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Three Phases of Globalization: The Significance of Dubai's Emergence as a Trading Hub

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The presence of city states operating as trading hubs is anything but novel in the Indian Ocean region; their emergence long predated European imperial expansion. Nor is the presence of such a hub at the mouth of the Persian Gulf novel; from that perspective, Dubai has simply assumed the long-standing role of Bandar Abbas. However, Dubai differs from its predecessors insofar as it is a product that can be identified as the third (and current) phase of globalization, that in which regions that had been subjected to two centuries of Euro-American imperial dominance have begun to turn the tables on their former hegemons. On the back of the liquidity generated by the oil wealth in the city-state's immediate hinterland, Dubai has emerged as one of the world's most significant trading hubs. Its central role is closely akin to that of its many historical predecessors: brokerage. However, it is fulfilling that role in a twenty-first-century context, and in doing so its economy is dependent on three closely interrelated activities: The circulation of value: largely driven by the huge volumes of hard-currency liquidity arising from its exchange-house role in delivering migrant remittances throughout the Indian Ocean region. The circulation of goods: largely driven by the import/export activities of dhows in the Dubai Creek and the long-distance container trade through the port. The circulation of people: as evidenced in the activities of Emirates Airline. All of these activities are implemented on a global scale. Moreover, like its predecessors, the population of Dubai is markedly plural in character. Denizens are far more numerous than citizens, and it is those denizens-the vast majority of whom trace their ancestral roots to the Indian subcontinent - who are primarily responsible for the growth of the city-state's trading activities. Whilst that state of affairs is far from unprecedented, Dubai also owes its success to another feature of the third phase of globalization: the parallel emergence of vast global diasporas 'from below'. The article concludes by exploring the role that transjurisdictionally extended coalitions of reciprocity grounded in commonalties of caste, kin, and sect have played in facilitating the growth of Dubai's globally extended brokerage networks.

From an 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 Mesopotamia and the Indus valley were already in place four-thousand years ago, and by Roman times, these extended from the upper reaches of the Red Sea to Southern India, on through the Straits of Malacca, and on toward China and Japan. In those early days, few (if any) ships made the trip from one end of the network to the other. Instead, they completed shorter 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. They returned along the route on which they had arrived (Abu-Lughod 1989, Chaudhuri 1985). The emergence of such transhipment centers, 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, and 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.

While the availability of a safe and accessible anchorage was a 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 centers, but which remained relatively autonomous of their much larger neighbors in political, economic, and military terms. Hence they typically took the form of autonomous city-states controlling a limited hinterland, but sufficiently well-armed to protect themselves from external predators, and capable of supporting a stable self-regulating local marketplace. 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 polyethnic in character, given the presence of numerous merchant guilds of differing regional and religious origins. Hence, while the marketplace was open to all-comers, the members of each guild organized their own internal affairs on their own preferred terms. As a result, each hub supported merchants, bankers, seamen, and scholars drawn in from similarly structured citystates located hundreds if not thousands of miles 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 transjurisdictional 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. 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 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. These activities, in due course, began to attract an ever-growing number of converts from the indigenous populations among whom they had settled (Eaton 1993, Ho 2006). Hence, by the fourteenth century, the great majority of both traders and 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 (as 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 south to Mecca. From there he took advantage of seaborne networks to journey onward down the Red Sea to Aden and then to Hormuz, from where he set off overland to India by way of the Emirates of Khorasan. 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 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 his ship was delayed by adverse winds-causing him to miss the fleet of junks which sailed back once a year to China (by taking advantage of the favourable monsoons)-Ibn Battuta responded to an invitation to visit the Maldive 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 *entrep6t*, 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 (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 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 very happy to welcome the presence of an itinerant Islamic scholar. In addition, it is equally clear, that even if these distant, ethnic colonies had originally been established by migrants, by the time he arrived, the great majority of their members were indigenous converts to the faith.

