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THE POTENTIAL OF ISLAMIC BANKING & FINANCE IN ONE BELT ONE ROAD (OBOR) COUNTRIES: A WAY FORWARD

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Abstract: *One Belt One Road (OBOR) is the initiative from China on transforming the political and economic landscape. OBOR is not a new dream but a revival of Silk Road history. If it is a success, it will be the greatest economic integration. Five major goals for OBOR are policy coordination, facilities connectivities, unimpeded trade, financial integration and people-to-people bonds. Malaysia is one of participating countries of OBOR. However, OBOR receives some responses in the fear of sovereignty relinquish. Thus, researchers try to see if OBOR can unite the countries through Islamic banking and finance. This is because OBOR unites more than 40 billion of Muslim and the demand of Islamic banking and finance product can be expected. It is also found that OBOR countries are progressing toward Islamic finance. Malaysia for example among the top-ranked countries which have comprehensive Islamic banking and finance system. Thus, it is hope that the union of Ummah can be benefited from the integration of Islamic banking and finance among the countries. Therefore, this paper intends to review the OBOR project, review the development of Islamic Banking and Finance (IBF) and the feasibility of IBF in OBOR countries.*
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Keywords: *OBOR, Islamic finance, China-Malaysia, trade.*

Introduction

OBOR is seen as the great integration of economy, power, environment, education, culture, tourism, and infrastructure. As it names implies, it includes two main roads; Silk Road Economic Belt and the 21st Century Maritime Silk Road. Malaysia is one of the participating countries which have a long history of trade and among the biggest trade partner of China. OBOR Initiatives is considered empowering the economy integration among Muslim countries with great plan ahead to become superpower of the world. This is due to the new free trade policy that leads to the production increment to meet supply and demand of more than 65 participating countries. The new policy will eventually not only increase the vertical trade integration, but also horizontal trade integration over time as it will be the new era of economy super power. It can be expected that the production of China and other developing countries trying to cope with this new implementation. With over 40 billion Muslim in OBOR countries, the demand of Islamic banking and finance product will be expected to be flourished. Thus, the policy integration and economic integration can be proposed through Islamic banking and finance all over OBOR countries. Therefore, this paper intends to review the OBOR project, review the development of Islamic Banking and Finance (IBF) and the feasibility of IBF in OBOR countries

Literature review

History of OBOR

Maritime Silk Road Initiatives when President Xi Jinping of China visited Southeast Asia in the second half of 2013, he proposed that China and countries which are situated along the ancient Maritime Silk Road such as Southeast Asian nations should work toward constructing a new “21st Century Maritime Silk Road,” which immediately received worldwide heightened attention. This proposal from China came on top of a similar earlier proposal to revive the ancient continental Silk Road into a “Silk Road Economic Belt” stretching from China through Central Asia all the way to Europe.

The vigorous developments of a functioning modern MSR must be accompanied by a well working transportation and communication system. China’s recently announced free trade zones, for example, have the enviable potentials of importing large quantity of energy and commodity items into China for processing, and exporting the huge amount of manufactured items to Europe, Africa and the rest of Asia, without undue barriers in either direction. Therefore, China and Malaysia must redouble their efforts to improve their logistics, infrastructure, shipbuilding, finance and other related industries and services, so as to more readily grasp the new opportunities presented by the two modern Silk Roads (Xin Yi, 2014).

In fact, in terms of commercial links, one of the major trading items between China and Malaysia is that of the export of crude palm oil to China, which after refining becomes an important ingredient in China’s supply of edible oils (Xin Yi, 2014). China’s food processing industry is quite well developed. Therefore, so long as it makes economic sense, the China side could consider transferring parts of the processing stages and techniques to places of origin in Malaysia. This could not only create local jobs, but also raise both the quantity and quality of the products. Some Chinese agricultural conglomerates could similarly consider setting up a plant-harvest process production line in those parts of Malaysia which are fertile and full of sunshine. Such setups will not only ensure steady supply of foods for China, but also help stimulate local economy (Xin Yi, 2014).

