Black Markets and Militants

Understanding the political and socio-economic factors which give rise to youth recruitment into militant organizations is at the heart of grasping some of the most important issues that affect the contemporary Middle East and Africa. In this book, Khalid Mustafa Medani explains why youth are attracted to militant organizations, examining the specific role economic globalization, in the form of outmigration and expatriate remittance inflows, plays in determining how and why militant activists emerge. The study challenges existing accounts that rely primarily on ideology to explain militant recruitment. Based on extensive fieldwork, Medani offers an in-depth analysis of the impact of globalization, neoliberal reforms and informal economic networks as a conduit for the rise and evolution of moderate and militant Islamist movements and as an avenue central to the often, violent enterprise of state building and state formation. In an original contribution to the study of Islamist and ethnic politics more broadly, he thereby shows the importance of understanding when and under what conditions religious rather than other forms of identity become politically salient in the context of changes in local conditions. This title is also available as Open Access on Cambridge Core.

Khalid Mustafa Medani is Associate Professor in the Department of Political Science and the Institute of Islamic Studies at McGill University, where he is also Chair of the African Studies Program. He is the recipient of a Carnegie Scholar on Islam award between 2007–2009, and a Woodrow Wilson Scholarship in 2020–2021.
Black Markets and Militants

*Informal Networks in the Middle East and Africa*

Khalid Mustafa Medani

*McGill University*
To my Mentor, Teacher, and Beloved Mother, Aida Jamal Mohamed Ahmad
Contents

List of Figures ix
List of Tables x
Acknowledgments xi
Preface xvii

Part I The Framework

Part II The Institutional Context in an Era of Abundance
1 “The House the Boom Built”: The Informal Economy and Islamist Politics in Egypt 23
2 Investing in Islamism: Labor Remittances, Islamic Banking, and the Rise of Political Islam in Sudan 92
3 Islamic versus Clan Networks: Labor Remittances, Hawwala Banking, and the Predatory State in Somalia 128

Part III Globalization and Institutional Change in an Era of Scarcity
4 Economic Crisis, Informal Institutions, and the Transformation of Islamist Politics in Egypt 153
5 From Remittance Economy to Rentier State: The Rise and Fall of an Islamist Authoritarian Regime in Sudan 178
6 State Collapse, Informal Networks, and the Dilemma of State Building in Somalia 219
Contents

7  The Political Economy of Radicalization: Informal Networks and the Rise of an Urban Militant Islamism in Cairo  263
Conclusions:  Informal Markets and the Politics of Identity  314

Appendix A  Map of Imbaba, Cairo  325
Appendix B  Map of Somalia  326
Notes  327
Bibliography  363
Index  391
Figures

I.1 A typology of informal markets  
1.1 Informal transfers and Islamist activism in the remittance boom in Egypt  
2.1 Informal transfers and Islamist activism in the remittance boom in Sudan  
3.1 Remittance inflows in Northern Somalia  
3.2 Labor remittance recipients by Isaaq subclan, Northwest Somalia  
3.3 Clan networks and remittance transfers in Northern Somalia  
3.4 Informal transfers and ethnic politics in the remittance boom in Somalia  
4.1 Remittances as a proportion of exports/GDP/imports in Egypt  
5.1 Trends in remittances as proportion of GDP, exports, and imports in Sudan  
5.2 Sudan's balance of payments trends with a focus on remittances and deteriorating exports  
5.3 Sudan’s balance of payments trends reflecting the change in remittances versus non-remittances sources of revenue  
5.4 Oil exports as share of total exports, GDP, and remittances in Sudan, 1995–2010  
6.1 Remittance recipients by Isaaq subclans in Somalia  
6.2 Remittances by selected clans in Northwest and Northeast Somalia  
7.1 Hierarchical structure of the Dulab and al-Jama'a al-Islamiyya in Imbaba, Cairo
Tables

