Margins of the Market: Trafficking and the Framing of Free Trade in the Arabian Sea, 1870s–1960s

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Ratansi Purshottam's business was looking rather precarious. At the turn of the twentieth century, Ratansi Purshottam was the preeminent trading firm in the port of Muscat. Over several decades, the firm had expanded into a number of different lines of business, not the least of which was the collection of the Sultan of Muscat's customs revenues.

So, what was the source of the firm's anxieties? Its profits were derived mostly from transactions in a particularly contentious commodity: firearms. The port of Muscat, located near the southeast corner of the Arabian Peninsula, had been in decline for almost a century. But in the late nineteenth century, it became one of the last places around the Arabian Sea where the latest precision firearms could be traded. As a nominally independent ruler, the Sultan of Muscat was happy to permit the importation of firearms into his territories, and his customs revenues swelled as a result. However, these same firearms sometimes illegally left the sultan's dominions and ended up in the hands of anti-colonial elements in India, Iran, and East Africa. This trade was undermining the technological dominance that made colonial rule possible, and European powers were determined to safeguard their rule. Therefore, under the guise of ending slavery, European diplomats met in Brussels to end the Indian Ocean arms traffic. Ratansi Purshottam could only fret and wait anxiously as these frock-coated bureaucrats decided the fate of his carefully cultivated business.

Relief came from what might seem to be an unexpected quarter. Purshottam's trading partner in London, the firm of Schwarte & Hammer,

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was not fazed by these rumors of prohibition. If any such regulation came on the books, Schwarte & Hammer would replace its current large shipments with a larger number of small shipments. If the shipments were smaller than five weapons, they would fall under the threshold for reporting. These transactions were far too small for regulators to monitor feasibly, and consequently they did not rise to the level of "trade." This would result in somewhat higher transport costs, but would easily circumvent any regulatory hurdles.[1] This was a common—and often perfectly legal—tactic deployed against colonial regulations.[2] These kinds of tactics, which operated just within the law but just beyond the sight of regulators, are essential to understanding the history of free trade in the Arabian Sea.

The opportunities seized by Ratansi Purshottam and Schwarte & Hammer push us to ponder just how crowded it was at the limits of legality. They suggest that the line between legal and illegal was never clear, and that success often followed firms that knew how to exploit this ambiguity. Consequently, far from being peripheral or insignificant, these activities at the margins of the formal market were constitutive of capitalism. Trafficking, counterfeiting, and piracy were outside the market, yet it was precisely the work of excluding these activities from the formal space of the market that created the illusion of order and self-regulation. Moreover, state regulation was equally being elided within the market. On the borders, coastlines, and out at sea, government officials were constantly intervening in transactions. States were vigilant and intrusive in these marginal spaces so they might be laissez-faire within the market. Thus, *Margins of the Market* traces how trafficking and regulation were foundational to free trade across the Arabian Sea.

The Arabian Sea is a particularly good space to explore these issues, because it was, in a sense, one huge margin. This sea sits at the periphery of three major world regions: South Asia, the Middle East, and Africa. Situated between these areas, it was easily neglected by political figures in Delhi or Nairobi, much less London or Paris. People of vastly different languages, cultures, religions, and political systems inhabited different sections of the coastline, but the sea brought them into constant contact and commercial interdependence.

1. Ratanshi Purshottam Archive (Muscat, Oman): Arms Traffic Correspondence, Schwarte & Hammer to Ratansi Purshottam, April 16, 1908.

2. Bertram Thomas Papers (Cambridge University): C/7 Thomas to Political Resident in the Persian Gulf June 13, 1927; National Archives of India (New Delhi): Foreign Dept. 1934/488-N Political Resident in the Persian Gulf to Foreign Secretary Govt. of India et al., May 13, 1935; India Office Records (British Library): R/15/2/359 Residency Agent, Sharjah to Political Agent, Bahrain, January 26, 1942; Maharashtra State Archives: Political Dept. 1890 Vol. 144 No. 219, Political Agent, Southeast Baluchistan, November 26, 1888.

