

Three Phases of Globalisation: the significance of Dubai's emergence as a trading hub

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From a historical perspective, the presence of city-states operating as trading hubs in the Indian Ocean region is anything but a novel phenomenon. Thriving seaborne trading networks running between the civilisations Mesopotamia and the Indus valley were already in place fourth thousand years ago, and by Roman times these extended from the upper reaches of the Red Sea to Southern India and on through the straits of Malacca and on towards China and Japan. In those early days few if any ships made the trip from end to end of the network: rather they completed more limited journeys – normally governed by the direction and timing of the monsoons – between well protected ports in which they could take shelter, make repairs, and unload and reload their cargo, most usually for a return journey along the route on which they had arrived (Abu-Lughod 1989, Chaudhuri 1985). The emergence of such transshipment centres, which rapidly morphed into trading hubs, was largely determined by considerations of geography, with the result that their locations have remained broadly predictable of the millennia: they include ports at the head and the mouth of both the Red Sea and the Persian Gulf, the mouths of major Rivers such as the Indus, the Godavari, the Ganges, as well as the Irrawaddy, Mekong, Pearl, Yangtze and Yellow rivers, as inescapable choke points such as the mouth of the Red Sea and the straits of Malacca.

Whilst the availability of a safe and accessible anchorage was a necessary prerequisite for the emergence of such hubs, their precise location was also driven by (endlessly changing) political considerations. The most successful were those which offered ready access to major urban/imperial centres, but which remained relatively autonomous of their much larger neighbours in political, economic and military terms. Hence they typically took the form of be more or less autonomous city-states controlling a limited hinterland, but which sufficiently well-armed to protect themselves from external predators, and capable of supporting a stable self-regulating local market place. Given that they aimed to facilitate the trading activities of merchants of both local and distant origin, the population of such city-states was invariably strongly poly-ethnic in character, given the presence of numerous merchant guilds of differing regional and religious origins. Hence, whilst the market place was open to all-comers, the members of each of such guild organised their own internal affairs on their own

preferred terms. As a result, each hub supported aggregations merchants, bankers, seamen and scholars drawn in from similarly structured city-states located hundreds if not thousands away across the Ocean, all of which were drawn together in a plural society by the dynamics of the marketplace (Furnivall 1939).

By their very nature trading networks are trans-jurisdictional in character; and given the geographical extent of the networks which could readily be developed in a region extending from the Indian Ocean to the sea of Japan, its traders have always been drawn from, and have articulated their activities within, a multiplicity of religiously and ethnically specific diasporic networks. Traders from a wide variety of regions, and affiliated to an equally wide range of cultural and religious traditions have played particularly prominent roles in differing historical periods, and there can be little doubt that Muslim networks – most of which can trace their origins either to the Red Sea or the Persian Gulf – had already begun to play a particularly salient role in this arena well before the onset of the Crusades (Abu-Lughod 1989). Besides being driven by consideration of trade rather than military conquest, a further salient feature of these networks was the extent to which the patterns of reciprocity which underpinned their operation were grounded in evangelistically oriented Sufi brotherhoods, whose activities in due course began to attract an ever-growing number of converts from the indigenous populations amongst whom they had settled (Eaton 1993, Ho 2006). Hence, by the fourteenth century the great majority of both the traders and the seamen operating across the vast stretches of ocean between East Africa and China were followers of Islam; moreover, converts to Islam had become a salient presence in major cities throughout India, China, South-East Asia and Indonesia.

Although the networks which underpinned these developments were in no sense Imperial in character, for they were not grounded in military firepower, they were nevertheless highly sophisticated vehicles for long distance communication, of which scholars also began to take advantage. Ibn Battuta (1304–1368) was one the most sophisticated exponents of this kind of scholarly exploration. Having qualified as a legal scholar in Fez, he set off across the Maghreb on *hajj* to Mecca in 1325, but in doing so took a circuitous route to his goal, travelling overland through Egypt, Syria, Persia and Turkey before heading southwards to Mecca. From there he took advantage of sea-borne networks to journey onward down the Red Sea to Aden and thence to Hormuz, from where he set off overland to India by way of the Emirates of Khorasan. Having he travelled widely within the Sultanate of Delhi, which by

then exercised control over the greater part of the subcontinent, before setting off for China. Throughout his journey, his approach to travel was relatively leisurely, given his endless curiosity with respect to the wonders he encountered, together with his capacity to accept temporary appointments as a *qazi* whenever he found himself short of funds. Hence when the ship which he took from Cambay to Calicut was delayed by adverse winds, with the result that he missed the fleet of Junks which sailed back once a year to China by taking advantage of the favourable monsoon, Ibn Battuta responded to an invitation to visit the Maldivian Islands, all of whose inhabitants had converted to Islam, to act as their *qazi*. The following year he returned to Calicut to catch a ship to Java, and from there to Zaitun, China's main commercial *entrepôt*, from where he eventually retraced his steps more or less directly to Fez, nearly three decades after he had originally set out.

Against that background one of the most striking features of his detailed memoir of journey (Battuta 1829) was that at no point does he appear to have felt that he had stepped outside the world of Islam. To be sure, he frequently visited locations in which Muslims only made up a minority of the local population, and where the rulers were most emphatically not Muslim – as in China, for example, which he also reported was the wealthiest country in the world. Nevertheless it is quite clear that wherever he went, Ibn Battuta encountered thriving Muslim communities whose members were only too happy to welcome the presence of an itinerant Islamic scholar; and it is equally clear that even if these distant ethnic colonies may originally have been established by migrants, by the time he arrived the great majority of their members were indigenous converts to the faith.

The origins of globalisation

Despite the production of innumerable specialist studies in the fields of Islamic, South Asian and Chinese history, as well as of the efforts of scholars such as Abu-Lughod, Chaudhuri, Darwin, Frank and Gordon to establish the character of the pre-existing global order into which European Empires transgressively thrust their way from the end of the fourteenth century onwards, the premises around which most popular accounts of the contemporary dynamics of globalisation are still remarkably Eurocentric in character. As a result, it is still widely assumed that these post-Columbian processes of globalisation were unprecedented in character. This is most misleading. Although the outcome of their navigational skills undoubtedly flagged the beginning of what eventually proved to be a major turning point in

global affairs, their achievements were in no sense transcribed onto a blank slate by these entrepreneurial adventurers.

In comparison with their Asiatic counterparts, the inhabitants of Europe's many peninsulas came late to the field of truly oceanic voyaging. To be sure, their trading networks around the Mediterranean and the Black Sea, as well as out along the Atlantic coast to Britain and thence to the Baltic were of ancient origin; but geography stood in the way of further expansion. The Suez isthmus on the one hand and the stormy seas of the Atlantic barred European seamen from access direct access to the much more extensive Asiatic shipping networks. It was not until the end of the fifteenth century that the shipbuilding and navigational technology in this relatively under-developed western corner of the Asiatic landmass became sufficiently advanced to enable European seamen to surmount impact of Atlantic storms, and hence to find their way round both the Cape of Good Hope and Cape Horn, thus at long last giving them direct access to the Indo-Pacific navigational universe, and hence to the fabled market-places of 'the Indies'.

But they did not find the going easy. As European adventurers swiftly discovered, the prosperity of 'the Indies' was grounded in a complex system of long distance mercantile exchange, driven amongst other things by the large-scale manufacture of ceramics and silk textiles from China, of cotton textiles from India, the products of the pearl fisheries of the Gulf and the export of huge quantities rice from all the region's tropical deltas to feed the population of the region's rapidly expanding metropolitan and manufacturing centres. The resulting trading networks routinely took advantage of the alternating monsoon, and were consequently as spatially extensive as they were oceanic in character, thereby generating a steady growth in overall levels of economic activity – no less in terms of extraction and agriculture than in manufacturing – across the entire region. So it was that by the end of the fifteenth century levels of prosperity in the oriental dimensions of Asiatic region were for the most part far superior to those which were by then enjoyed by the inhabitants of the multiplicity peninsulas lying on the far western fringes of the Asiatic land mass (Frank 1998, Gordon 2008).

Yet despite the fact that the Asiatic trading networks of this period were far more extensive than those which ran from the Mediterranean around Europe's many Atlantic peninsulas to the Baltic, the inhabitants of this hitherto marginalised region have long cherished the view

that the exploits of Columbus and Magellan marked the beginning of the processes which we now know as of globalisation. The facts are otherwise. The predominantly Muslim networks whose roots can ultimately be traced back to the Gulf were by no means the only show in town: the achievements of the Chinese during this period were just as spectacular.

