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New Geographies of Financial Power: Global Islamic Finance and the Gulf

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Over the last decade, numerous scholars have noted the on-going expansion and growing economic significance of Islamic Finance (IF) across many parts of the world.[1] Although small relative to conventional finance, the value of assets held by the IF industry – including Islamic banks, Islamic bonds (*sukuk*), Islamic insurance (*takaful*), and various funds targeting investments permissible within Islamic law – was estimated at around $2.4 trillion globally in 2017, a level that had risen by over 40% since 2012.[2] This growth encompasses a diverse range of countries and economic sectors, and has been strongly welcomed by international organisations such as the World Bank, IMF, and UNDP, who now endorse IF as an important instrument for ameliorating global inequality, tackling poverty, and widening financial inclusion.[3] According to these institutions, IF is founded upon principles of a "just, fair, and equitable distribution of income and wealth during the production cycle,"[4] and is thus "highly aligned with the spirit of the [Sustainable Development Goals]".[5] Motivated by such claims, recent international initiatives have sought to mobilise Islamic finance as an alternative means of development financing – a tool to meet the funding shortfall for infrastructure and other projects.

These trends sit alongside a more generalised transition towards what has been described as 'finance-led' capitalism[6] – a historical moment in which financial markets have come to dominate most spheres of human activity, profoundly altering the behavior and capacities of states, firms (both financial and non-financial), households, and individuals. Originating in the overaccumulation crises of the 1970s, the financialisation of global capitalism has been identified as "the key distinguishing feature of the neoliberal era", one that signals "the contrast with and even the reversal of the previous Keynesian period".[7] This shift was largely superintended by Euro-American financial institutions headquartered in core markets such as New York and London, and closely associated with the pronounced internationalisation of capitalist production networks through the latter decades of the 20th century.[8] Recent years, however, have witnessed a progressive diversification in this architecture of global finance – notably marked by the rise of competing centres of accumulation outside of North America and Europe.

How do we situate the growth of IF within these on-going transformations to global finance? Critical writing on IF has convincingly shown that Islamic financial instruments do not represent a substantive challenge to conventional finance or an alternative to mainstream development practice.[9] This work has highlighted the close practical affinity between IF and conventional financial instruments, noting that regardless of the moral and ethical values supposedly underpinning IF, these religiously-backed financial instruments continue to promote market-based solutions to poverty and encourage individual subjectivities that align with broader neoliberal precepts.[10] In mapping these processes, scholars have also tracked the ways in which major international banks and financial institutions have played a predominant role in shaping the design of IF instruments and the regulatory arrangements operative at the global level. Although these efforts are never a simple uncontested imposition of global financial norms on IF markets[11], their net result has been a system that acts largely to "reproduce, to legitimize, and thus to further entrench current financial structures"[12].

Notwithstanding these important insights, what has received less frequent attention in the critical literature are the ways in which the expansion of the IF industry may be connected to the emergence of new financial actors and zones of accumulation outside of core Western states. It is widely accepted that the pronounced deepening and global interconnectivity of financial markets is closely related to the reworking of geopolitical power and influence[13] – yet how are we to understand the place of IF within this? How is the ownership and control of capital structured across global IF markets, and what does this mean for the broader spatial geographies of international finance? Given that development interventions championing IF as an alternative means of financing and poverty alleviation are largely focused on countries in the South, what implications does this hold for future patterns of financial power and influence outside of the core?

In what follows, I address these questions through examining the shifting contours of global Islamic financial circuits and the patterns of capital ownership and control found across these markets. I argue that the recent, rapid expansion of IF is a *form of – and vector for – the new geographies of financial power that are emerging across the contemporary global political economy*. Fundamentally, the global growth of IF expresses the internationalisation of Islamic banks and other financial groups headquartered in the six states of the Gulf Cooperation Council (GCC): Saudi Arabia, the United Arab Emirates, Qatar, Kuwait, Bahrain, and Oman. These Gulf-based institutions have enlarged their international reach and come to play a significant role in the IF sectors of numerous countries outside of the core Western financial markets. Such internationalisation processes have been buttressed by various state policies and initiatives in the Gulf, which have aimed to accentuate the weight of the GCC in global IF markets. Importantly, however, this internationalisation of Gulf-based IF and the spatial realignment of global Islamic circuits around various key nodes in the GCC should not be viewed as counterposed to conventional finance; rather, this constitutes one state-backed strategy through which the Gulf has attempted to refashion its position in global financial markets. Seen from this perspective, the expansion and geographical diffusion of Islamic finance sits in a mutually constitutive relationship with the Gulf's burgeoning weight within (and new linkages to) the wider global economy.

Methodologically, this study focuses on two key sectors of the IF industry – Islamic banking and *sukuk* – which together represent around 95% of total global IF assets.[14] I begin first with Islamic banking, where I map the internationalisation of Gulf Islamic banks through a detailed investigation of the asset structures and subsidiaries of the nearly 170 conventional and Islamic banks in the Gulf, as well as a further 84 Islamic banks located in 14 countries that are deemed as strategic markets for the IF industry. This analysis draws upon a study of bank financial reports (in both Arabic and English), stock exchange data, as well as information obtained through the Bankscope database. Because a key goal of this study is to understand the international flows of Gulf capital that are explicitly characterized as Sharia-compliant, I have excluded other forms of GCC internationalisation (such as cross-border investments by GCC governments or Sovereign Wealth Funds) that are typically not associated with IF. I then turn to *sukuk*, where I utilise the publically-available *sukuk* prospectuses of state and corporate entities to trace the shifting geographies of where Islamic debt instruments are issued, as well as the corporate, state, and financial actors that are involved in packaging and advising on them. Analysis of both these sectors has been supplemented through field research in London, Dubai, Doha and Riyadh, where I have attended various financial industry events and met with individuals working in Islamic banks, as well as lawyers involved in

structuring *sukuk*. Although many of these conversations took place 'off the record', they have been invaluable to deepening my understanding and overall framing of the industry.

2. Situating IF in Global Finance

It is widely recognized that in the years following the 2008 global economic crash there has been an explosion in "studies of finance as a social relation and financialization as a mode of modern life" [15] across a diverse range of social science disciplines. This research has helped illuminate the powerful role of financial markets in intermediating and intervening in all aspects of our social being, imposing new financial imperatives on states and firms, and compelling households and individuals to rely on financial markets for basic needs and longer term necessities such as education, health, housing, and retirement. [16] Such an elevated role of finance within our daily lives has resulted in deep-seated transformations of social and institutional behaviors – including a shift in individual subjectivities[17], the emergence of new modes of discipline for states and other economic actors, as well as changes to the priorities and practices of banks[18] and non-financial corporations[19].

Although a significant majority of this contemporary research into finance continues to concentrate upon the US and European Union, there is now a growing body of work that analyses financial markets and processes of financialisation outside of these core states. This work includes studies exploring the changing position of emerging market banks within the global system[20]; comparative trajectories of financialisation in peripheral states[21], including the growth in household and mortgage lending as a proportion of bank lending[22]; the significance of cross-border banking and international financial flows on forms of finance outside of the core[23]; and the critical role of 'offshore' financial zones in intermediating global capital flows. This broadening of geographical horizons has generated a more nuanced and complex picture of international finance, not least of which is an appreciation of the variegated paths that financial market development may take in different spaces across the globe.