I.1 Egypt, Sudan, and Somalia: Expectations and Outcomes in boom years (1973–1983), and recession years (1983–2019)  
1.1 Summary of Egypt’s balance of payments, selected years, 1979–1985 (in millions of US dollars)  
1.2 Values of transactions in Egypt’s “Black Economy,” 1980  
2.1 Channels of remittance inflows from expatriate Sudanese to Sudanese financial markets, 1988  
2.2 Comparison of the magnitude and growth of private deposits in Sudan’s Commercial Banks (CB) and Faisal Islamic Bank (FIB), in SDG 1,000  
2.3 Faisal Islamic Bank (FIB) lending for trade, 1978–1983  
2.4 Branch distribution of the Islamic commercial banking network in Sudan by region, 1988  
2.5 Regional branch distribution by type of bank in Sudan with percentage of type of network, 1988  
3.1 Sources of finance for various informal microenterprises in Mogadishu, Somalia: 1987 (in percent)  
5.1 Distribution of total commercial bank lending in Sudan by sector and type of commercial loans, 1983–1986, in SDG 1,000  
6.1 Main sources of income by percentage of households in Somalia  
7.1 List of select leaders and rank and file members of al-Jama’a al-Islamiyya by profession in Western Munira, Imbaba, Cairo
Acknowledgments

The theme of trust that represents the overarching concept of this book, and the one that anchors its central argument, poignantly speaks to the remarkable level of “privileged” trust that I have enjoyed in the process of completing this manuscript. The willingness of scores of Egyptians, Sudanese, and Somalis to aid in my research for this book was just that: a Tillian understanding that their participation and work would ultimately contribute to a collective enterprise and an abiding faith that I would not betray their trust. I extend my heartfelt gratitude to all those who spent their time sharing their life experiences and entrusted me with communicating their “voices.” But if this book is in most respects an outcome of their generosity, it is also a result of the labor of my research assistants and friends. I am grateful to Tariq Hassabo and Mahmoud Mourad whose assistance was invaluable during my field research in Egypt, and Abdi Musa who guided me through my data collection and work throughout northern Somalia. All three insisted on instilling courage and resolve in me so that the complicated stories of their communities would be told by a trusted source. I am grateful to Elias Fatih Abdelrahman who first guided me through the historic quarters of Imbaba and introduced me to its inspiring and generous denizens.

I have benefited enormously from the guidance and support of many colleagues and friends. I am sincerely grateful to Malek Abisaab, Rula Abisaab, Laila Parsons, and Juliet Johnson at McGill University for their guidance. This book would not have been possible without the generous advice, guidance, and sanctuary that my friend Michelle Hartman provided me. The writing of this book began while I was a visiting professor at Stanford University’s Center for International Security and Cooperation (CISAC). I am indebted to Dr. Lynn Eden, former director of CISAC, whose long-standing support of my work is sincerely appreciated. This book would not have been possible without her mentorship. I am grateful to Kate Meagher and to Frances Hasso for supporting this project from its inception and for encouraging me throughout while I was a faculty member at Oberlin College. The completion of this book would not have been
possible without the generous support of my friends in Montreal. I extend my deepest and most sincere thanks to Wilson Jacob, Elena Rozagova, Andrew Ivaska, Lara Braitsein, and Shahin Parhami. I am also deeply grateful for the comments and input that I received from anonymous reviewers. I am indebted to Lauri King and Heather Porter for their editorial assistance, which vastly improved this work.

While this book took many years to complete, I was privileged to supervise a number of doctoral students throughout the writing process. I would like to acknowledge my former PhD students Daniel Douek, Merouan Mekouar, Line Khatib, Jeffrey Sachs, Christopher Anzalone, Ibrahim Sanni, Abdurrahman Abdullahi, and Mohamed Sesay as well as the many MA and undergraduate students at McGill who provided great inspiration over the years. I would like to extend my gratitude to McGill University, and especially to Professor Christopher Manfredi, who provided me with the support I required to complete this book.

I am grateful to several academic institutions and foundations that supported my research at various stages. The preliminary research conducted for this book was funded by a Rocco Scholarship in Advanced African Studies from the African Studies Center at the University of California Berkeley, a Ford Foundation Middle East Research Competition Fieldwork Grant, a Hamburg Fellowship from Stanford University’s CISAC, and a Humanities Development Grant from McGill University. The greater part of my research in Egypt, Sudan, Somalia, and Kenya would not have been possible without a grant from the Carnegie Corporation of New York. I would like to acknowledge my greatest debt and appreciation for the Carnegie Foundation for awarding me the Carnegie Scholar of Islam Award — a great honor that made the completion of this book possible.

Finally, there is “family.” I am extremely grateful to Atif, Alia, Arif, Adil, and the late Asim: my aunts and uncles whose knowledge of the region, inherited from my grandfather Jamal Mohamed Ahmad, required a meticulous truth telling upon which this book is based. I am also grateful and appreciative to Alawiyya Jamal Mohamed Ahmad whose brilliant and compassionate intellect has served as a model for me throughout my life. This project would not have been possible without her constant intellectual inspiration. My thanks go to Donna Murch who has been an intellectual and moral guide throughout my years in graduate school and beyond.

