

THE FOUNDATIONS OF A FREE PORT

Although times were often austere for Dubai's economy, exacerbated by the aforementioned British controls on technology imports and market access, there were nevertheless periods of prosperity, not least following the pearling boom at the turn of the twentieth century. Moreover, Dubai was rapidly becoming an attractive environment for re-export trading—a simple activity that required no technology injections or problematic foreign assistance, and thereby escaped British scrutiny. Indeed, the political stability afforded by the client protection system, combined with the Al-Maktum family's shrewd lowering of most taxes and duties, were enough to position Dubai as the safest and most profitable free port of the lower Gulf. When political and economic problems arose in India, Iran and its Arab neighbours, Dubai was well placed to benefit from influxes of skilled and experienced merchants who sought to relocate their operations to a new trade hub. Dubai welcomed such valuable immigrants, and by mid-century, even if resources were at times low, its rulers invested in whatever physical infrastructure was deemed necessary to maintain such commercial pre-eminence and the loyalty of a cosmopolitan trading population.

Flourishing free trade

Following Dubai's secession from Abu Dhabi and its balancing of regional powers, the relative tranquillity of the town facilitated

DUBAI

merchant activity as early as the 1840s. The sheikhdom's first independent ruler, Sheikh Maktum bin Buti, remarked that soon after his arrival in Dubai there were over 40 shops and 100 traders in the *souq*, compared to just a handful of outlets dating from earlier times.¹ By the 1880s, under the guidance of Maktum's eldest sons, Sheikh Hasher bin Maktum Al-Maktum and Sheikh Rashid bin Maktum Al-Maktum, Dubai's merchant community had grown even further, with foreign visitors to the town observing that '...although Abu Dhabi had emerged as the strongest and most influential military and political power of the Trucial sheikhdoms, Dubai had become the principal commercial port on the Gulf coast.'² It was, however, in the late 1890s and early 1900s that Dubai changed beyond recognition, following Sheikh Maktum bin Hasher Al-Maktum's removal of as many trade barriers as possible, including customs fees and licences for vessels. A five per cent tax on trade was abolished, and over 200 Dubai-registered boats and 3,000 merchants were exempted from further tariffs.³

A free port was born, and within a few years the number of boats berthed in Dubai had risen to 400, eclipsing the historically larger fleets of Abu Dhabi and Sharjah. Moreover, Dubai's new standing was attracting far more British-registered boats, with the number of such visiting vessels increasing from only three or four per annum to over thirty-five by 1900.⁴ In a notable development, in 1904 the British India Steam Navigation Company, that hitherto had been operating the route between Basra and Bombay, began using Dubai as a calling point. This brought five additional large vessels to Dubai every year, dramatically boosting the revenues of the town's *souq*, and thereby confirming Dubai's position as the main distribution centre for goods along the whole littoral from Qatar to Ra's al-Khaimah.⁵ So significant were these steam ships that a major new building in the Dubai textile market was named in honour of the largest—the *Sardhana*.⁶ By the 1950s Dubai's status as the new business capital of the Trucial coast was again consolidated following Britain's decision to shift her

agency headquarters from Sharjah to Dubai, given that most British trade was now connected to Dubai,⁷ and from 1961 onwards the Political Resident⁸ began to visit Dubai ahead of all the other sheikhdoms when touring the lower Gulf.⁹ By the mid-1960s Dubai's population had grown to over 100,000,¹⁰ by far the largest conurbation in the region, and could claim a fleet of over 4,000 dhows¹¹—an astonishing contrast with Sheikh Maktum bin Buti's original settlement.

Textiles, gold, and electronics

Most of the goods passing through Dubai's free port were products 'informally' shipped out from the Indian subcontinent and the Far East. This merchandise was often destined to be re-exported back to Asia in such a way as to avoid local restrictions, or, as the expatriate population grew, to be distributed to customers in Dubai itself. Although, as will be demonstrated later in this volume,¹² this re-export trade was at times indistinguishable from a large-scale smuggling racket, the Dubai mindset remained firmly one of supply and demand, with the city's merchants carving out a niche for themselves.

Perhaps the strongest example of such successful free trade was Dubai's cornering of the South Asian textiles market following India's independence from Britain and the attempts of its first prime minister, Jawaharlal Nehru, to replicate the Soviet miracle by using the state to plan and protect the economy. These restrictive practices effectively meant that India-based merchants could not meet the demand for their products and nor could many customers purchase the quantities of fabric that they desired, thereby allowing Dubai the opportunity to become an intermediary. In particular, cotton voiles from the Khatau, Sriram, and Srinivas mills were heavily in demand, especially in Iran where such material was found to be the most comfortable to wear. Most of the offers and purchases from India were communicated to Dubai using the British Cable and Wireless Company, which had two

DUBAI

offices—one on each side of the creek. Although it sometimes took many months for the products to arrive (with the textiles often left in warehouses in Bombay for long periods until a steamship was scheduled to sail past Dubai), the system nevertheless proved reliable and encouraged the Dubai traders to source goods from even further afield. Sasooni cotton from the Nichibo mills in Japan was in great demand along with cotton latha from the Nishinbo Three Peaches and Toyobo Flying Dragon mills. These broad cloths were extremely popular in the Gulf, especially during the *haj* season. Dubai again played the role of re-exporter, with its merchants carefully ordering the necessary materials well in advance so as to overcome the lengthy five month shipping time from Japan. Similarly profitable was Dubai's trade in sourcing specialist western textiles for wealthy Indians and Pakistanis resident in both Dubai and Bombay. Specifically, a number of fashionable sari and wedding dress manufacturers had begun to favour American manufactured 'bamboo sharkskin',¹³ and by the late 1960s various brands of polyester were being sought from the United States (Dacron), Britain (Terylene), Japan (Tetron), and Germany (Tergal).¹⁴

Similarly lucrative were Dubai's gold re-exports following Nehru's decision to levy duties on precious metals,¹⁵ which led to India's losing its position as Asia's primary gold market. A huge amount of gold had to be shipped into India every year, notably to satisfy dowry payments,¹⁶ and by 1966 it is believed that over four million ounces were being transported annually between Dubai and London. This was second only to France's gold trade with Britain, and represented over ten per cent of all the gold mined in the non-communist countries at that time.¹⁷ Also benefiting from high Indian demand and Indian restrictions was Dubai's electronics trade, which by the late 1960s and early 1970s saw over two million electrical appliances being re-exported through Dubai.¹⁸ Most of this early business was centred on the supply of European transistor radios and tape recorders (especially those manufactured

by Grundig and Telefunken), as more advanced products were still considered expensive. However, as piped water and electricity became more commonplace in India, an increasing number of white goods and air conditioning units from North America were also arriving in Dubai. By the late 1970s Japanese goods entered the market, with Dubai re-exporting millions of Hitachi personal stereos to the subcontinent,¹⁹ and by 1982 demand for televisions (to enable households to watch the Asian games being held that year) was so high that the Indian government was forced to allow legal imports of sets, an opportunity that Dubai's traders made sure they did not miss.²⁰