Despite this increased attention to difference and variation, however, Islamic Finance has tended to remain somewhat of a 'black box' for the broader critical political economy literature. With few significant exceptions that are discussed further below, IF has rarely been considered from a systemic perspective that emphasizes its association with "transformations in the character of capitalism", and "a phase of capitalism that we might wish to call 'neoliberalism,' 'neoliberalization,' or in more nuanced and spatially-sensitive terms: 'variegated neoliberalization'"[24]. Instead, much of the discussion around IF has taken place on the terrain of Islamic scholars and industry practitioners, where the primary preoccupation has been the contested semantics of Islamic interpretation – a feature of the literature aptly described by Pitluck as one of "definitional anxiety"[25].

Through these partisan framings of IF, industry supporters have sought to establish that IF holds a higher moral and ethical stance than traditional approaches to saving and lending, enabling investment that can be both socially-beneficial and yet still achieve the religiously approved goal of making money[26]. Rethel describes this approach as 'Islamic Finance as Socio-economic project'[27], which emphasises the normative dimensions of risk-sharing and the avoidance of speculation, and the potential of IF to provide an alternative to the crisis-prone instability of conventional finance. Such perspectives became increasingly popular in the wake of the global crisis, when numerous studies purported to show that Islamic financial institutions were relatively insulated from the

market implosion and that a properly designed Islamic financial system could avoid the speculative risk inherent to modern financial markets.[28] The crisis "strengthened the case for close adherence to Islamic financial principles"[29] and even the Vatican was to praise Islamic banks as a more ethical form of banking[30].

These laudatory perspectives assert a direct and unproblematic link between the design of Islamic financial instruments and ethical principles derived from classical Islamic jurisprudence. In this regard, a number of scholars have questioned the essentialist assumptions that typically frame such conceptions. Islam – as with all religion – should not be seen as a transhistorical or homogenous set of beliefs that has remained unchanged since the 6th century[31]; its character, rather, depends heavily on the ways in which religious scholars (and believers themselves) interpret classical doctrine for modern purposes. This religious interpretation is always shaped by its current context, and inevitably carries with it the mark of existing social interests and power structures. Such interpretative flexibility is particularly pronounced in the case of Islam, where the absence of a centralised religious hierarchy and the presence of different schools of thought, has led to a situation akin to 'structural pluralism' in religious ideas and rulings, with "a multiplicity of conclusions among jurists defying easy categorization or analysis"[32].

These realities hold important implications for understanding the nature of modern Islamic financial instruments. Most significant to this is the determinant role of large global financial institutions – including Western banks and ratings agencies – that have shaped the regulatory guise of IF and molded its compatibility with conventional finance. These institutions are closely linked to a very small number of well-remunerated Shari'a scholars employed by firms to provide a stamp of legitimacy to IF instruments, and who act as "crucial gatekeepers for Islamic circuits"[33]. Such religious scholars are often accused of using 'legal tricks' (*hiyal*) to evade religious prohibitions, thereby structuring Islamic financial instruments in a manner that is substantively similar to conventional finance.[34] Indeed, one prominent expert of Islamic law has argued that Islamic finance today has "almost nothing to do with economic justice, mutuality or social justice"[35], and the religious rulings on which Islamic financial instruments are based have become "no more than an invention of the present, a means to validate an approach rather than any true reflection of the practices and norms of a previous era".[36] Historically important to this process, as Tripp observes, was a conceptualisation of the 'economy' as a distinct sphere and domain of human knowledge – an acceptance, in other words, of "many of the assumptions and imaginative reconstructions of individual and society … [that] underpin the ethos of the capitalist imaginary."[37]

Framed by this standpoint, a recent body of academic work has begun to more fully explore IF and its place within the wider architecture of global finance. This work includes studies that trace the development of Islamic mortgages in the UK and US during the 2000s in connection to the growing financialisation of households in these countries[38]; the role of major international financial institutions and ratings firms in legitimating the spread of IF[39]; the 'grafting' of IF with conventional financial ideas and practices[40]; and the institutional structures that "bridge and meld diverse legal and religious codes"[41] and thereby enable the day-to-day operations of Islamic banks and *sukuk* issuance. While all these processes should not be understood as a unidirectional imposition of global capitalist norms onto emerging markets and always involve a degree of contestation and adaptation[42] – taken together, they highlight the fact that IF is not

external to contemporary capitalism, but rather is one form that finance may take within a variegated global system.[43]

From this perspective, scholars have challenged a further assumption that often underpins much of the mainstream commentary on IF: the idea that IF is growing as a simple causal outcome of spreading religiosity. While it may be true that religious beliefs can constitute a barrier to the expansion of financial markets – although, it should be noted, survey evidence does not necessarily affirm this link as strongly as the proponents of IF and 'financial deepening' may sometimes argue[44] – it is necessary to interrogate the discursive role that IF plays in actually promoting neoliberal norms, reshaping forms of subjectivity, and helping to legitimise existing power structures. This is an insight that scholars working on the early history of Islamic Finance have long noted, particularly in regard to Saudi Arabia's instrumentalisation of Islam in projecting its own regional ambitions vis-à-vis secular, Leftist and nationalist political currents in the Middle East.[45] In Kuwait, the rise of one of the world's largest Islamic banks, Kuwait Finance House, was strongly encouraged by the ruling Al-Sabah family, seeking a counterweight against secular and Arab nationalist sentiments, and as a means to undercut rival merchant classes.[46] And in Jordan, the emergence of Islamic banking in the late 1970s was closely associated with a growing political space granted to Islamic movements by the Hashemite monarchy, eager to shore up regime legitimacy in the wake of the 1970 civil war.[47] Beyond the Middle East, Islamic Finance has become an important component of regime legitimation in Central Asia, with governments such as those of Kazakhstan wielding IF "to simulate and enhance political legitimacy, and convey identity to a broad international and domestic audience".[48]

More broadly, numerous authors have traced the affinities between Islamic economics and the rolling out of neoliberal structural adjustment measures, with the former not only providing religious sanction to "private property, free enterprise and the sanctity of contracts"[49] but also encouraging the replacement of state-supported welfare with private philanthropy and Islamic charity. Rudnycky's ethnographic work on Indonesia and Malaysia, for example, has shown how the spread of 'spiritual economies' is linked to the refashioning of individual subjectivities, "inculcating ethics of individual accountability that are deemed commensurable with neoliberal norms of transparency, productivity, and rationalization for purposes of profit".[50] Other research on Egypt, Sudan, Bahrain, Jordan and Turkey has similarly explored the connection between liberalisation and the growing weight of Islamist politics and movements.[51] Such examples point to how the growth of IF is intimately linked to questions of power, politics, and economic change – a process that draws legitimacy from its avowed spiritual basis, while simultaneously instrumentalising this religiosity for very profane ends.