Undertaking a history of the Silk Road is a formidable challenge because the Silk Road is not a clearly defined area, but rather convenient shorthand for the diverse land and sea trade routes that formed an extensive network covering most of Eurasia and parts of Africa. Silk in the form of both yarn and finished textiles was always instrumental in the development of this trade network, but there were other important goods as well, such as horses, incenses, spices, and later tea. Liu starts at the beginning of organized trade and communication on the Eurasian steppe sometime in the fifth century before century (BCE) and ends with the dissolution of the Mongol Empire in the fourteenth century (CE) only adding to the difficulty of this challenge (Liu, 2010).

In the early 15th century, Ming Emperor came with the great huge armada led by Admiral Zheng He to celebrate their seven voyages of exploration and trade with multinational crews from all over Asia which reached up to East and South Africa. The Admiral is known to have remarked particularly on the skills of Indian navigators and pilots whom he took on board in Calicut and Cochin (Ma 1997). In the late 19th century, Ferdinand von Richthofen, the German geographer described the Silk Road as the interconnecting mosaic of trade routes within and across Asia to Europe. He believed the Silk Road has been developed over the last 2000 years which has composed the myth, legend, song and film (Bhoothalingam, 2016). One of the earliest products such as ivory, gold, silver, tea, fruits and nuts, paintings, sculptures, manuscripts and ideas and doctrines of many types—religious, scientific, illusionary, revolutionary or merely eccentric, which has been transported through this road is China silk (Bhoothalingam, 2016) (Hopkirk, 1984).

The most celebrated 'product' to travel the Silk Road was of course Buddhism, taken from India over the north-western passes of the Hindu Kush and across what is now Xinjiang, to reach into the heart of China. There followed a great interflow of trade, cultural intercourse, exploration and scholarly interaction between India and China (Bhoothalingam, 2016).

The upper-class groups from Rome were so obsessed with Chinese silk which required the Emperor Tiberius himself to ban and eliminate man from using silk (Hopkirk, 1984). At one end of the Road was China, while India, Persia, Arabia, the Levant and Europe were destinations as well as origins of different branches of this complex array of tracks, roads, waterways and caravanserais managed by many middlemen and bankers. For a long time, Parthians occupied such positions, but later on Indian bankers from Sind and Gujarat gained renown as dependable financiers whose *hundis* were honoured from Muscat to Mongolia (Bhoothalingam, 2016).

Malaysia-China Diplomatic Relationship

In 2013, the People's Republic of China (PRC) announced its ambitious One Belt, One Road (OBOR) initiative. The 'Belt & Road' strategy, as it has come to be known, is an umbrella term for China's plans to re-establish both the overland Silk Route Economic Belt and the 21st Century Maritime Silk Route. This policy is designed to enhance connectivity and economic interaction between Asia, Europe and Africa. When complete, the two trade routes will traverse an area which is home to almost two thirds of the world's population and that generates almost one third of the world's Gross Domestic Product.

Since the Belt & Road strategy was announced by Chinese President Xi Jinping in 2013, Beijing has been arguing that the policy is designed to achieve purely benign economic and diplomatic objectives. It is said that OBOR will establish direct road and rail corridors between East Asia and Europe, in addition to a string of sea ports linking China with Southeast Asia, South Asia, Africa, the Middle East and Europe.

Through the Asian Infrastructure Investment Bank (AIIB), the investment arm of the OBOR policy, China intends to promote partnerships for addressing regional development issues. It is due to building this shared cross-border infrastructure facilitates such extensive diplomatic negotiations and significant economic growth opportunities for partner nations, the Chinese believe the strategy will improve their regional image amongst Belt & Road partner nations (Ferdinand, 2016: 950). In addition to reversing the recent decline in the country's growth rate, the Belt & Road strategy is seen as a way of increasing levels of domestic consumption and offsetting China's manufacturing overcapacity (PwC, 2016:4).