THE ORIGINS OF GLOBALIZATION

Despite innumerable specialist studies in the fields of Islamic, South Asian, and Chinese history; as well as the efforts of scholars such as Abu-Lughod, Chaudhuri, Darwin, Frank, and Gordon to establish the character of the pre-existing global order, the premises around most popular accounts of the contemporary dynamics of globalization are still remarkably Eurocentric in character. As a result, it is still widely assumed that these post-Columbian processes of globalization were unprecedented in character. This is most misleading. Although the outcome of these entrepreneurial adventurers' navigational skills undoubtedly flagged the beginning of what eventually proved to be a major turning point in global affairs, their achievements were in no way transcribed onto a *tabula rasa*.

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 then 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 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 underdeveloped western corner of the Asiatic landmass) enabled European seamen to surmount the impact of Atlantic storms, and hence find their way around both the Cape of Good Hope and Cape Horn. Finally, they had direct access to the India-Pacific navigational universe, and to the fabled marketplaces of 'the Indies.'

However, 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. This was driven by the large scale manufacture of ceramics and silk textiles from China, cotton textiles

from India, pearls from the Gulf, and huge quantities of rice from all of the region's tropical deltas (to feed the population of the region's rapidly expanding metropolitan and manufacturing centers). 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, by the end of the fifteenth century, levels of prosperity in the oriental part of the Asiatic land mass were far superior to those enjoyed by the inhabitants of its far western fringes (Frank 1998, Gordon 2008).

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 marginalized region have long cherished the view that the exploits of Columbus and Magellan marked the beginning of the processes which we now know of as globalization. The facts are otherwise. The predominantly Muslim networks whose roots we can trace 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

While the Chinese-and, more specifically, the inhabitants of Fujian province-had been just as active in long-distance trade by sea as their Arab counterparts, 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 that would serve to reinforce the scale and splendor of the Imperial Throne, 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 globalize 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 neighbors 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 emphasizes, 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) were successively larger, and the fourth-launched in 1412-was one of the most politically successful. The fleet included 63 vessels with a total crew of 28,560. Moreover, this time 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 a much prized gift-a giraffe! But, while the object of this voyage was to establish the Emperor's moral hegemony throughout the known world, it was in no sense a voyage of conquest: rather, it was conceived as an extension of Zhu Di's protective umbrella, which was 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 goods: vast quantities of blue and white porcelain, teas, and silk cloth. Upon 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 of 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, the opinion was that the visitors had willingly 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)

Althou$_1$h 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 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 utilized the Pole Star as a fixed point in the heavens around which to organize their navigational fixed point. However, once they sailed into the southern hemisphere, their lodestar disappeared beneath the horizon, and there was no southern equivalent. The Southern Cross might point due south, but Canopus, the nearest equivalent to Polaris, was more substantially set off 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 whose location they had already established from their observations in the north. 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: firstly to establish the precise latitude at which Canopus passed directly overhead, which turned out to lie at S2Q 40' South; and secondly to make astronomical calculations of the longitude of at least three anchor points along that line of latitude. 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 eye[1] to the charts, as well as all of 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 westward after they had rounded the Cape of Good Hope, before turning south toward the latitude of Canopus-and most especially toward 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. While 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 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°40'5, 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 the Pacific Ocean near Isla Aguirre .... The 'Strait of Magellan' had been discovered and charted by a complete accident. (Menzies 2002: 136)

But despite the expedition's magnificent cartographic achievements-which included detailed maps of the coastline of the South Shetland Islands, the Kerguelen Islands, the Coast of western Australia, the western coast of South America, parts of New Zealand, and the eastern coast of Australia-Zeng He

did not receive a hero's welcome when his fleet finally returned home. In his absence, his patron, Zhu Di, had been marginalized by his ambitious son Zhu Gaozhi in a palace coup. Zhu Gaozhi 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 they 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. He cancelled all further naval initiatives, his magnificent fleet was either broken up or left to rot at their moorings, and he issued orders to destroy all of the maps, charts, and descriptive records that his surveyors had so carefully prepared. During the course of the ensuing Ming dynasty, China looked inward rather than outward-leaving Magellan with an opportunity to lay the foundations of a second phase of globalization by, among 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 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. (Menzies 2002)

Even if he was following in the footsteps of the Chinese, Magellan's achievement was momentous, for it served to usher in a second phase of globalization. Nevertheless, it would be a mistake to assume that the European's newfound capacity to circumnavigate the globe placed them in a position of global dominance. Their ships, designed to weather Atlantic storms, were exceptionally seaworthy, and were designed with warfare in mind, as much as with trade. It followed that if they encountered Asian merchantmen (whose ships were not designed to carry cannons) at sea, the intruders were in a position to attack them, and to loot their cargo. While 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 little to offer in exchange for textiles, ceramics, and spices (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.