From a political economy perspective, however, one significant feature of Islamic finance remains relatively underexplored: the ways in which the growth of contemporary IF is bound up with the emergence of new centres of accumulation and a reworking of financial power across different geographic spaces. As Bassens has observed in relation to Dubai and the debates around the concept of 'world cities', IF constitutes a "niche where local cultural and religious knowledge is paramount and South–South connections are likely to be dominant", and thereby potentially enables the Gulf to stake a claim in financial circuits that lie outside of "conventional circuits, which are mostly dependent on knowledge in the leading world cities".[52] The deep link between internationalisation processes and concomitant shifts in financial power is well-established in the general literature on finance[53] - and IF would seem to be ideally predisposed to such cross-

border expansion due to its claims around serving a transnational Islamic community (*ummah*) – yet Bassen's important insight has not been subject to systematic investigation within the critical literature on Islamic finance.

These questions are particularly significant given the recent turn by IFIs and other multilateral organisations towards IF as a strategic development intervention for large swathes of Asia, Africa, and the Middle East.[54] In these areas, IF is perceived as one means of encouraging the incorporation of individuals into financial markets through the use of Islamic lending and saving instruments. At the same time, IF has been highlighted as an alternative and complementary avenue for PPP financing, with numerous governments now seeking to diversify their funding sources through the issuance of *sukuk* (see below). In the context of this embrace of IF by major development actors, the institutional weight of Islamic banks and other IF institutions is likely to be further enhanced (as both intermediaries between financial markets and individuals, and as providers of financial services to corporations and governments). The question of who owns and controls these institutions – and the ways in which this control is spatially articulated across the world market – thus bears directly on the character of financial power that we may see evolve over coming years in many parts of the globe.

A key geographical bloc through which to approach these questions are the six Arab states of the GCC. In many respects, these states are now displacing Malaysia as the core market of Islamic finance at a global scale; yet although it is widely acknowledged that the Gulf states – particularly Saudi Arabia and Bahrain – were key protagonists in the early formation of Islamic banks[55] and the development of regulatory mechanisms for the global IF industry[56], there has been a paucity of recent critical research examining the international reach of GCC IF institutions. GCC Islamic banks and other institutions are playing a pivotal role in the global expansion of the IF industry, and IF is explicitly identified in GCC national development strategies as a significant element to the region's future global positioning. For all these reasons, an examination of the Gulf's IF sector and its internationalisation tendencies can reveal much about the hierarchical nature of the global IF industry and its place within contemporary capitalism.

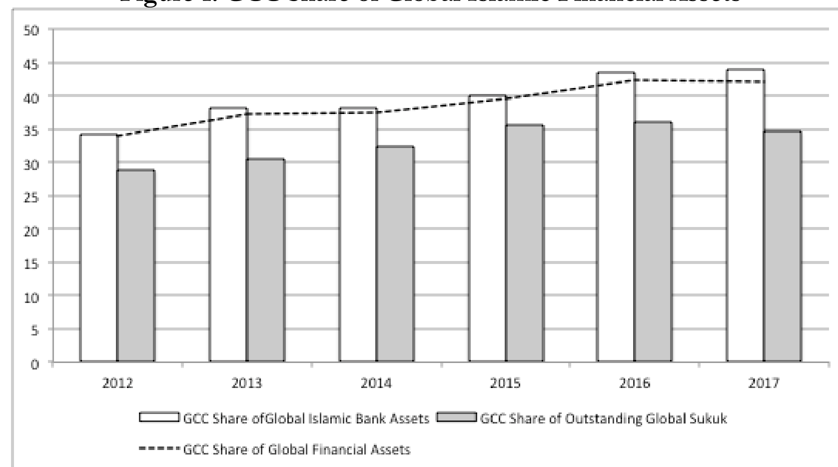
3. Gulf Islamic Banks and Global Islamic Circuits

The modern IF industry began in 1975 with the establishment of the Dubai Islamic Bank (the world's first commercial Islamic bank) and the Islamic Development Bank (a multilateral development institution headquartered in Saudi Arabia and operating on Shari'a principles). As institutional and regulatory mechanisms for the industry were slowly rolled out through the 1980s and 1990s, the presence of Islamic banking steadily expanded across South-East and South Asia, the Gulf and the wider Middle East. In the early 2000s, financial firms such as Dow Jones and the Financial Times launched Islamic stock indexes and the contours of a global *sukuk* market began to emerge with Malaysia's first international *sukuk* issuance in 2002. Since that time the industry has seen sharp growth, with total global IF assets reaching over US$2.4 trillion in 2017, more than three times the market size in 2005. The biggest part of this market consists of $1.56 trillion in Islamic bank assets ($450 billion in 2005) and $450 billion in outstanding sukuk ($18 billion in 2005).[57]

Islamic banking entities now operate in more than 60 countries worldwide, and are recognised as "systematically important in Asia and the Middle East" by a recent IMF study.[58] Although Islamic banks in Asia (particularly Malaysia) retain a strong role in

regional and global markets, a clear feature of the last decade is the increasing dominance of GCC Islamic banks throughout all sectors of the industry. Indeed, the GCC share of global Islamic bank assets grew a striking 10 percentage points between 2012 and 2017, and now sits at 44% of the world total – far in excess of any other region. Similarly, 35% of global outstanding *sukuk* was held by the GCC in 2017 – an increase from just 29% in 2012. When all forms of Islamic financial assets are considered (i.e. those held by banks, *sukuk*, *takaful*, and Islamic funds), the GCC's global share rose from 34% to 42% between 2012 and 2017 (see Figure 1).

Figure 1: GCC Share of Global Islamic Financial Assets



Source: Author calculations, IFSB various years.

The Gulf's predominance across these various asset classes partially reflects an 'Islamicisation' of banking markets in the GCC itself. Islamic banks currently represent around one-third of all active banks in the Gulf (55 out of 169 total banks), and have witnessed pronounced growth over the past decade. Although conventional banks remain larger than Islamic banks in all Gulf markets, Islamic institutions now rank number two in Saudi Arabia, Kuwait, and Qatar, and are major players in the banking sectors of other GCC states.[59] In 2014, Islamic-compliant banking assets in Saudi Arabia surpassed 50% of the country's total banking assets for the first time in history, and the country's largest bank, the National Commercial Bank, has recently announced that it would convert itself into an Islamic institution by 2020. Similarly, with the exception of Oman[60], Islamic bank assets represent a significant share of total bank assets in all GCC states (see Table 1).

Table 1: Size of Islamic Banking in the GCC, 2011 and 2016

	No. of Active Banks (2016)	**No. of Islamic Banks (2016)**	**Islamic banking assets as proportion of total bank assets (%) (2011)**	**Islamic banking assets as proportion of total bank assets (%) (2016)**
Saudi Arabia	20	6	43	54
UAE	22	9	18	24
Kuwait	38	12	43	43
Bahrain	49	20	27	29
Qatar	16	5	23	27
Oman	24	3	0	3

Source: Author calculations Bankscope database; bank annual financial statements; ITR 2017.