The Central and Western provinces of China have been left behind by economic policies implemented in the PRC since it 'Opened Up' to the global economy in the 1970s (Ferdinand, 2016: 951). By connecting provinces such as Xinjiang to Central, South and West Asia through major infrastructure projects, the CCP hopes to produce rapid economic development (Summers, 2016: 1633). Reducing the economic disparity between Chinese provinces is an important objective for Beijing as it is understood that the economic gains produced by the Belt & Road strategy will help to fight Islamic extremism in the region and quell separatist movements (Fallon, 2015: 142).

The Maritime Silk Route, which is also referred to as the Maritime Silk Road, was "the first official international sea-trading route in Chinese history" (Zhaoming, 2014: 1231). From before the Tang dynasty through until European colonialism, Chinese silks and ceramics traversed this vital trade route which connected China with the polities of Southeast Asia and beyond into India, the Middle East and Europe (Till, 2016: 2). As Zhaoming notes, "the Maritime Silk Road should be considered with the same historical importance attached to the more celebrated overland Silk Route". This is because the trading conduit made China the greatest maritime nation in the world and facilitated the economic success of several Chinese dynasties (Dooley, 2012: 53).

By incorporating the historically significant imagery of the ancient Maritime Silk Route within its Belt & Road strategy, China is attempting to revive its maritime glory and reassert itself as a powerful middle kingdom that is once again central to global trade and international relations. Till notes that the CCP is attempting to realise the "China Dream" of national rejuvenation by re-establishing its maritime trading and economic dominance that it lost to the imperial powers during the century of humiliation (2016: 2). As Adwita Rai argues, "China is intentionally using the term 'Silk Road' and connotations of the past in its Belt & Road strategy". By linking the OBOR initiative with China's past trading success, Beijing is attempting to reassert the centrality in, and dominance over, maritime exchange that it had achieved during antiquity (Rai, 2016:121).

On 31 May 1974, in the Chinese People's Great Hall, two leaders changed the course of history for Malaysia and China's bilateral relationship. The late Tun Abdul Razak Hussein, Malaysia's second Prime Minister and father of current Prime Minister Datuk Sri Najib Tun Razak, and Premier Zhou (Chou), signed the communiqué on the establishment of diplomatic relationship between Malaysia and China (Rebecca Fatima Sta Maria, 2014).

Malaysian and Chinese officials meet together at the Strategic Consultation meetings which is held alternately between Malaysia and China every year. The Strategic Consultation meetings began as bilateral consultations in 1991 (The Star, 2012). The consultation meetings were made to share and exchange views on various bilateral, regional and issues of mutual interest and also to follow up on matters discussed by the leaders of both countries. The bilateral consultations was later renamed as strategic consultation in 2010 to reflect the growing importance of Malaysia-China relations within the political-security framework of the Asia-Pacific region (The Star, 2012) (Yantoultra Ngui, 2013). Today, China is Malaysia's largest trading partner (Rebecca Fatima Sta Maria: 2014).

In the other side, Malaysia has also been China's top trading partner within Association of Southeast Asian Nations (ASEAN) for five years in a row since 2008 (The Star, 2013). The ASEAN-China Free Trade Agreement signed in 2002 was the first FTA for the region and Malaysia's first FTA. Since then, Malaysia and China have built closer economic relations through various initiatives, whether bilaterally or regionally, through ASEAN, or through APEC and the WTO (Rebecca Fatima Sta Maria, 2014).

In 2012, Malaysia and China established the Qinzhou (Ching chou) Industrial Park (QIP) and subsequently the Malaysia-China Kuantan Industrial Park (MCKIP) in the following year

(2013). This is the first time a twin park model is introduced anywhere in the world, serving complementary roles with the same principles. The Chinese Central Government has approved a RMB 2.4 billion development fund for QIP, over and above the RMB 1 billion pledged by the Government of Guangxi, where QIP is located. The Malaysian Federal and State Government have allocated RM 700 million to MCKIP. (Rebecca Fatima Sta Maria, 2014).

In October 2013, Malaysia and China signed The Five Year Programme for Economic and Trade Cooperation. This is a broad agreement that provides for bilateral cooperation in agriculture, energy and mineral resources; information and telecommunications; manufacturing, infrastructure, and engineering; tourism, logistics and retailing. This forms the basis of Malaysia economic and trade cooperation with China for the next five years and provides the foundation of bilateral economic relations for decades to come (The Star, 2013).