Nevertheless, they swiftly gained access to what Frank (1999) has aptly described as 'free money': the immensely productive silver mines in Mexico and the Andes. These developments provided the financial foundations of the next Euro-centric phase of globalization. However, the switch did not happen overnight: rather it took the greater part of three centuries to complete.

As we have seen, the European pioneers' newfound capacity to circumnavigate the globe was not 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 end. From this perspective the silver mines of the 'New World', together with the slave labor 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 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 marketplaces 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 volumes 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. Members of the Iberian elite initially enjoyed immense prosperity because of their access to newfound wealth. But the capacity to use their 'free money' to import whatever they wanted rapidly undermined the productive base of the Iberian economy, and even though the newfound wealth soon began to filter through to other parts of 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: it was a consequence of their efforts to scramble their way into a rapidly expanding global economy.

However, 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 favorites, while Bombay, Madras, Calcutta, Singapore, and Hong-Kong came to the fore as the British East India Company built its own favored set of hubs. These initiatives in no way diminished what the Europeans began dismissively to characterize as the 'country trade': Asian trading networks still preferred their own hubs and remained as active as ever.

GLOBALIZATION 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 well into the eighteenth century-their political impact in the region was strictly limited. However, as the centuries passed, the profits extracted from their colonies in the Americas grew steadily larger, not least because of the ever more extensive use of slave labor. As Europeans began to borrow and merchandise Asiatic manufacturing technologies, and to invest heavily in military training, the tables gradually began to turn. In the latter part of the seventeenth century, they began to extend their activities well beyond the narrow confines of their trading hubs, and, as their military might grew, they challenged, and ultimately, overturned successive Asiatic Empires. Therefore, in the period between the upset of the Mughal Empire and the sacking of the summer palace outside of Beijing, the Dutch, the French, and, above all, the British were able to spread their Imperial tentacles over the entire region. During the first decade of the twentieth century (five centuries after the first phase of (Asiatic) globalization reached its apogee), the second (Euro-American) phase of globalization achieved an even more dramatic position of virtually unchallenged global hegemony.

These developments had far-reaching consequences in the Gulf; in both socio-political and in economic terms. Besides providing an artery between the fertile lands of Mesopotamia and the 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, and that of the Safavid dynasty in Persia. The latter enjoyed a period of splendor at the beginning of the sixteenth century, but subsequently fell into

decay, replaced by a series of short-lived and less powerful dynasties during the course of the eighteenth century. While 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 been subject to Ottoman suzerainty.

European presence in the region was not unprecedented. Early in the sixteenth 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 paid for the privilege of doing so.[2] While 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' -a trading station-on the mainland close to the island of Hormuz, and supplied Shah Abbas with ships, which he used to drive out the Portuguese. In return for its assistance, the Company received exceptional trading facilities at Bandar Abbas, as well as a share in the port's customs duties.

While 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 ether 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 eighteenth century, and eventually attracted the attention of the Royal Navy. Since the coastline was manifestly unsuitable for colonization, the British imposed a series of 'agreements' on local tribes, which eventually culminated in the signing a 'Perpetual Maritime Truce' in 1853. The Truce recognized the sovereignty of five tribal Sheikhs and provided them with protection from each other and outside forces 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 Sheikhdoms was able to enhance its political and spatial integrity, as 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 generally left alone (Davidson 2008, 2009).