As is the case with conventional banks, the ownership structures of Islamic banks in the Gulf are marked by a mix of state and private holdings, although Gulf Islamic banks tend to be more closely tied to large, private business conglomerates than their conventional

peers.[61] In addition to their banking interests, these private conglomerates are also disproportionally involved in construction and real estate activities, as well as service-delivery firms and privately-operated projects that are currently underway in the Gulf (such as the world's largest provider of K-12 education; Saudi Arabia's first airport PPP; the Gulf's biggest power and energy company; the top real estate developers in Saudi Arabia, Qatar, Abu Dhabi and Bahrain; and the largest listed healthcare firm in the GCC).[62] In this respect, proposed privatisation plans hold important implications for the future growth of Islamic finance in the Gulf – a connection stressed by numerous industry participants I have spoken to in the region.

Within such a framework, how can we understand the internationalisation of GCC Islamic banks and their place in global Islamic circuits? The first issue to note is that compared to conventional banks located in the Gulf, Islamic banks demonstrate a much greater propensity to internationalise and, moreover, show a markedly different geographical orientation in overseas expansion than their conventional counterparts. Table 2 illustrates this fact through an analysis of the regional distribution of all GCC bank subsidiaries (held by both conventional and Islamic institutions) that are located outside of the Gulf. These subsidiaries encompass a wide range of activities, including fully-owned banks, financial holding companies, real estate firms, Special Purpose Vehicles (SPV), and a range of other enterprises involved in industry, commerce, and trade. The data point towards the significant global diversification of GCC Islamic bank interests and their strong tendency to expand beyond their national borders. At a purely numerical level, the scale of internationalisation by GCC Islamic banks exceeds that of conventional banks: of the 414 Gulf bank subsidiaries located outside of the GCC, just under 60% are affiliated to Islamic banks – a markedly greater number than those controlled by Gulf conventional banks (and despite the fact that there are more conventional banks than Islamic institutions).

Table 2: Geographical Distribution of GCC Bank Subsidiaries Outside the Gulf (2018)

Location	Total GCC Bank Subsidiaries	No. of Islamic Bank Subsidiaries	Share of Islamic Bank Subsidiaries in Total Bank Subsidiaries (%)
Offshore Financial Centres	144	94	65
EU and North America	76	41	54
Middle East and North Africa	109	52	48
South Asia	28	14	50
South East/East Asia	29	17	59
Other Africa	14	12	86
Asia Pacific	4	4	100
Balkans	4	4	100
Central Asia	6	6	100
Total	414	244	59

Source: Author calculations from Bankscope Database.

As would be expected given the structure of the global financial system, the majority (53%) of all GCC bank subsidiaries are located in North America/EU or in offshore financial centres. The number of Islamic and conventional bank subsidiaries located in Western markets is roughly equal – in the case of offshore financial centres, however, Islamic banks control a much greater share of all bank subsidiaries (65%). The principal

reason for this higher density of Islamic bank subsidiaries in offshore jurisdictions is the need for Islamic banks to hold property (land or other fixed assets) in SPV as part of the requirements of *sukuk* issuance.[63] These SPV are most often set up in areas such as the Cayman Islands, which not only offer high levels of confidentiality but also operate Trust structures based on English Common Law that fit well with the needs of Shar'ia compliance. Indeed, according to one lawyer interviewed for this article, the Cayman Islands has made a concerted attempt to attract GCC Islamic banks through promoting their use of English common law, and have also introduced language facilities that enable the issuance of financial documentation in both Arabic and English.[64]

Beyond these established areas, the figures shown in Table 2 reveal the greater locational diversity of GCC Islamic bank subsidiaries compared with their conventional peers. Of the 194 Gulf bank subsidiaries located in regions outside of North America/EU and offshore jurisdictions, 109 (56%) are held by Islamic banks. The areas targeted in this internationalisation include states with long-running Islamic finance sectors (such as Malaysia, Sudan, Bangladesh, Pakistan and Indonesia), as well as countries that have introduced legislation around Islamic banking very recently (e.g. Bosnia and Herzegovina, Azerbaijan, Nigeria, Senegal, and Kenya). Strikingly, in areas beyond the Gulf's immediate neighbourhood of the Middle East and North Africa, around two-thirds of all GCC bank subsidiaries are held by Islamic banks – a very significant majority, which points to the outsized role of Islamic finance in forging linkages to countries where the Gulf's financial presence has traditionally been much less prominent.

The implications of these internationalisation patterns can be seen through a more detailed examination of countries that have significant and emerging Islamic finance sectors. Table 3 lists 14 countries that have been identified by the Islamic Financial Services Board (IFSB) – a leading global policy institute for IF – as key existing geographies of Islamic finance and promising areas for its future growth. Governments in these countries have been enthusiastic proponents of Islamic banking and *sukuk* issuance, supported by multilateral organisations and IFIs who have targeted these states for recent Islamic Finance-related development interventions. For all these reasons, the countries listed in Table 3 provide a useful window into how the evolution of the global IF architecture might be connected to the projection of the GCC's wider financial influence.

Table 3: Global Weight of Islamic Bank Assets

	Islamic Bank Assets as Percentage of Total Bank Assets	**Proportion of IB Assets held by GCC-Related Banks**
Sudan	100%	40%
Brunei	61.8%	100%
Malaysia	25%	9%
Bangladesh	20%	35%
Djibouti	19%	100%
Jordan	16%	80%
Pakistan	13%	79%
Egypt	9%	100%
Indonesia	5%	30%
Turkey	5%	90%
Tunisia	5%	35%
Senegal	5%	100%
Bosnia and Herzegovina	3.6%	100%
Kazakhstan	1%	60%

Source: Islamic bank assets from IFSB (2018, p. 15); Author calculations; Bankscope database

The table shows both the proportion of each country's banking sector that is deemed Islamic, as well as the overall weight of GCC-related banks in their Islamic banking sector (with GCC-related banks defined as those banks that are subsidiaries of Gulf

Islamic banks, or with more than 20% of their share ownership held by Gulf-based investors). Remarkably, with the exception of Malaysia – where Islamic banks remain largely domestically owned – GCC-related banks control 30% or more of Islamic banking assets in all of the countries listed in the table. For 9 out of the 14 countries, GCC-related banks hold more than half of all Islamic banking assets, and five countries show Islamic banking sectors completely dominated by GCC-related institutions. Through such cross-border ownership ties, the expansion of global Islamic finance markets is closely coupled with the strengthening of Islamic finance inside the GCC itself. Indeed, at a global level, if we consider the 130 Islamic banks that are located in countries *outside* of the GCC, 40 of them are actually GCC-related, including nine out of the top twenty non-GCC Islamic banks in the world.[65]

There are two aspects to this internationalisation of Gulf-based Islamic banks that deserve emphasis. First, such cross-border expansion provides an important route through which Gulf Islamic banks become more deeply enmeshed with other non-banking productive and commercial activities at an international level. In Sudan, for example, the country's major fixed line telecom and Internet provider, Cana Telecommunications, was privatised in 2016 and bought by the country's largest bank, the Bank of Khartoum, whose largest shareholder is Dubai Islamic Bank. Likewise Jordan's biggest Islamic bank (and fourth largest bank overall), the Jordan Islamic Bank (JIB), controls more than a dozen of Jordan's most prominent non-financial companies involved in private universities, pharmaceuticals, the manufacture of steel pipes, real estate, technology, insurance, and chemicals.[66] JIB is a subsidiary of the Saudi-controlled, Bahrain-based Al Baraka Banking group, and in this respect, constitutes an important mechanism for the expansion of Saudi capital throughout much of the Jordanian economy. Similar patterns are repeated in Pakistan, where the four largest Islamic banks[67] are all connected to GCC capital and hold extensive investments in textiles, oil and gas, cement, steel, and agriculture.