Persian Immigration

Since the very beginning of Dubai's free port strategy, the sheikhdom benefited from a huge influx of Persian merchants. As conditions worsened in Qajari Persia and then later in the Shah's Iran, experienced traders required a new base for their activities, and Dubai was keen to embrace and absorb into its own national population these influential Gulf businessmen. Most of these early immigrants were from settlements on the southern coastline of Persia, which had formerly been possessions of the Ra's al-Khaimah-based Qawasim clan.²¹ Indeed, since the 1720s the Qawasim sheikhs had established control over the aforementioned port of Lingah²² in addition to the towns of Junj and Luft, and by the 1730s their settlers had begun to settle a number of nearby islands, including Qishm.²³ Moreover, by 1812 a number of other tribes from the lower Gulf (led by Sheikh Khaz'al of the Al-Ka'ab) had staked their claims in Persia, establishing another port at Al-Muhammarah and setting up a hinterland agricultural community at Disghan in the province of Fars.²⁴ It is noteworthy that these towns were ethnically Arab, with most of the population wearing Omani-style *qraiat* turbans²⁵ and with written records from the nineteenth century demonstrating that Arabic rather than Farsi had always been the primary language, although the accent was

DUBAI

considerably softer than the *khaleeji* Arabic spoken elsewhere in the Gulf.²⁶

Lingah proved to be particularly prosperous, with Britain choosing to install an agency there in the 1820s, much like it had done in the Sharjah-Dubai area. Furthermore, the town was short-listed as a possible site for the first Political Residency in the Gulf, before a town further up the coast was eventually chosen.²⁷ Much of the port's success was due to its close proximity to lucrative pearl beds and its very relaxed taxation system—the Qawasim rulers preferred low tariffs, and although the right to levy customs duties on trade through Lingah had been sold to a Belgian 'tax farming' company, these foreign tax collectors had little real impact on the local economy.²⁸ Thus, throughout the nineteenth century Lingah and its satellite settlements continued to grow. However, during the mid-1880s Nasser Al-Din Shah Qajar's government in Tehran,²⁹ which had previously been unable to project its power as far south as the Anglo-Arab sphere of influence, began to receive Russian backing³⁰ and felt sufficiently emboldened to encourage the Persian Imperial Customs Company to impose taxes on Lingah and Qishm.³¹ To make matters worse, new Persian laws were imposed on these Arab townsmen, refusing them permission to bury their dead on the islands (as had been their custom) and preventing merchants from registering new boats unless their wives agreed to stop covering their faces.³²

At first, the Qawasim attempted to resist, with the ruler of Lingah, Sheikh Qadhib bin Rashid Al-Qasimi, declaring in 1887 that his city was an 'emirate under Ottoman protection' (even though there had been a British agent in place for over sixty years³³). Given that he was deported to Tehran just a few months later,³⁴ and that his family home on the island of Sirri was seized by the Persians, this was probably an act of desperation as formal Ottoman support was never likely to materialise.³⁵ It therefore became clear that those who opposed the Persian taxes and social reforms had little option but to emigrate, with

many returning to the Qawasim homelands of Ra's al-Khaimah and Sharjah. However, a significant number of the most successful merchants (in addition to most of Lingah's resident Indian financiers and moneylenders)³⁶ were aware of the more attractive trading conditions in Dubai, and in the early 1890s opted to move their businesses there. These *ajami* Arabian-Persians were led by Muhammad Hajji Badri, Abdul Wahid Fikree, Sheikh Mustafa Abdullatif, and Ghulam Abbas, the latter of whom had brought about half of the Al-Ansari family with him.³⁷ Recognising the wealth such men could bring to Dubai, Sheikh Rashid bin Maktum Al-Maktum offered these immigrant merchants personal protection and provided them with prime plots of land close to the creek, in order for them to build houses and settle their families.³⁸ Indeed, parts of these buildings survive today in the old Bastakiyah quarter of Bur Dubai (named after Bastak—a small town in Persia), and boast some of the best examples of the wind tower architecture that was originally native to Lingah.³⁹ Equally welcoming to the *ajami* community was Rashid's nephew, Sheikh Maktum bin Hasher Al-Maktum, who, following his succession in 1894, sought to bring as many of the newcomers to his majlis as possible, hoping to learn what they needed from Dubai in order for their businesses to flourish.⁴⁰

By the turn of the century, the *ajamis* had already begun to make their mark on Dubai's economy, having brought with them considerable shipping experience and access to hitherto untapped Asian and African markets. As a contemporary businessman noted of this period '...this drain of expertise from Lingah was to be the foundation for Dubai's strong growth after 1902... Persia's loss was Dubai's gain.'⁴¹ And when a prominent European geographer⁴² visited Dubai in 1903 he recorded that a larger number of families had recently arrived from Persia 'after escaping the arbitrary rule in their own country' and appeared to be prospering in their new home.⁴³ Indeed, by that stage it was clear that Lingah had declined into obscurity,⁴⁴ especially following the British

DUBAI

India Steam Navigation Company's addition of Dubai as a port of call—this decision was effectively at Persia's expense given that Lingah had formerly been the steam line's primary port in the lower Gulf, and had served as the main conduit for Indian goods for the previous forty years. As has been noted, '...without these regular steamer visits, the city of Lingah, a bustling trading centre, quickly declined.'⁴⁵

Persian immigration to Dubai continued throughout the following decades, as notwithstanding Dubai's economic slowdown, prompted by international recession and the decline of pearling, it still offered a better business environment than anywhere else in the Gulf. In particular, by the mid-1920s Reza Shah had sought to increase Tehran's control over his southern coastal towns even further, raising taxes yet again, and, in the same way as his predecessors, attempting to modernise and secularise the population by changing dress codes and requiring local schools to teach in standardised Farsi rather than in Arabic.⁴⁶ As before, such encroachment was deemed unacceptable by merchant communities, prompting a second wave to transfer their assets to Dubai and thereby follow many of their relatives who had left in the 1890s. By the outbreak of the Second World War, conditions had deteriorated once more following British fears that Reza would ally Persia (which had been renamed 'Iran' in 1936 in respect of the state's new modern identity) with Nazi Germany. Britain and the Soviet Union were left with little choice but to occupy the northern part of Iran and install Reza's son, Muhammad Reza Shah, on the throne. However, many Iranians refused to accept such external interference and refused to support their new ruler, with some openly praising the Nazis. Fearing further unrest Britain chose to blockade all of Iran's ports, including those on the southern coast, thereby crippling what remained of the local merchant economies. Although Dubai also suffered from this British embargo, given that Iran had always been one of its greatest trading partners, in the long term it gained, as a third contingent of disgruntled ajami

businessmen arrived. Moreover, given that Britain had been rationing the quantity of foodstuffs entering the Gulf during these war years, this sudden population influx to Dubai allowed Sheikh Said bin Maktum Al-Maktum to strike a new deal with the British, increasing Dubai's quota of food to such an extent that many Dubai-based merchants, including the aforementioned Murshid Al-Usaimi,⁴⁷ soon enjoyed surpluses that they could then sell on for a profit to their less fortunate Trucial neighbours.⁴⁸