The achievements of Zeng He's treasure fleets

Whilst the Chinese – and more specifically the inhabitants of Fujian province – had been just as active historical participants in long-distance trade by sea as their Arab counterparts sailing out of the Gulf, their achievements in this sphere reached a spectacular apogee less than a century before Vasco da Gama rounded the Cape of Good Hope, Zhu Di (r. 1402 - 1424) seized the Dragon Throne. Given that the new Emperor was a usurper (he acquired his position by military means, rather than by descent) Zhu Di spent the greater part of his reign investing heavily in initiatives which would serve to reinforce the scale and splendour of the Imperial Throne, not least in an effort to reinforce the legitimacy of his own position. Of all those initiatives, one of the most spectacular was a series of six long-distance voyages made by huge specially constructed trading junks under the command of one of his leading Commanders, Zeng He.

The objective of these voyages was quite explicitly to globalise his Empire. China's Emperors had always identified themselves as Sons of Heaven, whose role was consequently to provide beneficent guidance and support to all his subjects – the inhabitants of the 'Middle Kingdom'. In consequence of this vision of their place in the universe, the Chinese had long identified themselves as the articulators of a superior civilization, to which all their immediate neighbours could and should be expected to pay obeisance, and in due course to emulate. But having claimed the Dragon throne, Zhu Di sought to engage in an even grander initiative: one which looked far beyond East Asia and its associated archipelagos, since its aim was to bring the whole world, whether known or unknown, under the protective umbrella of the Dragon Throne. Zeng He's voyages were designed to implement precisely that objective. Nevertheless, as Levathes carefully emphasises, the Chinese understanding of their Imperial project was markedly different from that which their Western European counterparts were about to unleash. As she puts it in her illuminating study of Zeng He's voyages:

As far as the Chinese [already] knew in the early centuries of the Christian era, there was little of consequence beyond the boundaries of their empire. If one owned everything, what was the point of going out and conquering it? The European concept of a militant, crusading

colonialism beyond the necessity of creating a favourable climate for east-west trade demeans the Chinese ideal of an all-powerful, semi-divine emperor, and thus never occurred to Zhu Di. Prosperity was the reward for allegiance to the Dragon Throne; it would instil a greater loyalty in barbarian people than could be mustered with garrisons and foot soldiers. In any event, as the Hongwu emperor reasoned at the beginning of the Ming Dynasty, it was foolish to try to support garrisons halfway around the world, so neither Zhu Di nor his successors tried to do so. It would take European colonial powers another four hundred years to reach the same conclusion. (Levathes 1994:146)

Each of Zeng He's voyages in pursuit of this Imperial goal was successively larger, and the fourth – launched in 1412 – was one of the most politically successful. The fleet included sixty-three vessels with a total crew of 28,560. Moreover this time round the fleet sailed far beyond the familiar seas of East Asia: having called at a series of ports in the Malaysian archipelago, the fleet passed through the straits of Malacca, and went on to call at the Maldives, Cochin, and Hormuz, before sailing down the coast of East Africa to Malindi, whose ruler presented Zeng He with much prized gift for the Emperor – a giraffe. But whilst the object of this voyage was to establish the Emperor's moral hegemony throughout the know world, it was in no sense a voyage of conquest: rather it was conceived as an extension of Zhu Di's protective umbrella, which underpinned not so much by force as by an elaborate pattern of mutual reciprocities.

One source of reciprocity was trade. Before leaving Fujian each of the major treasure ships which constituted the core of the fleet – each around 400 feet long and 160 feet wide – were loaded with trade good: vast quantities of blue and white porcelain, teas and silk cloth; and on their return they not only brought similar quantities of exotic goods which had been purchased overseas, including pearls from the Gulf, but ambassadors from all the major city states they had visited, who were in due course presented before the Dragon Throne itself. That underpinned the second major objective of the expedition. Once the ambassadors (and sometimes the rulers themselves) had expressed fealty to the Emperor, and accepted lavish gifts in return, they were regarded as having subjected themselves to Chinese suzerainty. As Levathes puts it

At this moment Chinese influence abroad was at its peak. All the important trading ports in the Indian Ocean basin and China seas – from Korea and Japan throughout the Malay Archipelago and India to the east African coast – were at least nominally under Chinese authority, and acknowledged the suzerainty of the Dragon Throne. From this lofty pinnacle, China could have consolidated its position and become the dominant power in shaping the modern world. While Europe was still emerging from the Dark Ages, China, with her navy of giant junks, was poised to become the colonial power of the sixteenth century and tap the

riches of the globe. ... But the emperor was already beginning to focus his and the empire's energies inward. That moment at the pinnacle would barely last for five years (Levathes 1994:142)

Although Zhu Di was beginning to run into problems of Imperial overstretch, for the cost of mounting these vast expeditions had begun to challenge the Empire's vast resources, Zeng He was nevertheless despatched on two further expeditions, of which the fifth appears to have been the most ambitious of all. This time round his objective was global in a scientific sense: to make the astronomical observations required to facilitate accurate navigation in the southern hemisphere, and in that sense to chart the globe.

No less than their Arab counterparts, the Chinese had for centuries utilised the Pole Star as fixed point in the heavens around which to organise their navigational fixed point; however once they sailed into the southern hemisphere their lodestar disappeared beneath the horizon, and there was no southern equivalent of the pole star. The Southern Cross might point due south, but Canopus, the nearest equivalent to Polaris, was much more substantially set off by from the celestial pole. It followed that if they were to map the globe with any degree of accuracy, China's cartographers needed to establish a series of fixed points in the southern hemisphere to match those who location they had already established from their observations in the north: and this, argues Menzies (2002), was the central objective of Zeng He's fifth and most spectacularly extended expedition. Since facilitating the prospect of global triangulation was the key to the whole exercise, two objectives were crucial: on the one hand they needed to establish the precise latitude at which Canopus passed directly overhead, and secondly the celestial longitude of at least two further points along the path of celestial latitude of Canopus— which turned out to lie at e 52° 40' South. Moreover if they were to make the most of their existing cartographic knowledge, it would be extremely convenient if one of those anchor points was as close as possible to half the world away from Beijing, the 'Greenwich' of Chinese geography.

Applying a navigator's eye¹ to the charts which were prepared during this period, as well as all the available documentary and archaeological evidence, Menzies came to a startling conclusion – namely that Zeng He ordered a substantial portion of his fleet to sail on

¹ Before he turned to historical research, Menzies was the Captain of a nuclear submarine, which remained submerged for weeks on end, As a result he had to navigate over long distances solely on the basis of visual observations (including star-sightings) through his periscope.

westwards after they had rounded the Cape of Good Hope, before turning south towards the latitude of Canopus – and most especially towards the antipodes of Beijing. Out in the wilds of the South Atlantic, the Falkland Islands turned out to be a close approximation to that point. Whilst they may have provided an excellent observation point for the astronomers, these largely barren islands provided nothing with which to replenish the fleet's resources. But as Menzies goes on to note, if they had followed the path of Canopus a few hundred miles further to the west, they would not only have reached the much more fertile shores of South America. Adding all the information available to him together, Menzies concludes that

Taking advantage of one of the periods of quiet weather frequently found in an Antarctic summer, Admiral Hong Bao returned due west from the Falkland Islands to Patagonia to replenish his supplies. Still underneath Canopus at 52°40'S, he would have found what appeared to be a safe anchorage in a large bay just south of Cape Virgines. Unknown to him, the bay was the entrance to a strait leading to the Pacific. As he entered the bay, a ferocious current running at up to six knots would have dragged his fleet south-westwards through the strait like water down a plughole.

By the next morning the fleet had been sucked halfway through the strait. At last out of the current, they would have found themselves off the Brunswick Peninsula, clearly identified on the Piri Reis map. By now the fleet was south of Canopus, and Hong Bao would have wished to sail north to get underneath his reference point once again, the latitude from which he was to chart the world to the east. The strait becomes narrower and narrower leading into the Canal Geronomino – less than a mile wide and far too narrow for his huge ships to manoeuvre.

As a result, the fleet was forced to reverse its course, and hence the cartographers drew the Canal Geronomino as a river, just as it must have appeared to them. Back off the Brunswick Peninsula, the fleet would have taken the Canal Magdalena south-westwards, entering Pacific the ocean near Isla Aguirre.... The 'Strait of Magellan' had been discovered and charted by a complete accident. (Menzies 202: 136)

But despite the expedition's magnificent cartographic achievements – which included detailed maps of the coastline of the South Shetland Islands the Kerguelen Islands and the Coast of western Australia for that part of the fleet which returned to China in a westerly direction, and of the western coast of South America, parts of New Zealand and the eastern coast of Australia of that part of the fleet which sailed eastwards – Zeng He did not receive a hero's welcome when his fleet finally returned home. In his absence his patron Zhu Di had been marginalised by his ambitious son Zhu Gaozhi in a palace coup, who gained power as a result of throwing in his lot with the mandarins, who had by now taken the view that Zhu Dhi's projects had become so cripplingly expensive that had begun to exhaust the massive resources of the middle kingdom. Zhu Gaozhi gave the order that efforts to extend Confucian harmony on a global scale should cease forthwith. All further naval initiatives were

cancelled, with the result that all the ships of Zeng He's magnificent fleet were either broken up or left to rot at their moorings, whilst orders were issued to the effect that all the maps, charts and descriptive records that his surveyors had so carefully prepared should be destroyed. During the course of the ensuing Ming dynasty China looked inwards rather than outwards – leaving Magellan with an opportunity to lay the foundations of a second phase of globalisation by amongst other things following in his Chinese predecessors footsteps – for as it turned out, Zeng He's efforts had not gone entirely in vain.