Second, these internationalisation patterns are critical to consider given the growth of Islamic finance in new markets and geographical spaces that have previously been less prominent in the Gulf's international linkages. One illustrative example of this is the case of Morocco, where GCC banks (both conventional and Islamic) have traditionally held little presence.[68] Islamic banks had long been banned in Morocco due to the monarchy's fear of Islamist movements, but in early 2015, the country enacted legislation permitting the operation of Islamic banks. One leading financial consultancy firm noted that "the main motive for Morocco's opening up to Islamic finance is financial rather than religious" with the primary goal of "attract[ing] foreign investment and liquidity from regions such as the GCC that lead the Islamic finance industry".[69] Pointedly, the Qatar International Islamic Bank (QIIB) – Qatar's third-largest Islamic bank – was the first to enter the Moroccan market, through a joint venture in which QIIB would hold 40% of assets.[70] In late December 2017, the Saudi-owned Al Baraka Bank also opened a new Islamic bank in Morocco, Bank Al Tamweel wa Inma (BTI), in a joint venture with an existing Moroccan bank. The CEO of Al Baraka commented on the announcement that there were "large opportunities for the success of our bank, given Morocco's significant and promising development potential in the field of participation [Islamic] banks".[71] Morocco's North African neighbours, Tunisia and Algeria, have similarly recently enacted legislation to support the growth of Islamic banking; in both cases, the existing Islamic sector is small but dominated by GCC Islamic banks, while Gulf conventional banking remains marginal.

The emergence of these new spaces of accumulation is not restricted to the Middle East. Further afield, Indonesia has made a significant orientation to Islamic finance over the past five years. With the world's largest Muslim population, the country's Islamic banking sector is relatively small (just over 5% of all banking assets in 2017), but has grown rapidly at a CAGR of 19.5% between 2011 and 2017.[72] In 2015, the country's Financial Services Authority adopted a major strategy that pledged to triple the market share of Islamic banking to 15% by 2023.[73] And in September 2016, the country made a further important announcement that *sukuk* would constitute 50% of all sovereign debt issuance over the next decade, with Islamic finance underpinning government funding of infrastructure, education and agriculture projects. If this projected growth of Islamic finance continues as planned, GCC Islamic banks will likely be major beneficiaries – they currently control just under 30% of all Indonesia's Islamic banking assets, including the country's second largest Islamic bank. Moreover, as we shall see below, the GCC has become pivotal to Indonesia's issuance of *sukuk*.

This geographical orientation of Islamic bank internationalisation aligns considerably with a concurrent tilt in the Gulf's political and economic linkages, in which the Gulf seeks to project itself as a key bridge between the East and other emerging markets. Along these lines, the leading GCC Islamic banks explicitly identify the prospective growth of these markets as pivotal to their future internationalisation strategies. As Dubai Islamic Bank puts it in a recent annual statement (2017):

> "We continue to expand out international business primarily focusing on our own triangle formation with Far East Asia, South Asia and East Africa … the geographies of Pakistan, Indonesia and Kenya today remain the focus point with future plans to expand further in the East African belt. As you will notice, these moves have been strategically crafted to allow the bank to capture the growing trade flows from Far east to South East Asia and the Sub-Continent connecting to Africa with Dubai as the hub"[74]

Such trends occur alongside a raft of new legislation aimed at encouraging the growth of Islamic banking in West and East Africa, Central Asia, Russia, and even South America – where Suriname became the first country on the continent with an Islamic bank following the conversion of a conventional commercial bank to Sharia' compliance in 2017. [75] Of course in all these areas, Islamic banking is still in a nascent stage and its ultimate success remains uncertain. But any future growth of this industry – an aspiration fully supported by key regional and international economic actors – will likely see new relationships materialise with Gulf IF institutions. Islamic finance, in other words, acts as a substrate for the wider expansion of Gulf capitalism – a vehicle through which the Gulf's influence is reaching geographical spaces from which it has hitherto been largely absent.

4. *Sukuk* and the GCC

Such geographical expansion and diversification of the IF industry not only opens up new markets for GCC Islamic banks in lending and deposit-taking, but also strengthens their role in financial market intermediation at the global scale. An important illustration of this is the issuance and arrangement of global *sukuk*. These debt instruments come in a multiplicity of forms, and can be issued by governments (sovereign *sukuk*) or corporate entities. They differ from conventional bonds in that the certificates purchased by lenders represent a proportionate ownership in underlying assets or other activities that

generate a cash flow.[76] In recent years there has been an unprecedented global expansion in the use of these funding instruments – indeed, between 2014 and 2017, the value of *sukuk* offered internationally exceeded the total amount issued since the beginning of *sukuk* markets in 2002.[77]

To a large degree, sovereign issuance from the Gulf has underpinned this exceptional growth. As oil prices began to decline in mid-2014, GCC governments sought to meet their funding requirements through offering both conventional bonds and *sukuk*. Between 2015 and 2017, the value of GCC *sukuk* issuance increased by over 160%[78], and in 2017, 46% of all *sukuk* issued globally came from the GCC.[79] A major milestone occurred in April 2017, with a US$9 billion sovereign *sukuk* from Saudi Arabia – the largest dollar-denominated international *sukuk* in history.[80] This was followed by Saudi Arabia's issuance of Islamic bonds on the domestic market in late July 2017 (worth $4.5 billion), after a new government plan to regularly issue domestic *sukuk* was announced in mid-2017. In May 2017, Oman also debuted its first ever *sukuk*, a US$2bn seven-year issuance that was oversubscribed nearly three times and formed an important part of the country's strategic turn towards Islamic finance. Qatar, the UAE and Bahrain have also all been active *sukuk* issuers over the past five years; only Kuwait has yet to tap the sovereign *sukuk* market, largely due to a constitutional restriction on offering government property as collateral (see below) – appropriate *sukuk* legislation, however, is currently under discussion in the country.[81]

