Trade and Exchange in the Medieval Islamic World

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The prophet Muhammad was a merchant active in the area of the Red Sea and the eastern Mediterranean. His new religion of Islam found its first home among the mercantile aristocracy of Medina and Mecca, but others of this class opposed him because they thought founding a new, exclusivist religion might be bad for business. Trade, as a profession, always held a more favored position in the Islamic world than in Europe. Trade was for many Muslims almost a necessity, since carrying small amounts of merchandise to sell along the way was a common means of financing the pilgrimage to Mecca that all Muslims had to make in their lifetime.

The Islamic conquest of an empire that stretched from Spain to the borders of China in inner Asia created an enormous economic unit that also linked together the maritime trade of the Mediterranean and the Indian Ocean (the greatest hubs of economic activity in the medieval world). The lack of political barriers in this vast realm aided the movement not only of trade but also of armies, craftsmen, scholars, and pilgrims. Government, cities, agriculture, and long-range trade all nourished each other and consequently flourished. The large cities of the Islamic world needed food and raw materials, while palaces, mosques, and aristocrats required luxuries for the display of wealth and power. Arab merchants were ready to supply them. Contact with Islamic traders by their counterparts in Italy also introduced new words into European languages, among them, check, broker, tariff, traffic, magazine, caravan, and bazaar.

The ease of trade in the Islamic world also meant that new ideas, techniques, and inventions could travel freely. At the most prosaic level, a rug made in China, for instance, could be traded as far as Algeria within a year, and the technique of its manufacture could be examined and copied by local craftsmen. Inventions such as the spinning wheel traveled from China to Europe via the Islamic trade routes. Thanks to trade, books could move just as swiftly across the Islamic world. The revolution in European intellectual history fostered by the reception of Greek and Arabic philosophical works by Christians in Spain depended for the most part on books that had been written or translated in Persia or Baghdad but which were readily available in Spain because of the flourishing book trade.

Although trade was taxed, Islamic government did not generally interfere with commerce and did much to support it. In 695 the caliph Abd al-Malik introduced a new Islamic coinage to replace the older Byzantine and Sassanian coins that had been circulating in the Islamic world. Because of the Koranic ban on representational art, the new coinage did not bear the traditional image of the ruler and other iconographic types but was decorated with calligraphic representations of verses from the Koran. The first coinage was the gold dinar (whose name derived ironically from the Roman silver denarius), though the main currency used in trade was, as always, silver: the dirham. These coins rapidly spread throughout the world and have been discovered, for example, as far away from Islamic territory as Sweden. Hundreds of thousands of dirhams were buried in hoards during the Middle Ages, obtained in exchange for furs, amber, and slaves that traded through Kiev Rus (the modern-day Baltic States and Ukraine) to the Islamic world. Archaeologists have also found Islamic coins in China and in Great Zimbabwe in southern Africa.

The Arab conquest did not entail much long-term disruption of the local economies of the conquered peoples (except for the imposition of higher tax rates on non-Muslims) who contributed to the Islamic commercial economy. On the other hand, large commercial enterprises, such as the pearl fishery in the Persian Gulf, were increasingly monopolized by the state, interfering with the development of a capitalist economy. Sharia law prevents Muslims from charging or paying interest (a testimony to the relative primitiveness of the economic system in which Muhammad participated), but this does not seem to have hampered the development of economic activity in the Islamic world compared with that in antiquity or in the contemporary European economy. On the other hand, Islamic courts for the first time favored lawsuits as a realistic means for merchants to find redress.

Arab merchants created new financial institutions and instruments for themselves that had not been available in earlier times. International banks were established for the first time and spread the model of the Sassanian (ancient Persian) banking system. In the Islamic world a bank could accept a deposit in Baghdad and pay out a promissory note or check (derived from the Persian word *sakk*, transmitted to the West as an Arabic loanword) issued against the same deposit at a bank in Córdoba or in China. Arab traders also formed the first simple versions of joint-stock companies. Islamic merchants would trade with capital borrowed from investors, even from Jews and Christians, dividing the profits among the investors. In the earlier Roman Empire, by contrast, aristocrats (who controlled the bulk of the wealth generated from land) were legally proscribed from investing in trade except that conducted by their own freedmen (slaves they had manumitted).