All the seamen on board his fleet would have been well aware of the immense value of the charts and sailing instructions that had been prepared in the course of their adventures – most especially so since many of them would, like Zeng He himself, have been Muslims. Hence regardless of the new Emperor's instructions, this vital information was preserved, and in due found its way back along the sea-lanes to Islam's Mesopotamian heartlands, and then to western Europe's leading maritime powers. As Menzies notes

The existence of the strait leading from the Atlantic to the Pacific was well known both to the King of Spain and Magellan before he set sail. He took with him on the voyage a marine chart that showed the strait and the Pacific Ocean beyond it. The contract he had signed with the king specified the aims of the voyage – to sail westwards for the Spice Islands – and the share of the profits each was to enjoy. Magellan wanted knowledge of the strait to be restricted to himself alone to prevent others from following in his wake and claiming their own share of the riches that awaited him, but the King of Spain was in no position to grant his request. The Portuguese held the master chart.

Even if he was following in Chinese footsteps, Magellan's achievement was momentous, for it served in due course to usher in a second phase of globalisation. Nevertheless, it would be a grave mistake to assume that the European's newfound capacity to circumnavigate the globe placed them in a position from which they could immediately exercise global dominance. To be sure their ships, designed as they were to cope with Atlantic storms, were exceptionally seaworthy; and since they were designed with warfare just as much as with trade in mind, they were in a position to make hay whenever they encountered Asian merchantmen, which were not designed to carry cannon. Whilst this enabled the Portuguese to engage in something close to piracy throughout the region's sea-lanes – most especially since the Chinese were no longer attempting to maintain suzerainty over them – successful participation in peaceful trade proved to be far more problematic. With the exception of their capacity to construct heavily armed sea-going warships, European manufacturing technologies were so inferior to those in Asia that they had next to nothing to offer in

exchange for textiles, ceramics and spices that they were so eager to buy (Das Gupta and Pearson 1987)

The role of ‘free money’

If the Spanish and Portuguese had sought to rely solely on their own domestic economic resources, the chances of them being able to make their mark on a global scale would have been remote.

But by the greatest of good fortunes they swiftly gained access to what Frank (1999) has aptly described as ‘free money’: the immensely productive silver mines in Mexico and the Andes from which vast quantities of bullion were extracted during the course of the following three centuries as the result of the Spanish conquistadores’ success in overturning the Inca, Aztec and Mayan civilizations. These developments provided the financial foundations of the next – Euro-centric – phase of globalisation. However, the switch did not happen overnight: rather it took the greater part of three centuries complete.

As we have seen, the European pioneers’ newfound capacity to circumnavigate the globe was not itself a sufficient basis on which to participate in the thriving markets into which they had at long last gained access, since they had nothing to sell. Piracy was an alternative option, but one which was bound to create a backlash in the long run. From this perspective the silver mines of the ‘New World’, together with the slave labour used to extract it (much of which was shipped over from Africa) proved to be a godsend. The cost of production was low, the scale of the silver deposits proved to be enormous, and the demand for silver, which provided the basis for coinage in both India and China, was insatiable. As a result, Europeans were able to use the silver extracted from the mines in their newly acquired possessions in America to buy their way into the thriving market places of South and East Asia, thereby facilitating the emergence of a truly global economy.

Nevertheless, the sudden availability of cheap wealth had complex consequences. From an Asiatic perspective, the arrival of huge a huge volume of financial liquidity from overseas was thoroughly advantageous: it boosted the scale of manufacturing and trading activity throughout the region. However, its consequences for both Spain and Portugal soon proved to be far less rosy: blessed with what would currently be described as a resources curse, members of the Iberian elite initially enjoyed immense prosperity as a result of their access to

newfound wealth. But the capacity to use their ‘free money’ to import whatever they wanted, and hence to have their cake as well as eat it, rapidly undermined the productive base of the Iberian economy; and even though the new-found wealth soon began to filter through to other parts Europe, the whole region still had a great deal of catching up to do. Their delivery of vast quantities of liquidity into Asiatic marketplaces was no act of charity, and still less of hegemony: rather it was a consequence of their efforts to scramble their way into a rapidly expanding global economy.

Nevertheless, change was in the air. As European traders became steadily more significant players in global commerce – in which they were still far from being a dominant force – new trading hubs gradually began to emerge in locations that suited European priorities. Hormuz, Manila, Goa and Macau were early Iberian favourites, whilst Bombay, Madras, Calcutta, Singapore and Hong-Kong came to the fore as the British East India Company built its own favoured set of hubs. However these initiatives in no way diminished what the Europeans began dismissively to characterise as the ‘country trade’: Asian trading networks, more often than not still articulated between their own preferred hubs, remained as active as ever.

Globalisation and Empire: the Gulf experience

So long as the European presence in Asia was restricted to a relatively small number of trading hubs – as continued to be the case until well into the eighteenth century – their political impact in the region was strictly limited. But as the centuries passed, the profits extracted from their colonies in the Americas grew steadily larger, not least as a result of the ever more extensive use of slave labour. Moreover as Europeans began to borrow, and subsequently to mechanise, Asiatic manufacturing technologies, and to invest heavily in ever more sophisticated forms military training, the tables gradually began to turn. In the latter part of the seventeenth century they began extend their activities well beyond the narrow confines of their trading hubs, and as their military might grew steadily greater, to challenge, and ultimately to overturn, successive Asiatic Empires. So it was that in the period between the upset of the Mughal Empire and the sacking of the summer palace outside Beijing, the Dutch, the French and above all the British were able to spread their Imperial tentacles over the entire region. By the beginning of the twentieth – the best part of five centuries after the first phase of (Asiatic) globalisation reached its apogee – the second (Euro-American) phase

achieved an even more dramatic position of virtually unchallenged global hegemony during the first decade of the twentieth century.

These developments had far-reaching consequences. In the Gulf, no less in socio-political than in economic terms. Besides providing an artery between the fertile lands of Mesopotamia and far-reaching spaces of the Indian Ocean, the Gulf also marks a disjunction between two major cultural and linguistic traditions: those of the Arabs to the south and west, and of the Persians to the north and east. In the period during which European empires came to the fore it also marked the boundary between two major Asiatic Empires: that of the Ottoman Sultanate with its headquarters in Istanbul, that of the Safavid dynasty in Persia. The latter enjoyed a period of splendour at the beginning of the sixteenth century, but subsequently fell into decay, to be replaced by a series of more short-lived and less powerful dynasties during the course of the eighteenth century. Whilst both regimes managed to avoid formal subordination to external powers, the British nevertheless regarded the whole region as the backyard of their Indian Raj. Besides establishing a powerful diplomatic presence in Tehran, they also established a network of Political Agents to keep a careful eye on developments in the string of settlements along the southern and western shores of the Gulf that had hitherto been nominally subject to Ottoman suzerainty.

Not that a European presence in the region was in any way unprecedented. Early in the 16th century the Portuguese captured the island of Hormuz, from where they sought to implement their *cartaz* system, such that all ships passing in and out of the Gulf were expected to make a payment in return for the privilege of being allowed to do so.² Whilst local traders were outraged at being taxed in this way (not least because their Portuguese rivals were exempt), they soon found ways of evading the patrols which monitored the straits. Nor was that all: in 1619 the British East India Company established a ‘factory’ – in other words a trading station – on the mainland close to the island of Hormuz, and in due course supplied Shah Abbas with ships, which he in due course used to drive out the Portuguese. In return for its assistance the Company was granted exceptional trading facilities at Bandar Abbas, as well as a share in the port’s customs duties.

² In the course of their efforts to gain control of the regional sea-lanes the Portuguese also built a fort to guard the entrance Dubai creek.