The large ajami merchant community's presence was not always appreciated in Dubai, especially as many of the original Bani Yas families were resentful that people whom they still considered to be Persians rather than Arabs were rapidly becoming part of the national population. There was a deep concern that such 'foreigners' would always have divided loyalties and might at some future time support Persia against the interests of Dubai. In 1928 there was a serious backlash against these immigrants following the British interception of a Dubai-registered vessel crewed by ajamis en route to Persia. The boat was found to contain some kidnapped women and children and was believed to be depositing these captives in Lingah, where they would have their valuables confiscated and sold, before being imprisoned. Furious Dubai nationals attacked houses in the Bastakiyah quarter and mobs assaulted prominent ajamis as they went about their business.⁴⁹ There is some evidence that even the British agent in the Trucial states (at that time an Iraqi)⁵⁰ supported this hostile reaction by discriminating against 'non-Arabs' such as the ajamis.⁵¹ The matter was only resolved following the arrival of a British gunboat off the coast of Dubai and the placing of considerable British pressure on the Persian administration to investigate the problem and to guarantee the repatriation of the prisoners. The British chose to compensate the families of the missing people, indicating Britain's recognition of the need to calm fears and ensure that the economically vital ajami section of Dubai's population maintained its confidence in the sheikhdom's security and stability.⁵²

DUBAI

Regrettably, some tension between the communities remained and problems resurfaced, especially during the Dubai National Front agitation of the 1950s and, most worryingly, during the 1960s following the Shah's de facto recognition of the state of Israel. Incensed Arab nationalists daubed the property of prominent Dubai ajamis with graffiti, and in some cases broke into their homes and smeared excreta on the walls.⁵³

Nevertheless, the Al-Maktum family and most of Dubai's merchants continued to value and respect their ajami residents and colleagues, and in time relations with the majority of Dubai's other citizens improved. An Iranian hospital was established in Dubai by Abu Torab Mehra in the late 1960s,⁵⁴ and in 1971, following the formation of the United Arab Emirates and the immediate seizure of certain UAE islands by Iran (see later),⁵⁵ Sheikh Rashid bin Said Al-Maktum's third eldest son and the head of Dubai's security services, Sheikh Muhammad bin Rashid Al-Maktum, sought to prevent any further backlashes by deploying forces to protect various ajami properties.⁵⁶ In the event such protection was not necessary, and by 1979 relations were further enhanced, as the Islamic revolution and the eventual formation of Ayatollah Khomeini's Islamic republic in Iran prompted a fourth wave of merchant migration to Dubai—one that continues unabated up to the present day, with many Iranians that are disaffected with the Ahmadinejad administration relocating their businesses, assets, and families to Dubai. Indeed, there are now over 40,000 Dubai nationals who are of ajami origin—perhaps half of the emirate's 'indigenous' population⁵⁷—most of whom are successful entrepreneurs or government employees, and they have been complemented by a growing number of permanently resident Iranian nationals prospering in Dubai.

Abu Dhabi immigration

As more of a land power, Abu Dhabi had little of the commercial history of Lingah, but by the turn of the century the sheikhdom

had a small but flourishing merchant community that had been enriched by the pearl trade and had then sought to diversify its interests by engaging in re-export. Unfortunately, political instability and the rulers' unwillingness to foster economic development soon rendered Abu Dhabi inhospitable to those with any commercial ambition, obliging many families to follow the *ajamis'* lead and transfer their operations to the more business-friendly Dubai. Indeed, following a time of high profile fratricides within the Al-Nahyan family during the 1920s,⁵⁸ concurrent with a period in which Abu Dhabi suffered some of the highest taxes in the lower Gulf, there is evidence that a great many merchants left. Even when one of these short-lived rulers, Sheikh Hamdan bin Zayed Al-Nahyan, visited Dubai to try to persuade his former merchants to return, very few did.⁵⁹

By the early 1950s conditions had improved little, with even more families having emigrated from Abu Dhabi during the Second World War.⁶⁰ Although stability had been achieved under Sheikh Shakhbut bin Sultan Al-Nahyan, his introverted and overly cautious leadership failed to recognise the need to improve socio-economic conditions and invest in the necessary infrastructure for his shrinking population to survive and prosper. When Britain introduced its aforementioned five-year development plans for the region, few of the funds were earmarked for Abu Dhabi, with the British preferring to channel their limited resources into the seemingly more worthwhile projects taking place in Dubai and Sharjah.⁶¹ Moreover, even when offered external assistance, Shakhbut often refused, favouring minimal interference in his sheikhdom's affairs. Most worryingly, years after the first schools had opened elsewhere in the Trucial states, Abu Dhabi still had no formal education system by the mid-1950s. When Shakhbut was approached for advice in 1954 by Sheikh Saqr bin Sultan Al-Qasimi of Sharjah, who was struggling with the dilemma of whether or not to permit the sons of an exiled man to remain in a Sharjah school, Shakhbut proudly informed him that

DUBAI

such a matter would never even be an issue in Abu Dhabi because there was not even a single school.⁶² Shakhbut had declined the same Kuwaiti and other Arab aid to build and develop schools that his neighbours had accepted,⁶³ and even though such aid led to political complications in Dubai,⁶⁴ this was still a great blow for Abu Dhabi as it effectively delayed the emergence of a skilled and educated population. Unsurprisingly therefore, when in 1961 Shakhbut finally succumbed to pressure and reluctantly agreed to build schools in Al-Bateen and Al-Falahia,⁶⁵ he claimed that he wanted all of the teachers to be local men and for them only to discuss matters relating to Abu Dhabi—no international geography or history were to be taught as they were deemed to be irrelevant.⁶⁶ Similarly disgraceful was Shakhbut's lack of interest in developing healthcare: when a team of surgeons from a mission hospital in India arrived in Abu Dhabi in 1956 to explore the possibility of opening a hospital in the town, their efforts came to nothing,⁶⁷ yet when they visited Shakhbut's younger brother and the wali of the sheikhdom's second largest town of Al-Ayn, Sheikh Zayed bin Sultan Al-Nahyan, they were much more successful. This created a bizarre scenario in which the capital city lagged some six years behind a hinterland town in the building of a modern hospital.⁶⁸ Even when the construction materials required for Abu Dhabi's hospital were delivered by the British in 1962, they remained untouched in their packing crates on the beach for several months.⁶⁹

In contrast to the Al-Maktum family's preference for free trade, Sheikh Shakhbut exacerbated Abu Dhabi's existing problems by constructing trade barriers wherever possible, preferring protectionism and short term gains from tax revenue. In particular, all foreign firms seeking to set up business interests in Abu Dhabi were charged an 'entrance fee,' and were made well aware of Shakhbut's dislike for non-Abu Dhabi merchants. Indeed, only one or two Dubai merchants per year were allowed to open branches in Abu Dhabi,⁷⁰ and even well-known Bahraini and

Qatari merchants were often kept out. When Muhammad Kanoo of Manama visited the Trucial states in 1958, Sheikh Rashid bin Said Al-Maktum immediately came to a mutually beneficial arrangement with the Kanoo Group, whereas Shakhbut chose to keep Kanoo waiting, and eventually pressed for an enormous 20 per cent share of all profits.⁷¹ Significantly, even indigenous merchants found life increasingly difficult, as at this time Shakhbut had imposed a ban on any new construction in Abu Dhabi, and any new business venture had to obtain written permission from the ruler's office, which was often unforthcoming.⁷² This development may have been precipitated by Shakhbut having caught one of his leading merchant families corresponding with Rashid and a group of Dubai merchants⁷³—an incident that would have played upon his fears that Dubai was planning to make inroads into Abu Dhabi's economy.

