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The Rise of Kuala Lumpur as an Islamic Financial Frontier

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ABSTRACT

This paper examines Kuala Lumpur's emergence as a prominent global Islamic financial center. Distance from the West and the Middle-East offers a frontier positioning that facilitates new social practices from integration of financial knowledge of Western world cities and Shariah authority claimed by Gulf cities. Based on primary data, the paper shows that transnational, transcultural alliances forged through skills of mediation and compromise among the city's Islamic talents and Shariah scholars favorably connect separate economic and cultural spheres of knowledge.

Keywords: Islamic finance, skill, Kuala Lumpur, frontier, world city

INTRODUCTION¹

Like many Asian cities, Kuala Lumpur harbors the ambition of climbing world city rankings through the cultivation of specialized financial functions and skills. While the city is relatively well-positioned in world trade and investment networks, it is less integrated in global financial networks, declining from twenty-second to thirty-fifth position as an international financial center from 2013 to 2014 (Z/Yen Group, 2014). Kuala Lumpur trails other Asian cities such as Singapore, Hong Kong, Seoul, Tokyo, and Shanghai in financial indices and has been overtaken by Shenzhen, Busan, Abu Dhabi, Doha, Dubai and Riyadh in global financial rankings (Z/Yen Group, 2014). The financial sector, however, is vital to the construction of world city-ness. Hence a 70-acre plot of land that is adjacent to the central business district - the Tun Razak Exchange (TRX) - is being converted into a financial district that aims to rival the 'Wall Street of New York'. Nonetheless, it is not conventional finance that will dominate the TRX. Rather, TRX is expected to augment Kuala Lumpur's relatively prominent position and power in Islamic financial circuits: Malaysia currently leads the world in terms of the size of Islamic financial assets, governance and knowledge production (Thomson Reuters, 2014; Bassens et al, 2011; 2012). This paper is concerned with how Islamic talents shape the city's rise as a global Islamic financial center.

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Financial firms and professionals constitute the unit of analysis in much world city research (Taylor et al, 2013; Wojcik, 2013). Allen (2010) argues that the power of world cities lies in high-level professionals who effectively mobilize resources through their networks. Their actions and practices influence the nature of global financial accumulation for example the privileging of financial districts for certain types of trading and transactions. New York City and London are “quintessential world cities” (Neal, 2011) because they exercise not just centrality, but also power. Their world city-ness is underscored by the ability to command resources, transnational production and markets through building a sizeable number of relationships with firms and professionals in other cities. They also control less prominent cities whose own human capital networks are dependent on the cities’ financial knowledge. For this reason, this paper focuses on Islamic talents – financial professionals, specialists and Shariah scholars - as the main agents in shaping the city’s ambition to become the New York of Islamic finance.

In what follows, we attempt to show that the economic space where Islamic talents operate is facilitated by the city’s frontier location. As a post-colonial city, Kuala Lumpur has inherited colonial projects that connected the city to world trade and investment. However Moser (2012) observes that recent urban projects are acquiring a more Middle-Eastern tone in favor of an alternative vision of world city-ness. In the context of Islamic finance, we suggest that locating itself on both sides of the financial spheres – one that is conventional, often western and global, the other that is religious and regionally connected to culturally authentic Islamic practices in the Middle-East – promotes a frontier positioning that bridges two contested domains through transnational, transcultural alliances and mediation. In relating the development of Islamic financial skills to Kuala

Lumpur's frontier positioning, we pay heed to Peck's (2015: 171) call not to completely abandon "mainstream or hegemonic" approaches lest we lose sight of "common, cross-contextual patterns and processes". As such, we place Kuala Lumpur's world-city building process within the broader framework of understanding world cities' role in global financial accumulation.

The paper is organized as follows. The next section outlines conceptual literatures on the nature of social practices and formation at the frontier, before considering the specific context of Kuala Lumpur's political, economic and cultural development. This is followed by a description of survey and interview data. The data is interrogated using mixed methods of quantitative and qualitative analysis, and a conclusion is offered that synthesizes the findings.

WORLD CITY, FRONTIER AND ISLAMIC TALENTS

World city scholarship may be traced to two major lines of work. The first, popularized by Sassen (1991), sees world cities as command and control centers for organizing global production in the advanced producer services (APS), and particularly financial, industries. Because of her focus on global production sites, Sassen's approach favors explanations of cities as central places for the production of strategic and financial goods through the coordination and integration of information and services by skilled professionals. The second line of work, advanced by Taylor et al (2013; 2014), sees firms and their human capital as prime makers of global capital and finance. More specifically, Taylor and his colleagues' "interlocking network model" ranks world cities through the lens of network relations. Here the principal unit of analysis is sub-nodal, that is firms, because their workers' everyday service actions and exchanges create interlocking networks through flows of information, planning and