Whilst the expulsion of the Portuguese led to a substantial growth in trade between Bombay and Basra, it did not take long before another bugbear for those involved in long-distance trade began to emerge: piracy. Although rainfall along the southern shores of the Gulf was so slight as to render agriculture impossible, with the result that most members of its sparse population made their living either as nomads or as pearl-fisherman, its numerous creeks provided ideal hiding places from which predators could emerge to pounce on dhows passing up and down the Gulf. Their activities became steadily more salient during the course of the 18th century, and eventually attracted the attention of the Royal Navy. Since the coastline was manifestly unsuitable for colonisation, the British imposed a series of 'agreements' on local tribes, which eventually culminated in the signing a 'Perpetual Maritime Truce' in 1853. Its effect was to recognise the sovereignty of five tribal Sheikhs, who would be provided with protection both from each other, and from external harassment, in return for allowing their administrations to be 'guided' by a British Resident responsible to the Governor of the Bombay Presidency. The creation of the so-called 'Trucial States' had far-reaching consequences. Although piracy had to be abandoned, each of the five Sheikdoms was able to enhance its political and spatial integrity, and well as to reinforce the security of their markets under the umbrella of British suzerainty. As this occurred all five Emirs also took the opportunity to reinforce their authority. Most Residents used only the lightest of touches in exercising their powers. Their central mission was to ensure that the Emirs whose authority they guaranteed remained powerful enough to restrain piracy. Otherwise they were largely left alone (Davidson 2008, 2009).

The al-Maktum initiative

When Britain's first resident visited the region in the 1820s, he reported that the settlement at the mouth of the Dubai creek, whilst nominally subordinate to Abu Dhabi, appeared to be largely autonomous of the larger settlement further down the coast. Nor was it not a place of any great significance: its 1,200 or so inhabitants lived in small houses clustered around a small fort constructed by the Portuguese centuries beforehand.

Dubai began to gain much great significance later in the century when a major dispute within Abu Dhabi's ruling al-Nahyan clan led Maktum bin Buti and a group of merchants to move up the coast to Dubai. Having taken control, the al-Maktums promptly took steps to increase the wealth of their newly acquired Sheikdom by actively encouraging commercial activities.

Taking advantage of the creek's position as a safe haven, they set about encouraging yet more merchants – initially from the Persian side of the Gulf, and then from the west coast of India – to establish a presence on its banks. It follows that the establishment of Dubai as a commercial hub did not come about simply because the creek was conveniently located: there were many other potential candidates for this role scattered around the mouth of the Gulf. Rather it owed its success to the initiatives unleashed by the al-Maktums. In sharp contrast to their neighbours, the Emirs of Dubai actively encouraged commercial initiatives: merchants from distant lands were given a warm welcome, and customs fees, port fees and vessel-licence fees were largely abolished. By the turn of the century Dubai's *suq* had become the key hub for distribution of goods throughout the entire lower Gulf, a region stretching from Qatar right round to Muscat, and from Bushehr to Bandar Abbas on its northern coast.

Dubai consequently entered the twentieth century under the security of the British Imperial umbrella (a further pre-requisite for its initial success) and at a time when global trading networks were rapidly expanding as a result of the switch from sail to steam. In a further coup, in 1904 the al-Maktums persuaded the British India Steam Navigation Company to schedule its vessels to call in at Dubai as they steamed back and forth between Bombay and Basra. Nor was this the end of the line. Given that Dubai had already established itself as a regional hub, the creek had become the base for a huge fleet of dhows carrying an ever-increasing volume of goods back and forth to smaller ports lying on both the northern and the southern shores of the lower Gulf; and given the absence of forests in the region, the great majority of these dhows were actually constructed in ports lying along the coast of western India, where their crews were also for the most part recruited. Hence whilst the arrival of British steamships added to the port's prestige, this in no way crowded what the Europeans disdainfully dismissed as 'the country trade' out of the market. Rather the dhow trade thrived alongside that of the steamships; and when their sails began to be replaced with powerful marine diesel engines, dhows could compete with their larger counterparts over ever longer distances: Dubai-based trading networks began to stretch out of the Gulf to over a wide arc reaching from Somalia to the west coast of India.

The worm begins to turn

In the aftermath of its exertions during the Second World War Britain's Imperial pretensions were well nigh exhausted. India (and Pakistan) gained their independence in 1947, and in the

aftermath of the Suez debacle in 1956, Britain found it was unable even to maintain a naval presence in the Indian Ocean. In these circumstances the status hitherto accorded to the Trucial States became unsustainable, and in 1971 the newly constituted United Arab Emirates emerged as its successor. By then it was also apparent that vast quantities of oil lay beneath the waters of the Gulf and its hinterland, bringing the prospect of delivering vast wealth into the hands of those who could claim jurisdiction over it. But if British colonial dominance was the first to crumble, it was not long before the monopolistic powers that the Anglo-American oil companies had hitherto arrogated to themselves suffered the same fate. Once their operations had been nationalised, OPEC succeeded in redoubling and the redoubling the price of oil in the late 1970s, with the result that region's the oil-rich jurisdictions suddenly found that they had access to untold wealth.

Whilst the UAE was a major beneficiary of these developments, the distribution of black gold as between its component Sheikdoms was not only far from even, but inversely related to size of their populations. Hence whilst the tiny but relatively well populated Sheikdoms in the mountainous region at the mouth of the Gulf had next to no oil, vast quantities were found to lie beneath the huge but sparsely populated territory of Abu Dhabi to the west. Set in the middle, Dubai found it only had access moderate quantities of the vital resource, and true to their entrepreneurial outlook, the al-Maktums set about exploiting those resources as soon as they were free to do so. Despite having signed their first agreement with the British controlled Iraq oil company in the late 1930s, it was not until 1969 that oil began to flow under the aegis of the Dubai Petroleum. As further fields were opened up, production reached a peak of 420,000 barrels a day in 1991: but no further fields have been discovered, and since then production has steadily declined. By contrast, production in neighbouring Abu Dhabi got off to a much slower start. However, it eventually emerged that somewhere in the order of 10% of global reserves lay buried beneath Abu Dhabi's seas and sands. It follows that the al-Nahyans are not about going to have to worry about the consequences of peak oil anytime soon, and given the small size of the Emirate's population, their capacity to spend the proceeds of the resultant bonanza remains distinctly limited. Abu Dhabi's sovereign wealth fund is now one of the largest in the world, and its enormous holdings of US Treasuries have given it an unprecedented degree of quiet influence in global arenas.

With access of only a fraction of the reserves available to its munificently endowed neighbour, Dubai would have foundered if it had followed a similarly laid-back strategy.

Hence in sharp contrast to the Al-Nahyans, the Maktums used the more limited resources to make the most of the foundations that they had laid down long before the discovery of oil.

Transjurisdictional Entrepreneurship ‘from below’

By the mid-sixties Dubai had already become an active trading hub. From slight beginnings, the tiny settlement at the mouth of the creek had expanded into a city-state with a population close to 100,000 strong, whose core business was long-distance trade. As well as drawing in supplies by both sea and air from all over the world, its markets were supported by a fleet of more than 4,000 dhows providing more localised resources. In doing so Dubai had developed an infrastructure that was wholly urban in character: its hinterland was bare desert inhabited by a few Bedouin nomads. With no significant manufacturing sector, the city owed its existence to its *suq*, and its consequent capacity to act as a trading hub, linking lesser markets elsewhere in the Gulf into regional, and ultimately into global, commercial networks. As we have seen long distance trade along these routes was far from novel phenomenon: such networks had four millennia of history behind them. What has given the networks currently emanating from Dubai their distinctiveness is the changing character of the global economic order within which they have emerged.

As has so often been the case in historical terms, the developments in the Indian subcontinent played a major role in that process. Like many other post-colonial states, newly independent India sought to disentangle itself from the links of Imperial by pursuing a policy of economic autarchy, in the hope self-sustaining planned economy would facilitate the emergence of a rapidly increasing level of prosperity within a more equitable social order. Whilst the ultimate objectives of this policy cannot be faulted, one of its most immediate consequences was to allocate far-reaching regulatory powers to the state, so yet further reinforcing the administrative ‘steel frame’ which India inherited from the British Raj. Within the context of what subsequently came to be critically identified as a ‘license-permit’ Raj, India’s burgeoning army of bureaucrats took it for granted that one of their central objectives should be to maintain tight controls over the passage of money and goods across its borders in order to keep the predatory tentacles of Euro-American multi-national corporations at bay, and to prevent its own more affluent citizens from squirreling away the greater part of their wealth in overseas jurisdictions, thereby placing them beyond the reach of the state’s redistributive objectives.

But as every historian will instantly affirm, efforts to restrict the flow of goods and assets across jurisdictional boundaries invariably precipitate equally inventive strategies by means of which to evade them. Moreover the scale of such evasive activities – pejoratively identified as smuggling – is invariably directly proportional both to the rigour with which controls are enforced and the level of demand for access to the goods and services which the citizens of the jurisdiction in question consequently find have been placed, at least in principle, beyond their reach. In these circumstances it is essential to ask whether the whole exercise was really worth the candle, most especially when one of the central consequences of this sort of central planning serves only to strangle virtually all forms of commercial activity. It was for precisely these reasons that Indian authorities began to dismantle the most egregious aspects of the licence-permit Raj two decades ago, since when Indian entrepreneurs have made the most of the opportunities available in the current phase of globalisation. But one of the most striking features of these development is that Dubai which played in oiling the wheels of these development, not just with respect to India, but with all manner of similarly ill-structured regimes elsewhere in the region including Iran, Iraq, Pakistan, Afghanistan and many more besides.