This recent GCC *sukuk* issuance has played an essential role in reinforcing the growth of Islamic banking in the Gulf. Most significantly, GCC *sukuk* have helped strengthen the asset base of GCC Islamic banks because, due to a lack of religiously appropriate investment options, Islamic banks tend to hold more low-yield cash on their balance sheets in comparison to conventional banks.[82] With higher-yield *sukuk* now increasingly available, Islamic debt issuance acts to diversify the investment options of these banks.[83] Greater quantities of sovereign *sukuk* also help to create a benchmark for the issuance of corporate *sukuk*, and over the past five years there has been a considerable increase in the number of Gulf corporate entities offering such debt.[84] Islamic banks themselves have also been prolific issuers of *sukuk*, in part to meet new Tier I capital requirements under Basel III.[85]

Outside of the Gulf, numerous other countries have entered the *sukuk* market for the first time over recent years. These include, for example, the UK, which became the first Western country to issue a sovereign *sukuk* in 2014, a move that then-Chancellor of the Exchequer, George Osborne, described as delivering on the "commitment to [make the UK] the western hub of Islamic finance and … part of our long term economic plan to make Britain the undisputed centre of the global financial system".[86] Luxemburg, South Africa, and Hong Kong followed soon after with their own debut sovereign *sukuk*. Outside of these established financial centres, the Ivory Coast, Togo, Nigeria, Senegal, and Jordan began issuing sovereign *sukuk* for the first time from 2014 onwards. And in 2018, governments in Tunisia, Morocco and Algeria all announced their preparations for debut *sukuk* issuance.

Such geographical growth in *sukuk* issuance has further accentuated the GCC's centrality within global Islamic debt markets; most directly, by providing a significant source of revenue for GCC Islamic banks, which have acted as advisors and arrangers for many offerings happening outside the Gulf. In this sense, the internationalisation patterns analysed in the preceding section help to facilitate the weight of Gulf Islamic institutions

in global financial intermediation. Revealingly, of all the non-GCC *sukuk* issued globally between 2016 and February 2018, just under half (47%) have involved GCC banks as arrangers and advisors.[87] The fees and commissions earned through these activities have contributed significantly to the recent growth in Gulf Islamic banking. Indeed, Dubai Islamic Bank, one of the most active advisors to *sukuk* on the international level, reports that its corporate banking segment – responsible for assisting governments and companies on such transactions – represented just under half (47%) of the bank's before tax profit in 2017; a notable rise from the levels of 20-30% seen between 2012 and 2014.[88]

Moreover, accompanying the global diversification and expansion in *sukuk* is a shifting spatial geography of *where* issuance takes place. This is most clearly illustrated in the role of Dubai, where, in October 2013, a three-year plan was announced that aimed at making the emirate "the global capital of the Islamic economy".[89] Dubai's attempt to project Islamic finance as a strategy to distinguish itself from other financial zones – utilizing a perceived 'comparative advantage' as a Muslim country with highly developed financial markets – appears to have been successful; in 2015, Dubai became the world's largest location for *sukuk* listings, surpassing in that year the three other main global players in *sukuk* – Malaysia, Dublin, and London.[90] Remarkably, since 2016, more than one-quarter of all *sukuk* issuance by governments and corporate entities *outside of the Gulf* have been listed in Dubai – these include the inaugural *sukuk* issuance of Hong Kong and eight *sukuk* from the Indonesian government. The Indonesian government is now the largest issuer of *sukuk* on NASDAQ Dubai, where it made history in February 2018 with issuance of the world's first sovereign ecological or 'green' *sukuk* (a move, moreover, that further points to how IF has become entwined with notions of sustainable development). By way of comparison, the second largest global exchange for *sukuk* listing, Malaysia, is much less internationalised – dominated instead with debt issued by the Malaysian government or firms, rather than international entities.[91]

Dubai's pivotal position in the issuance of non-GCC international *sukuk* further strengthens the weight of Gulf banks, which typically act as lead arrangers and advisors for these listings. In reference to Indonesia's Dubai-listed *sukuk*, one banker notes: "Classically, it has been Malaysian banks that were the natural choice for Indonesia, but now you see Middle East banks doing those Sukuk … Malaysian banks are backing off and UAE banks are filling the gap".[92] The choice of Dubai as the location of *sukuk* issuance also tends to increase the proportion of emerging market *sukuk* held by GCC investors – indeed, a survey by S&P found that Middle East investors (primarily from the GCC) bought nearly half of all global *sukuk* issued in 2017.[93] Taken together, all of these various trends illustrate how the GCC constitutes a core spatial zone linking the principal borrowers, lenders, and arrangers of *sukuk* transactions – the global growth in Islamic debt markets is increasingly intermediated by the GCC, a privileged position that acts to bolster the region's own Islamic financial institutions.

Moving forward, the future trajectories of the GCC's position in Islamic debt markets will be powerfully shaped by a recent significant development in the *sukuk* industry: the strategic push by international financial institutions to integrate Islamic financing with wider neoliberal strategies, most particularly in Public Private Partnerships (PPPs) for infrastructure and other services. Precisely because PPPs meet (at least formally) the requirements of Shari'a-compliant financing – risk sharing, partnership in the project, and guaranteed returns – they can fit quite seamlessly into the goals of Islamic investors, while simultaneously allowing Islamic financial institutions to enlarge their asset base. As

the World Bank's senior director of infrastructure, PPPs and guarantees has commented: "there is a natural fit in applying Islamic finance to infrastructure projects as it serves the very purpose of asset-backed redistribution of funds".[94]

In this respect, international financial institutions have begun to heavily promote the use of *sukuk* in project financing for PPPs. A landmark study published by the World Bank in December 2017 focuses precisely on this question, highlighting recent examples of Islamic financing for infrastructure PPPs in a range of sectors, including roads, energy, hospitals, seaports, and airports. The report's logic confirms the strong affinity between Islamic finance and neoliberal development models, noting that there is a "huge global need for infrastructure [that] is giving rise to a massive deficit in infrastructure investment"[95] and that a key solution is "to attract private capital to build and maintain the critical infrastructure that is essential for sustained economic development".[96] The problem is "particularly acute in the region where a vast majority of Muslim population lives" – the emerging and developing economies of Asia and Africa – and, as a result, different variants of *sukuk* provide an ideal form of financing for infrastructure PPPs.[97] The report goes to great lengths to emphasize that Islamic financing does not contradict conventional financing for PPPs, but rather "can provide a complementary source of financing" in which "Islamic finance and conventional finance … coexist seamlessly in the same infrastructure project, on equal footing". Similar recent reports by other international organisations have also encouraged governments to look towards *sukuk* to fund renewable energy, education, and health projects – all of which can be additionally marketed as a form of Islamic 'corporate social responsibility' (another pillar of Islam).[98]

It remains to be seen how successful these attempts will be given the complexity of some of these Islamic funding arrangements and their relatively untested practical implementation. Nonetheless, the logical thrust of the arguments linking *sukuk* and development financing – and the enthusiasm with which these arguments have been endorsed by major IFIs – confirms that the essential principles of Islamic finance are seen as being closely aligned with the core practices of contemporary neoliberalism. The use of *sukuk* can help accelerate the rollout of private sector-oriented development models and widen the sphere of market relations – not as a replacement for conventional financing, but as a complementary tool. Wielding Islamic finance in such a manner not only facilitates the deepening of neoliberal norms and forms of governance in areas that are explicitly conceived by international financial institutions as 'Islamic'; it *also* sits in a mutually-reinforcing relationship with the strengthening of GCC Islamic financial markets, and the simultaneous reorienting of Gulf capitalism's connections to a variety of different geographical spaces.