communication. Taylor's analyses generally support the centrality of world cities like London, New York City, Chicago, Paris, Los Angeles and Frankfurt although Smith (2014) has questioned his use of intra-firm networks in mapping command and control centers. Interestingly, cities outside of the West that are relatively well-positioned include Hong Kong, Singapore and Shanghai, hence the hierarchy is not solely "Western". However, Kuala Lumpur does not make the top twenty on this list (Taylor et al, 2013) nor does it make Sassen's (2009) top forty world cities. While Malaysia has long attracted foreign firms and their investment, the city's dearth of strategic functions hinders its centrality in the production networks of global firms. But Neal (2011) has pointed out that having a large number of network relations does not adequately capture a city's power because power is derived from securing the dependence of other cities. Quintessential world cities like New York and London are not only central, but also powerful because they influence access to resources and opportunities of other cities through their firms, institutions and specialists' knowledge, norm and practices.

If power lies in control of knowledge, norms and resources among firms and their workers, then Kuala Lumpur is attempting to build power by assembling such locational assets through a unique set of skills in Islamic finance. Specifically, Islamic professionals are engaged in the re-ordering of Western and Islamic financial and cultural spheres facilitated by the city's frontier positioning. While Western financial practices are relatively well-established in Malaysia from its colonial ties to London, Islamic finance is a far more recent phenomenon. The first Islamic bank, Bank Islam Malaysia, was only established in 1983. The industry's development parallels the emergence of a post-colonial political economy (Pollard and Samers, 2007) that resists some tenets of Western economic behavior.

The notion of frontier may be traced to Turner (1920) whose early work drew attention to the transformation of space at the frontier from process to place and relationships. The border on the frontier, by its very nature, is not fixed but formative, and it is defined by overlapping economic, cultural and social spaces. It is the interconnectedness of these spaces that makes up the frontier. Our framing focuses on such interconnections and draws predominantly from White's theorization of the frontier (1991; 2006). White proposes the frontier to be a "middle ground" where processes of mediation and the interconnection of knowledge and meaning production are fomented. His chief argument is that certain social, sometimes innovative, practices are able to develop at the frontier edge when power is structurally equivalent and communities on both sides of the frontier, relatively unencumbered by unequal alliances that encourage a relationship of dependency, are able to pursue action that leads to mutually comprehensible agreements. Interconnections facilitate new meaning-making which demands that actors involved in exchanges here develop skills, predominantly skills of communication and diplomacy, through which different knowledge systems may be adapted and adjusted to achieve common goals. In a sense, instead of framing the frontier as a space for imperial projection and extension as Turner did, the middle ground offers the possibility of balance between countervailing competitive forces, favoring social practices of compromise, negotiation and cooperation.

White's work has spawned academic interest on the nature of trans-community interactions, and is relevant for understanding Kuala Lumpur's emergence. As we explain below, Islamic finance is represented as an economic and cultural system that is distinct from Western finance by questioning the ethical basis of western economic rationality (Kuran, 2004; Rudnycki, 2014). At the same time, the city's location as a peripheral site of Islam also creates

opportunities for frontier positioning that is not characterized by power relations of domination or subordination. In forging a junctural space where transnational, transcultural relations may be re-negotiated, this enables alliances that lead to interventions to influence action. Contact at the frontier between distinct transnational communities involves reproduction but also transformation. In this sense, the frontier highlights the role of economic agents in post-colonial Kuala Lumpur as being part of rather than exogenous to the realm of world city-making.

Representations of Islamic finance as a separate and distinct system have been enthusiastically endorsed by Malaysia's former Prime Minister Dr. Mohathir Mohamad. Since the 1970s, anti-Western rhetoric has been instrumental to Dr. Mohamad's construction of post-colonial nationalism. In his speech on Vision 2020, a national project for catapulting Malaysia into a fully industrialized and modern nation, he defined being "fully developed" to include "spiritual values", not just the attainment of economic wealth (Dr. Mohamad, 1991: 1). Spiritual values here refer to Islamic values since the integration of Islamic values to economic development and government institutions was central to Dr Mohamad's Islamization policy. In particular, being Malay and being Muslim are correlated; the Malaysian Constitution (article 160, 2) defines a Malay as "a person who professes the religion of Islam" in addition to one who speaks the Malay language and conforms to Malay custom. Construction of Malayness is supported early on by economic policies such as the 1971 New Economic Policy (NEP) that was designed to improve the socio-economic standing of the Malays whose average income lags behind their Chinese counterparts. But the NEP often had the effect of exacerbating inter-ethnic competition between Malays and their entrepreneurial Chinese counterparts (Jakobson, 2015). While its successor Vision 2020 paid less attention to inter-ethnic disparity, nonetheless, it continued to be influenced along ethnic lines (Gomez and Jomo, 1999).