What is most fascinating about the Arabian Sea is this dense interconnection produced by difference. Drawing on the seminal work of Braudel, much work on oceanic history has placed a premium on finding the shared ecologies that make seas a coherent unit of history.[3] Although it builds on these insights, this work does not follow suit. *Margins of the Market* does not focus on environmental unities as much as the division of labor and the different consumer desires that made trade possible. The Arabian Sea, as explored in this dissertation, is not a cohesive territorial unit, but rather an evolving network of commercial and cultural exchange.

Socioeconomic networks move us away from a legally unified and territorially contained idea of the market. Whereas free markets presumed equal agents competing on price and protected by law, trade in the Arabian Sea was structured by diasporas and personal relationships. People maintained deeper and longer-lasting economic ties with partners of the same family, religion, and/or ethnic group. In an otherwise unpredictable commercial environment, these relationships provided a level of trust and predictability that facilitated trade. This is not to say that all transactions were endogamous, but that social relationships were lubricants to exchange. Transactions frequently occurred across religious and cultural boundaries, but diasporas and personal networks were the structures that that undergirded long-distance trade in the Arabian Sea.

During the late nineteenth century, the British Empire would come to dominate the coasts of the Arabian Sea. Even as British officials proclaimed their devotion to free trade, they increasingly found themselves intervening in the trade of the Arabian Sea. The freedom of trade could not extend to morally abhorrent trades in humans and guns. Colonial officials consequently needed to erect borders and regulate the traffic of people and things across those borders. When confronted with the complex networks of Arabian Sea trade, however, these borders were found to be exceedingly porous. Indeed, the dense interconnection and constant mobility of populations made the Arabian Sea an ideal space for trafficking. From the 1870s until the end of the empire in the 1960s, the "empire of free trade" found itself in the awkward position of having to intensively regulate trade so that it might be free.

3. Fernand Braudel, *The Mediterranean and the Mediterranean World in the Age of Philip II* (Berkeley: University of California Press, 1995); Peregrine Horden and Nicholas Purcell, *The Corrupting Sea: A Study of Mediterranean History* (Oxford: Blackwell Publishers, 2000); K. N. Chaudhuri, *Trade and Civilisation in the Indian Ocean: An Economic History from the Rise of Islam to 1750* (Cambridge, UK: Cambridge University Press, 1985); M. N. Pearson, *The Indian Ocean* (London: Routledge, 2003); R. J. Barendse, *The Arabian Seas: The Indian Ocean World of the Seventeenth Century* (Armonk, NY: M. E. Sharpe, 2002).

Whereas free trade was implemented in Europe by compelling states to reduce their tariff barriers, it was performed in the Arabian Sea by increasing the role of the state in framing transactions. Framing is thus a key concept in the dissertation because it captures the complex operations that are involved in the construction of both free trade and trafficking in the Arabian Sea. "Framing" refers to the work of excluding certain objects and practices from the market, and how this work structures what occurs within the market. Free trade was framed by defining legitimate buyers, sellers, commodities, and prices.[4] Nonmarket exchanges were problematic because they did not make a clear distinction between the seller and the commodity (exchanges of slaves) and they profited from contradictory valuations (arbitrage) and coerced exchanges (piracy). British officials attempted to reformat these "backward" practices of exchange; however, this required broader surveillance and more intensive regulation.

The British navy, customs authorities, and diplomats were framing free trade by suppressing what they believed to be illegitimate forms of exchange. Wage labor was framed by the suppression of the slave trade, security was framed by the suppression the arms trade, a stable monetary standard was framed by monopolies on foreign exchange, and, finally, the commoditization of transportation was framed by the suppression of the *dhow* traffic. The suppression of these traffics allowed colonial powers to assert that they were fostering free trade. The suppression of trafficking was thus integral to the framing of free trade in the Arabian Sea. However, this process of framing was undertaken largely as a framing out: an exclusion of illicit practices rather than a formatting of licit practices. In the Arabian Sea, colonial states did not have the resources, the knowledge, or the patience to ensure the building of truly free and efficient markets. Instead, they relied on the assurances of classical political economy that they would emerge spontaneously.

