



A cargo ship is docked at Jebel Ali port in Dubai, UAE on 14 March 2006.

## Saruq Al-Hadid to Jebel Ali: Dubai's Evolving Trading Culture

*by Robert Mogielnicki*

**R**ecent discoveries at the Saruq Al-Hadid archeological site located outside of Dubai in the United Arab Emirates (UAE) demonstrate the emirate's connection to key trading routes dating as far back as 4,000 years ago. In light of the July 2016 inauguration of the Saruq Al-Hadid Archeology Museum by Sheikh Mohammed bin Rashid Al-Maktoum, Ruler of Dubai, it is clear that the government is making a conscious effort to reconstruct this early trading identity and promote it broadly to the public. Sheikh Mohammed's comments at the museum's opening reinforced the links between the archeological museum and Dubai's trading culture: "Museums reflect the culture of the nation."<sup>1</sup>

### Saruq Al-Hadid

While the museum links the region's early trading culture to that of today, it is important to note the continual evolution of Dubai's mercantile traditions, which can be broadly categorized into three distinct phases: i) Saruq Al-Hadid, ii) Dubai Creek and iii) the proliferation of free zones. The evolution in the location of trading hubs and nature of trade over these periods had clear implications for the infrastructure of modern Dubai and for the identity of its inhabitants. Indeed, Dubai's free zones are the modern-day manifestations of the trading culture that started in Saruq Al-Hadid and further developed around Dubai Creek.

The fortuitous position of Saruq Al-Hadid between strategic trading routes shaped Dubai's early trading culture. The ancient Iron Age site of Saruq Al-Hadid is located in the Rub Al-Khali desert area of Dubai's southern border. Nestled further inland than the coastal cities of Dubai and Abu Dhabi, the area flourished as a center for metalwork manufacturing. Evidence from the site suggests that its inhabitants used domesticated camels to facilitate trade to current day Egypt, Syria, Iran, Oman, Bahrain, India, Pakistan, and Afghanistan. Rashad Bukhash, director of the Heritage Department of Dubai Municipality, explained that the site "shows the age-old tradition of Dubai being a hub for trade even in those days."<sup>2</sup> Appropriately, the Saruq Al-Hadid Archeological Museum is located along the historic Dubai Creek in the Shindagha district of Dubai.

### Dubai Creek

Before the discovery of Saruq Al-Hadid, historians tended to trace the early history of Dubai to the 18<sup>th</sup> century settlements around Dubai Creek. The arrival of the Al-Maktoum tribe to Dubai in the 1830s helped formalize much of the commercial activity around the creek and also encouraged the immigration of new waves of Indian and Persian merchants. This early influx of non-Arab merchants helped to shape the modern socio-economic demographics of Dubai. Today, Indians serve as the largest national demographic of residents in Dubai, with Indians and Pakistanis contributing 25 and 12 percent respectively to the emirate's population of approximately 2.5 million residents.<sup>3</sup> Similarly, Iranians continue to play key roles in social, business and advisory circles, and estimates suggest that Iranians may account for 16-20 percent of Dubai's population.<sup>4</sup>

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Located in the northeastern corner of the emirate, the Dubai Creek area consists of the historic districts of Bur Dubai and Deira. The original spice and gold markets, poignant remnants of the area's more promising past, are situated near the northern shore of the creek in Deira.

Although it served as a bustling commercial hub for centuries, the creek's shallow waters prevented the trading hub from receiving large maritime vessels. After various attempts to dredge the creek throughout the later part of the 20<sup>th</sup> century, as well as the opening of Port Rashid in 1972, Sheikh Rashid bin Saeed Al-Maktoum commenced plans to construct the Jebel Ali Port a further 50 kilometers along the coastline toward Abu Dhabi.