Anti-Western rhetoric may have led Kuala Lumpur's turn to non-Western, specifically Middle-Eastern sources, for cultural authenticity (Goh, 2002; Moser 2012). While Kuran (2004) questions Islamic finance's success in establishing itself as a separate cultural and economic system, the Malaysian government on the other hand sees its religious dictates as an instrument of nationalism, cultural identity and world city projects (Goh, 2002; Sloan-White, 2011). Success in transforming Kuala Lumpur into the 'New York of the Muslim world' depends on representing Islamic finance as a middle ground to conventional finance in the world cities of the West (Rudnycky, 2014), and to Islamic legal knowledge and governance in Gulf cities such as Manama. Moreover, an agglomeration of Islamic talents on the city's 'Islamic Wall Street', namely Bangsar Street (Jalan Bangsar) and its neighborhood, enhances "imaging strategies" and projection of the world city model (Bunnell, 2004; Bunnell et al, 2012).

A politics of difference - between an Islamic economic system that is just and a Western economic system that is socially unjust - is regularly invoked by Dr Mohamad (2016) who was instrumental in promoting Islamic finance before he stepped down as prime minister in 2003. He argued that under Islamic banking, "the wealth created will be real, be more fairly distributed, will spin-off into real economic activities, creating jobs, increasing trade domestically and internationally" because it is subjected to "high moral codes". More importantly, constructing cultural-economic difference opens up opportunities for the remaking of place through the defining of conventions and norms. Conventional financial products pass through social transformation at the Kuala Lumpur frontier because a concentration of Islamic talents, familiar with Western economic rationality, act to adjudicate their moral implications while rendering them market-friendly. Such transformation offers the city an advantage over their Gulf counterparts because the city is host to an agglomeration of unique expertise. For this reason, we

focus on specialists, professionals, advisors and scholars as principal everyday agents who are engaged in the process of intervention. Intervention by the skilled can help bridge knowledge and clarify misunderstandings that often accompany two relatively distinct spheres.

While Islamic finance constitutes part of the government's plan to create educated urban "new Malay" subjects, Islamic jurisprudence and principles are diverse and straddle four schools of thought. As such, and as Maurer (2001) notes, moral codes associated with *riba* (interest-bearing instruments) and *gharar* (gambling) behavior are not easily translated but are subjected to discursive analysis. A financial product such as a derivative is not readily reduced to behavior that encourages gambling for example. Islamic finance is defined by a set of interpretative practices among financial experts compared to the more standardized knowledge and principles of conventional finance. Shariah law may be traced to four schools; the Shafi'i school tends to predominate in Malaysia compared to the stricter Hanbali of Saudi Arabia. As we show below, Shafi'i interpretations of the Sharia are crucial to understanding Islamic financial practices in Kuala Lumpur

Drawing upon Islamic talents' knowledge and cognitive practices is consistent with the human capital economic geography literature that seeks to understand how skilled workers, and the cities that host them, create new knowledge (Florida, 2002), innovate (Grant, 2014) and govern (Clark, 2008; Dixon, 2012). In effect, institutions arise from communities of practice since economic exchanges are embedded in the interactions of financial workers, whose activities in turn are coordinated in firms and by institutions. Attention to various groups of knowledge and skilled actors also reflects recent calls to move beyond a state-centric analysis of Asian economic development to the role of economic agents such as firms and workers (Yeung, 2016). While the state has taken a considerable interest in representing Kuala Lumpur as a world

city of culturally authentic Islamic finance, examination of the practices of the skilled reveals that representation and practice do not necessarily converge. World-city making involves the construction of a frontier where transnational, transcultural mediation of knowledge structures and values may occur.

Culturally, Islamic advisors and scholars are carriers of Shariah legal knowledge, while spatially, they are located at specific sites of Islamic learning with significant linkages to the Middle-East. Kuala Lumpur ranks highly in terms of Shariah skills (Bassens et al 2011) and many of the skilled are “cosmopolitan actors” (Pollard and Samers, 2013) whose identity is associated with inter-scalar assemblage of knowledge as transnationally mobile workers. Following Lave (1988), realization of cognition among the skilled is socially organized. Examining how arithmetical analysis unfolds in action, he shows that problem-solving and arithmetic intervention depend on a web of relational networks as well as cooperation and conflicts between relevant practitioners in meaning-making, reasoning and validity as part of the larger social world. Such cooperation and conflicts are often found in the middle ground frontier that White (1991) has written about. In this sense, while Islamic and Western finance are constructed as being on the opposite sides of one another, we show that Kuala Lumpur’s location on the frontier also facilitates the transformation of a nexus of relationships between the two worlds.