For at least the past half-century the Indian subcontinent has been Dubai's most significant trading partner. After India and Pakistan gained their independence in the aftermath of the Second World War there was a huge boom in the demand for consumer products, few if any of which were manufactured within the subcontinent, but the foreign exchange required to buy them was in short supply. Worse still, there was a huge demand for gold, a central component of every dowry. In an effort to sustain the international value of the Rupee, the authorities placed tight controls on the import consumer goods, as well of gold. The outcome was inevitable: the price of gold in India soared way above that in the global marketplace, and consumer goods could be sold for inflated prices, with the result that huge profits could be made by smuggling such goods into myriad tiny ports in India and Pakistan aboard Dubai-based dhows. Dubai's economy prospered enormously as a result of satisfying these demands.

However the traffic between Dubai and the subcontinent was by no means one way. Whilst the greater part of this trading activity was facilitated by brokers, traders and seamen of South Asian origin who had put down roots in Dubai, their numbers were swelled yet further as a

result of the construction boom which took place as Dubai provided itself the physical infrastructure with which to support its roles as an oil-exporter as well as a rapidly expanding trading hub. With next to no local population to draw upon as a labour force, migrant workers were consequently drawn in from elsewhere ever larger numbers, particularly, although by no means exclusively, from South Asia. Nor was this process unique to Dubai. As oil production boomed in the upper reaches of the Gulf, and most especially in Saudi Arabia, even larger numbers of workers were required to construct the roads, bridges and terminals required to facilitate the extraction of the black gold. Almost without exception labour migrants arrived on short-stay contracts that required them to leave their families back home. Hence they routinely saved the greater part of their earnings, which they in due course transferred back home. These three complementary developments enabled Dubai to add a further string to its bow: it also emerged as a financial hub.

Whilst the central purpose of the transjurisdictional networks is to facilitate long-distance circulation of people, goods, and information, the smooth articulation these objectives is invariably dependent on a further prerequisite: the existence of a means of facilitating transjurisdictional flows of value – or in other words of money – to support these activities. The underlying logistics of the resultant challenge in the case of Dubai's relationship with the subcontinent are easy to appreciate. In the course of shipping large volumes of gold and consumer goods to India – and indeed to a wide range of other destinations in the region – Dubai's traders for the most part purchased their supplies in readily negotiable US dollars, before despatching them to be sold to customers who were only in a position to pay for them in much less readily negotiable exchange-controlled rupee. Meanwhile locally employed migrant workers were paid in readily negotiable Dirhams, but when they sent their savings back home to their kinsfolk, the payout was in rupees. Given the presence of parallel flows of value between the two jurisdictions, the underdeveloped and sclerotic character of formally constituted banking systems, and the severe regulatory restrictions on access to foreign exchange the region, the opportunities for arbitrage were plain to see. If arrangements could be made to use the value locked up in migrants' savings to meet the gold and consumer-goods importers' dollar-denominated invoices, and for the importers' rupees to be transferred to migrants' families, it followed that the articulation of a carefully ordered set of swaps would enable foreign exchange controls, together with the formally constituted banks' exorbitant fees for transferring penny-packets of value to remote destinations to be systematically circumvented.

Hawala

Although the driving force behind this particular form of value swap may have been precipitated by late twentieth century developments, the premises which underpinned them were very familiar to the region's indigenous traders. In addition to ships (whether of the sea or the desert) on which to carry their goods, and safe and stable market-places in which to buy and sell them, the third prerequisite for the implementation of long-distance trade is access to an effective value transfer system, which fulfils the vital function of obviating the need for merchants to transport large quantities of bullion around with them.. For at least the past millennium – or to put it another way, for the period during which Muslim merchants have been involved in facilitating long-distance trade – Hawala networks have been one of the most favoured means of providing this vital financial service.

Derived from the Arabic root h-w-l, whose basic meaning includes 'change' and 'transform', the term Hawala is best understood as an exchange of debt. In his classic *Introduction to Islamic Law* Schacht (1964) describes it as a means can extinguish an existing obligation to person A by arranging to transfer it to person B.

Hawala is in the first place, a mandate to pay, i.e. I owe something to A but charge B to pay my debt. It can also be an assumption of my debt by B. The practical prerequisite in both cases is that I have a claim against B which is equal to or higher than the claim of A against me.... Normally, therefore, the *hawala* amounts to an assignment: I assign to A a claim of mine against B, in order to satisfy a claim of A against me.

One of the practical advantages of this institution is that it enables me to make payments in another place through B. Its effect is the same as that of the *suftaja* or bill of exchange. This defined as 'a loan of money in order to avoid the risk of transport'; I lend an amount to B, in order that he may pay it to A in another place. The difference between *hawala* and *suftaja* the is that the obligation of A towards me, which in the case of the *hawala* is normally supposed as already existing, is, in the case of the *suftaja*, created on purpose by a payment which I make and this can be construed only as a loan of money; the transaction is reprehensible, because it is a loan of money from I derive, without giving a countervalue, the advantage the of avoiding the risk of transport, but it is not invalid. In practice, I buy from B a draft on the place in question. Historically, the origin of the bill of exchange can be traced to the *suftaja* and the *hawala* (Schacht 1964:148-9)

Bills of exchange have been a commonplace feature European banking systems for at least five centuries. What is less well known is that these financial instruments were originally known as *avallo* in Italian and *aval* in French: in other words the underlying very concept appears to have been borrowed from Muslim traders operating on the Eastern and Southern

shores of the Mediterranean, where such arrangements had already been in use for several centuries (Udovich 1970). Banking – in the sense of the provision of facilities for the implementation value transfers – and long-distance trade have always gone hand in hand. Hence as Muslim networks began to play a steadily more role during the first phase of globalisation, so a parallel network of hawaladars providing deposit and encashment services emerged in every major trading hub from Cairo to Zaitun. Whilst the origins, technical dimensions and subsequent development of these networks need not detain us here (they are more fully described in Ballard 2005, 2006 and 2010), two of their most fundamental features are worth highlighting. Firstly they were organised in such a way as to be compliant with the risk- and reputation-sharing principles Islamic Law, and secondly their systemic security was grounded in relationships of trust arising from membership of coalitions of reciprocity (Greif 1989) the Hawaladars created around themselves, in sharp contrast to the much more formal, and hence impersonal, relationships of contract which underpinned the financial systems which subsequently developed in western Europe.

As the second phase of (Imperially driven) globalisation reached its apogee towards the end of the nineteenth centuries, the force of European hegemony was so great that these *desi*, indigenous an so-called ‘informal systems’ – so identified because the prospect of risk and malfeasance was grounded in relationships of mutuality, reputation-preservation and trust, rather than in formal relationships of contract – were systematically marginalised, with the result that European Banks swiftly came to occupy the commanding heights of all Imperially-grounded financial operations. But this by no means led to the extinction of the region’s more indigenous financial institutions and practices: rather they were pressed outwards to the periphery. Hence when progressively minded modernists – of whom Pandit Nehru was a classic example – took over in the aftermath of the collapse of the British Raj, they routinely assumed that such old-fashioned practices would swiftly be dispatched into the dustbin of history.

Dubai’s role in the transition from the second to the third phase of globalisation

As the twenty-first century dawns, the modernists’ myopic assumption that the Euro-American cultural and financial practices would of necessity sweep outwards like a tsunami, and in doing so endlessly reinforce Euro-America’s condition of global hegemony, has begun to look increasingly threadbare. Indeed, there are clear indications these hubristic

expectations may well be on the point of reaching nemesis. To be sure, the prospective third phase of globalisation – in which the distribution of wealth and power will swing back from west to east following two centuries of Euro-American hegemony – has not yet fully materialised. Nevertheless, the prospect that this will occur in the near future looks increasingly certain. From that perspective Dubai's emergence as one of Asia's leading commercial and trading hubs may well provide a signpost towards the likely character of institutional structures which are likely to emerge as a result of these tectonic developments.

