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DUBAI: A STATE, MERCHANT NETWORKS AND THEIR ENCOUNTERS WITH GOLD

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If there is one place in the Middle East that has been in the news consistently and on fronts other than war, terrorism, refugee crisis, and energy security, it is Dubai. Whether this tiny city-state in the United Arab Emirates builds an offshore island, parks its wealth funds in a premier English football club, acquires stakes in premium property markets in the West, or has celebrities making its luxury resorts and hotels their holiday destination, it makes sure that it stirs up conversation in financial, political, and media circles. This exceptional strategy that the emirate began pursuing at the turn of the century — the art of building an international image of trust and reliability while strategically investing in different assets across the world — constitutes the basis of what investors, analysts, and financial tycoons call the Dubai model of development.¹

In the years before the global financial crisis of 2008, Dubai's economy had expanded twofold, and the emirate hit annual growth rates comparable to only those of Singapore and Hong Kong.² This was no mean feat to pull off in a state where oil contributed less than 6 percent of GDP.

¹ Matein Khalid, "Dubai's innovative model of development," *Khaleej Times*, March 30, 2007, <https://www.khaleejtimes.com/editorials-columns/dubai-s-innovative-model-of-development>

² Kristian P. Alexander, "Dubai and Singapore are exemplary models of economic development," *Gulf News*, August 23, 2017, <https://gulfnews.com/opinion/thinkers/dubai-and-singapore-are-exemplary-models-of-economic-development-1.2078949>

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Dubai held many important lessons for its federal partners and its neighbours in the Gulf Cooperation Council (GCC), who were now being increasingly pushed to curtail their oil dependency. Confronted with a future where reserves would run out and oil revenues would not be adequate to meet rising economic costs and social security commitments, states like Saudi Arabia, Qatar, and Abu Dhabi began to chart out plans for urban growth similar to Dubai's. The much-touted Dubai model had, by the end of the past decade, become an established alternative to economic development not only in the GCC, but in parts of the wider Middle East, North Africa, and South Asia as well.

The Dubai model has many elements to it, key among which are trade, tourism, and finance. Free economic zones, international financial centres, the airline industry, real estate, shopping malls, luxury hotels, and sporting and entertainment complexes, underpinned by a liberal economic and cultural environment, are among its many hallmarks. What drives this model, according to political analysts, planners, and policy advisers, is the state and its strategically nurtured public-private partnership in investment and infrastructure development. If other states have to replicate the Dubai model, it is on building and sustaining a partnership along these lines that they will have to focus. At least, that is what these analyses seem to suggest.

Many of those who have seen and participated in Dubai's urban processes in different social capacities, however, affirm that there is a much more complex trajectory to the city's growth and a different logic driving it. The crux of the Dubai model lies not in what the state has been doing, but in how it has been adapting to different kinds of wants (economic, social, cultural, and political), both within and outside its territory. The state, evidently, is not the only institution with the agency and power to drive Dubai's urban destiny. Merchants of different ethnicities and the trans-regional networks of credit, finance, commodities, money, and labour that anchor them within multiple cities are equally significant players. Accordingly, what we ought to zoom in on are the dynamic equations between the state and the commercial networks as well as the global trade that the city's merchants bring to the souks and malls of Dubai.

The commercial and urban model that drives Dubai's growth gives it a certain leeway to manoeuvre and sail through the rapidly changing currents of the global economy. In its willingness to work with networks in mutually beneficial ways, the state has been able to better respond to market fluctuations and economic pressures. Since commercial networks, by the very nature and object of their constitution, have a close brush with the realities on the ground of trade and the numerous aspects that stimulate or disrupt it, they are in principle well equipped to adapt to its vagaries. States like Dubai that work in close partnership with such networks provide what it may take to ease the process of adaptation, whether in terms of law, regulations, or infrastructures of transport and mobility. As these networks shift bases and rearrange the spatial geographies of trade, the state pushes buttons that change its bureaucratic and political orientation with other states, corporations, and communities.

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The dynamism of the state of Dubai in responding to challenges as well as translating them into opportunities on the back of commercial networks is nowhere better exemplified than in the city's gold trade going back to almost a century now. Seen in the light of Dubai's exceptional growth and given the subsidiary role that oil had played in it — a key factor that sets it apart from other states in the Middle East — one doubts whether any other qualifier than the "City of Gold" would have captured the essence of Dubai better. More than a catchy tagline or an effective advertising strategy, the "City of Gold" label is, in fact, something that Dubai has earned through the decades of its turbulent history as a centre specialising in the smuggling of, as well as a legitimate trade in, the metal.³ It is a statement of Dubai's plasticity, its urban resilience, much like the material qualities of gold itself.

Let us begin with the year 1996. A milestone in Dubai's history, 1996 marks the launch of the now internationally renowned Dubai Shopping Festival or DSF, as it is popularly known. In a somewhat curious break with its clouded past as a gold smuggling cove — a port where smugglers from India met in the 1960s and 1970s to strike deals with international mafias — Dubai announced itself to the world in a new light. Shoppers and tourists could visit Dubai on special visas to buy as much gold as they wanted, besides other goods. It was not that shoppers and tourists were not welcome earlier or that Dubai had reformed its ways to become a new convert to legitimate business. Dubai never defined what was legitimate or illegitimate;⁴ it was India and the rest of the world, including international financial institutions like the IMF and the World Bank, which did so. What changed then was not Dubai or its commercial practices in any sense but the attitude of the rest of the world to gold and to trade in general. The point of departure identified by scholars as the onset of the city's trajectory of growth, culminating in its status as the 21st century global city on par with cities like Singapore, or even Berlin and Paris in the West, was only a salutary response to developments elsewhere in the world.