RESEARCH DESIGN

Data was collected from two major sources. The first was a questionnaire that was sent to 100 respondents who worked in Islamic banks or banks with Islamic windows in Malaysia. Profiles of the informants were compiled from bank directories as well as linkedin.com. Detailed profiles

were collected to ensure that the questionnaire was answered by suitable personnel: this was typically an Islamic finance competent individual occupying a management or higher position in the firm with at least a bachelors degree. LinkedIn served as a valuable source of verification and contact as many potential informants were actively engaged in discussions of Islamic finance on the website. A number of Islamic financial professionals and specialists detailed their skills, experience, education and work descriptions on LinkedIn allowing us to verify their suitability for participation. The survey was conducted over four months in 2014 and sixty usable responses were collected.

The survey consisted of questions on firm characteristics (e.g. age, size, nationality), skills and the geography of Shariah advisors and scholars' representation on local, regional and international committees. Drawing on O*NETs² as well as Lin (2008), twelve skill items were identified as they scored highly on the O*NETs database for the financial profession. The questions were designed with a 6-scale point Likert scale (including reverse scaled to ensure that responses were robust). During analysis, they were recoded as 1 representing extremely unimportant and 6 representing extremely important. For questions on networking, the survey asked respondents to indicate the number of local, regional and international committees on which their most prominent Shariah board member was represented. Committees are a space of knowledge transfer, and high networking ability can augment skills (Field, 2013). A summary of the firm characteristics is provided in table 1. We tested for possible response bias and found no support for age ($p=0.16$) or size ($p=0.42$) bias.

<< Insert table 1 >>

² O*NETS is an online occupational information network site that provides detailed descriptions of work tasks and skills.

The second source of data comprised semi-structured interviews with 12 respondents who hold higher management positions including four heads of department or executive directors, three senior managers, two vice-presidents and one Chief Executive Officer (CEO). As super-elites in the Islamic finance industry, access to them depended on a twelve-month courtship between the authors and informants involving email and skype exchanges. One of the authors is also fluent in Malay which enabled us to conduct the interview in Malay at the informant's request. Most interviews were a mix of English and Malay. Interviews with different occupational elites were supplemented by those with eight Shariah scholars and advisors, including the President of an Islamic University. On average, interviews lasted one hour, but one-third of them lasted for an hour and a half. The authors also visited workplaces, participated in meetings and corroborated information with the informants' colleagues at their office. The interviews asked the informants to detail skills that are demanded in the Islamic financial industry, differences between Islamic and Western conventional finance, Kuala Lumpur's world-city ambition and relational formation between Kuala Lumpur and world cities. The interviews were then transcribed and subjected to thematic analysis.

ORGANIZING KNOWLEDGE ON THE FRONTIER

Islamic professionals, advisors and scholars in the Islamic financial industry are distinguished by their adherence to Shariah norms. Competency is predominantly associated with the ability to identify non-compliance in Shariah principles including excessive uncertainty and interest-bearing activities in both the daily operation of the organization and in the products for sale. Skills may be acquired locally at universities which offer courses on Islamic banking operations,

Islamic capital markets, fiqh muamalat³, awqaf⁴, accounting and auditing, and Shariah.

Malaysia is currently the second largest provider of IF degrees after the United Kingdom and is well ahead of its Gulf counterparts like Saudi Arabia and United Arab Emirates (Thomson Reuters, 2014). While Islamic financial literacy may be acquired through formal education, infancy of the programs (the principal three research institutes were only established in the 2000s) has meant that many of the older informants in our survey acquired their competency by working in the conventional financial sector including banks such as HSBC before moving to an Islamic bank (IB) or a bank with Islamic window (IW). This context is important for understanding the influence of Western conventional financial norms on social practices.

The survey asked respondents to rank skills that tend to be concentrated in world cities (table 2). Clark (2008) maintains that expertise in Western finance is highly beholden to shareholder value. Consequently, financial behavior is governed by concerns of risk and uncertainty. Calculation of risk requires quantitative skills, especially knowledge of mathematical probability theory, and prudent decision making that integrates diverse information. Much of New York City's financial innovation, for instance, is driven by the introduction of products that are derived from quantitative modeling of risk and rate of return. Hence the industry favors workers with strong cognitive and problem-solving skills. These same skills are also valued by Islamic financial firms who rank critical/analytical thinking (5.5), problem-solving and interpersonal skills (5.4) highly followed closely by English fluency, written/verbal communication and teamwork (5.3). That the means do not vary much in firm size, and nationality and age show that they are important across firms.⁵ Product development is

³ A branch of Islamic jurisprudence concerned with commercial matters.

⁴ Assets that are donated or purchased so that they may be held in a trust as ongoing charity.

⁵ Based on t-tests, written/verbal communication (5.5 vs 5.2), interpersonal (5.7 vs 5.4) and Islamic financial/accounting skills (5.4 vs 5.1) were found to be significantly higher for older than younger firms.

associated with an impersonal system of Western models that drive decision-making in the industry. The influence of Western risk knowledge on the Islamic sphere is highlighted by a bank manager:

Even if you talk about risk or mitigation, it is all the same. You don't have to be pious to know what to do. (Interview, 12 September 2014)

If risk calculation is fairly standardized, thus privileging cognitive analytical skills, it is perhaps surprising that mathematics/statistics and computer programming scored less well. Shariah principles permit shared risk but not the transfer of risk. Over reliance on technology in mathematical or statistical modeling may underestimate Shariah risk that is less easily quantified. In this sense, informants see their work at the frontier as mediating between an impersonal Western system in which technology drives much risk calculation and a more personal system where grasp of risk must include an understanding of the human condition in the Sunnah and hadiths.

