

Petroleum Trade Financing The Shari'ah Postulate

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Abstract

Petroleum products are among the richest commodities, which generally dominate the world economy be one in the upstream, midstream or downstream level. In ratio, the highest producer, reserving and exporter are the Muslim world and the Middle east is placed in the top ranking while Saudi Arabia secures its number one in the list. It has been observed that, the trading, financing or trade financing of petroleum products in any level had generally been structured and or formalized based on the conventional mechanisms, principles and instruments with no so far *Shari'ah* structural concern.

It had been undoubtedly witnessed that, Islamic financial products and services are the fastest growing system in the global corporate environment with an annual growth rate is between 17.6% - 19.7%¹ as compared to what has been observed in the conventional growth rate, as an example of USA is 3.24%². Thus, Islamic financial products and services are appreciated, participated and enjoyed with sustainable benefits both by Muslim and non-Muslim across the world as a unique system for all with universal character.

Thus, as an able alternative to the petroleum trade financing mechanisms under the conventional practices an attempt is however, made in this presentation to share possible *Shari'ah* postulate of petroleum trade financing, its required documentations, instruments, formalities and mechanisms by applying the *Shari'ah* compliance techniques and that is, the doctrine of *Masaleh al-Mursalah* (public interest) and other relevant *Shari'ah* principles. The rationale of this recommended *Shari'ah* postulate is to find a way out of a pure debt-based petroleum trade financing facility with perhaps greater risk while creating a beneficial gate way for all in the energy sector.

¹ <http://www.economist.com/news/finance-and-economics/21617014-market-islamic-financial-products-growing-fast-big-interest-no-interest>

² <http://www.tradingeconomics.com/united-states/gdp-growth>