Margins of the Market consequently adds an additional sense of framing to this literature: the subversive framing practices of diasporic merchants. I want to suggest that sailors and merchants actively performed the concepts of political economy by framing their transactions

4. Michel Callon, "An Essay on Framing and Overflowing: Economic Externalities Revisited by Sociology," in *The Laws of the Markets*, ed. Michel Callon (Oxford: Blackwell Publishers/The Sociological Review, 1998); Michel Callon, ed., *The Laws of the Markets* (Oxford: Blackwell Publishers/The Sociological Review, 1998); Donald A. MacKenzie, *An Engine, Not a Camera: How Financial Models Shape Markets* (Cambridge, MA: MIT Press, 2006); Timothy Mitchell, "The Properties of Markets," in *Do Economists Make Markets?: On the Performativity of Economics*, eds. Donald Mackenzie, Fabian Muniesa and Lucia Siu, (Princeton, NJ: Princeton University Press, 2007); Erving Goffman, *Frame Analysis: An Essay on the Organization of Experience* (Boston: Northeastern University Press, 1986).

to regulators in creative ways. The slave trader who adopts a slave as a son, the arms trader who claims that a magazine rifle is a sporting gun, the gold merchant who moves gold coins as spiritual tokens, and the Arab captain who registers his *dhow* as a French vessel are all complying with regulations—but they impart new and varied meanings to the concepts coined by European regulators. The dissertation draws particularly on Michel de Certau's notion of "tactics" to develop the ways in which merchants tactically maneuvered within the frameworks constructed by colonial bureaucrats.[5] Merchants who tactically framed their transactions within the letter of the law were necessary to the success of regulation.

Regulations required merchants and businesses to account for their activities to customs officers in the terms of classical political economy. Statistics were collected, reports were published, and policies were formulated under the assumption that those basic prerequisites of free trade were indeed operational. Merchants and sailors provided these statistics in response to regulatory demands, yet they continued to operate in diverse ways even as they framed their activities to regulators in the simplified terms of classical political economy. Trading operations were still complex and unstable in everyday practice, but they were simplified and quantified in reporting to regulators. Free trade was framed by the cooperation of traders and regulators in producing statistics. Free trade was not imposed by British gunships, and capitalism did not inexorably subsume noncapitalist exchange. Rather, trading networks contributed to the substantive reality of capitalist markets by creatively translating their own transactions into the documentary forms of free trade. Thus, we must consider more closely the documentary remnants of trafficking, and how we might recover the traffics that subverted and circumvented their documentation.

Traces

Trafficking would seem to be an activity that leaves a scant paper trail. The firms that engaged in these trades rarely produced—much less preserved—records of their illicit activities. Furthermore, the economic records of colonial governments either ignore such trade or incorporate it into aggregate statistics without distinction. Where, then, does the historian find archives that document these activities? In fact, state records provide an extraordinarily detailed record of

5. Michel de Certeau, *The Practice of Everyday Life*, trans. Steven Rendall (Berkeley: University of California Press, 1984).

illicit trade, but only if one is willing to look beyond the expected places. Commodities that straddled the boundary between the market and society were objects of intense concern for colonial officials. Thus, it was just beyond the bounds of the economy—in records concerning slavery, piracy, and charity—that individual transactions are described in rich, almost ethnographic, detail. Preserved within these archives are even the few extant letters directly documenting smuggling, which had been seized by customs officials or caught in the net of postal censorship. Colonial political economy required the construction of a boundary around the market, and state bureaucracies left a detailed record of this effort in departments ostensibly unconcerned with the economy.

The records of imperial businesses are another virtually untouched source for understanding the practice of trafficking within the Indian Ocean world. Though primarily concerned with decisions made in London, these archives are a surprisingly rich trove of information concerning the lives of their local employees and agents. When carefully examining employment contracts, pension requests, and the frustrations expressed in low-level correspondence, it appears that Indian and Arab employees had more power than was generally reported in board minutes. Imperial businesses were not simply the leading edge of capitalism pushing into Asia and Africa; they were also shaped by and dependent on noncapitalist business practices.