That calculation of risk is cognitively similar may be explained by another skill, English fluency. As noted earlier, religion as well as language define Malayness, and the Islamic banking sector was established to reinforce both the Malay capitalist class and Malay identity. Yet English continues to be “the language of trade” (interview, 9 September 2014) in Kuala Lumpur. As a language that is rich in mathematics and statistics, financial lexicon has been instrumental in supporting the spread of globalization because scientific language is highly portable. Eight of the twelve interviewees were educated in American, British or Australian universities with a primary degree in Accountancy, Business, Law, Economics, or Financial

Teamwork is also significantly different for larger than smaller firms (5.4 vs 5.1). But the figures in parentheses also show that both groups reported means that are well over the neutral point of 3.0. Hence these skills remain important for younger or smaller firms.

Economics, three with post-graduate degrees. They also typically hold another degree in Islamic Studies or Shariah Jurisprudence. More than half of our informants had studied in Cairo or other cities in the Gulf region and the rest at local Islamic universities. Transnational alliances between the centers of learning in the city and the Middle-East are strong. The Arab world's influence is also strengthened by Saudi Arabia's patronage of Islamic projects in Kuala Lumpur (Nasr, 2001). Consequently, the skilled possess a good grasp of normative financial practices in world cities like New York City, Chicago, Singapore and London, and also Middle-Eastern Shariah legal principles. Transnational and transcultural alliances incentivize acts of mediation between the two spheres.

Professionals and experts who are able to span both spheres, however, are surprisingly scarce. One informant witnessed several misunderstandings and communication breakdowns between the Shariah council, foreign banks and the Central Bank on his recent visit to Kabul, Afghanistan. Proposals failed to take off because shared meanings and common goals were difficult to establish. Shariah and bank elites operated as two separate communities "to the point that it becomes undoable" (interview, 8 August 2014). White's (1991) work indicates that misunderstandings are common at the frontier. But mediation and conciliation are possible if power is roughly balanced between communities separated by Western rational and Shariah embedded systems. In this case, economic alliances and adjustment of practices that helped build a "mutually comprehensible world" (White, 1991: i) failed to form in Kabul. In Kuala Lumpur's case, bank elites and Shariah specialists also encounter different interests and conflicts but work to accommodate differences and to secure alliances that meet specific objectives. Knowledge brokering draws predominantly on the Shafi'i school through the integration of Middle-Eastern

Shariah hermeneutics and Western understanding that favor a particularistic albeit a more liberal interpretation of risk.

We are progressing despite being labeled liberal. By right the Middle Easterners will be very wary of us. But they still come to us. For example, the delegation from Afghanistan. Instead of going to the Middle East, they came to Malaysia. Wouldn't it be easier for them to go to Dubai or Saudi Arabia? This is not unusual. In January last year I went to Oman to provide a briefing on Islamic banking to Central Asian countries such as Uzbekistan, Tajikistan who is interested in setting up their Islamic banking business. This was organized by the Central Bank of Oman and who did they call? Malaysians. (Interview, 8 August 2014)

As observed earlier, risk in Islamic finance is not that different from its Western counterpart. Transnational cosmopolitanism reinforces the skilled's ability to perform translational work between two financial spheres creating new practices and knowledge that are specific to the city. One good example of this is *bay al-Inah* (a sale contract that is immediately repurchased). The *bay al-Inah* contract came about through discursive assembling of a common understanding of Western financial products in the money market and reconciliation of contested interpretations of Arabic hadiths. Most schools of Islam believe that executing the *bay-al-Inah* contract constitutes *riba*, but the Shafi'i school interprets the contract to be a form of economic assistance. While agreeing that "Shariah is the core [and] we need to maintain the Shariah", one prominent scholar who is president of a small Islamic university, nonetheless explains that:

The openness allows a more dynamic thinking, on regulatory framework, and today. The things that have been written in Arabic for thousands of years, I believe that has principles. But of course we need to adapt with today's system. (Interview, 22 January 2015)

In other words, while the return to culturally authentic sources in the Middle East can contribute to credibility and legitimacy, industry professionals and the epistemic community of Islamic researchers and Shariah advisors have also established alliances that support transcultural

diplomacy so that a framework of creative adaptation may be pursued. As the quote below indicates, a product that carries Shariah ethics may not be “legal” financially because it could still fail to meet the threshold of risk; hence knowledge norms that are co-constructed from both forms of knowledge is critical in product innovation. Frontier knowledge production was heavily criticized in the Middle East initially as Arab practitioners saw themselves as the authority on *riba*. At the frontier, power does not dominate from either the West or the Middle-East. New cultural production is possible since it offers the space to clarify misunderstandings and confusion from both sides. Such a space may fail to develop if economic or cultural domination hinders compromise and innovation as a Shariah scholar alluded with respect to Gulf cities.