THE AL-MAKTOUM INITIATIVE

When Britain's first resident visited the region in the 1820s, he reported that the settlement at the mouth of the Dubai Creek, while nominally subordinate to Abu Dhabi, appeared to be largely autonomous of the larger settlement further down the coast. 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 great significance later in the century when a major dispute within Abu Dhabi's ruling al-Nahyan clan led Maktoum bin Buti and a group of merchants to move up the coast to Dubai. Having taken control, the al-Maktoums 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 it 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-Maktourns, In sharp contrast to their neighbors, the Emirs of Dubai actively encouraged commercial initiatives. Merchants from distant lands received 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 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 prerequisite for its initial success) and at a time when global trading networks were rapidly expanding because of the switch from sail to steam. In a further coup, in 1904, the al-Maktoums 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. Since 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. Given the absence of forests in the region, the great majority of these dhows were constructed in ports lying along the coast of western India, where their crews were also recruited.

Hence, while 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 sails were replaced with powerful marine diesel engines, dhows could compete with their larger counterparts over longer distances. Dubai-based trading networks began to cover a wide arc reaching from Somalia to the west coast of India.

THE WORM BEGINS TO TURN

In the aftermath of its exertions during World War II, 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. Under these circumstances, the status accorded to the Trucial States became unsustainable, and in 1971, the newly constituted United Arab Emirates (UAE) 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. However, if British colonial dominance was the first to crumble, it was not long before the monopolistic powers that the Anglo-American oil companies had arrogated to themselves suffered the same fate. Once their operations had been nationalized, OPEC succeeded in redoubling the price of oil in the late 1970s, with the result that the region's oil-rich jurisdictions suddenly had access to untold wealth.

While the UAE was a major beneficiary of these developments, the distribution of oil between the Sheikhdoms was not only uneven, but inversely related to the size of their populations. Hence while the tiny but relatively well-populated Sheikdoms in the mountainous region at the mouth of the Gulf had little oil, vast quantities were found to lie been the huge but sparsely populated territory of Abu Dhabi to the west. Set in the middle, Dubai found it only had access to moderate quantities of the vital resource, and true to their entrepreneurial outlook, the al-Maktoums 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 Dubai Petroleum. Production reached a peak of 420,000 barrels a day in 1991: but production is steadily declining, as new fields are undiscovered. By contrast, production in neigh boring Abu Dhabi got off to a much slower start. However, it eventually emerged that somewhere in the order of 10 percent of global reserves lay buried beneath Abu Dhabi's seas and sands. It follows that the al-Nahyans are not worrying 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 to only a fraction of the reserves available to its munificently endowed neighbor, Dubai would have foundered if it had followed a similarly laid-back strategy. Hence, in sharp contrast to the Al-Nahyans, the Maktoums 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-1960s, 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, a fleet of more than 4,000 dhows provided localized resources. In doing so Dubai had developed an infrastructure that was 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 a 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 links of imperial hegemony by pursuing a policy of economic autarchy. India hoped a self-sustaining, planned economy would facilitate the emergence of a rapidly increasing level of prosperity within a more equitable social order. While the ultimate objective of this policy was worth pursuing, one of its immediate consequences was to allocate far-reaching regulatory powers to the state, further reinforcing the administrative 'steel frame' that India inherited from the British Raj. Within the context of a 'license-permit' Raj, India's burgeoning 'army of bureaucrats' took for granted that one of their central objectives should be to maintain tight controls over the passage of money and goods across its borders. Enforcing these objectives might have kept the predatory tentacles of Euro-American multinational corporations at bay and may have helped 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.

Nevertheless, 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 proportional both to the rigor with which controls are enforced and the level of demand for access to the goods and services which the citizens find have been placed beyond their reach. In these circumstances, it is essential to ask whether the whole exercise was really worth it, 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 these reasons that Indian authorities began to dismantle the most egregious aspects of the licence-permit Raj two decades ago. Since then, Indian entrepreneurs have made the most of the opportunities available in the current phase of globalization. One of the most striking features of these developments is the role Dubai has played in oiling the wheels of progress-not just with respect to India, but also with all manner of similarly ill-structured regimes elsewhere in the region including Iran, Iraq, Pakistan, Afghanistan, and many more.