Ultimately, this project was conceived and executed under the constant guidance of my parents and siblings. Brilliant intellectuals all – this book was partially completed so that Amjad, Ahmad, and Hanine could share in its modest accomplishments. My sister Amal played the most central role in guiding this book to its completion. They were always with me as
Acknowledgments

I traveled to Egypt, Sudan, Somalia, and Kenya – and all places in between – so that together we could do honor to the integrity and intellectual sophistication of our beloved late father, His Excellency Ambassador Mustafa Medani Abbashar. His insistence that intellectual investment always be closely intertwined with public service has guided this study from its inception.

This book is dedicated to Aida Jamal Mohamed Ahmed who more than anyone else taught me the most intricate details of the politics, culture, and history of the Middle East and Africa; mentored me on how to navigate academic and professional life with uncompromising integrity; and nurtured in me her abiding, uncompromising commitment to al-‘adl al-ijtimayi (social justice).
This title is part of the Cambridge University Press Flip it Open Open Access Books program and has been “flipped” from a traditional book to an Open Access book through the program. Flip it Open sells books through regular channels, treating them at the outset in the same way as any other book; they are part of our library collections for Cambridge Core, and sell as hardbacks and ebooks. The one crucial difference is that we make an upfront commitment that when each of these books meets a set revenue threshold we make them available to everyone Open Access via Cambridge Core.

This paperback edition has been released as part of our Open Access commitment and we would like to use this as an opportunity to thank the libraries and other buyers who have helped us flip this and the other titles in the program to Open Access.

To see the full list of libraries that we know have contributed to Flip it Open, as well as the other titles in the program please visit www.cambridge.org/fio-acknowledgements
Preface

Abundance and scarcity are never far apart; the rich and the poor frequent the same houses.
— Somali proverb

This Somali proverb expresses the notion of boom-and-bust cycles and captures the precarious relationship among “boom” periods, economic downturns, and their social and political consequences. While it is widely acknowledged that exogenous shocks associated with different phases of the “business cycle” have long characterized the evolution of advanced industrial countries, rarely has this analysis been applied in a systematic fashion to less-developed countries.

The proverb refers specifically to the vicissitudes associated with ecological and climatic changes for what is a predominantly pastoralist and nomadic society. However, it can just as easily serve as a description of the general framework of this book. No society is immune from structural change and the least-developed countries are more vulnerable to economic shocks than the more advanced countries.

Over the last five decades, the boom-and-bust cycles associated with the oil price hikes of the 1970s and the recession a decade later in the Arabian Gulf have resulted in a dramatic transformation of the economic and political landscape of the major labor-exporting countries of the region. Egypt, Sudan, and Somalia, which are the subject of this book, are prime examples of this phenomenon. Along with countries like Yemen, Morocco, Syria, and Jordan, the linkage and hence political influence of the informal economy in Egypt, Sudan, and Somalia is connected to the “boom” and “bust” cycles of the oil-producing states. These external economic factors also played an important role in the evolution of Islamic and ethnic politics. The boom period of the 1970s fueled an expansion of informal foreign currency trade (i.e., the “black market”) as a result of a large inflow of remittances from migrant workers in the oil-rich Gulf States who sent billions of dollars back home. The bust period, characterized by “shrinkage” in the size of informal (or “parallel”) foreign currency transactions, coupled with the imposition of economic...
austerity measures resulted in the reconfiguration of informal economic and social organization. This development had an important influence on state capacities, national economic policies, and the transformation of identity politics in all three countries.¹

During the oil boom, millions of Egyptians, Sudanese, and Somalis migrated to the Gulf in search of employment. These expatriate laborers sent part of their earnings directly to millions back home, through informal, decentralized, and unregulated banking systems that were often, but not always, in contest with the state. As a consequence, these capital inflows resulted in the rise of strong autonomous informal economic sectors and altered the socioeconomic landscape of all three countries in profound, but divergent, ways. The link between the expansion of informal markets and Islamic and ethnic politics, which lies at the heart of this book, is crucially determined in the social content and operation of these informal economic relations. More specifically, in all three cases, “unregulated” informal market transactions came to be dependent on social ties for their effective functioning. Shared cultural identities became increasingly important as a way of generating trust and guaranteeing that local communities could partake from the material benefits accruing from membership in these informal social networks, as well as a form of protection against repressive authoritarian rulers.² By contrasting the rise of religious and ethnic politics in these countries, I show in detail the political and economic conditions that have contributed to the rise, popularity, and recruitment success of Islamic and clan networks in Egypt, Sudan, and Somalia.