The two-way trade volume between China and Malaysia in 2013 reached USD 106 billion, making Malaysia China's third-largest trade partner in Asia, just behind Japan and South Korea and eighth largest overall. (China Daily, 2014) (Gao Jie, 2015)

On 31 May 2014, during Najib Razak's visit to China where he was welcomed by China's Premier Li Keqiang, China and Malaysia pledged to increase bilateral trade to US$160 billion by 2017 (Niam Seet Wei, 2017). They also agreed to upgrade economic and financial co-operation, especially in the production of halal food, water processing and railway construction (Zhao Yinan, 2014).

The OBOR Initiative connecting more than 65 countries and a population of more than four billion (Shyamala & Chandran, 2017), generating about 30 percent of global GDP (Gross Domestic Product) and the project will possess about more than 75 percent of worlds' energy reserve (Královičová & Žatko, 2016). Thus, OBOR is seen as the great integration of economy, power, environment, education, culture, tourism, and infrastructure. As it name implies, it includes two main roads; Silk Road Economic Belt and the 21st Century Maritime Silk Road. Conclusively, it covers half of the United Nation (UN) countries.

Figure 1: One Belt One Road (OBOR)
Source: Xinhua Finance Agency, in Kumar (2017)

OBOR Initiative by China: Responses from Other Countries

One Belt One Road (OBOR) is a China's initiative to transform the country and its counterpart countries across the new Silk Road to the new greater integration of economy and wealth sharing. It has five main objectives to be achieved; policy coordination, facilities connectivity, free trade, financial integration and people-to-people connection (Winter, 2016). OBOR, also known as BRI (Belt and Road) is proposed by China's president, Xi Jianping in the year 2013 during his visit to Kazakhstan and Indonesia (Minjiang, 2015). Although it is sort of overlooked by the world, China put a great effort by injecting USD 40 billion for Silk Road Fund by Asian Infrastructure Investment Bank (AIIB). Based from the roundtable discussion with the Dean of Academy of the Islamic Finance Development in Countries Along the "Belt and Road", Prof Dr Wang Yongbao (Ahmed Musa) in Universiti Tun Hussein Onn, Malaysia on August 21st 2017, USD 65 trillion has been projected for the initiative and it is considered as 'project of the century'.

This initiative has invites response and few perceptions from the involving countries and also from the non-involving countries. Among other countries that confirmed their participations in the project are Belarus, Kazakhstan, Turkey, Hungary, Thailand, Spain and Russia (Královičová & Žatko, 2016). Misiągiewicz & Misiągiewicz (2016) argued that in the perspective of European Union (EU), the solid objective of OBOR Initiative is vague. The authors argued that despite China and EU has a good volume of trade, few challenges that may take part in the cooperation between OBOR and EU such as interest differences and external influence rivalry. In short, EU is responding slow and reluctant the idea of OBOR (Misiągiewicz & Misiągiewicz, 2016).

Russia, currently facing the economy turmoil by weakening value of its monetary, low oil prices and political and economy sanction by Western power, seems to have 'blessing' in the projection of OBOR (Královičová & Žatko, 2016). Russian East Development Minister, A Galuška welcoming the idea of OBOR and describe the project as 'a great one'. Central Asian countries like Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan and Kyrgyz Republic also welcoming this initiative and try to align their economy strategies with OBOR (Královičová & Žatko, 2016). Královičová & Žatko (2016) mention despite the greatness of the initiative, there is a concern on the competitiveness on energy construction that may harm Russian economy. There also some concern and questionable matters like transparency and unstable political situation among the participating countries that may threaten the success of OBOR.