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 World War II, there was a huge boom in the demand for consumer products, few 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 of consumer goods, as well as gold. The outcome was inevitable: The price of gold in India soared way above that in the global marketplace, and consumer goods sold at inflated prices. Huge profits were made by smuggling such goods aboard Dubai-based dhows into a myriad of tiny ports in India and Pakistan-Dubai's economy prospered enormously.

However, the traffic was by no means one way between Dubai and the subcontinent. While 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 swelled because of Dubai's construction boom. With a lack of local population to draw upon as a labor force, migrant workers were hired from elsewhere in ever-larger numbers, particularly, 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 oil.

Almost without exception, labor 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 transferred back home. These three complementary developments enabled Dubai to add a further string to its bow: it emerged as a financial hub.

While the central purpose of the transjurisdictional networks is to facilitate long-distance circulation of people, goods, and information, the smooth articulation of 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 this challenge are easy to appreciate. In the course of shipping large volumes of gold and consumer goods to Indiaand indeed to a wide range of other destinations in the region-Dubai's traders 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 the much less readily negotiable exchange-controlled rupee. Meanwhile, locally employed migrant workers were paid in readily negotiable dirhams. However, 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 in 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.

HA WALA

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 marketplaces 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 favored 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 that 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* is 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 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 in European banking systems for at least five centuries. What is less well known is that these financial instruments were originally known as *ova/lo* in Italian and *oval* in French: in other words, the underlying 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 of value transfers-and long distance trade have always gone hand in hand. Hence, as Muslim networks began to play a more steady role during the first phase of globalization, so a parallel network of Hawaladars providing deposit and encashment services emerged in every major trading hub from Cairo to Zaitun. While the origins, technical dimensions, and subsequent development of these networks need not detain us here (Ballard 2005, 2006, 2010), two of their most fundamental

features are worth highlighting. First, they were organized in such a way as to be compliant with the risk- and reputation-sharing principles of Islamic Law. Second, their systemic security was grounded in relationships of trust arising from a membership of coalitions of reciprocity (Greif 1989) the Hawaladars created around themselves, in sharp contrast to the much more formal and impersonal relationships of contract that underpinned the financial systems that subsequently developed in Western Europe.

As the second phase of (imperially driven) globalization reached its apogee toward the end of the nineteenth century, the force of European hegemony was so great that these *desi*, indigenous and so-called 'informal systems' were systematically marginalized, with the result that European banks swiftly came to occupy the commanding heights of all imperially grounded financial operations. Nevertheless, this by no means led to the extinction of the region's indigenous financial institutions and practices: rather, they were pressed outward 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 disappear into the dustbin of history.

DUBAI'S ROLE IN THE TRANSITION FROM THE SECOND TO THE THIRD PHASE OF GLOBALIZATION

As the twenty-first century dawns, the modernists' myopic assumption that the Euro-American cultural and financial practices would of necessity sweep outward 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 globalization-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 materialized. 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 toward the likely character of institutional structures that are likely to emerge because 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 globalization 'from below' have also been accompanied by two further developments which may prove to be of equal significance in the near future. First, 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. Second, the way in which each network provides it members with a ready means of circulating information, personnel, and capital on a global basis regardless of jurisdictional boundaries, providing them with entrepreneurial opportunities that run closely parallel to those routinely exploited by multinational 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, while multinational 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 to overwhelm 'informally' constituted relationships or reciprocity. As the third phase of globalization 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 entrepot through which gold and consumer goods could be surreptitiously supplied to a 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 how the financial logistics required to take advantage of them should be implemented.