5. Conclusion

Critical scholars of development have rightly observed that the ethical claims underpinning the rapid growth of Islamic financial markets since 2008 – and their strong promotion by NGOs and multilateral institutions as a tool "to eradicate extreme poverty and work toward a more equitable distribution of wealth"[99] – obfuscate the substantive alignment of IF with the priorities of mainstream finance. While Islamic banks and lending instruments may differ at a technical level from their conventional counterparts, IF institutions ultimately seek to profit from the expansion of an initial sum of loanable money-capital advanced over time. In this sense, IF represents one form that finance and financial markets take in an always-variegated global capitalism – a set of practices that

claim legitimacy in the doctrinal assumptions of 6th century religious belief, but which ultimately encourage the broader systemic logics of 21st century financialisation.

Building upon these now well-established critiques, this article has sought to move away from a predominantly methodologically-nationalist framing of IF to consider what the growth of this particular type of finance means within the contemporary hierarchies of the world market. If accumulation is conceived as a process inseparable from the expansion of capital beyond the national scale, then the IF industry – as with all capitalist sectors today – is inevitably marked by shifting geographies of financial power and new transnational ownership structures. I have shown that a critical dimension to this for contemporary IF is the internationalisation of Gulf financial groups; a process that is closely bound up with how the GCC is located within the broader global political economy. This is evident in the internationalisation of GCC Islamic banks – which has proceeded at a much faster pace than banks from any other major geographical centre of IF – and has given the Gulf a powerful foothold in new markets as well as a wide variety of sectors that are typically considered 'non-financial'. At the same time, the global expansion and geographical diversification of *sukuk* issuance is refashioning the Gulf's relationships with other zones of the world market, a process that looks set to intensify given multilateral policies promoting the use of Islamic financing in development. All of these aspects to the global growth of the Islamic finance act to reciprocally strengthen GCC Islamic finance institutions and the region's Islamic financial industry.

From the standpoint of the world market, the discussion above has largely focused on the Gulf's relationships to markets in Africa, Asia, and the Middle East. There are, however, other important geographical dimensions to the global growth of Islamic banking and *sukuk*. First, as noted, the GCC Islamic financial industry is deeply connected to core Western financial centres such as London, Dublin, and Luxembourg through SPVs located in 'offshore' financial jurisdictions, as well as subsidiaries of GCC Islamic financial institutions that operate directly in these markets. London, in particular, is notably linked to the GCC's IF industry – with all of the fully-Islamic banks operating in the City controlled by Gulf financial groups. Discussions around post-Brexit scenarios in the UK have explicitly highlighted Islamic finance as a key element to London's future financial strategies, and a second sovereign *sukuk* is planned by the UK immediately after withdrawal from the EU. If these plans proceed as envisioned, IF will be significant in shaping the GCC's future relationship with London and other core centres of global finance.

The other highly important international dynamic linked to Islamic finance is the Gulf's relation with East Asian markets. The Chinese government has recently declared that IF would form part of its funding arrangements for the 'One Belt One Road' initiative, and the crucial role of Dubai has been noted above in relation to Hong Kong's debut *sukuk* issuance. Moreover, many of the countries that sit along both the 'belt' and 'road' components of China's planned international expansion – Pakistan, Djibouti, Indonesia, Bangladesh, Malaysia, Egypt, Turkey, and the states of Central Asia – are precisely those countries highlighted in the foregoing analysis, and all have pledged to grow their IF sectors in coming years. The GCC already figures prominently in China's current geo-strategic orientation due to its hydrocarbon exports, logistics routes, and provision of financial services (Dubai, for example, is the regional base for all major Chinese banks operating across the Middle East and Africa) – but more work is needed on the place of IF within these relationships, and its potential role in shaping the GCC's future linkages to the East.

In all of these ways, the development of global Islamic circuits constitutes an important bridge for the expansion of Gulf capitalism more broadly. Once again, this should not be seen in contradiction to conventional banking or standard financial practices; rather, Islamic finance forms a complementary pathway through which the influence of Gulf capital is extended across other scales. The growth of Islamic financial markets constitutes one element to how the global political economy is being reconfigured in the contemporary period. Calls to integrate IF into the toolbox of international development disguise the existing relations of geo-economic power that underpin the establishment and day-to-day functioning of these markets – thereby eliding the financial powers that ultimately benefit from them.

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[1] At its most basic, Islamic finance refers to financial operations that accord with principles laid out in Islamic law. Although often reduced to 'interest-free' banking, the scope of these principles is in reality much broader: the avoidance of *riba* (an unjustified increase in money capital), *maisir* (speculation or gambling), *gharar* (risk or uncertainty), and a focus on activities considered religiously permissible (*halal*).
[2] ITR, "Towards Sustainability", 11.
[3] IMF, "Islamic Finance"; World Bank, "Global Report"
[4] WB, "Islamic Finance Newsletter", xi.
[5] UNDP, https://www.undp.org/content/undp/en/home/news-centre/speeches/2018/-the-role-of-islamic-finance.html
[6] Marois, "Emerging Markets Rescues"
[7] Fine, "Neoliberalism as Financialisation", p.59.
[8] LiPuma, "Social Life".
[9] Rethel, "Whose Legitimacy"; Bassens et al, "Gatekeepers"; Pollard and Samers, "Governing Islamic Finance".
[10] Warde, "Global Politics"; Rudnyckyj, "Spiritual Economies".
[11] Bassens, "Emerging Markets".
[12] Rethel, "Whose Legitimacy", 89.
[13] Dumenil and Levy, "The Crisis of Neoliberalism".
[14] IFSB, "Islamic Financial Services Industry", 9.
[15] Christophers et al, "Money and Finance", 12.
[16] Krippner, ""The financialization of the American Economy".
[17] Martin, "Financialization of Daily Life"; LiPuma, "Social Life"
[18] Aalbers, "The Financialization of home"; Dos Santos, "On the Content of Banking"
[19] Lapavitsas, "Profiting without Producing".
[20] Erturk, "Governance or Financialization"; Marois, "Emerging Market Bank Rescues"; Rethel, "Financialisation and the Malaysian Political economy".
[21] Kaltenbrunner & Painceira "Subordinated Financial Integration"; Karwowski and Stockhammer "Financialisation in Emerging Economies".
[22] Karacimen, "Financialization in Turkey"; Dos Santos, "A Cause for Policy Concern".
[23] Hanieh, "Absent Regions"; Painceira, "Developing Countries"; Becker et al "Peripheral Financialization"
[24] Samers, "A Marriage of Convenience?", 1174.
[25] Pitluck, ""Islamic banking and finance", 682.
[26] Abdullah & Chee "Islamic Finance"
[27] Rethel, "The Imaginary Landscapes".
[28] Chapra, "The Global Financial Crisis"; Nienhaus, "Islamic Finance Ethics".
[29] Ahmed et al, "Islamic Banking and Financial Crisis", 6.
[30] World Finance, "Vatican Praises".
[31] Ismail, "Rethinking Islamist Politics".
[32] Hamoudi, "The Muezzin's Call", 435.
[33] Bassens et al, "Gatekeepers", 343 .
[34] Kamla "Critical Insights"; Chong and Liu, "Islamic Banking"; Zaman, "Interest free Islamic banking".
[35] Hamoudi, "The Muezzin's Call", 460.
[36] Ibid, 423.
[37] Tripp, 'Islam and Moral Economy', 104.
[38] Samers, "A Marriage of Convenience?".
[39] Rethel, "Whose Legitimacy?"; Fang, "Islamic finance in global markets".

