetary policy, the challenge will be when and how much to ease. Exchange rate flexibility coupled with deeper local currency debt markets open, at first, space for a counter-cyclical monetary policy. In practice, the room for maneuvering will not only depend on inflation but also on how much stress the domestic currencies and financial systems are facing. On the other hand, in case of fiscal policy, the challenge will be to manage the inevitable fall in tax collection (which is related with the economic downturn and the fall in commodity prices), and to protect key expenditures – education, security and infrastructure. These can prevent an unwanted rise in poverty levels and hinder future growth. So what should prudent governments do under these unique circumstances? Firstly, the developing countries needs to temporarily increase well targeted support to the poor. Once households are pushed below the poverty line or pushed further into poverty, their chances of escape are dramatically reduced. Secondly, the developing countries need to prepare for the turnaround. Countries that are better able to manage the dangers posed by the crisis, while seizing its opportunities, will be better positioned to resume rapid growth and gain a larger presence in world markets. This means, for example, continued Islamic investments in trade facilitation and logistics, as well as, the investment climate for business, including for Small and Medium Enterprises (SMEs). Thirdly, and for those countries that have the fiscal space, temporary responsible increases in expenditures, including infrastructure, can boost domestic demand particularly through public private partnerships. These increases, however, must be consistent with sound macro management to avoid inflationary pressures. Finally, the effectiveness of governments and Islamic financial institutions will play a crucial role in weathering the storm. Governments can redouble efforts to remove obstacles to growth and create a better business environment by increasing transparency, respecting and strengthening property rights, putting in place a

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well functioning judiciary, and reducing crime and violence. This is crucial as the private sector is the engine of innovation and productivity – and best placed to create jobs.

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