The bare bones of the solution which emerged were 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 substantially 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. By 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 community from which they were themselves 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 cheaply at a free market price in Dubai, and despatched them by dhow to one of the many creeks which dot the 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' homes. While the cost of organizing 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, while 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 organized. 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 to foreign exchange with which to meet hard-currency invoices for the machinery and raw materials that they had imported from overseas. While arrangements of this kind of necessity subverted efforts of local financial jurisdictions to control the flow of hard currency across its borders, it is also arguable that it was precisely this kind of licence/permit Raj that 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 deregulatory trend. During the latter part of the twentieth 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 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. First, that it lies at the heart of an oil-rich region, and that its immediate neighbor-with whose ruling family the al-Maktoums share a common ancestry-sits atop close to ten percent of global oil reserves. In other words, it lies at the heart of a region that is unlikely to be short of financial capital for the near future. Second, its location could hardly be more ideal for the establishment of a global aviation hub-a role that Emirates Airline 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 telecommunications like ducks to water; thereby further empowering their capacity to engage in processes of globalization '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 a beeline for the Gulf, formally constituted banking services were just as ill developed as all other aspects of the regional infrastructure. While the delivery of remittances was a 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 services 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, 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 be rolled out from neighboring oil-rich jurisdictions, and in doing so, 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 fromeach 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 all, offinancial resources on a global scale, regardless of transjurisdictional boundaries (Ballard 2009).

However, further exigencies were soon to intervene, of which one of the most significant was the attack on New York's World Trade Center 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 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,

among 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 TWENTY-FIRST CENTURY

In his ground breaking 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 labor 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. While 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 globalization, its contemporary format has been comprehensively conditioned by the ever-growing influence of the opportunity structures which have become available during the currently emergent third phase of globalization, 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 globalization has not precipitated the demolition of jurisdictional boundaries: rather they have been reinforced, most especially as far as those operating from below are concerned. Hence, while 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-favored 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 by 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 transferpromptly become objects of suspicion, and often, the targets of regulatory intervention. Hence, while there are all manner of parallels between the way in which Dubai operates as an offshore financial center 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?

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 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 utilizing ISD telephone networks, mobile and satellite phones, and ultimately the internet 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. Additionally, since diaspora-based IVTS transfers are brokered through networks whose sole purpose is to facilitate overnight value transmission, Hawaladars can dispense with the redundant paperwork generated by bureaucratically and contractually grounded value transfer systems. They have no need to construct vast and expensive central registries.[3] It follows that by deploying informally grounded 'traditional' methodologies of risk-containment, those deploying such services have been able to leapfrog 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 crystallize overnight. Until the latter part of the twentieth century Hawaladars' principal customers were merchants and traders. Their contemporary transformation came about when a vast new customer base opened up. But to meet their newfound customers' distinctive needs, new strategies had to be developed. On the one hand they began to tap into the globally distributed networks of reciprocity through which migrants had reached their destinations, and on the other to develop a parallel set of delivery networks reaching down into the specific localities-down to a village level-from which members of each diasporic group were drawn. The initial players were drawn from among the Gulf's earliest pioneers-those who were able to tap into the resources of the respective diasporas-less on a global than a local basis-to construct their logistical networks. And, because IVTS systems maximize 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 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 business into a single in-house operation began to 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 and 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. Nevertheless, while their operations had become global in extent, key aspects of their operations remained distinctly 'informal' in character, since individually brokered back-to-back swaps 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-but not 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 globalization from below. Insofar as they led to the unfortunate collapse of the twin icons, future historians may conclude that its symbolism runs parallel to Lord Elgin's destruction of the Summer Palaces in Beijing on October 18, 1860. Examined in close focus, the events of 9/11 demonstrated the extent to which the most powerful of Euro-American Empires was wholly unprepared, such that nemesis might be much closer at hand than they could ever imagine.

Although the events of 9/11 were politically driven, rather than economically driven, they were a clear harbinger of what was to come. It is worth remembering that the terrorists who turned three American Airliners into weapons of mass destruction justified their actions as a response to the deployment of Euro-America's dominance in Palestine, Iraq, and the Islamic world at large. Last, but not least, one of the principal reasons why they were able to succeed derived from the American authorities' perspective that such a tragic event was quite literally inconceivable.