Dubai played no direct part in one of the most salient contemporary manifestations of this shift in wealth and power: the relocation of the greater part of the global manufacturing base from Europe and North America to South and East Asia. However these contemporary processes of entrepreneurially-driven globalisation 'from below' have also been accompanied by two further developments which may well prove to be of equal significance in the near future: firstly the growth of a multiplicity of transjurisdictional diasporic networks which have enabled millions of migrants emanating from the global South to establish a multitude of overseas ethnic colonies, some of the most significant of which are to be found in the metropolitan heartlands of Euro-America; and secondly the way in which each such network provides its members with a ready means of circulating information, personnel and capital on a global basis regardless of jurisdictional boundaries, providing them with entrepreneurial opportunities which runs closely parallel to those routinely exploited by multi-national corporations. Of course, their institutional foundations differ sharply in character: diasporic networks are strongly personal in character, and hence rooted in 'informal' relationships of kinship and mutual trust, whilst multi-national corporations revolve, at least in principle, around impersonal and formally constituted relationships of contract. Nevertheless it is idle to suppose – as modernists have been predicting ever since Maine (1861) – that 'progress' has a singular destination, such that formal relationships of contract are bound in due course to overwhelm 'informally' constituted relationships or reciprocity. As the third phase of globalisation takes wing, those equally hubristic expectations may well have to be abandoned as well.

The Exchange Houses of Dubai

As we have seen, finance and trade have always gone hand in hand – and no less so in Dubai than anywhere else. Given the growth of their *suq* as an offshore entrepôt through which gold

and consumer goods could be surreptitiously supplied to wide range of regional markets, the Hawaladars of Dubai presented with a rapidly growing commercial customer base. However the greatest spur to their activities came from another source: the parallel growth of armies of migrant workers, all seeking a cheap and reliable means of remitting their savings to their families, most of which were located in exactly the same jurisdictions to which Dubai's dhows were delivering gold and consumer goods. The opportunities for Hawala-style arbitrage were plain to see: the only issue was as to how the financial logistics required to take advantage of them should be implemented.

The bare bones of the solution which emerged was relatively straightforward: the regular constructions of forex swaps of similarly sized tranches of value, composed on the one hand of a multitude of small packets denominated in hard currency (migrant remittances, in other words), in exchange for a much smaller number of substantial larger tranches of less easily negotiable currency (payments in rupees for gold, consumer goods and so forth) on the other. Although it is unlikely that Dubai's Hawaladars were aware of it, mainline bankers in London were simultaneously developing an almost identical strategy as a means of coping with the UK's recently instituted exchange control regime. As Coyle notes

Currency swaps originally were developed by banks in the UK to help large clients circumvent UK exchange controls in the 1970s. UK companies, seeking to finance their US subsidiaries' operations, were required to pay a premium (known as an exchange equalization premium or the investment premium) when obtaining dollar loans from their banks. The idea behind a swap was to avoid having to pay this premium for dollar borrowing. A bank would identify a UK-based organization that wanted to borrow in dollars and a US-based organization wanting a sterling loan. An agreement would then be negotiated whereby

- the UK organization borrowed sterling and lent it to the US company's UK subsidiary
- the US organization borrowed dollars and lent it to the UK company's US subsidiary.

No sterling left the UK and no dollars left the US, so there was no requirement to pay the exchange equalization premium on dollars. The benefit of cheaper borrowing could be shared between both parties to the swap, and both the US and UK organizations therefore could pay less for currency debt liabilities than if they had borrowed directly in the foreign currency (sterling or dollars). These early arrangements were called "back-to-back" or "parallel" loans, from which more sophisticated currency swaps were gradually developed over time. (Coyle 2000: 24 – 25)

Although the Hawaladars of the Indian Ocean region exchanged debts rather than loans, they were already old hands at brokering transjurisdictional swaps of this kind. But implementing their swaps they had access to a further asset: the ethnically specific transjurisdictionally extended coalitions of reciprocity through which they had always done business, and which

could readily be extended to facilitate the construction of collection and delivery processes within the diasporic networks through which migrant workers has found their way to their destinations in the oil-rich regions of the Gulf. At first such initiatives were on small scale: locally well established figures from specific regions and communities began to establish networks of collection agents – initially in Dubai, and then ever further afield – offering value transfer services to members of the of the community from which they were themselves were drawn, together with a parallel network of distribution agents back in their home base. Once these complementary networks were in place the sponsor was in a position to go into business: having bought gold ingots bought cheaply at a free market price in Dubai, and despatched them by dhow to one of the many creeks which dot coastline of both India and Pakistan, the gold could be sold at inflated prices, and the proceeds in rupees despatched for delivery to migrant workers home. Whilst the cost of organising these logistical procedures was far from negligible, the differential price of gold was sufficiently large for those involved to make a significant profit from the whole enterprise, whilst also implanting door-to-door value delivery on behalf of migrant workers more swiftly, just as reliably and at a better exchange rate than anything the formally constituted banks were able to offer.

As the volume of such transfers escalated, the system gradually became more organised. The most successful operators began to search out partners based in other regional financial hubs – in Karachi, Bombay, Colombo and Dacca in the case of South Asian jurisdictions – through whom to broker appropriately sized counter-transfers on a daily basis. Business boomed, especially when the range over counter-transfers expanded to include consumer goods, and then commercial operations throughout South Asia who were unable to obtain permits granting them access foreign exchange with which to meet hard-currency invoices for the machinery and raw materials that they had imported from overseas. Whilst arrangements of this kind of necessity subverted efforts of local financial jurisdictions to control flow of hard currency across its borders, it is also arguable that it was precisely this kind of licence/permit Raj which seriously inhibited the growth of the Indian economy until the system began to be dismantled in the early 1990s. Moreover, these developments were part of a global de-regulatory trend. During the latter part of the 20th century, currency swaps and offshore banking became a steadily more salient feature of the global financial order, no less rife in London and New York than in Karachi and Bombay. It follows that the if there was anything distinctive about the deals brokered in Dubai, it lay not in the logistics of the financial exercises being undertaken, but rather in the extent to which ‘informal’ relationships of

personal trust – as opposed to formal relationships of contract – underpinned the whole operation.

Oil, Aviation and Electronics

Over and above the issues discussed so far, twenty-first century Dubai is also a product of three further exigencies. Firstly that it lies at the heart of an oil-rich region, and that its immediate neighbour – with whose ruling family the al-Maktums share a common ancestry sits atop close to 10% of global oil reserves. In other words, it lies at the heart of a region which is unlikely to be short of financial capital for the foreseeable future. Secondly, its location could hardly be more ideal for the establishment of a global aviation hub – a role that Emirates Air has filled with a vengeance, such that long-distance travellers from almost any part of the globe now find it convenient to change planes in Dubai. Last but not least, Dubai's globally networked entrepreneurs have taken to the opportunities unleashed by recent developments in telecommunications like ducks to water, thereby further empowering their capacity to engage in processes of globalisation 'from below' (Smith and Guarnizo 1998).

Right from the outset, the provision of financial services played a key role in these processes. When migrant workers from South Asia initially began to make beeline for the Gulf, formally constituted banking services were just as ill developed as all other aspects of the regional infrastructure. Whilst the delivery of remittances was novel enterprise as far as the hawaladars serving Dubai's well-established trading networks were concerned, the provision of such a service was readily compatible with their established business models. Hence, they were able to meet migrants' demands for financial more speedily, just as reliably, and above all more cheaply, than the British Bank of the Middle East, which was initially the only European-style Bank in town.

As construction projects and the associated inflow of migrant workers grew at an exponential pace, not just in the coastal Emirates but across the border in Saudi Arabia, so the demand for value transfer services grew steadily greater. As they did so, Dubai was exceptionally well placed to act as a settlement hub through which the resultant flows of liquidity could be brokered and redistributed on a global scale, given that:

- Dubai had already established itself as the regional trading hub for the southern portion of the Gulf before the oil boom took off.

- Financial initiatives pioneered in the city-state could readily be rolled out other neighbouring oil-rich jurisdictions, and in doing further re-jigged to provide similar services for members of non-South Asian diasporic networks, including those emanating from Somalia, Iran, Afghanistan, the Philippines and Indonesia.
- Once Hawaladars tapped into – and began to emerge from – each of these diasporic networks, these practices became an integral component of the mechanisms by means of which each such network facilitated the circulation of information, of personnel, and above of financial resources on a global scale, regardless of transjurisdictional boundaries (Ballard 2009).

However yet further exigencies were soon to intervene, of which one of the most significant was the attack on New York's World Trade Centre on 9/11. In its aftermath large clouds of suspicion began to accumulate over the Exchange Houses of Dubai, and most especially the practice of Hawala, on the grounds that it was a form of 'underground banking' which was widely used by terrorists – including those who blew up the twin towers – to finance their nefarious activities. But although that suggestion in due course proved to be false, the press routinely followed briefings from bankers, the police and the security services to the effect that Hawala networks are merely convenient veils for criminal and terrorist malfeasance, with the result, amongst other things, that the Hawala has dropped out of public discourse in Dubai, other than as a set of illegitimate practices whose existence is vigorously denied on all sides.