### Free Zones

The Jebel Ali Port heralded a new age in Dubai's trading legacy—the Free Zone Era. The Jebel Ali Free Zone Authority (JAFZA), originally created in 1985 to facilitate the warehousing and storage of shipments entering the port, became the first free zone to operate in Dubai. Today, the free zone hosts over 7,000 companies and houses approximately 60,000 residents. The success of Jebel Ali served as a model for other well-known free zones, including the Dubai Airport Free Zone Authority (DAFZA) and the Dubai Multi Commodities Centre (DMCC). And while earlier trading cultures in Dubai naturally developed around strategic locations, the rise of free zones represented a more direct, pragmatic development of Dubai's trading culture on the part of the government.

## II. Analysis

**Table 1: Free Zone Distribution in the UAE**

Emirate	# of FZs	% of FZs
Dubai	24	63.15%
Abu Dhabi	5	13.15%
Ras Al Khaimah	3	7.89%
Sharjah	2	5.26%
Fujairah	2	5.26%
Ajman	1	2.63%
Umm Al Quwain	1	2.63%
Total	38	100%

Broadly speaking, a free zone is a duty-free area outside of customs control. The traditional free zone model consists of a physical location wherein firms are incentivized to increase domestic exports, generate foreign direct investment (FDI), employ locals, and transfer new technologies and skills to the national workforce. However, a critical component of free zones in Dubai involves the right for foreign investors to maintain 100% ownership of their companies, rather than sharing ownership with a local Emirati citizen. Currently, there are approximately 24 functioning free zones operating in Dubai, and the number of Dubai-based free zones vastly outnumbers those in neighboring emirates (Figure 1).<sup>5</sup>

Yet not all free zones in the emirate conform to the standard free zone definition or emulate the Jebel Ali Free Zone model. TECOM Group, a developer and operator of business communities and member of Dubai Holding, manages eleven free zones that contain 5,100 companies and employ 76,000 people. The group refers to these free zones as ‘business communities,’ and they tend to be less involved with imports and exports. Instead, these business communities function as knowledge hubs that attract a diverse demographic of human capital and offer a varied set of commercial, tourist, and residential services.<sup>6</sup> For example, Dubai residents can live, work and shop in Dubai Media City. When compared to more traditional zones like Jebel Ali Free Zone and the Dubai Airport Free Zone, TECOM Group’s free zones are seamlessly integrated into the social fabric of Dubai.

While the traders of Saruq Al-Hadid and Dubai Creek settled in strategic overland trading routes or along natural saltwater inlets, the trading culture of 21<sup>st</sup> century Dubai was shaped predominantly by manmade projects. Technological innovations in cargo shipping, commercial aviation, and services further changed the nature of trade, and Dubai’s government responded by developing the most advanced free zone sector in the region. Free zones shifted the nexus of trade away from Dubai Creek and distributed commercial activity more broadly throughout the emirate. At the same time, these new commercial hubs attracted foreign professionals, tourists, and residents from across the globe. Free zones will continue to dominate Dubai’s trading culture for the foreseeable future, but it is important to remember that these zones are intrinsically linked to a much older trading legacy.

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<sup>1</sup> “Mohammed bin Rashid inaugurates Saruq Al Hadid museum at Al Shindagha,” *Emirates News Agency*, July 4, 2016.

<sup>2</sup> Sajila Saseendran, “Dubai’s trade links date back 4,000 years,” *Gulf News*, July 22, 2016.

<sup>3</sup> Statistics from Euromonitor; reported in Khamis, Jumana, “Indians, Pakistanis make up 37% of Dubai, Sharjah, Ajman population,” *Gulf News*, August 6, 2015.

<sup>4</sup> Jure Snoj, “UAE’s population – by nationality,” *Business Qatar Magazine*, April 12, 2015.

<sup>5</sup> Based on the author’s latest D.Phil research on free zones in the GCC. However, it is important to note that new zones are often emerging and announcements for new zones appear regularly.

<sup>6</sup> Well-known free zones operated by TECOM Group include Dubai Internet City, Dubai Media City, Knowledge Village and Dubai International Academic City.