When read creatively, the records of European multinationals can give us a glimpse of this trading world from the bottom up, but nothing quite matches the records of Indian and Arab merchants themselves. A few scattered caches of merchant correspondence remain to relate their perspective on free trade and colonial capitalism. These documents are written in an almost pidgin Arabic, incorporating vocabulary from Persian, Urdu, and Gujurati, and, in addition, marginalia in the Cutchi language and letterheads in English. They reveal the linguistic, cultural, and political barriers that divided this world, but also the arbitrage opportunities that made it so profitable. All three sets of records reveal that even if direct proof of trafficking is rarely preserved, chasing down traffickers produces an extraordinarily rich archive of trading practice.

Framings

Margins of the Market is organized into four chapters, each of which examines the framing of a different key concept in classical political economy. Labor, security, money, and transportation were each made constitutive of free trade by eliminating an intertwined type of trafficking. The dissertation first addresses the problem of labor as confronted in the British campaign to abolish the slave trade. Spurred by events in the Atlantic, imperial officials imported the passions of abolitionism into the Indian Ocean. The slave trade in the Indian Ocean was carried out along very different lines from the Atlantic, though, so these strategies turned out to be misdirected. Imperial officials sought out slave markets and specialized slaving ships to destroy. However, Arabian Sea slave traffics did not need markets or special ships, but rather were interspersed and indistinguishable from the general traffics of these regions.

In the ensuing struggle, British officials had to change their strategy from abolishing the slave trade in one fell swoop to settling into a long-term policing of the general trade across these waters. Merchants of all stripes were forced to respond to this raft of new procedures, supposedly targeting only slave traders. Thus, whereas a distinct slave trade was largely abolished by the early twentieth century, a traffic in human beings, transported in "driblets" and disguised as wives, children and servants, continued in any number of ways. Simultaneously, labor flows were being constructed to supply freed slaves and Indian "coolies" to work on British plantations. The labor market was now documented as a space of freedom, yet bondage and violence continued to undergird the movement of human beings across the Arabian Sea.

The dissertation's second chapter proceeds to examine colonial attempts to remove violence from the Arabian Sea. The suppression of piracy was the first order of business, but it did not eliminate violence from trade. Subsequently, British diplomats turned their attentions to the trade in precision firearms. They signed treaties with rulers around the Arabian Sea littoral, prohibiting the importation of rifles into their territories. These treaties introduced the notion of a territorial state with a monopoly on the legitimate use of force, yet borders, customs officials, and naval patrols could not eliminate violence from trade or control the importation of precision rifles. The weakness of imperial regulation, the inherent ambiguities in regulatory distinctions, and the keen ability of merchant networks to profit from these ambiguities permitted the arms traffic to persist. Imperial regulation became integral to the arms traffic, but only as a set of diversions and bottlenecks that channeled the arms traffic without controlling it. Regulatory policies facilitated the dominance of firms connected to the state in the sphere of legitimate trade and made the connivance of state employees critical to the success of the illicit trade. The ambiguity of these distinctions gave officials significant power to intervene and profit from these transactions, but insufficient power to control them. Ultimately, colonial policies did not succeed in creating a state monopoly on the legitimate use of violence, but rather entangled the state in both the licit and illicit arms trade.

Under classical political economy, the state not only monopolized violence, but also monopolized the issue of currency. Monetary theory insisted that money was a common medium of exchange, store of wealth, and standard of value across a market. The third chapter of the dissertation reveals how monetary theory affected everyday transactions only through the mediation of merchants and moneylenders. These merchants buffered the informal everyday economy from official policies, and they exploited the opportunities for arbitrage and speculation afforded by this disjuncture. Mercantile networks sustained a multiplicity of monetary standards and brokered between them. British monetary policies attempted to manage the rupee such that it would conform more closely to the postulates of classical political economy. Yet, a coin could simultaneously be a medium of exchange, an amount of metal, a souvenir, or a spiritual token. Monetary policies were concerned with money only as legal tender, but mercantile networks used the multiple identities of coinage to profit from fluctuations in currency values. Smuggling consequently exposed the halting and incomplete implementation of a stable monetary standard.