Value transfers in the 21st Century

In his groundbreaking analysis of Hawala networks published in 1999, Passas identified their role as a culturally specific example of a much more general phenomenon: the Informal Value Transfer Systems (IVTS) that labour migrants throughout the world have devised as a means facilitating the transfer of their savings to their kinsfolk back home. In the light of the arguments presented here, a further dimension can be added to this definition. Whilst the roots of this particular manifestation of IVTS lie in the provision of financial services to traders operating in the Indian Ocean region during the first and second phases of globalisation, its contemporary format has been comprehensively conditioned by the ever-growing influence of the opportunity structures which have become available during the currently emergent the third phase of globalisation, which is presenting an ever wider series of challenges to what remains of the previously-established Euro-American world order.

Remarkably enough, the current phase of globalisation has not precipitated the demolition of jurisdictional boundaries: rather they have for the most part been reinforced, most especially as far as those operating from below are concerned. Hence, whilst Euro-Americans currently enjoy something close to a condition of visa-free travel in most parts of the globe, those holding passports issued by less favoured jurisdictions find themselves facing major obstacles at almost every boundary which they seek to cross. The same sieve-like conditions also apply with respect to value transfers. For those operating in the corporate world of banks and multinational enterprises, jurisdictional boundaries are as porous to value transfer as they are to holders of Euro-American passports. But when it comes to implementing value transfers on an ‘informal’ basis – or in other words by means of back-to-back settlement swaps within unincorporated networks composed of persons linked relationships of mutual trust within coalitions of reciprocity – that condition of porosity promptly evaporates. In the absence of the contracts and the central registries around which multinational corporations revolve, unincorporated networks – no matter how cheaply and efficiently they are conducting the task of value transfer – promptly become objects of suspicion, and more often than not the targets of regulatory intervention. Hence whilst there are all manner of parallels between the way in which Dubai operates as an offshore financial centre serving jurisdictions in South Asia and the Middle East and the way in which the Cayman Islands and the Bahamas perform a similar role for Wall Street, Singapore for South-East Asia, and Hong-Kong for China, the similarities are routinely overlooked. Why should this be so?

In logistical terms, ‘informal’ Hawala networks implement value transfers on much the same basis as their more formally constituted counterparts in the banking sector. However, a key element in their contemporary success derives from their technical and logistical agility. Long before telephony and the internet they had appeared on the scene, Hawaladars had developed the capacity to construct *socially-grounded* long-distance communication networks, which in turn provided foundations of community specific coalitions of reciprocity within which guard against malfeasance in the inherently risky business of implementing value transfers. Given that these foundations were already well established, they were particularly well equipped to take advantage of advances in communications technology. By utilising ISD telephone networks, mobile and satellite phones and ultimately the resources of the they have been able to construct instant and secure channels of data transmission on a global scale, such that they can now implement value transfers on a close to real-time basis.

Nor was that all. Since diaspora-based IVTS transfers are brokered through networks whose sole purpose is to facilitate overnight value transmission – in sharp contrast to more ponderous institutions whose core business is the storage and cultivation of value on behalf of their customers, Hawaladars can dispense with the redundant paper work generated by bureaucratically and hence contractually grounded value transfer systems; they have no need to construct the vast and expensive central registries without which institutions whose core business is the storage and cultivation of value have of necessity to rely.³ It follows that by deploying informally grounded ‘traditional’ methodologies of risk-containment, an informal, those deploying such services have been able to leap-frog right over contemporary Euro-American financial institutions, as well as most of their similarly constituted post-colonial counterparts, whose logistical practices are severely handicapped as a result of their unalloyed commitment to wholly contractually based operational methodologies.

These transformative developments did not crystallise overnight. Until the latter part of the 20th century Hawaladars’ principal customers were merchants and traders. Their contemporary transformation came about when a vast new customer base opened up, whose distinctive needs could only be serviced by tapping into the globally distributed networks of reciprocity through which their migrant customers had reached their destinations, together with a parallel set of delivery networks reaching down into the specific localities – right down to a village level – from which members of each diasporic group were drawn. As was only to be expected, the initial players in arena were drawn from amongst the Gulf’s earliest pioneers, who were able to tap into the resources of the respective diasporas – on less on a global than a local basis – to construct their logistical networks; and because IVTS systems maximise their efficiency by directing individual packets of value upwards through a pyramid of consolidation and reconsolidation into ever-larger tranches of value before the ultimate settlement swap takes place, the pioneers had ready-made access to networks within which the necessary processes of consolidation and deconsolidation could be implemented. Before too long they were in a position to broker settlement swaps on a similar scale to Dubai-based Hawaladars serving a commercial clientele, during the course of the 1990s the most successful of these businesses – which frequently brought remittance and commercial

³ The best analogy for the contrast I am drawing here is that between old-style mainframe computers and networked PCs. The former cannot operate without massive central registries in which all potentially relevant data is archived. The internet gives PC users access to an infinitude of data. But there is no central register in which it is all stored: it merely provides a list of addresses at which data may or may not be stored.

business into a single in-house operation – began consolidate still further as formally constituted Exchange Houses.

By the turn of the millennium the major Exchange Houses of Dubai were handling throughputs of millions of dollars per day, serving a customer base that reached from North America through Western Europe through to the entire Gulf region, out across the Indian Ocean and through the archipelagos of South East Asia and Australia. But whilst their operations had become global in extent, key aspects of their operations remained distinctly ‘informal’ in character, since individually brokered back-to-back swaps based on relationships of personal trust remained the order of the day. However informal should not be construed as small scale. By the turn of the millennium the basic unit of account in top-level swaps was \$100,000, substantial multiples of which were lined up to facilitate multi-million dollar back-to-back swaps on a daily basis.⁴ The Exchange Houses of Dubai, viewed collectively, had emerged as a major hub in the global financial services sector, operating largely – all by no means exclusively – on behalf of an Asian clientele.

The Impact of 9/11

In terms of the analytical perspective adopted in this paper, the events of 9/11 were yet another example of the growing force of processes of globalisation from below. Indeed insofar as they led to the collapse of the twin icons of the (apparent) triumph of the America’s position of global hegemony, future historians may well conclude that its symbolic significance runs parallel to Lord Elgin’s destruction of the Summer Palaces in Beijing on 18th October 1860. Examined in close focus, the events of 9/11 demonstrated the extent to which the last and most powerful of Euro-American Empires that emerged during the second phase of globalisation had been misled by its own hubris. Despite predictions that the end of history had arrived following the collapse of the last of the European imperial powers, the United States was wholly unprepared for the prospect that global history might still have a dynamic of its own, such that nemesis might be much closer at hand than the so-called Masters of the Universe could begin to imagine.

⁴ It is also worth noting that all these transfers were ‘real’. The swaps brokered in Dubai all presumed instant execution, in sharp contrast to the speculative Casino style Forex hedge markets in London and New York, where the vast majority of contracts are for forward execution.

Although the events of 9/11 were politically rather than economically driven (financial nemesis for Wall Street arrived less than a decade later), they were a clear harbinger of what was to come. It is worth remembering that the terrorist attack implemented by a small group students of Arab origins equipped with nothing more than box-cutters, with which they managed to turn three American Airliners into weapons of mass destruction – an exemplary instance of the deployment of what Scott (1999) has described as ‘weapons of the weak’. Yet more significantly still, they justified their actions on the grounds that they were a necessary response to the illegitimate deployment of Euro-America’s hegemonic power in Palestine, in Iraq, and indeed vis-à-vis the Islamic world at large. Last but not least, one of the principal reasons why they were able to pull off such an audacious mission derived from the American authorities’ myopic assumption that the global order was still governed by the premises which had held good during the ascendancy of the second phase globalisation. Entrenched within a hubristic Euro-centric mind-set which held that their vision of freedom, secularism and self-righteous individualism would of necessity overwhelm all available alternatives, the prospect that those operating ‘from below’ might challenge those assumptions in the midst of the metropolitan heartlands was from their perspective quite literally inconceivable.

In these circumstances it was inevitable that the events of 9/11 would be regarded as an outrageous affront, and one that demanded an instant response. The most overt dimension of that response was military in character and political in effect: the imposition of regime change in Afghanistan and then in Iraq. Those developments need not detain us here. From our perspective a further initiative was just as significant: a parallel effort to reinforce the structure of the financial dimensions of the global order in such a way as to yet further underpin New York’s position as its ultimate and unchallengeable hub. Not that this objective was explicitly articulated: instead the US Patriot Act⁵, which passed through Congress within six weeks of 9/11, was justified on the grounds that if steps were not taken to being the transgressive activities of terrorists, drugs smugglers and other similar malfeasants to an end, the whole of the established order would be at risk of facing the same fate as that of the twin towers.