However, in India, they are strongly opposes the idea of OBOR due to political tension with Pakistan. This is because India has against the deep relationship of China with Pakistan, as both countries have strong link with China-Pakistan Economic Corridor (Joshi, 2017). India believes that OBOR is only a counter-initiative of Asia's Pivot i.e. TPPA by former President of United States of America (POTUS), President Obama. Joshi (2017) also reported that this happened due to Sino-Indian rivalry for long time ago, and questioning the true intention of China's idea of OBOR. The other factor of the OBOR opposition is due to the fact that India has teaming up with Japan to initiate the alternative projects named "Asia

Africa Growth Corridor". Meanwhile, Chavan (2016) mentioned that India's cold response toward OBOR is because India not convinced that the project is benevolent and afraid that the corridor is used for military mobilization and dumping site of China's overproduction. Same as EU, India's response toward OBOR is vague due to political distrust (Hui Lian & Krishna, 2016).

ASEAN countries on the other hand, welcoming generously the OBOR initiative, although there maybe have some concern. For ASEAN countries, which are mostly developing countries sees OBOR as opportunity to expand the trade to the countries of OBOR as OBOR proposed the free trade among the countries. Malaysia and Singapore for example, aims to become the financial hub and to broaden the development of finance in the market. Vietnam on the other hand wants to expand in the business of engineering through maritime, while Indonesia wants to magnify the pipeline infrastructure project (Shyamala & Chandran, 2017). However, it invites some concerns too like the sovereignty of ASEAN and how it is going to be in the long run. ASEAN fear that in the long run, the countries have to parallelize its economic strategies with China. ASEAN concern too on its natural resources, if it has to relinquish to OBOR, for example South China Sea (Shyamala & Chandran, 2017).

Why Islamic Banking and Finance?

There are more than 23 million Muslims in China according to China 2010 Population Census. From 13 billion total populations of China, 1.7% are Muslim. Generally, there are 56 ethnic group officially recognized in China. The largest ethnic group is Han with 91.6% of total Chinese populations. Other groups known as minority and comprised at 8.4% total Chinese population. Of the 55 ethnic minority groups in China, ten groups are predominantly Muslim. These groups are Hui, Uyghur, Kazakh, Dongxiang, Kyrgyz, Uzbeks, Salar, Tajik, Bonan, and Tatar.

In northwest China, Ningxia is home to Hui ethnic that largest Islamic population group. The survey stated that 24% from 5,000 Muslims are willing to involve into Sharia-Islamic law in banking services. Meanwhile, 86% of the rural Muslims wanted the financial products and services is Sharia-compliant (Sun, 2013). Moreover, there are lots of unbanked Muslims (Zhang & Zhao, 1987) or even banked in Conventional bank refuse any interest in their savings. Hence, the Chinese Muslims behavior as one of the emerging centers for Islamic Finance opportunities went well (Lu, 2014).

The idea of Islamic banking and finance theoretically begin parallel with the early development of Islamic finance in the world. Thus, in 2006 the cooperation between Shamil Bank, a leading Bahrain-based Islamic commercial owned subsidiary of Ithmaar Bank and CITIC Group have launched the first Islamic property fund in Chinese market. (Gulf News, 2006)

In 2009, Malaysia Islamic Banking, CIMB Islamic also launched CIMB Islamic Greater China Equity Fund followed by al-Rajhi Investment partnered with China Resources to launch the Shariah Asia Investment Fund (SAIF). The development of Islamic finance continually in 2012, when Bank Muamalat Malaysia and Bank of Shi Zui Shan of China announced plans to establish an Islamic bank in the Ningxia Province. This collaboration aim for working together to establish an Islamic finance framework for China and offer Islamic banking products to the province’s Muslim population (China: the Time is Now, 2016).

In late September 2015, The Jianguo Road Branch of Xining Rural Commercial Bank which is a bank following Islamic principles was opened in Xining, capital of China’s north-western Qinghai to provide services for Muslim communities. This bank offers small- sum loans to Muslim customers at 15.0% of average interest rate, and also provide guarantee and mortgage services for Mecca pilgrims (China: the Time is Now, 2016).