Similarly problematic for Abu Dhabi merchants was Sheikh Shakhbut's mistrust of banks and modern accounting. Much like the delays in establishing hospitals and schools, Abu Dhabi was some years behind Dubai, which had set up banks much earlier. Even when a Dubai-based team from the British Bank of the Middle East was finally granted permission to visit Abu Dhabi in 1958, Shakhbut reportedly refused to sign any of the contracts that had been drawn up and 'exasperated all concerned'.⁷⁴ Although, after a year of negotiations and considerable persuasion, a branch was finally opened in Abu Dhabi, it soon became clear that its methods were not understood or appreciated by Shakhbut. The latter had on one occasion ordered a large consignment of rifles and an electricity generator, and had taken out the necessary loan. When bank officials delivered these to Abu Dhabi they quickly realised that Shakhbut had no intention of actually paying off his debts, having misunderstood the concept of a loan and fully expecting the goods to be given to him as a gift in recognition of his position as ruler. In the subsequent quarrel Shakhbut accused the bank of stealing money from him and tried to blame

DUBAI

and fire his British-approved financial advisor,⁷⁵ prompting the British agent to intervene and persuade Shakhbut to at least pay for the generator, if not the rifles. It was felt that unless such a compromise was reached then Shakhbut would have definitely expelled all bank officials from Abu Dhabi.⁷⁶ Equally worrying for the bank was Shakhbut's similar reaction to their attempts to help set up a proper municipality office in Abu Dhabi. When in 1959 one of their most prominent Dubai employees⁷⁷ was asked by the British to help Shakhbut's youngest son, Sheikh Sultan bin Shakhbut Al-Nahyan, to establish something similar to what already existed in Dubai and Sharjah, Shakhbut visited the site of this much-needed development and became so distrustful of all the written records he saw that he ordered the two men to purchase kerosene from the souq and to burn everything and disband the project.⁷⁸

Under Sheikh Shakhbut, relations with the British agent also deteriorated, prompting even more Abu Dhabi merchants, many of whom believed business would become increasingly difficult if their sheikhdom fell from favour with the British, to settle in 'more favoured' Trucial states such as Dubai. By 1953 Shakhbut had openly begun to negotiate with the Iraqi Petroleum Company's American rival, Superior Oil Company,⁷⁹ and by the late 1950s he was proving uncooperative towards Britain's attempts to foster collective security through meetings of the Trucial States Council. Indeed, it was noted that Shakhbut rarely attended the Council's scheduled meetings, and often preferred to send an (unprepared) deputy in his place. Moreover, from the minutes of those meetings where Shakhbut did make an appearance, it seems that he spoke against the federation and came across as unpredictable to his peers.⁸⁰ By 1961 the agent had admitted that 'with Shakhbut present in meetings it is impossible to get many progressive ideas debated as he continually says that things are alright as they are now.'⁸¹ The Foreign Office duly noted that it was unlikely that Abu Dhabi in its present situation could play

any meaningful role in the further activities of the Council or the economic development of the Trucial states.⁸² Over the next few years, little changed, with Abu Dhabi continuing to block all suggested joint ventures. A proposal to join a Trucial-wide postal system was vetoed by Shakhbut, even though it offered greater efficiency and was favoured by all of the other rulers,⁸³ and in 1966, following the marriage of Sheikh Rashid's daughter, Sheikha Mariam bint Rashid Al-Maktum, to the ruler of Qatar, Sheikh Ahmad bin Ali Al-Thani, an attempt to set up a joint currency between Qatar, Dubai, and Abu Dhabi was similarly scuppered, as Shakhbut mistrusted Qatar's motives and preferred to side with Bahrain and Oman, even though neither of these could offer Abu Dhabi any tangible benefits for its cooperation.⁸⁴ The latter's merchants were consequently disadvantaged and further isolated, as the Qatari-Dubai riyal went ahead without their inclusion.⁸⁵

Even in political matters, the British began to mistrust Shakhbut's stance, believing him, if anything, to be too strongly and too openly opposed to Arab nationalism. Although Arab nationalism represented a serious threat to the stability of Dubai,⁸⁶ it was nevertheless felt that Shakhbut should at least acknowledge that such sentiments might exist among his people, otherwise the sheikhdom was likely to become even more of powder keg, primed for revolution or readjustment of power, than was Dubai or Sharjah. A number of Abu Dhabi merchants and notables were disgusted by their ruler's total lack of respect for the Arab cause, with many feeling that in Dubai there was at least some meaningful political activity taking place. As the Political Resident reported to the Foreign Office at the time of the Suez Crisis in 1956, the 'rulers of Abu Dhabi clearly welcomed Britain's intervention in Egypt, and hoped that Nasser would be taught a lesson and removed completely.' Even the usually more diplomatic Sheikh Zayed remarked to the British agent that 'Britain should do to Cairo what the Russians have done to Budapest.'⁸⁷ Although this strong reaction could probably be partly explained by the Al-Nahyan's

DUBAI

erroneous belief that Abu Dhabi's traditional enemies in Saudi Arabia had strong links with Cairo, and although Sheikh Rashid and the rest of the Al-Maktum family probably also wished (albeit secretly) for the demise of the Jamal Abdul Nasser administration, the British agreed that the rulers of Abu Dhabi should not be quite so brazen about the matter.⁸⁸

Perhaps most remarkably, even by the mid-1960s, when large revenues from oil exports had begun to accrue, Abu Dhabi remained grossly underdeveloped, with Sheikh Shakhbut continuing to distrust drastic change of any kind. Indeed, the British believed the greatest irony at this time was that Shakhbut's aforementioned four per cent contribution to the Trucial States Development Fund,⁸⁹ which was to fund Trucial-wide projects, was actually much greater than the amount he was spending on improving infrastructure in his own sheikhdom. As such, some of the smaller, non-oil producing sheikhdoms began to see the benefits of Abu Dhabi's oil long before Abu Dhabi's own population did.⁹⁰ Certainly, the British agent had already remarked to his assistant after visiting Abu Dhabi that: '...it could hardly seem stranger that this potentially oil-rich town now consists of barasti huts, a broken down market, a picture of Nasser in a coffee shop, and just a few buildings put up by the oil company.'⁹¹ Moreover, slightly later British reports described Abu Dhabi as being a 'complete scandal'.⁹² Similarly damning were the observations of the Political Resident's wife⁹³ who, when touring Abu Dhabi in 1963, noted that: 'tarmac roads have been made in odd stretches, but Shakhbut refuses to pay for their upkeep... the road from the Agency is a sea of mud and the beach is still used as a public lavatory',⁹⁴ before concluding that: '...at the moment everything remains at a standstill; and all those involved in trying to get a move on are being slightly driven around the bend... with Shakhbut's view that modern development may destroy all that is good in the simple structure of tribal society.'⁹⁵