The US authorities also had an immediate target in mind on this front: what they described as ‘the shadowy system of underground banking known as Hawala’. One such network, al-

⁵ The full title of the Act is *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism*

Barakat, based in Dubai but primarily dedicated to serving the Somali diaspora, was swiftly (and as it eventually turned out, erroneously) identified as the route through which the perpetrators of 9/11 received the funds to finance their activities, and was promptly closed down by the US authorities. Thereafter IVTS networks of all kinds not only got an extremely bad name, but also began to be harried by regulatory authorities in all parts of the globe. Taking advantage of the status of US dollar as the ultimate medium of exchange in the global financial order, the financially oriented chapters of the Patriot Act were designed amongst other things to ensure that all the non-formal financial operations would be frozen out of the global financial system.

The means of achieving these objectives seemed, at least on the face of things, to be relatively innocuous: namely an instance that all transactions passing through US money markets should be fully compliant with the AML/CFT⁶ and KYC⁷ regulations set out in the Patriot Act. However the real sting in the tail came from a further requirement: that all foreign banks operating correspondent accounts with US Banks – a necessary prerequisite for gaining access to New York’s dollar denominated forex market – to comply with those regulations in all facets of their financial activities. In doing so the US effectively constructed a global regulatory regime with which all formally constituted banks would have to comply, regardless of the location of domestic jurisdiction, if they wished to sustain their footholds in New York. Its objectives were consequently comprehensively hegemonic: namely permanently to institutionalise the US Treasury’s – and hence the New York money markets’ – central position in the global financial order. Not surprisingly, this is a prospect that the Wall Street banks welcomed with open arms. The best part of a decade later these initiatives have begun to look seriously threadbare. Efforts by the US Treasury and their allies Wall Street to bring Asiatic financial practices – no less in China than Dubai – into conformity with their own preferred expectations have to proved to be just as unrealistic as President Bush and his advisors’ expectation that they would be able to precipitate a similar transformation in the governance of Afghanistan and Iraq by force of arms.

The ‘disappearance’ of Hawala

⁶ Anti-Money Laundering and Countering the Finance of Terrorism,
⁷ Know Your Customer

This is not to suggest that these efforts to sustain American hegemony have left IVTS networks untouched: rather they have added several additional dimensions to their ongoing development. The most immediate change has been cosmetic: the terms Hawala and Hawaladar have simply disappeared from public discourse, especially in Dubai. All suggestions that its Exchange Houses are or ever have been involved in Hawala transactions are met with vigorous refutation, backed up where necessary by threats of libel action. Meanwhile at a more practical level, the new regime has led to the reinforcement of a series of moves towards which were already in train prior to 9/11. By the turn of the millennium, most of Dubai's larger Exchange Houses had established accounts with one or other of Wall Street's major banks, as well as in a range of more exotic offshore locations. The driving force behind these developments was clear enough: the scale of their operations had grown so large that their largest swaps had grown to such a scale that they could only be executed in New York, even if they were brokered in Dubai. Like it or not Hawala networks were *already* a component of the global financial order, as the Wall Street banks that held their accounts were well aware. Moreover, there are good reasons to suppose that the banks would have been loath to lose this potentially lucrative business.

Nevertheless the implications of the Patriot Act could not be ignored, and since AML/CFT compliance was a *sine qua non* for the maintenance of relationships with their American banking partners, the Exchange Houses promptly announced that they were in the midst of bringing themselves into compliance with the relevant regulatory requirements – even if the thoroughness with which they are doing so still remains open to question, especially in the absence of thorough external monitoring. Rather more significantly, the Exchange Houses have also set about 'formalising' their value collection and distribution networks. Their favoured way of doing so has been to set up wholly owned LLCs in each of the jurisdictions in which they operate, and then by recruiting members of established networks of retail hawaladars to act as their agents, thereby enabling them to conduct their transjurisdictional financial affairs on almost exactly the same basis as the Treasury Departments of major multinational corporations. As far as value flows are concerned, local agents are instructed to transfer cash receipts from retail customers into a central jurisdictional pot, a bank account held by the LLC, whilst all the back office manoeuvres required to implement processes of consolidation, transjurisdictional settlement, deconsolidation and delivery were have been back-sourced to Dubai. Meanwhile the messaging system required to implement the whole operation is still conducted on an 'informal' basis.

Having made these adjustments, most of the larger Exchange Houses have continued to strengthen their strategic alliances with major Wall Street banks. They did not have to try very hard to do so: in the face of the looming credit crunch, Euro-American financial institutions have become ever more interested in tapping into the exponentially rising volume of migrant remittances, particularly if this enables them to build closer alliances with the indigenous institutions based in the oil-rich Gulf's principal financial hub.

Conclusion

The current Euro-American credit crunch has had a severe impact on the most physically salient feature of Dubai's booming economy: its malls, hotels and spectacular initiatives in residential property development. If these overt features of the city's urban landscape have hardly received a mention in my discussion so far, it is because these developments have had little if anything to do with Dubai's emergence as a financial and trading hub serving, and hence largely driven by, members of numerous non-European diasporic networks (Ballard 2009, 1988). By contrast, the Dubai property crunch appears to have its roots in the irrational exuberance of speculative Euro-American investors.

Viewed from a more global perspective, Dubai can be seen to owe its emergence as a trading hub to its successful emulation of the strategies followed by its many predecessors throughout the region. Over and above its fulfilment of the necessary prerequisites for the construction of such a hub – a freestanding city-state with a good harbour, subject to the control of an independent ruler farsighted enough to give unstinted support to all kinds of commercial activities – the Maktums of Dubai found themselves in the right place at the right time. Just as the second phase of globalisation was reaching its apogee, they were canny enough to attract a growing body of merchants with a specialist interest in long-distance trade to transfer their businesses from Persian to Arabian shores of the Gulf, whilst also facilitating an inflow of merchants from a commercial centre along the west coast of India – all under the convenient protection of Britain's Indian Raj. Against that background a further set of historical contingencies – including the discovery of oil, the evaporation of the British Raj, and the steadily increasing global significance of Asiatic diasporic initiatives – has enabled Dubai to unleash the entrepreneurial inventiveness of its merchants and traders in such a way as to enable the city to become a major hub in the rapidly expanding third phase of globalisation.

From this perspective the city's most significant institutional features are not the frothy exuberance of the Burj Dubai and the Palm Jumeirah, but rather its Port, its traders and Exchange Houses, and last but not least its Airport, from where Emirates Air has turned Dubai into one of the most significant hubs for long distance travel throughout the northern hemisphere. Moreover the bulk of activities in all these spheres have primarily been implemented by migrants from South Asia – whether in the form of entrepreneurs at the top of the pecking order, down through highly skilled professionals to technicians and artisans, and down to unskilled labour right at the bottom of the pile. From this perspective Dubai has become a city which is primarily South Asian in demographic terms, such that Urdu – rather than Arabic or English – has become its principal *lingua franca*; and like many of its predecessors, Dubai is a city in which the majority of its residents are best described as denizens rather than citizens. The latter status is still overwhelmingly reserved for a tiny Arab minority, largely composed of members of the Arab tribal groups – particularly the Beni Yar – who were the Emirate's original residents, over whom the Maktum clan has successfully presided since its members fled from Abu Dhabi more than a century and a half ago.

It follows that whilst the city-state's social order is intensely plural in character, it is also one in which the al-Maktums – and ultimately the all its Arab citizens – occupy a position of privileged rentiers vis-à-vis the massed ranks of the Sheikdom's entrepreneurially and commercially oriented denizens. Whilst it remains open to question as to how stable this structure will prove to be in the longer run, any suggestion that it has been put significantly at risk by the collapse of its property bubble is in my opinion severely mistaken. All it serves to emphasise is that the al-Maktums departure from their otherwise highly successful business model to by seeking to turn Dubai a high-class tropical resort for Euro-American expatriates has proved to be severely mistaken. It is now only too obvious that project is currently running quite literally into the sand. Nevertheless, the city-state's basic business model, based in the dynamics of globalisation from below, continues to flourish. Moreover, Dubai is also busy building bridges with its oil-rich neighbour just down the coast. From this perspective the renaming of the Burj Dubai, the city-state's most spectacular landmark, as the Burj Nahyan is a move of great symbolic significance. In doing so the Al-Maktums have publicly acknowledged they are, and remain, junior brothers to the al-Nahyans. If I read the runes aright, this is a signal that Dubai's finances have been underwritten for the foreseeable future against the security of Abu Dhabi's oil reserves.

That does not mean that nothing has changed. As the speculative investors in *sukuk* bonds issued by Nakheel, the property development arm of Dubai World, have learned to their cost, this does not mean that they can expect to get their money back any time soon. These bonds are Islamic financial instruments issued on a risk-sharing basis: they are not contracts to pay up come what may. It follows that if the projects in which such funds were invested have temporarily gone pear-shaped, investors will have to wait until the market improves before they receive any kind of reward. As the worms begin systematically to turn, Euro-Americans can no longer expect, let alone insist, that the global economy should continue to operate solely in terms of their own preferred rules.

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