There is some gap between non-Sharia compliant and Sharia compliant financial products particularly, in rural area of China. From the observation, the existences of barriers make significant effects to financial Muslim. Of course, Muslim products have to face a high cost burden incurred to leading the competitive business. Moreover, there are others reasonable facts ‘why’ Islamic banking is still not yet being part of the China banking system (Lu, 2014). At first, China was focus on geographic position. The China government was practice the “ladder-step” whereby the eastern region is much more urbanized infrastructure, preferential policies and stronger economic, political and financial base rather than western region. Unfortunately, almost Chinese Muslims are lives in the western region. The barriers exist because the development of western region had been fewer emphasized and ignored for long years. Thus, the development of China is significant difference (Lu, 2014). Secondly, the tax code and regulation are not supporting profit-making banks to bid Sharia-compliant services.

Under the China's Commercial Bank Law mentioned that commercial banks have to disclose the interest rate on deposits, pay interest to depositor and have right to collect interest on loans from borrowers.

One of the OBOR initiative promises is financial integration among its member countries. Thus, Islamic banking and finance can be expected to be included in the integration, as OBOR has gaining participation with Muslim countries. This initiative directly and indirectly can make the expansion and market for Islamic banking and finance reach its greater potential, through Muslim and non-Muslim market. The philosophy of Islamic banking and finance has emphasized on the *riba*' free (no interest) and profit-and-loss sharing basis make it more reliable and accessible for all. Furthermore, Islamic banking and finance has been proven by numerous studies that it able to cushion the global financial distress (Kammer, Mohamed, Piñón, Prasad, Towe, Zeidane , 2015).

How OBOR Project Boost Islamic Finance?

With OBOR, Islamic banking and finance can gear up to its potential and become systemic. The Islamic financial integration between China and Muslim world has started since inception of OBOR with the China-Pakistan Economic Corridor (CPEC) (Makhdoomi, 2017). In March 2016, it was reported that a deal worth USD 1.95b has been raised via Islamic financing through the project of Block II coal mine and two 330 MW coal-fired power plants in Thar. (Bo, Engku Rabiah Adawiyah & Buerhan, 2016). Kumar (2017) reported that Chinese companies has made investment in OBOR to 49 nations since 2015, with total amount of USD 15 billion. Ambrose (2017) mentioned that Hong Kong has issued 1 billion dollar-denominated Sukuk in 2014, 2015 and 2017. Baozhong and Xuan (2016) revealed that there are some projects in OBOR considering Islamic finance as instrument for funding, for example High Speed Rail project in China amounting up to USD 4.7 billion may considering Islamic securities to finance the project and if it comes to reality, it will be the biggest Islamic securities funds. Other project like Hainan Airlines Group is planning to raise USD 150 million for ship purchasing using Islamic funds. In another note, Country Garden, the China real estate agents has revealed their planning to issue Islamic medium-term notes with a nominal value of MYR1.5 billion (USD340 million) through their wholly-owned subsidiary in Malaysia.

In order to make OBOR a reality, local Chinese government authorities and enterprises who want to do investment in Islamic countries need to raise funds in Islamic finance to comply with the investment preference and tax exemption. This move not only raison d'etre to comply with the investment rule of the country but also to preserve the stability of the investment.

The thriving of Islamic finance can be expected in the OBOR initiative. This is not only due to Islamic countries are majority in OBOR but also the emerging economies and economic integration as part of OBOR major goal. This will flourish the use of Islamic trade financing as part of funding the trade inter and intra. In a report by MIFC (2013), according to World Trade Organization (WTO), "*trade finance supports nearly 90 percent of global trade, making it vital to economic prosperity*". As proved by many researches and findings, Islamic finance able to absorb financial instability, cushion the economic downturn and resistance to the economic volatility. Thus, Islamic finance trade product is seen as a good resort to achieve free trade among OBOR countries, even the Muslim-minority countries can be benefited from this.

The following are among the Islamic trade financing products that can be used for trade among OBOR countries.