Given the bans on construction and restrictions on new businesses, Abu Dhabi's merchants were unable to cash in on any of the new oil-related opportunities. As a prominent businessman recalls, this was incredibly frustrating, especially when those arriving in Abu Dhabi had to source their goods from elsewhere:

'...the people of Abu Dhabi could see them importing cars, trucks, materials and equipment but since nothing was being bought here, there was no benefit to the local economy. The local merchants could not provide the needed products and services nor could they accommodate the increasing number of oil workers because they lacked capital and were forbidden from building anything.'⁹⁶

Most embarrassingly, the bulk of oil company supplies were purchased in Dubai and then transported to Abu Dhabi or its outlying oil-rich islands such as Das.⁹⁷ And to the consternation of many Abu Dhabi nationals, the oil company had little choice but to award the contract for the construction of Abu Dhabi's first desalination plant to a newly created Dubai-based company.⁹⁸

In 1966 Sheikh Shakhbut was finally deposed after it had become clear to the majority of the Al-Nahyan family that the situation could not continue any longer. Shakhbut's far more astute and forward-thinking brother, Sheikh Zayed, was the natural choice to succeed, having accrued considerable administrative experience as the wali and de facto ruler of Al-Ayn, and having gained the support of Shakhbut's youngest son and heir apparent, Sheikh Sultan.⁹⁹ Moreover, given that Shakhbut's eldest son, Sheikh Said bin Shakhbut Al-Nahyan, who had earlier been implicated in a serious shooting incident, had been spending time in Europe receiving medical treatment and was therefore also beyond consideration, the British agent had no objection to sending a small number of military policemen to Abu Dhabi to safeguard the succession of Zayed, as he too believed him to be the most capable.¹⁰⁰ In the event, the transfer of power was peaceful, with Shakhbut briefly remonstrating but then eventually accepting the need for abdication, and then agreeing to be flown out of Abu Dhabi.¹⁰¹

However, even with this long overdue change of leadership, the consensus was that the damage had already been done: although Abu Dhabi's oil wealth soon allowed the infinitely more energetic Zayed to take the lead in federal affairs and position Abu Dhabi as the UAE's capital,¹⁰² considerable merchant emigration had irrecoverably weakened Abu Dhabi's business community, while boosting that of neighbouring Dubai. When new companies were finally set up in Abu Dhabi in the late 1960s and early 1970s, most had to rely heavily on Arab expatriate managers; whereas comparable companies in Dubai were almost always led by experienced local merchants—some of whom were originally from Abu Dhabi.

Sharjah immigration

With a larger population than Dubai, with a comparable natural water inlet, as the second town of the veteran Qawasim traders, and as the first site of the British agency following the 1835 peace treaties, Sharjah had served as the commercial capital of the Trucial states for much of the nineteenth century and the first few decades of the twentieth. However, much like Abu Dhabi's merchants, many members of Sharjah's business community transferred their operations to Dubai following a series of questionable leadership decisions and resulting economic problems in their home sheikhdom. The first identifiable wave came in the mid-1930s when the Al-Bu Shamis family, which controlled the semi-independent coastal area of Hamriyyah (an enclave sandwiched between Ajman and Umm al-Qawain), wished to allow the British to develop the beach area so as to facilitate the unloading of vessels. This prompted a quarrel between the family's leader, Sheikh Hadif Al-Shamsi, and the ruler of Sharjah, Sheikh Sultan bin Saqr Al-Qasimi, who remained opposed to such development. Moreover, at about the same time the Al-Bu Shamis had suffered a serious raid by members of the aforementioned Awamir: although Hadif's men pursued the thieves and eventually recov-

ered the stolen booty,¹⁰³ it was nevertheless felt that Sultan should have done more to protect his citizens.¹⁰⁴ This combination of disappointments prompted many members of the Al-Bu Shamis to leave Sharjah, with many settling in Dubai, where, as with the earlier Lingah immigrants, they were welcomed and offered a prime plot of land near to the creek—this they chose to rename Hamriyyah in memory of their original homeland. Indeed, this prominent and prosperous family remain in Dubai today, while ironically the disputed beach area in the original Hamriyyah is now a major Sharjah export processing zone.¹⁰⁵

In the late 1930s Dubai became home to even more Sharjah families following another dispute, this time over the Al-Ghusais district (close to the present day Dubai International Airport). It is thought that the inhabitants of Al-Ghusais, much like the Al-Bu Shamis before them, were hoping to transfer their allegiance to the seemingly more progressive Al-Maktum family. A brief battle for secession ensued, with the pro-Dubai faction managing to overcome the Sharjah loyalists courtesy of a female spy within the Qawasim's ranks, and with Al-Ghusais subsequently being recognised as part of Dubai and as the new border between the two sheikhdoms.¹⁰⁶ Similarly, between 1938 and 1940 around 400 other disgruntled individuals, many of them wealthy merchants, left the Hira district of Sharjah for Dubai. Led by Ali bin Abdullah Al-Awais and Rahman bin Abdullah, they saw greater opportunities for expanding their businesses if they moved to the much more trade-friendly Dubai.¹⁰⁷ In a series of desperate moves, Sheikh Sultan sought to stem this flow of emigrants from Sharjah, realising that Dubai was poised to overtake his sheikhdom as the effective capital of the lower Gulf. In particular, he requested that the British re-route their steamer service and their postal deliveries from Dubai to Sharjah.¹⁰⁸ Although the British agent refused, it is interesting to note that during the Second World War Sultan repeated his demands, using the increased wartime importance of the Sharjah airbase as extra leverage. While the agent did tem-

DUBAI

porarily agree to the re-routing,¹⁰⁹ this was not enough to offset Sharjah's commercial decline, with a 1948 report by the Imperial Bank of Iran (the forerunner to the British Bank of the Middle East) claiming that almost all merchant activity along the Trucial coast was taking place in Dubai,¹¹⁰ and that Dubai's population was around four times greater than that of Sharjah.¹¹¹

The final blow for Sharjah came in the 1950s as a result of Sheikh Saqr bin Sultan Al-Qasimi's indecisiveness regarding the dredging of his town's harbour. Since the end of the war both the Sharjah lagoon and the Dubai creek had begun to silt up with mud, preventing larger boats from reaching their unloading points. In some places the situation was so bad that the water was only two feet deep,¹¹² and in Dubai's case the silt was so heavy that the mouth of the creek would shrink by over 600 yards in the winter months,¹¹³ with the heaviest area of these build-ups eventually becoming the inhabited district of Shindagha.¹¹⁴ Given that such water inlets were the vital arteries of trade in the Trucial states, it was essential that the silt be cleared as soon as possible so that business could resume. Sheikh Rashid bin Said Al-Maktum soon recognised this need and swiftly set about raising the necessary revenue to recover Dubai's creek. He initially gambled by floating a 'creek bond' with the idea of encouraging his merchant population to contribute to Dubai's infrastructural improvements. The bond was believed to be successful, although in any event Rashid would have prevailed, as he managed to persuade the oil-rich Kuwaiti government to step in and buy out the bond after just a year and a half.¹¹⁵ With the Kuwaiti investors onboard and with the necessary funding in place, Rashid approached the British agent to ask him to search for suitable consultants. Thus, between 1958 and 1960 Dubai's creek was dredged by Overseas Ast. of Austria, in cooperation with Britain's Sir William Halcrow and Partners.¹¹⁶ Moreover, the area of the town bordering the creek was planned out by John Harris and Partners, another British firm, which allowed for ships of up to 800 tonnes to enter Dubai, rather than