They say we are liberal but I think they don't understand. When we issue the product, it must be legal. Just because Shariah law says legal, conventional may not be legal. (Interview, 25 August 2014)

One Malaysian bank informant proudly declared that since the *bay-al-Inah* debate, Gulf cities have followed suit introducing their own sukuks. At the same time, Western banks are looking to Kuala Lumpur's expertise for new Islamic financial innovation. This ability to lead in knowledge and norm production should help build power and centrality in the Islamic financial sphere.

<< Insert table 2 >>

To more rigorously test the role of skills, we asked survey respondents to rank the relative importance of seven cities in Islamic financial leadership: Kuala Lumpur, Manama, Dubai, Doha, London, Singapore, and other. The three Gulf cities came up frequently during our pilot study when asked which cities led in Islamic finance. London was seen to be the principal “Western” hub and competitor. Neighboring Singapore is included because it is not

only ranked in the top ten by Taylor et al (2013), but is viewed as a formidable Asian competitor. Kuala Lumpur is rated to be a leading Islamic financial center by sixty percent of the respondents. Such a favorable view is held not only by local respondents but also by 47% of respondents from foreign banks and takaful (insurance) firms including banks from the Middle East. This finding reinforces other findings of the city's considerable stature. But what is the role of the specialists and experts here?

To answer this, we tested the effect of skills on Kuala Lumpur's leadership role in Islamic finance. Based on skills identified in table, factor analysis was used to reduce the number of variables. We also added control variables including: (i) the share of Islamic financial specialists to measure firms' human capital base, and (ii) the networks of the skilled given Taylor's argument that these networks help place cities on the world city network . Together, the variables were subjected to factor analysis. Seven factors were identified from varimax rotation to obtain a more distinctive cluster of relationships (Table 3). Factor loadings using a threshold of 0.4 identified seven factor skills: Shariah, networking, social, cognitive, technical, marketing and English fluency. The table shows that factors with the highest loadings are skills associated with Shariah competency and extra-local networking. Cognitive and social skills also score highly with loadings of up to 0.81 for analytical and interpersonal skills. Together, Shariah, networking, social, and cognitive skills account for 75% of the total variance. The remaining 25% variance is explained by three skills, namely, technical, marketing and English fluency. Notably, English fluency is grouped with the share of Islamic financial specialists in the firm. The table is useful because it provides latent constructs of skills that may be more fully specified in a model below. This allows us to test the effect of skill on Kuala Lumpur's leadership using logistic regression below.

<< Insert table 3 >>

Under logistic regression, the influence of skills on Kuala Lumpur's leadership (LEADER) may be defined as follows. The dependent variable LEADER is 1 if Kuala Lumpur is ranked over the other cities, and 0 if any of the other six cities is ranked instead. LEADER is regressed against the seven skills identified by factor analysis. We also controlled for firm characteristics (size and age) as well as two city-level factors, namely institutional assets by asking the survey respondents to rank the importance of the city's Islamic finance regulatory institutions and infrastructure in Islamic underwriting. While other control variables (e.g. nationality, IB versus IW) were considered, we do not report them because they have no influence at all. City-level explanations of institutional support are well-documented in the literature for world and global cities (Sassen, 1991) and are in the model to control for locational effect. Together, the four control variables should minimize model misspecification. Table 4 shows that only two skills, English fluency and marketing, are significant. Whereas the sign for English fluency is positive, it is negative for marketing. While Shariah competency and cognitive skills are relatively well-rated in tables 2 and 3, they do not significantly influence the city's leadership. This conundrum requires some disentangling.

Marketing in the labor process is perceived to be a market-intermediation skill rather than a product development skill. The marketing individual is not part of the "concept paper" (interview, 15 August 2014) which is the first step of the transaction involving how a product may be structured and sold according to Shariah principles. The vice-president of a bank explains the role of marketing this way:

Sometimes you employ people to do marketing, but they have very basic and superficial understanding of various aspects of banking. So the team will normally consist of people, let's say corporate finance. It will consist of people from legal background, financial engineering, economist, which is a mixture. So there is a blend of people in this setting so they can educate each other and come up with the best product. (Interview, 17 February 2015)

Marketing skill is not part of the team that is involved at the conceptual stage of an Islamic product, a stage regarded to be the most complex because it involves assessment of market, credit and operational risks. Individuals with cognitive skills are central to the process of such risk analysis. The legal expert, in this case, a Shariah advisor, works with the finance individual to structure the product in order to reduce Shariah risks. From this process, the product is socially transformed acquiring religious symbolic significance.