However, smuggling constituted merely one link in the vast circuits of financial arbitrage in the Arabian Sea; smugglers inevitably depended on licit exchanges to repatriate their profits. At the highest level, the colonial state entrusted British banks with official currency exchanges between the Indian rupee and European currencies. These financial institutions benefited from privileges bestowed on them by the imperial government, but they also operated parasitically on networks of Indian and Arab arbitrageurs. Although they were incorporated into the official economy, these arbitrage networks continued to mediate the relationship of European capital to local economies. Thus, the introduction of new monetary regimes did not produce a stable standard of value; instead, it entrenched the power of merchants to frame the value of money.

The final chapter examines not a physical commodity, but the opaque distinction between infrastructures of trafficking and infrastructures of trade. Shipping in the Arabian Sea was a highly risky enterprise, but a business centuries old and exceedingly profitable when successful. Piracy, storms, pilferage, and water damage all threatened cargo being transported across the seas. The entry of British India Steam Navigation (BISN) Company into the shipping world of the Arabian Sea altered the nature of this business, but not merely because of the technological innovation of the steam engine. The BISN was organized to travel at specified times and to deliver goods at specified dates depending on

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the distance traveled. The imperial postal service required regular sea crossings to deliver the mail at standard times and at stable prices. It provided subsidies to the BISN that allowed the shipping line to even out the fluctuation of costs and times associated with the monsoon. Imperial mail contracts quickly made the BISN dominant, exercising a near monopoly on the steamship traffic around the Arabian Sea. Under this system, transportation became a standardized commodity measured by cartographic distance regardless of the wind or the seasons.

Although BISN steamers could offer predictability and economies of scale to merchants, *dhow*s were often a more cost-effective method of shipping. Furthermore, they offered flexibility of timing, accessibility to the smallest ports, and comparative invisibility to customs officials. On both *dhow*s and steamships, regulations were circumvented by mislabeling cargo, forging documents, and bribing officials. Thus, as the BISN consolidated its position in the major trunk route from Bombay to Basra, *dhow*s played a major role in servicing minor ports, smaller merchants, and illicit traffics. The *dhow* traffics could not compete with the BISN on the regulated, capitalist shipping lanes, but they could turn a profit by operating outside the formal marketplace.

Margins

"Margins of the market" is a phrase that operates at two different levels in this dissertation. Firstly, states could implement laissez-faire policies within a national market only by controlling the territorial margins. Borders, coastlines, and frontiers were consequently essential components of the free market. Government officials defined the boundaries of the market, facilitating transactions within the market and carefully controlling transactions that crossed political borders. The imperial customs administration and navy became a sort of exoskeleton for trade: They structured the operation of free trade through surveillance and seizure on the high seas. Even if customs cordons did not heavily tax transnational transactions, they insisted on monitoring, recording, and policing these exchanges. This policing was not officially part of free trade policies, but it was nonetheless essential to their success. The trafficking of goods across these boundaries undermined the state's control over the market and exposed the fiction that the state was not intervening in the market. Formal international trade appeared as the only form of cross-border exchange and defined the national market's relationship to the global economy. Colonial policing of the margins of the market was consequently essential to the framing of free trade in the Arabian Sea.

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Second, I am concerned with the margins of the metaphorical market, or the analytical boundaries between market and nonmarket exchange. Many forms of exchange are excluded from the model of market exchange. These include gift exchange, exchanges of kin through marriage and adoption, charitable and ritual exchange, coerced exchange, and smuggling. Classical political economy does not consider these forms of exchange, yet they play a vital role in determining the ultimate consequences of political economy. Illicit and informal exchanges were integral to the operation of market economies even as they flowed through the margins of the market. Official statistics have allowed economic historians to understand the formal workings of this market. But the marginal traffics coursing through the official market allow us to explore the hidden inner mechanics of exchange in the Arabian Sea. The illicit and informal exchanges that I explore here occurred outside, between, and at the shadowy margins of this metaphorical marketplace. The smuggling of slaves, guns, and currency subverted the ideological foundations of free trade, because they suggested an alternative conception of labor, political economy and value. *Margins of the Market* argues that it is only by understanding the intertwining of market and nonmarket exchanges that we can understand what free trade meant in practice.