[40] Lai et al "Conceptualizing Dynamic Challenges".
[41] Pollard and Samers, "Islamic banking and finance" 722.
[42] Bassens, "Emerging Markets".
[43] Brenner et al "Variegated neoliberalization"; Hanieh, "Variegated Finance Capital".
[44] Naceur et al, "Can Islamic Banking Increase Financial Inclusion?"
[45] Warde, "Global Politics, Islamic Finance"
[46] Smith, "The Kuwait Finance House".
[47] Malley, "Jordan: A case study".
[48] Hoggarth, "The Rise of Islamic Finance" 118.
[49] Warde, "Global Politics, Islamic Finance", 47.
[50] Rudnycky "Spiritual economies", 105-106.
[51] Henry and Wilson, "The Politics of Islamic Finance"; Balkan et al "The Neoliberal Lanscape".
[52] Bassens "The Economic and Financial Dimensions", 59.
[53] Powell, "Towards a Marxist Theory"; LiPuma, "Social Life".
[54] WB, "Islamic finance newsletter" 2.
[55] Warde, "Islamic Finance".
[56] Bassens et al, "Gatekeepers".
[57] IFSB, various years.
[58] https://www.imf.org/external/themes/islamicfinance/
[59] Hanieh, "Variegated Finance Capital", 6.
[60] Although the IF sector is small in Oman compared to other GCC states, the country announced a strategic turn to the sector in 2014, and registered the second fastest growth in Islamic banking assets in the world in 2016 (ITR 2017, p.33).
[61] Hanieh, "Variegated Finance Capital".
[62] Ibid.
[63] Islamic law requires *sukuk* certificates to represent 'undivided shares in the ownership' of particular assets, and thus a 'true sale' must take place between the initial owner of the assets (the obligator) and the investors (the *sukuk* holders). For this reason, *sukuk* issuance generally involves the establishment of a SPV by the obligator as a means to take ownership of the *sukuk's* underlying assets on behalf of the investors.
[64] Interview with lawyer of GCC-focused construction firm, London, January 2018.
[65] Calculated by author from Bankscope database. The banking system of Iran has not been included in this calculation (or others in this section), as it differs from Islamic banks found elsewhere and is almost completely domestically oriented.
[66] Hanieh, "Money, Markets, and Monarchies", 191.
[67] The 1st, 3rd and 4th largest Islamic banks in Pakistan are majority owned by Gulf investors, while the 2nd largest is 14% held by Dubai Bank.
[68] Hanieh, "Money, Markets, and Monarchies", 195.
[69] ITR, "Towards Sustainability", 41.
[70] Hanieh, "Money, Markets, and Monarchies", 195.
[71] Saadi, "Bahrain's Al Baraka".
[72] Calculated by author from Indonesia Financial Services Authority, 'Shariah Banking Statistics' (various years). http://www.ojk.go.id
[73] Reuters, "Indonesia Looks to New Roadmap".
[74] DIB "Annual Report", 1.
[75] The Central Bank of West African States, which covers eight countries in the West African Economic and Monetary Union, is currently working on Islamic finance regulations, and several banks are preparing to offer Islamic products in Mali, Senegal, Benin and Ivory Coast. In Central East Africa, Islamic banking has recently been

introduced in Uganda, Kenya, and Tanzania. The Russian central bank adopted an Islamic Finance Roadmap in 2016-17, and several banks are preparing to launch Islamic products aimed at Russian republics with large Muslim populations (such as Chechnya, Bashkortostan, and Tatarstan).

[76] Islamic law forbids conventional bond structures where money is advanced to the borrower (bond issuer) and then repaid over time with interest; instead, *sukuk* structures typically require some kind of collateral that the lender takes an ownership share in, earning income from the revenue generated by that asset. In the vast majority of cases – particularly for sovereign *sukuk* – this collateral takes the form of land, buildings, or other types of real estate; this is one significant reason why Islamic banks have been so conspicuously involved in purchase of real estate in both the GCC and further afield.

[77] Calculated by author from IIFM (2016, p.6) and WB (2017b, p.5).

[78] Calculated by author from Marmore MENA Intelligence reports (various years). https://www.e-marmore.com/

[79] S&P "Global Sukuk Market Outlook", 3.

[80] Hanieh, "Money, Markets, and Monarchies", 219.

[81] IMF "Kuwait Selected Issues", 6.

[82] Hanieh, "Money, Markets, and Monarchies", 219.

[83] Moreover, in this manner, sovereign *sukuk* reinforce the relationship between an expanding volume of public debt and the growth of Islamic financial institutions – in effect, government revenues are recirculated into Islamic banks through the latter's holding of *sukuk*.

[84] These include some of the GCC's largest firms active in sectors such as: oil and gas (Saudi Aramco); energy and utilities (Saudi Electricity company; Dubai Electricity and Water, ACWA); telecommunications (Ooredoo), retail (Majd Al Futtaim); aviation (Etihad Airways; Emirates Airlines); ports (DP World); and real estate (Emaar Properties; Dar Al Arkan; DAMAC).

[85] IIFM "Sukuk Report", 118.

[86] HM Treasury "Government issues first Islamic bond".

[87] Calculated by author from an examination of all non-GCC sukuk (sovereign and corporate) issued between 2016 and February 2018 (data from sukuk.com).

[88] DIB "Annual Report".

[89] Khaleej Times, "Dubai to become capital".

[90] Dubai sukuk listings reached 36.7 bn, compared to Malaysia, with $26.6 billion listed on Bursa Malaysia and the Labuan free trade zone, the Irish Stock Exchange with $25.7 billion, and the London Stock Exchange with $25.1 billion. http://www.nasdaqdubai.com/products/dubai-tops-sukuk-listing

[91] IFN, 1.

[92] Ibid, 4.

[93] S&P, "Global Sukuk Market Outlook", 4.

[94] Maierbrugger, "Why Islamic finance fits well"

[95] WB, "Mobilizing Islamic Finance", 7.

[96] Ibid, 1.

[97] Ibid, 2.

[98] ISRA, "Islamic Commercial Law Report".

[99] WB, "Mobilizing Islamic Finance", xi.