During a visit, the authors observed that some of the top marketing and sales personnel at a Takaful firm were non-Muslim Chinese rather than Muslim Malays. This is not specific to the bank. Many banks' principal customers are in fact Chinese: by one estimate, that share may be as high as 80% (Tageldin and Hassan, 2007). Marketing is a highly rationalized system of techniques situated in a set of objective relations because marketeers treat the quality of goods as a material marker of consumers' cultural desire. One respondent said:

Under Takaful, you get [insurance] coverage and some money back if you do not have any accidents because of the Mudarabah concept [of profit-sharing]. That is why I tell the marketing officer all you need to know when you go meet your clients, you just have to bring your calculator. (Interview, 18 February 2015)

Here, the marketeer assumes that desirability of the qualities of financial products is universal and may be translated into profits. Such desirability is abstracted in principles of ethics by assuring the Chinese of the profit and loss-sharing logic of Islamic banking. Applbbaum (2000) points out that a common "tacit blueprint" among marketeers ensures overall conformity of desires through symbolic production. Hence while the bank above hires Chinese to enroll

other non-Muslim Chinese consumers, another bank, a fully-fledge Islamic bank, deploys a different tactic, this time by using Malay marketeers. This bank targets predominantly non-Muslim Chinese consumers in a small town outside of Kuala Lumpur. Its Malay marketing employee has been successful among the Chinese because of his strong relationship with the community there. In a sense, while Islamic finance was conceived to modernize and reinforce Malay identity (see also Sloane-White, 2011), in reality, banks compete for Chinese consumers, clearing the ground for Chinese-Malay alliances by not getting “hung up on the Islamic part” (interview 20 August 2014).

On the other hand, English fluency positively influences Kuala Lumpur’s leadership. Standardization of Western financial practices has meant that financial knowledge is frequently expressed in relatively stable concepts as the discussion of risk has demonstrated. English is privileged during both the cognitive and communication process with informants “thinking” in English. Fluency in the language constitutes linguistic capital for articulating economic rationalism and common law. It plays an important role in transnational, transcultural encounter and collaboration by facilitating shared meanings in scientific knowledge. Linguistic capital carries considerable salience and value in the global economy as English is highly commodified. This has helped to transform the city’s leadership stature by turning its frontier location into a site of knowledge and norm re-arrangement.

In my opinion, I think the most important skill is language... Most of the higher level banking process is conducted in English. For example, if you were to issue a sukuk, everything is done in English. Maybe they will translate to Bahasa Malay but for the most part, it is done in English. For us, this is no big problem because we speak English. But if you go to Dubai or Saudi Arabia, their English is very limited. (Interview, 25 August 2014)

Pragmatic resolution of misunderstandings between two knowledge communities may mean turning to English common law as a complementary source of Islamic legal thinking.

There is no standard form of contract in Islamic finance. The contract varies by Islamic financial instrument and is approved by the Shariah supervisory board. This opens up a space for innovation as the city's reliance on the Shafi'i school for interpreting Shariah jurisprudence is generally seen to be trade-friendly. A good example is Malaysia's pioneering of sukuk. In 2002, it issued the world's first sovereign global sukuk worth over US\$500 million. But sukuk based on the *bay-al-Inah* contract, as noted earlier, is frowned upon by non-Shafi'i schools in the Middle East. Malaysian professionals' knowledge of English law has proved to be advantageous because should disputes arise, "they use English law because there are lots of similarities between English law and Shariah law" (interview, 15 August 2014). English law is relevant because the structure of sukuk rationalized for issuance is similar to a non-profit trust structure that is provided for in English law (Wilson, 2012, Pollard and Samers 2013). Fluency in English enables bank specialists and Shariah scholars to mediate between Western and Islamic legal knowledge, and work towards compromise. Indeed knowledge of English law as practiced in London is a bonus not just in Kuala Lumpur, but other cities in the Middle East as well. Unlike Kuala Lumpur, however, a shortage of linguistic capital in Gulf cities has meant that much of English law is realized through consulting companies from London.

Overall, products and exchanges do not carry a religious value in the global financial space. But this changes at the Kuala Lumpur frontier. The city has acquired legitimacy not just by cultivating a geographical concentration of Islamic knowledge workers and religious scholars but using specific skills to re-order consumption relations and norms. Specific skills rivaling those found in world financial cities are present. This includes mastery of cognitive, analytical and English communication skills. Relational formation with world cities and

Arabic centers of knowledge is strengthened by linguistic capital. In this sense, we suggest that the emergence of other world cities in Islamic finance requires not just an orientation to the New York-London axis as Wojcik (2013) has suggested, but also to the Gulf axis. While such orientation implies that both axes are sources of power in shaping financial prominence, location at the frontier opens space for innovation. In locating itself between two axes at the frontier, Kuala Lumpur's positionality is transformed, acquiring leadership in Islamic finance.