Table 1: Islamic Trade Finance Product

IMPORT FINANCING	EXPORT FINANCING
• Documentary Credit • Wakalah • Murabahah • Musharakah • Shipping Guarantee • Murabahah Working Capital • Islamic Bankers Acceptance • Foreign Inward Bills for Collection (FIBC-i) • Domestic Inward Bills for Collection (DIBC-i)	• Inward Letter of Credit • Islamic Factoring • Islamic Bankers of Acceptance • Islamic Credit Export Financing • Islamic Export Credit Re-Financing (pre-shipment) • Islamic Export Credit Re-Financing (post-shipment) • Accepted Bills-i • Foreign Outward Bills for Collection-i • Domestic Outward Bills for Collection-i • Debt Trading Working Capital Financing

Source: MIFC (2013)

Islamic Finance and Banking in OBOR Countries: A Way Forward

With Malaysia as the world top countries in the comprehensiveness of Islamic finance mechanism (Thomson Reuters & Dinar Standard, 2016), it is able to make the Islamic banking and finance grow tremendously all over the OBOR countries and eventually to the whole market. Islamic banking and finance will play a vital role in OBOR due to large Muslim population en route (Bo, et al., 2016). It may start with Ningxia, the region with 35 percent of the population is Muslim and has become the Islamic financial hub for China, (Alam & Lee, 2015), although Islamic banking and finance still not penetrate deeply in mainland China. Currently, Ningxia is gearing up for Halal market. A report by Sun (2013) stated that 24 percent of Muslims in Ningxia wanted the Islamic banking, while 86 percent of rural areas residents stated they wanted the Shariah-compliant bank.

According to Lu (2014), the first Shariah-compliant banking was made in Linxia, Gansu province in the 1980s. Linxia was formerly-known as Hezhou, and thus the inception of Hezhou Islamic Financing Company. In 1989, Industrial and Commercial Bank of China (ICBC) and the China Construction Bank (CCB) has opened saving banks that cater for Muslims in Qinghai. In 2011, a special debit card was issued only for Muslim. In 2009, a commercial bank in Ningxia Hui Autonomous Region – Ningxia Bank has established Islamic Department to offer Shariah-compliant banking products and services to Muslim.

In other note, Linxia has been proposed by Ma & Yao (2014) to become the pilot project of fully-fledge Islamic banking and finance capital city. This is because Linxia is a very unique city, with Islamic-centered characteristics and have special advantage in Islamic finance.

With the population of Muslims in China, and large Muslim population in OBOR countries, it is not impossible that Islamic banking and finance will make a big impact. The China and OBOR countries can learn a thing or two from neighbour countries like Malaysia, Indonesia and Middle East countries in setting up the Islamic banking hub. Currently, Malaysia and Saudi Arabia have the biggest asset under management (AuM) in terms of number of fund and market share respectively.

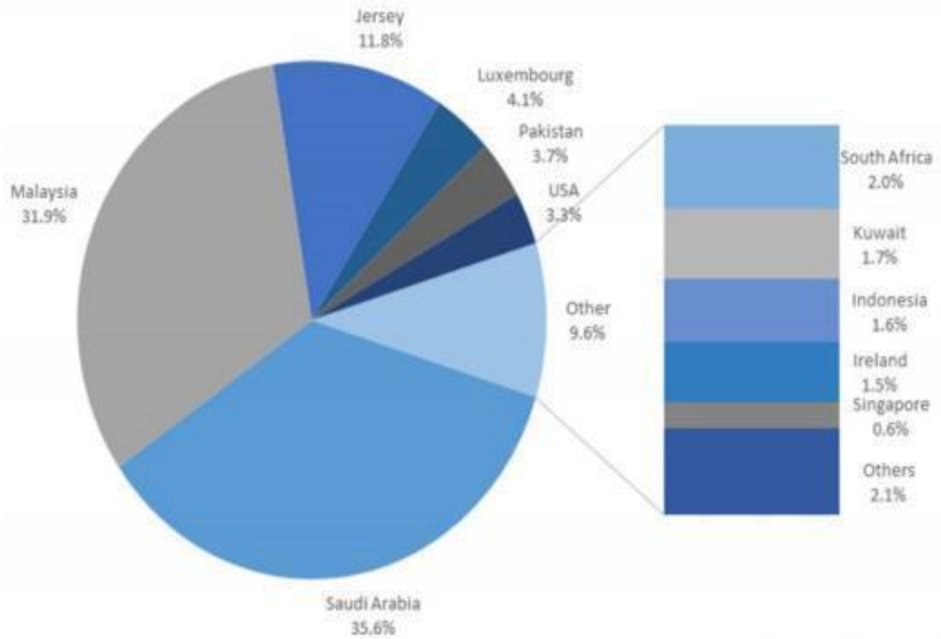

Figure 2: Global Islamic Asset Under Management by Domicile as at end 1Q2017
Source: MIFC (2017)