just the dhows of the past.¹¹⁷ In stark contrast Saqr was wary of allowing any more British interference in Sharjah than he had to, and, as will be shown later in this volume,¹¹⁸ was at this time communicating with the Arab League's representatives rather than with the agent. Britain had offered to develop Sharjah's lagoon in the same way as Dubai's creek, but it is thought that Saqr was holding out for some kind of funding from Cairo to conduct the work.¹¹⁹ In the meantime all he had done was to have a small canal dug close to the water's edge, which ended up flooding part of the area.¹²⁰ Any Arab League assistance was either unforthcoming or was simply too slow to materialise, and by 1960 the Sharjah lagoon had to be closed to all shipping for several months,¹²¹ with ships arriving at other times of the year having to rely on tug boats. As a series of British reports stated, by the late 1950s Dubai was receiving 110 boats per quarter compared to just 31 for Sharjah, and by the end of 1960 Dubai had received 79 boats, with none calling at Sharjah, and with all cargo bound for Sharjah having to be relayed through Dubai.¹²² Throughout this period yet another wave of merchants gave up on Sharjah and moved to Dubai—clearly Sharjah did not prioritise business in the same way that Dubai did. As a prominent Dubai national recalls of this troubled time for Sharjah: '...the experience of Sharjah which, prior to the silting up of its creek, had every advantage and might well have become the commercial centre of the southern Gulf, had shown how important it was to have unimpeded access to a port whose facilities allowed the direct unloading of merchandise without having to be dependent always on the use of tenders.'¹²³

Other Arab immigration

In addition to immigrants arriving from Abu Dhabi and Sharjah, Dubai also welcomed merchants from other sheikhdoms, and indeed other areas of the Gulf and the Arab world. In only rare and isolated cases have merchant families actually left Dubai, and even then, as was the case with the Bin Lutah family's move to

DUBAI

Ajman, the exodus was usually only temporary.¹²⁴ Petty traders from further up the coast in Ajman, Umm al-Qawain, and Ra's al-Khaimah often moved their primary offices to Dubai, and less obviously, many of the hinterland bedouin (who had previously visited Dubai to sell tins of well water or tins of collected rain-water¹²⁵) chose Dubai as their preferred dwelling place when they finally opted for a more settled lifestyle and a more permanent form of business.¹²⁶ In time, these Trucial Arabs were joined by Muscatis from the Indian Ocean coastline, and by would-be merchants from Bahrain (notably a group of Shia businessmen led by Mirza Al-Rahma), Iraq (primarily from the Zubair province and led by Saleh Al-Usaimi), and Qatar.¹²⁷ All were united by a desire for free trade and a respect for Dubai's *laissez-faire* policies.

Much like the more recent Iranian influxes, Dubai has continued to benefit from Arab immigrants, especially from areas that have suffered war or serious instability. Most notably, the number of Iraqis moving their businesses to Dubai increased dramatically after Abdul Salam Arif's 1958 Arab nationalist revolution in Baghdad¹²⁸—an influx that remained high following the worsening conditions during the Iran-Iraq war of the 1980s, and the 2003 Anglo-American invasion of Iraq and subsequent civil war. Similarly, throughout the latter quarter of the century Dubai became home to many Lebanese and Kuwaiti merchants, as a result of the protracted Lebanese civil war and the 1990 Iraqi invasion of Kuwait. Although there were previously far more prosperous Arab trading centres than Dubai, the ports of Beirut, Jounieh, Tripoli, and Kuwait City soon became far less attractive, with many choosing to make a permanent move. Indeed, it can be argued that Dubai directly benefited from such conflicts given that its merchant community absorbed such experienced families and existing businesses, and, as will be described below,¹²⁹ its rulers then played a key role in rebuilding these shattered war-torn Arab economies.¹³⁰

South Asian immigration

From further afield, Dubai's emerging status as the premier port of the lower Gulf was successful in attracting not only Persians and Arabs, but also an increasing number of merchants from the Indian subcontinent. Although many Indians and Ceylonese had worked in Dubai during the nineteenth and early twentieth centuries in order to take advantage of pearling opportunities, most were only temporary visitors, and were present only during certain seasons of the year, with their main bases always remaining in Bombay or Karachi. Nevertheless there were around fifty such resident families in Dubai in 1900 (and around seventy-five in Sharjah), many of whom had lived there since the 1860s when they had first arrived as the representatives of British companies in India.¹³¹ Among the most prominent were those of Askerandas Wabhi, Dhamanmal Isardas, and Keshavdas Tarachand.¹³² However, during the decline of the pearling industry, from the late 1920s and onwards many of these original subcontinental merchant families left the Trucial states and closed down their offices in Dubai. Crucially though, from the 1950s and onwards when the Nehru's protectionist policies began to take effect, and with the consequent wealth of re-export opportunities opening up, it made sense for many South Asian merchants to return to Dubai and avail themselves of its free port status.

As a prominent Dubai-based Indian businessman recalls of this period, Indian merchants '...saw the opportunity and adopted a frontiersman philosophy of getting in on the ground floor.'¹³³ Some 150 Indian Muslims, led by Jaji Jaffer Ali of Hyderabad, were among the first to arrive in this wave, and were soon followed by other prominent textile and gold merchants including Gordhan Adnani, Narainda Lakhiani, and Vashdev Bhatia.¹³⁴ While the Al-Maktum family could no longer keep welcoming such immigrant merchants by donating prime land as it had done in the past with the ajami incomers, many of these Indians were

DUBAI

nevertheless the beneficiaries of exclusive and brand-specific trade licences issued by the ruler. These became especially lucrative when the electronics boom took hold and the various multinational companies were looking for Gulf-based agents to serve as their local re-exporters and retailers. Although as described earlier some of these electronics licences were granted to powerful indigenous merchant families so as to placate Arab nationalist sympathisers within their ranks¹³⁵ (most notably the Al-Futtaim family's authorisation to run the Oman National Electronics chain of shops), the vast majority were allocated to newly arrived but highly experienced Indians.¹³⁶ In particular, Gordhan Bhatia became the importer for Sony and was so successful that the Sony brand became known locally as 'Gordhan Sony'. Later, by the 1970s Sony products were imported by another high profile Indian businessman, Manu Chabria, who had set up the thriving Jumbo Electronics retail outlets. Similarly the Gajaria Brothers brought JVC to Dubai,¹³⁷ while Akil Arjoumand introduced Sanyo products, Muhammad Sahrif Bukhash imported NEC goods, and the Indian Jashanmal family, who came originally from Sind, traded in almost every other product available.¹³⁸ Thus, by the latter quarter of the century, a huge number of Indian businessmen were living and prospering in Dubai. Represented by the well-subscribed Indian National Association,¹³⁹ they had emerged as an equally vital component in Dubai's continuing commercial success, coexisting most profitably with the large communities of other immigrant merchants.