<< Insert table 4 >>>

CONCLUSION

Islamic finance makes claims to taming the global economic disorder that is said to characterize the more speculative and volatile financial system of world cities. By representing itself on the opposite end of global Western finance, Muslims can help solve a range of social injustices through participation in the Islamic financial other. In Malaysia's case, participation in the system is seen to mitigate the immoral outcomes of modernization through the development of a more spiritual Islamic economy (Sloane-White, 2011). But Western finance remains formidable and powerful, its pervasive effect felt through regular ripples of international financial crises. The turn to Islamic values also poses a dilemma: relying on Gulf centers for cultural authenticity creates problems of legitimacy. Geographical disadvantages however also generate opportunities for transformation by opening up a frontier space where economic agents are able to pursue relations of cooperation and compromise rather than dependency and subordination.

Knowledge brokering is a major currency in Kuala Lumpur's frontier space. The skilled are tasked with ensuring that financial transactions are compliant with Shariah. The product must

be bankable and profitable within a threshold of risk, but Shariah principles repudiate greed and speculation. Shariah knowledge is thus rearranged with world cities' rational knowledge system that values cognitive, analytical and English fluency skills by using techniques and language in the relevant field of discourse. Cognitive and analytical skills draw from a stock of knowledge that is well-codified in world cities. This includes financial risk models that have been validated and widely communicated globally. They are familiar to our informants, many of whom had pursued university degrees at universities in these cities. More importantly, cognitive and linguistic capital constitutes the property by which ascendance to world-cityness is possible. The informants are fluent in English and Arabic, and they are in high demand regionally and globally as board and supervisory committee representatives. Language fluency and cognitive skills contribute to an infrastructure that supports frontier construction: as White (2006) makes clear, process alone does not make the frontier space. Kuala Lumpur's locational advantage lies in its distance, both physically and culturally from world cities in the West and from the Meccas of Islam. Distance creates opportunities for reproduction and transformation because location at the edge fosters new alliances. Social practices of mediation and negotiation work through a relation of power equivalence in this space. Without such structural equivalence, the frontier advantage fails to develop. This is best seen in the use of Shafi'i jurisprudence in *sukuk* issuance, which is frowned upon in the Middle-East but innovated upon by the Malaysians. Fashioning new meanings has enabled the country to dominate in the global *sukuk* market. In this sense, transnational, transcultural diplomacy that underscores acts of brokering helps to transform understandings, creating new knowledge norms.

In sum, Kuala Lumpur's location between the centers of global finance and Islam has encouraged a strategy of world city repositioning. Expertise that is able to forge consensus

around distinct knowledge communities has helped to transform the city from a financial periphery to a frontier of innovation.

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Table 1: Summary statistics

Firm characteristic	Mean	Share (%)
Age (# years in operation)	16.2	
Share of IF employees (%)	52.1	
Share of IF employees with BA/BS and above (%)	61.6	
Share of foreign firms (%)		45.7

Table 2. Importance of skills

Skill	Mean
Analytical thinking	5.5
Problem-solving	5.4
Interpersonal	5.4
English fluency	5.3
Written/verbal communication	5.3
Teamwork	5.3
Islamic finance/accounting knowledge	5.2
Shariah knowledge	5.2
Managerial/supervisory	5.0
Mathematics/Statistics	4.3
Marketing	4.2
Computer programming	3.4

1=extremely unimportant, 6=extremely important

Table 3. Factor analysis: Latent skill constructs

	1	2	3	4	5	6	7
	(Shariah)	(Networking)	(Social)	(Cognitive)	(Technical)	(Marketing)	(English)
IF finance/ Accounting	0.83						
Shariah knowledge	0.85						
International Committee		0.94					
Regional Committee		0.96					
Written/ verbal communication			0.42				
Teamwork			0.77				
Managerial/supervisory			0.53				
Interpersonal			0.81				
Analytical				0.81			
Problem-solving				0.78			
Mathematics/Statistics					0.70		
Computer programming					0.65		
Marketing						0.73	
English fluency							0.42
% IF specialists							0.44
% Variance	20	19	18	17	11	10	5

Table 4. Logistic regression: Kuala Lumpur's IF leadership and skills

Variable	Parameter (standard error)
(1) Skill	
Shariah	0.11 (0.45)
Networking	0.21 (0.44)
Social	-0.33 (0.46)
Cognitive	0.38 (0.47)
Technical	-0.87 (0.63)
Marketing	-1.27 (0.65)**
English	1.39 (0.63)**
(2) Control variables	
IF regulatory institutions	-0.22 (0.37)
IF underwriting infrastructure	-0.81 (0.53)
Age	-0.00 (0.00)
Size	0.00 (0.00)
Pseudo R ²	0.30

Dependent variable=LEADER, ** Significant at 5%