What were some of these developments that Dubai was able to adapt flexibly to and turn to its advantage? The one singular factor that has the potential to address this question in a broad stroke of the analytic brush is India's economic liberalisation in the early 1990s, a highly ambitious programme launched under the financial reform policies of Dr Manmohan Singh, the then finance minister of India. Dubai, among other keen observers, witnessed trade regulations in India switch overnight from import substitution to import liberalisation. The move itself was far from radical since states across the developing world, not just India, were being coerced into opening up their economies by the structural reform programmes of the IMF. States, by the IMF's new dictates, had to direct their national economies towards growth by allowing room for the free play of international finance and the expansion of trade. The world, it seemed, had come a long way from the one that was created in 1944 at Bretton Woods — a world where states were

³ William Tuohy, "Dubai's Golden Fleece," *The Guardian*, January 13, 1971.

⁴ Drugs were a complete exception though.

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expected to watch their balance of payments and ensure stability, rather than volatile growth, was now a thing of the past.

The space emerging within the Indian economy for the role of international finance could not have meant as much as it did for Dubai in the 1990s had India not had a history of eternally soaking up the world's gold. No other place in the world could have benefitted from India's cultural appetite for gold than this tiny port city in the latter half of the 20th century. With the ban on the import of gold into India lifted, and “non-resident Indians” (or “NRIs”) allowed to carry gold in kilograms into the country, Dubai realised it could become irrelevant to the game it had been playing for decades. The newfound parity between the domestic price of gold in India and its international price virtually ruled out smuggling, which had amounted to a couple of hundred tonnes a month. Dubai realised that it had to act quickly to survive.

Who better to lean on in difficult times than the Indian merchants and perhaps the smugglers themselves? What better avenues to tap into than the webs of commerce these players had carefully spun around the city and extending in a continuum towards Bombay and Malabar in western India? Indians could carry gold from anywhere in the world into India by law. But where else could gold be found in the specifications of size and weight as well as designs preferred by Indians than in Dubai? Certainly not the banks of Europe, not London, not Zurich, or jewellery makers in the United States. And which part of the world than Dubai and the Persian Gulf had Indians residing in numbers that mattered for India's repeal of the ban to have any visible effect?

Pragmatic economic policies and administrative reforms often start with small questions as these and not big ones that have to do with the policies of the World Bank or the IMF — a fact best exemplified by the Dubai of the 1990s and which small states like Singapore would do well to draw from. Since smuggling no longer held prospects and anyone could carry gold into India, it was only logical that the nature of demand for the metal in Dubai would change drastically. It was more likely that consumers themselves or small traders rather than investors and agents associated with smuggling outfits would begin to seek out Dubai in greater numbers. This was likely to push the demand away from gold bricks and wafers,⁵ weighing 10 kilograms, 5 kilograms, 2 kilograms, etc — these were made exclusively for the convenience of smuggling — to coins and bullion of much lower weights or to jewellery itself. The vast majority of Indians had no use for gold bricks or wafers in their everyday cultural rituals and social transactions. That they would look to cut out all the players between the investor in Dubai and the artisan or the family jeweller in India to get their money's worth seemed commonsensical enough.

As smuggling receded, the scope for retailing in the city expanded. The state in Dubai set to work concurrently on its trade and migration policy to cash in on the shifting base and preferences of the consumers for gold. On the migration front, it began to issue tourist visas in much greater

⁵ These were popularly known as “biscuits” in India.

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numbers than before to enable people to visit Dubai exclusively for the purpose of shopping, not just for gold but a range of consumer goods imported into the city from all over the world. Tourism spawned its own chains and networks of hotels, travel and ticketing agencies, service apartments, banking, and currency exchange trades, besides giving labour migration in the service sector a further boost. On the trade front, the state began to partner with the Dubai Gold and Jewellery Group (DGJG) — an organisation spearheaded by Indian retailers as well as wholesalers — to evolve a mutually beneficial strategy. The outcome of this partnership was the first edition of the DSF in 1996, with its huge bonanza of gifts and prizes given away by these retail outlets in gold.⁶ The tagline “City of Gold”, adopted as part of the promotional campaign of the event celebrating Dubai and its gold retailers, became a covenant of sorts binding this relationship between the state and the merchant networks involved in the gold trade.

Today, as Dubai runs into the 24th edition of the DSF, the partnership between the state and Indian gold retailers and wholesalers is as robust as ever, helping the city-state weather the impact of the drifting currents of global trade and stay resilient amidst the storms of economic crises hovering over its markets.

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⁶ Janice Ponce de Leon, "20 years on, Dubai Shopping Festival gets bigger and better," *Gulf News*, December 30, 2014, <https://gulfnews.com/news/uae/tourism/20-year-on-dubai-shopping-festival-gets-bigger-and-better-1.1434124>.