In a report by Thomson Reuters (2017), it stated that Malaysia is the leading country of having the best developed Islamic economy for Islamic finance. It is followed by Bahrain, United Arab Emirates (UAE), Saudi Arabia, Oman, Kuwait, Pakistan, Qatar, Iran and Indonesia as top 10 in the world. The ranking is so from the criteria on Islamic financial assets, governance and disclosure, awareness and value of zakat and CSR disclosure.

Moreover, Egypt embrace special ranking in the contemporary history of Islamic finance. The first Islamic bank has been established in 1963 and then developed the idea of German saving banks with Shariah principles for the Mit Ghamr, the center of aluminium production, the Bank Misr as the first Islamic financial provider and Islamic window and also the Faisal Islamic Bank as the first fully fledged Islamic bank in 1979 (Wafik G., 2012).

Other countries like Albania, Brunei, Cambodia, Croatia, Estonia, Georgia, Hungary, Philippines and Czech Republic also have Islamic finance and aim to go wider (Pencabligil, 2012; Ahmed, 2017; Khmer Times, 2017; Anu Kove, 2011; Global Banking & Financial Review, 2013; CNBC, 2016; Islamic Finance News, 2012, 2014). Azerbaijan, although have large Muslim population but its industry still in infancy (Nur Aina, 2017). Same goes to Tajikistan, although the Muslims are excited of the Islamic finance product, but the country still making its way to the legislation and regulation (Eurasianet, 2018).

Other OBOR countries like Singapore for example is championing of non-Muslim countries in well-developed Islamic finance (Lin, 2016). Countries like South Africa, Kazaskhtan, Tajikistan and Thailand also developing their Islamic finance industry. Sri Lanka on the other hand has only one full-fledged Islamic banking and the rest operating Islamic-window banking (Grewal, 2015). Same goes to Russia, the industry is small and lack of impact (Juravlio, 2013) however neighbour countries like Belarus, Armenia and Kyrgystan are in progress.

Nevertheless, there are some OBOR countries with good share of Muslim population but practices conventional banking system (KPMG, 2017). Some society believes that conventional banking is against their religious faith, therefore, many potential customers are not banking with the available banks. Even existing customers also distribute interest received from the bank to the poor people (S.Sankaramuthukumar & A.Devamohan, 2008). The countries are Bulgaria and Ethiopia (KPMG, 2017; S.Sankaramuthukumar & A.Devamohan, 2008).

Also different is happening in India. The Reserve Bank of India has decided to not pursue for Islamic banking since at beginning level in the country. The decision was made after allowing "the wider and equal opportunity" to all citizens while accessing banking and financial service (NEWS, B. and News, I., 2018)

Another country like Romania, Slovenia, Slovakia and Serbia on the other hand have no Islamic finance due to very small percentage of Muslim population. The arena have so much potential and it can grow rapidly as banking and financing is part of business where sky is the limit.

Conclusion

OBOR Initiatives is a great economy bloc and one of the major goals in OBOR is economic integration. In order for OBOR to succeed, the economic integration should not make other countries need to relinquish sovereignty. This will ensure the success of economic bloc is sustainable and to achieve the dream of economic power all over the world. Common market like European Union (EU) maybe long way to go for OBOR countries, but it can be propagated through economic integration first. It should start with promoting the idea of using Islamic finance in inter and intra trade among countries as Islamic finance products are proven to be resistant and resilient with economic downturn. The potential of Islamic finance in China and countries of OBOR have been reviewed briefly. From the literature review, it can be found that Islamic banking and finance can grow tremendously. This is due to that the countries of OBOR mostly are progressing toward Islamic finance. The future research can be done to expand the review of how agenda of Islamic finance can be promoted through regulation, legislation, awareness and product development.

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