The new Islamic trade practices were quickly copied by their European rivals, first by the Venetians. The crusading order of the Knights Templars operated a system of international banks on the Islamic model, and it was with the goal of erasing debts owed to the Templar bank that the order was destroyed by Philip IV of France beginning in 1307. The important technique of double-entry bookkeeping was also an Islamic invention that was quickly borrowed by Europeans.

In medieval times the primary source of wealth was the agricultural exploitation of land. However, the unification of the trade routes between the Far East and the Mediterranean world in Islamic hands made international trade for the Islamic middlemen far more profitable than it had been in ancient times. This trade conveyed luxury goods, such as silk and porcelain, from east to west, but since there was very little produced in the West that was wanted in China and India, the return was almost entirely in the form of precious metal coinage. The main trade route was from Ceylon (a large island off the southern tip of India) to ports on the Red Sea and Persian Gulf. This trade was facilitated by the annual cycle of monsoon winds, which allowed fleets of merchant ships to sail to Asia from the Horn of Africa across the open ocean to Ceylon and back without the need of sophisticated navigational equipment (although Arab seamen made considerable advances in navigation).

The Indian Ocean trade was monopolized in the 11th through the 13th centuries by the Karimis (an Arabic term for "merchant" but given special meaning in connection with this group), a group of about 50 merchant families organized in a network in Egypt, Yemen (at the mouth of the Red Sea), Ceylon, and India. This group engaged purely in mercantile activity and did not directly profit from, for instance, land owning or tax farming (a practice by which a private contractor will pay a government a sum approximately equal to the expected tax revenues of a province in exchange for the right to collect the actual tax). Their activities were financed as joint-stock ventures with private investors. This same group of merchants ran the largest network of international banks. The Karimis are sometimes viewed as a precursor to modern multinational corporations.

The Indian Ocean trade route was the most important in the Islamic world. In general, shipping was far more efficient and safer than land transport; thus, insofar as possible, local trade was conducted by river barges and on small coast-hugging merchant ships that plied the Persian Gulf, the Red Sea, and the Mediterranean and Indian Ocean along the African coast. Another trade network based on coastal sailing extended eastward from Ceylon and reached as far as Guangzhou in southern China, on the Pearl River estuary near modern-day Hong Kong. This was a city specially built by the Tang government to facilitate Islamic trade. Cross-Mediterranean trade from the Islamic cities of North Africa and the Levant was usually handled by European merchants, especially those from the republics of Venice and Genoa and from Barcelona in Spain.

Caravan routes crisscrossed much of the Islamic world. Regular tracks were followed, but few roads that could have supported wheeled vehicles were built between cities. Caravan traffic was almost exclusively packed on the backs of camels. Individual caravans could be made up of as many as 5,000 camels. The important Silk Road trading routes began at the Chinese western capital of Xi'an, where there was a strong Islamic presence and an impressive mosque, and ran through the inner Asian cities of Samarqand, Bukhara, and Merv and through Persia to Baghdad. Other routes ran through inner Asia to ports on the Black Sea. An extensive trade route also stretched north and south through Russia and supplied goods to the Islamic world. Caravan routes also reached from Baghdad to the Mediterranean and Red Sea across the Arabian Desert. The Western Sahara was also traversed by caravan routes dominated by the Tuareg tribesmen between the Mediterranean coast and the Niger Delta, where great Islamic cities, such as Djenné and Timbuktu, existed. Local commodities such as salt were traded via these routes, but by far the most profitable commodity on them were slaves brought up from western Africa to the Mediterranean.