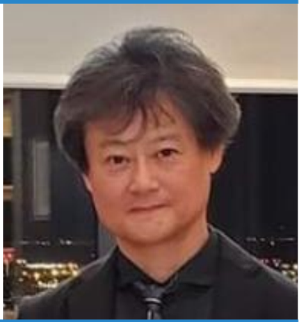
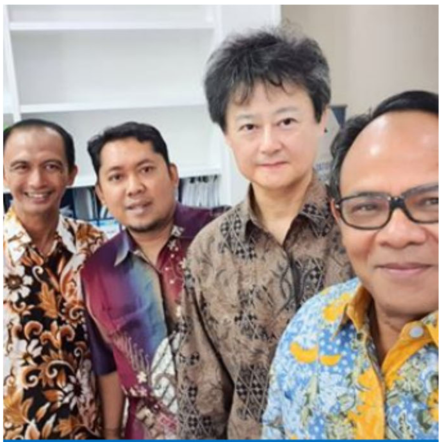
Professor SUZUKI Yasushi

Comparative Financial System Theory, Islamic Finance

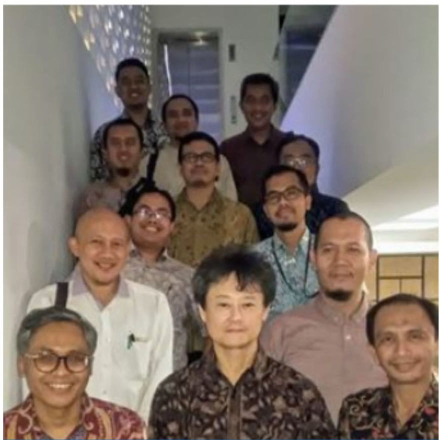


Professor Samuel P. Huntington, in his long-selling book "The Clash of Civilizations and the Remaking of World Order", has divided the world since 1990 into nine "civilizations" and classified Japan (Japanese civilization) as one of these unique civilizations. The book made a shocking prediction that Western civilization (the United States), Chinese civilization, and Islamic civilization will inevitably clash with one another, and that Japan will be helplessly caught in the middle of this conflict. I would like to consider the future of the international financial system and determine Japan's position therein based on the aforementioned "Clash of Civilizations" theory. The institutional characteristics of the Japanese financial system, the United States' financial system, the Chinese financial system and the Islamic financial system shall be compared. Based on this comparison, this research aims to elucidate how these financial systems can co-exist harmoniously and avoid conflict with one another while taking advantage of their unique institutional characteristics.



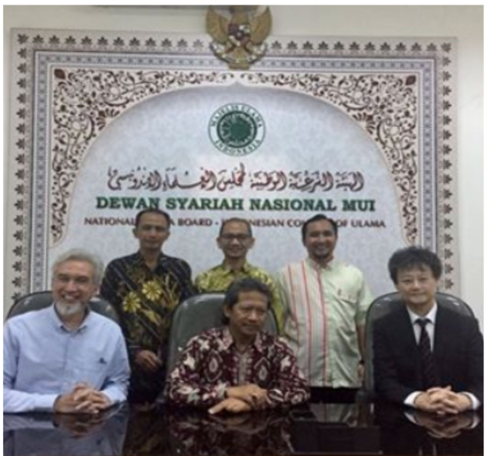
Professor Suzuki with the President of the International Islamic University of Indonesia

My recent research focuses heavily on Islamic Finance practiced by Muslims, who account for a quarter of the world's population. Islamic Finance endorses trade in accordance with Islamic teachings. The general principle underlying Islamic Finance is Profit and Loss Sharing. If an investment was successful and made a profit, all investors will share that profit. In like manner, investors would also share the losses from a failed investment. With this principle as a basis, the investors' share of profits/losses must not be determined in advance through the setting of an interest rate. Additionally, Islamic Finance prohibits interest ("riba"). The pursuit of profit maximization for business purposes, particularly with respect to international and domestic trade, is encouraged in the Islamic economy. However, as interest credited from loans is forbidden, profit is usually distributed as revenue from sales. Islamic Finance is unique in that it is largely backed by assets or goods such as 'hire purchase' or 'financial lease'.



Professor Suzuki with staff members from SEBI School of Islamic Finance and the Ministry of Finance

Islamic Finance is also based on the principle that transactions of high uncertainty ("Gharar") should be avoided. As most business transactions involve a degree of risk and uncertainty, there has been much debate regarding the viability of this financial principle. Having said that, financial instruments have become increasingly complex of late, and products for which investors have little or no knowledge of their inherent risks have been developed. In fact, the Subprime Mortgage Crisis ("Lehman Shock"), which occurred in 2007, was a result of the excessive investment in housing loan securities despite the lack of awareness of risks involved due to complex securitization schemes. Islamic Finance maintains a cautious attitude towards financial transactions for which the inherent risks are not well understood. As a matter of fact, the impact of the "Lehman Shock" on Islamic banks was minor. It can therefore be argued that Islamic Finance plays a significant role in the prevention of global economic crises, and my research wishes to explore the possibilities of incorporating Islamic Finance principles into the international financial system.



Professor Suzuki at the National Sharia Board, which certifies whether Islamic financial products are Sharia-compliant

Professor Suzuki with the newly appointed Dean of the International Islamic University of Indonesia

College of Affiliation

College of International Management

Research Field

Theories of Banking, Islamic Finance, Public Finance, Institutional Political Economy, Philosophy of Economics

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