

## Islam and Capitalism in the Making of Modern Bahrain

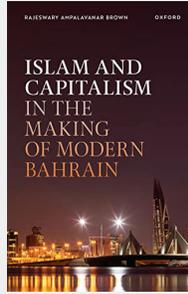
By Rajeswary Ampalavanar Brown

Oxford University Press, 2023, 551 pages, £100, ISBN: 9780192874672

Reviewed by Christian Lekon, Ankara Yıldırım Beyazıt University

Having published widely on business and charities in Southeast Asia, Rajeswary Ampalavanar Brown, who is Professor Emeritus of International Business at Royal Holloway (University of London), has now turned her focus upon a Middle Eastern country, namely Bahrain. The book covers the period of the currently ruling al-Khalifa dynasty since 1783. The emphasis is upon the economic conditions in the island state. Bahrain's economy underwent two major transitions during this period. The first was the decline of the long-established pearl fisheries and their replacement by oil extraction during the 1930s. As Bahrain's rather scant oil resources started to become depleted by the 1970s, its economy went through a second transition and diversified, turning the island state into a financial hub.

The financial sector of Bahrain is extensively discussed in the book. Far from just tying down capital unproductively, the *waqf* (Islamic foundation) and *ma'tam* (Shia congregation hall) in Bahrain can be conducive to productive investments. Brown discusses the strengths and weaknesses of *shari'ah*-compliant finance in Bahrain. The restrictions of Islamic law upon modern capitalist finance, especially the prohibition of *riba* (interest), are mitigated by specific arrangements like *murabahah* (cost-plus sales), *mudarabah* (profit-sharing), or *musharakah* (joint ventures) as well as by legal pluralism. Another instrument of Islamic finance is *sukuk*



(bonds). Brown treats them within the context of Bahrain's stock market, in which the state is the largest investor. As Bahrain's financial sector recycles the oil earnings of the other Gulf states, its stock market index and the oil price largely move in unison.

Thanks to the conservative approach of Bahrain's financial sector as well as to prompt state action, the kingdom quickly bounced back after the 2008 global financial crisis. In contrast, the regime was shaken by the Arab Spring of 2011, which mobilized relatively deprived middle-class youth as well as marginalized farmers and fishermen. The remaining parts of the book cover different aspects of Bahrain's political economy, i.e. regime-opposition relations, the division of labor (Bahrainis aim for public service jobs while migrants are the majority among workers in the private sector), economic diversification (among other things, the world's largest aluminum smelting facility) and the –however modest– attempts to mitigate climate change through fostering energy saving, renewable energies and 'green' *sukuk*. The book ends with a brief comparison between Bahrain and Dubai. The latter's financial sector got bogged down into real estate and thus suffered more from the financial crisis than its Bahraini counterpart.

While it addresses a multitude of issues, the book is predominantly a contribution to

the controversy about which, if any, impact religion had on the development, or lack of development, of modern capitalism in the Islamic world. Brown contrasts her approach to that of Timur Kuran, who in publications like *Islam and Mammon* (2004) and *The Great Divergence* (2011) expresses himself highly skeptical about the pro-capitalist credentials of Islam. While Islamic law hampered capitalist development in the Middle East in the past, so-called Islamic finance today is of little developmental benefit and is only symbolically different from conventional banking. In her replies to these claims, Brown asserts the dynamic and flexible character of Bahrain's transnational merchant families as well as of its *waqf* and its Islamic financial institutions (pp. 34, 43-44, 47, 348-349, 447-450). Her book convincingly shows that Bahrain's financial sector is successfully participating in the capitalist world economy; this is particularly well demonstrated in her account of how it dealt with the global financial crisis. Arguably, these points do not by themselves invalidate Kuran's arguments: Whether *shari'ah*-compliant financial instruments can adapt to the contemporary capitalist world system today is a question different from why this world system emerged in Christian Europe rather than in the Muslim Middle East previously. Furthermore, Brown herself shows that the *shari'ah* law is given less pride of place than commercial and customary law in Bahrain's Civil Code (p. 99) and that no one less than the head of the Shari'ah Committee of the Accounting and Auditing Organization for Islamic Financial Institutions deemed many of the apparently 'Islamic' financial instruments as actually not conforming to Islamic law (pp. 149, 161, 169). In other words, is the Bahraini financial sector successful because of its Islamic character, or is it successful because it is merely conventional banking

dressed up as 'Islamic'? Brown's contribution to the debate thereby provides a lot of food for thought.