Also significant, although not adding to Dubai's commercial expertise as such, was the great influx of less skilled South Asians at this time, many of whom came to seek opportunities in the booming construction, retail, and various service sectors that had begun to flourish on the back of the free port's success. Indeed, by the early 1960s there were over 100 Pakistani families in Dubai who had come to work as shopkeepers, tailors, and barbers.¹⁴⁰ Moreover, after 1958, when Oman sold its Makran protectorate

in Baluchistan to Pakistan,¹⁴¹ hundreds of Baluchis had arrived to work as *hamals* or luggage porters, and a large number also came to help staff Sheikh Muhammad bin Hasher Al-Maktum's aforementioned new police force.¹⁴² Labourers were hired from both India and Pakistan to help build the new offices for many of these businesses, with many indigenous merchants also hiring their services given their knowledge of the Hindi and Urdu languages from the pearling era.¹⁴³ In addition, many had also come from the subcontinent to work for the oil companies during their ongoing exploration work, with some British reports claiming that by the late 1950s over a third of the oil labour force was from India alone.¹⁴⁴ Certainly, by the late 1960s and early 1970s the number of such working class immigrants was enormous, with it being estimated that over 1,000 South Asians per week were landing on the Indian Ocean coastline, most of whom were destined for Dubai. It has even been claimed that some of the earliest motorcars imported into Dubai were purchased for the express purpose of bringing Pakistanis across the mountains from Fujairah so that they could work in Dubai without the need for visas or time-consuming paperwork.¹⁴⁵ When some of Sheikh Rashid bin Said al-Maktum's advisors questioned him on the subject of these illegal residents he simply replied 'What is the problem, so long as they are paying rent in Dubai?'.¹⁴⁶

Gambling on infrastructure

While free trade policies and some degree of political stability had been enough to attract foreign merchants to Dubai during the first half of the twentieth century, the necessity for the extensive creek dredging operation during the 1950s had reinforced the view, already held by the ruling family and many of Dubai's notables, that there was a need for even greater physical infrastructural improvements, especially with regards to transport and communications. For if Dubai was to continue thriving as a free port then it would have to maintain its position as the most trade-friendly

DUBAI

environment in the lower Gulf. Crucially, given the sheikhdom's limited resources in the years preceding significant oil revenues, this could only really be achieved by taking something of a gamble on such costly projects. Moreover, alongside such massive new construction it was also recognised that as an increasingly large and complex business community began to diversify into new areas of trade that involved ever-increasing amounts of capital, Dubai would have to establish a far more advanced financial and regulatory infrastructure if it was to maintain the confidence of its merchants.

As with its willingness to seek external Kuwaiti assistance over the creek improvements, Dubai was prepared to court foreign investment and loans to finance its infrastructural improvements. It was believed that any interest or costs that accrued would easily be paid out of the dividends such projects were likely to generate for the sheikhdom's commercial sector. As such, by 1959 Dubai was borrowing heavily from the affluent Qatari ruling family in order to conduct drilling operations to provide the city with new fresh water sources.¹⁴⁷ Eventually water was found in Al-Awir, just south of Dubai, and further projects modernised existing bedouin wells within the vicinity.¹⁴⁸ Similarly, in 1962 Qatari financing was sought to build the first proper bridge across the creek,¹⁴⁹ finally connecting Bur Dubai with Deira and reducing the need for using *abra* water taxis to ferry goods from one side to another. In a symbolic gesture, when the aforementioned marriage between the ruler of Qatar and Sheikha Mariam bint Rashid Al-Maktum took place a few years later, the palace in their honour was constructed adjacent to this new Qatari-funded 'Al-Maktum Bridge.' During the mid-1960s more infrastructure was completed, including a Saudi-financed tarmac-surfaced road between Dubai and Ra's al-Khaimah, street lighting, and other small sections of road.¹⁵⁰ In 1965 Sheikh Rashid bin Said Al-Maktum again approached Sir William Halcrow and Partners and asked them to draw up plans for constructing a deep water port in Shindagah. By 1967 a blue-

print was complete, although with only provision for four berths, given the company's projections for Dubai's future trade. Rashid demanded that the plans be changed so that the port would accommodate sixteen berths, despite the cautious recommendations of his British advisers. As a testament to Rashid's vision during this critical period, when the new Port Rashid was finally opened in 1971 with sixteen berths it was immediately oversubscribed, and in 1976 it was expanded again to accommodate an additional twenty berths. Moreover, to enhance this port project further a tunnel was constructed in 1972 close to the entrance of Shinda-gha, so as to provide easier access for Deira traffic to the port, and in 1975 the Hamriyyah area alongside the creek was upgraded to provide more efficient unloading facilities for the many traditional boats that still visited Dubai.¹⁵¹

In parallel to these important maritime transport improvements, Sheikh Rashid was also determined to create a proper airport in Dubai. By the end of the 1950s Dubai still had no air infrastructure in place, as its air agreements signed in the late 1930s only applied to flying boats landing on the creek.¹⁵² Most commercial flights to the lower Gulf continued to land at the relatively well equipped Sharjah airbase, at which the British had laid a proper surfaced strip in 1939,¹⁵³ while the RAF's military needs were being serviced by new airfields constructed on Bani Yas island and in the hinterland of Abu Dhabi.¹⁵⁴ Rashid was painfully aware that all visitors and prospective immigrants had to fly to Bahrain and then, unless they attempted an uncomfortable boat journey, often had to wait days before catching a connecting flight to Sharjah, before finally crossing overland to Dubai. Also, although the new Gulf Aviation airline stopped at Sharjah and the Indian Kalinga airline began to call there en route to Nigeria, seats were often limited and flights were far from frequent.¹⁵⁵ As a result of Sheikh Sultan bin Saqr's attempts to reinforce Sharjah's status during the Second World War, the British had agreed to a quota system in which aircraft landing at Sharjah (which were

usually 22 seaters) would have most of the seats allocated to oil workers, four allocated to 'guests of the ruler of Sharjah' while only two seats would be available for visitors to Dubai.¹⁵⁶

Thus, in 1959, with the creek dredging well underway, full attention was given to remedying this situation, with Sheikh Rashid stating to his majlis that '...an airport is necessary as it will bring us within hours of places which it has taken us days or weeks to reach... we have already lost one opportunity to Sharjah.'¹⁵⁷ Given his acute awareness of the opposition that had been generated by his father's majlis during the negotiations for earlier British landing rights,¹⁵⁸ he was also keen to stress that British assistance would be sought not as part of some opaque rental arrangement but as part of an effort to extend Dubai's laissez-faire commercial tradition into an 'open skies' policy.¹⁵⁹ With this in mind Rashid confessed to the British agent that he was embarrassed that Dubai still had no airport and claimed that he was '...under pressure from the merchant community to build an airport, even if it meant that these facilities could only be afforded by passing a higher cost on to them... also Dubai must have an airport if it is to enhance its own name.'¹⁶⁰ Predictably the project was opposed by Sheikh Saqr bin Sultan of Sharjah who lobbied the British with claims that there was simply no need for a Dubai airport given that Sharjah could continue to serve all of the Trucial sheikhdoms.¹⁶¹ Indeed, it would seem that the British initially shared this view, with a similar proposal from Sheikh Shakhbut bin Sultan Al-Nahyan for an Abu Dhabi airport being flatly refused, and with a British expert in Dubai reporting that the city did not have a suitable plot of land with a hard surface, despite Rashid's efforts to clear the Al-Rashidya area close to Deira.¹⁶² Worryingly for Dubai it seemed that the closest they could get to British permission at this time was for there to be some form of joint Dubai-Sharjah airport which would have an auxiliary airstrip far out of town and nearer to Jebel Ali.¹⁶³