The events of 9/11 were, as viewed by the United States, as well as most of the world, 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: regime change in Afghanistan and Iraq. From our perspective, a further initiative was just as significant: a parallel effort to solidify New York's position as its ultimate and unchallengeable hub. This objective was not explicitly articulated. Instead, the US Patriot Act[5], which passed through Congress within six weeks of 9/11, was justified-prevent terrorists, drugs smugglers, and other similar malfeasants from causing others to suffer the same fate as those 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-Barakat, based in Dubai but primarily dedicated to serving the Somali diaspora, was swiftly 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 harassed by regulatory authorities in all parts of the globe. Taking advantage of the status of the US dollar as the ultimate medium of exchange in the global financial order, the financially oriented chapters of the Patriot Act were designed, among 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/CFT[6] and KYC7 regulations set out in the Patriot Act. However, the real sting came from a further requirement: that foreign banks operating correspondent accounts with US Banks-a necessary prerequisite for gaining access to New York's dollar-denominated forex market-comply with those regulations in all facets of their financial activities. In doing so, the United States brilliantly 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 to permanently institutionalize 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 to bring Asiatic financial practices into conformity with their own preferred expectations have proved to be just as challenging.

THE 'DISAPPEARANCE' OF HAWALA

This is not to suggest that these efforts to sustain American dominance have left IVTS networks untouched: rather, they have added several additional

dimensions to their ongoing development. The immediate change has been cosmetic: the terms *Hawala* and *Hawaladar* have simply disappeared from public discourse, especially in Dubai. Exchange houses vigorously refute that they are or ever have been involved in Hawala transactions, backed up by threats of libel action. Meanwhile, at a more practical level, the new regime has led to the reinforcement of a series of moves which were already in motion prior to 9/11. By the turn of the millennium, most of Dubai's larger exchange houses had established accounts with one 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 and 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. More significantly, the exchange houses have also set about 'formalizing' their value collection and distribution networks. Their favored way of doing so has been to set up wholly owned LLCs in each of the jurisdictions in which they operate. 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, while all the back office maneuvers required to implement processes of consolidation, transjurisdictional settlement, deconsolidation, and delivery have been back-sourced to Dubai. Meanwhile, the messaging system required to implement the whole operation is 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 members of numerous non-European diasporic networks (Ballard 2009, 1988).

Viewed from a more global perspective, Dubai owes 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 harbor, subject to the control of an independent ruler farsighted enough to give unstinted support to all kinds of commercial activities-the Maktoums of Dubai found themselves in the right place at the right time. Just as the second phase of globalization was reaching its apogee, they were canny enough to attract a growing body of merchants with a specialist interest in long-distance trade-all under the convenient protection of Britain's Indian Raj. 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 globalization.

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 its airport, from where Emirates Airline 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, including entrepreneurs, professionals, technicians, artisans, and unskilled labor. Dubai has become a city that is primarily South Asian in demographic terms, such that Urdu-rather than Arabic or English-is its *lingua franca;* and like many of its predecessors, Dubai is a city in which the majority of its residents are 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 Bani Yas, who were the Emirate's original residents.

It follows that while the city-state's social order is intensely plural in character, it is also one in which the al-Maktoums-and ultimately all Arab citizens-occupy a position of privileged rentiers vis-a-vis the massed ranks

of the Sheikhdom's entrepreneurially and commercially oriented denizens. While it remains open to question as to how stable this structure will prove to be in the end, any suggestion that it's property bubble is at risk of collapse is, in my opinion, severely mistaken. All it serves to emphasize is that the al-Maktoums departure from their otherwise highly successful business model (by seeking to turn Dubai into a high-class tropical resort for Euro-American expatriates) has not been successful. Nevertheless, the citystate's basic business model, based in the dynamics of globalization from below, continues to flourish. Moreover, Dubai is also busy building bridges with its oil-rich neighbor just down the coast. From this perspective the renaming of the Burj Dubai, the city-state's most spectacular landmark, as the Burj Khalifa is a move of great symbolic significance. In doing so the Al-Maktoums have publicly acknowledged they are, and remain, junior brothers to the al-Nahyans. This is a sign that Dubai's finances are underwritten for the foreseeable future against the security of Abu Dhabi's oil reserves.

Nevertheless the Gulf continues to operate in its own terms. As the speculative investors in *sukuk* bonds (issued by Nakheel, the property development arm of Dubai World) have learned at great expense, they cannot 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 Eurocentric rules.

NOTES

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

[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 to Dubai Creek.

[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.

[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.

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

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

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