Another issue Brown discusses is the contemporary advance in digital technologies. She shows how Bahrain, as part of its economic diversification drive, has been adapting digital gadgets like blockchains, cryptocurrencies, and crowdfunding. Brown argues that an Islamic financial instrument like *murabahah* is very complex and thus profits from the simplification provided by blockchain application (pp. 387-388). Likewise, crowdfunding goes well together with *musharakah* arrangements (p. 395). Due to its enthusiastically embracing state-of-the-art digitalization, the case of Bahrain is at odds with the often-voiced fear that new technologies, by promoting the re-shoring of manufacturing to the advanced countries, will be at the disadvantage of developing economies. What about another potential havoc created by digitalization, namely increasing social and gender inequality by making many occupations obsolete? Brown provides an upbeat account of how new technologies empower small businesses and women and how they can be used for environmentally friendly ventures (pp. 339, 382, 387, 421-426, 459-460). However, she also adds a word of caution: "But it is perhaps ironic that while advances in technology and education empowered women, Bahrain's youth experienced high unemployment" (p. 339). Indeed, in the chapter on the Arab Spring, she counts the "rise of new industries in information technology" (p. 243) as one of the factors leading to the very social polarization that provoked frustrated middle-class youngsters to rebel. Thus, the question remains how the steps towards further digitalization taken in the last few years should be interpreted –either as tackling the issue of inequality by empow-

ering marginalized groups or as continuing the previous economic dynamics that fueled social polarization.

Two shortcomings should be pointed out: First, the author does not provide explanations of the technical terms related to Islamic finance and to digital technologies. This makes it sometimes difficult for the non-specialist reader to follow the argument. Second,

the writing style is occasionally rambling, with the same information appearing at different parts of the text. Thus, the book can be a tough read, also due to the intensity of the details and the wide range of the author's concepts. Nevertheless, it is certainly worth the effort. It will appeal to both students and academics interested in the contemporary economy of the Middle East, Islamic economics, and the digital economy.

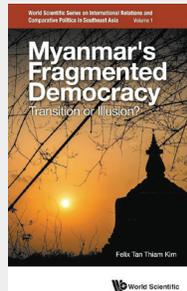
## Myanmar's Fragmented Democracy: Transition or Illusion?

By Felix Thiam Kim Tan

World Scientific, 2022, 296 pages, \$90.00, ISBN: 9789811251351

Reviewed by Aniruddha Babar, Tetso College

In *Myanmar's Fragmented Democracy: Transition or Illusion?* by Felix Thiam Kim Tan, a comprehensive analysis of Myanmar's political landscape in the post-junta era is presented. The book delves into the intricacies of Myanmar's democratization process, exploring the challenges, complexities, and limitations that have shaped its path toward democratic governance. Tan's work offers valuable insights into the country's political institutions, civil-military relations, ethnic dynamics, and the role of external actors. Through a critical examination of the 2008 Constitution, the influence of the military, and the persistent ethnic conflicts, the author unravels the complexities of Myanmar's political system and its implications for democratic consolidation. The book also addresses the role of external actors such as China, the U.S., and ASEAN, in Myanmar's political developments, highlighting the need for an understanding of the



country's unique historical and cultural context. While the book provides a comprehensive analysis supported by empirical data, historical context, and interviews, there are certain limitations in terms of depth and inclusion of diverse perspectives. Nonetheless, *Myanmar's Fragmented Democracy* is a valuable resource for scholars, policymakers, and those seeking to comprehend the intricate challenges and opportunities in Myanmar's ongoing democratic journey.

The book begins with an insightful overview of Myanmar's political history, emphasizing the country's decades-long military rule and the subsequent transition to a civilian-led government. The author highlights the challenges faced by Myanmar's political actors, both domestic and international, in navigating the complex landscape of democratic reforms. Tan skillfully explores the multifaceted