Later in the year momentum began to build as Sheikh Rashid realised he needed to persuade the British that Dubai would be prepared to bear the full cost of building its own airport and that Britain therefore stood to lose nothing. To this end, he encouraged the British agent to write a memorandum to the Political Resident stating that Britain had no right to prevent Dubai from embarking on such a project,¹⁶⁴ and, perhaps more importantly, he persuaded a well known British pilot, Freddie Bosworth, who had already been heavily involved in Dubai's gold trade (and who later became one of the directors of Gulf Aviation) to travel to Bahrain and approach the Political Resident with this message. On hearing Dubai's suggestion and Rashid's willingness to seek his own financing, it is reported that the Political Resident immediately agreed, claiming that '...on those terms Rashid could build ten airports if he wished.'¹⁶⁵

In early 1960 work began on a large plot of land that stretched from Al-Ghusais across to the Al-Rashidya area. By the end of the year the new development boasted a modest-sized terminal building and an air tower (managed by International Airadio Limited), and was officially named Dubai International Airport.¹⁶⁶ Again, with commercial activity at the very forefront of Dubai's ambitious strategy, the airport was the first in the Gulf to have a duty free shop. As a prominent Indian businessman remembers '...the carpark for the airport shop was built to accommodate 500 cars—there were not even this number of cars in the entire city, but within just a couple of years the carpark had to be expanded.'¹⁶⁷ Most importantly, and as a great validation of Sheikh Rashid, within a year both Gulf Aviation and Kuwait Airways had begun to land in Dubai, and although Imperial Airways (by this time renamed the British Overseas Aviation Company – BOAC) had initially refused to fly there, claiming that it was unprofitable, Rashid solved this problem by copying his father's 1930s strategy¹⁶⁸ of buying out seats on aircraft by ensuring that advanced bookings were made on BOAC aircraft by all British

DUBAI

expatriate staff working in Dubai, before then personally guaranteeing all of the remaining seats, up to the 60 per cent threshold required by BOAC to operate its flights.¹⁶⁹

With regards to a regulatory infrastructure, in the late 1950s there were still no trade licences or trade receipts being issued in the Trucial sheikhdoms, nor were there any opportunities to raise mortgages or cede property for commercial purposes. Thus, with increasingly complicated and valuable transactions taking place, demand was rising from the merchant community for a much more sophisticated framework to be put into place. Once again, Dubai was the pioneer, with Sheikh Rashid recognising the need for 'sheikhly decrees' to set up limited liability companies. With assistance from the British agent and the business-savvy Easa Saleh Al-Gurg, Rashid appointed a Bahrain-based British lawyer to draw up the necessary articles, and by 1958 such decrees began to be issued. The first company to be incorporated as a Dubai-based limited liability company was International Traders Limited, which had earlier opened a branch of its Kenyan operation in Dubai with the purpose of selling off its surplus stock from Africa and Singapore, and this was soon followed by the newly established Dubai Electricity Company.¹⁷⁰ In 1965 the licensing system, together with a number of other new commercial decrees were further regulated following the establishment of the Dubai Chamber of Commerce and Industry—the first such institution in the lower Gulf.¹⁷¹

The storage and lending of money used by Dubai's businesses was similarly formalised at this time by the arrival of several foreign banks and the incorporation of a number of local ones. Previously, most merchants had traded with their own money, which they looked after themselves, and with most preferring to stock goods according to capacity rather than running the risks of overstocking. Moreover, those that did have surplus cash normally chose to place it with Indian businessmen, who they felt were reliable and could be called upon 24 hours a day. Or, if they wished to transfer

money to other merchants then they would do it by using the informal *hawala* system, which, as will be shown later, has its roots in the South Asian expatriate community's preference for sending remittances back to the subcontinent in a manner that avoided the high costs associated with using legitimate Indian banks.¹⁷²

Although a branch of Eastern Bank had existed in Sharjah for some time, with its representatives sometimes travelling into Dubai to do business,¹⁷³ the first real bank to exist in Dubai was the Imperial Bank of Iran, which set up an office in 1948 and which later became known as the British Bank of Iran, before then being renamed the British Bank of the Middle East after the British Government acquired the majority of the bank's shares in 1952.¹⁷⁴ Crucially, the British Bank was the first institution to really extend credit to merchants in the Trucial states, thereby again reinforcing Dubai's commercial pre-eminence in the region and attracting many foreign companies seeking such banking facilities.¹⁷⁵ Satisfied with the bank's performance and its key role in Dubai's economy, Sheikh Rashid signed a monopoly agreement with its directors which was to last for twenty years (rather than the twenty-five years requested by the bank), and which provided a clause requiring the bank to employ Dubai nationals wherever possible. For a short period the monopoly did hold, as the Arab Bank of Doha had attempted to open a branch in Dubai before being promptly shut down,¹⁷⁶ but due to an incidence of violence inside the British Bank's offices, a disgruntled Indian merchant was able to lobby enough support for an alternative in Dubai, and duly a branch of Eastern Bank was opened.¹⁷⁷

Seeking greater direct involvement in the banking sector, in 1962 Sheikh Rashid's majlis began discussing the creation of a National Bank of Dubai,¹⁷⁸ and the following year a team of British advisors helped to establish the new entity in cooperation with a local director (Ali Al-Owais) and Rashid's important ally and future son-in-law, the ruler of Qatar. Given that the British Bank's headquarters were located in the Shindagha area of Bur

DUBAI

Dubai it was decided that the National Bank should be based in Deira,¹⁷⁹ and by 1970 a fantastic convex-shaped new building had been completed close to the creek.¹⁸⁰ In 1969 the National Bank was joined by the new Commercial Bank of Dubai (co-owned by Commerzbank, Chase Manhattan, and the Commercial Bank of Kuwait),¹⁸¹ and by 1971 five other foreign banks had opened up in Dubai, including First National City Bank of New York.¹⁸² Of these newcomers, some did become a source of concern, including the Lebanese-run Intra Bank (one of the original backers of the National Bank of Dubai), which fell into a category of Dubai-based banks described as being ‘...immediately recognisable by the lavishness of their presentation, the elegance of their offices and generally the well-concealed scarcity of their reserves.’¹⁸³ Moreover, in the early 1970s a number of other dubious local banks had emerged, often set up as prestige projects by members of indigenous merchant families. Most notably, the Union Bank of the Middle East, the Dubai Bank, the Gulf Bank, and the Middle East Bank all reached the point of bankruptcy. Nevertheless, with Dubai’s reputation and commercial prowess once again at stake, these were all effectively rescued by Sheikh Rashid’s eldest son and crown prince, Sheikh Maktum bin Rashid Al-Maktum, who together with Easa Saleh Al-Gurg formed the new Emirates Bank International from the remnants of these failed ventures.¹⁸⁴