By focusing on the role of economic globalization in general, and labor remittance inflows in particular, this book not only explains how informal networks have contributed to social mobilization along religious and ethnic ties, but it also explains the variation in the political outcomes in these labor-exporting countries. I explain the variation in political developments generated by the boom in remittances on two general factors. The first has to do with variations in state capacity and repression, and effectiveness of state elites in regulating the economy. The second factor is related to differences in the cultural endowments of the three countries and, specifically, the social and cultural resources available to civil society actors engaged in informal transactions operating under the exigencies and pressures of economic globalization.³

My justification in comparing these three cases is based on the fact that all three continue to be major labor exporters in the region. Moreover, capital inflows accruing from labor migration represent the largest source of foreign currency. Consequently, when taken together, Egypt, Sudan, and Somalia provide a fruitful comparative framework with which to
understand important aspects of globalization, the diminished economic role of the state, and the emergence of an issue that has preoccupied analysts and scholars the world over – the political and economic roots of Islamist politics and ethnic conflict. My central goal is to demonstrate in detail how and under what conditions religious rather than other forms of cultural cleavages become politicized.

The central argument of this book is that the effects of economic globalization (i.e., the increasing exposure to international economic forces) undermine state institution and lead to the expansion of market forces, and the erosion of prior social bonds of communities that are no longer protected by national-level institutions. However, I emphasize throughout that the effects of internationalization on domestic politics are not uniform; rather, and most importantly, they are mediated by local-level social and political institutions, resulting in different political outcomes. A central conceptual theme throughout this book centers on the political consequences of informal networks. This is because social networks secure control over informal economic transactions and labor, not only by submitting people to market forces but also by insulating them from the full impact of the market. I also stress that these developments are very much dependent on the policies of state elites and leaders and upon the patronage networks underlying their regimes. Based on many years of living and conducting research in Egypt, Sudan, and Somalia, in the narrative that follows I analyze how local communities are coping with wide-scale economic and political changes. I describe the ways in which many Egyptians, Sudanese, and Somalis are establishing a new set of rules of conduct and obligations based on locally specific Islamic and ethnic ties of not only solidarity and cooperation but also exploitation and violence.

The dramatic emergence of conservative and militant Islamic movements and the onset of ethnic conflict in many parts of the world over the last five decades have made the subject of this book a public as well as an academic concern. This book aims to show the global and local political and economic roots of these movements. It examines the ways in which informal networks have influenced the course of ethnic violence and state collapse in Somalia and the rise of conservative and militant forms of Islamism in Egypt and Sudan. This is not to neglect the importance of ideological and cultural factors addressed elsewhere, but rather to explicate causal factors more precisely by highlighting the role of informal social networks both as a measure of the diminished role of the state and as an arena through which domestic and international economies interact.
I am mindful that the choice of comparing three countries is inherently problematic in terms of sorting out rival explanations and testing hypotheses. This is because comparative analysis involves too few cases and many variables to allow for systematic controls. But by focusing on the comparability of Egypt, Sudan, and Somalia in terms of their shared similarity as remittance economies and employing a parsimonious approach that holds a host of variables constant, it is possible to make important analytical assertions based on a combination of qualitative methods. Naturally, parsimony requires modesty, and I emphasize throughout this book that while labor remittance inflows, and economic globalization more generally, provide a context for ongoing political struggles in Egypt, Sudan, and Somalia, these developments are above all a product of stark variations in state capacities and policies, and social structures particular to the cases at hand.

The idea for this book originated in a little-known incident in my own country of Sudan in late 1989, which over the course of a number of years led me to investigate the relationship among globalization, informal markets, and political violence. In December of that year, while residing in Khartoum, I was a witness to the summary trial and execution of a young Sudanese businessman by the name of Majdi Mahjoub Mohammad Ahmad. While the Islamist-backed regime led by the recently ousted Omer Bashir oversaw the killings and imprisonment of scores of Sudanese since its engineering of the military coup of June 1989, Mr. Ahmad’s case illustrated the political struggle between the state and civil society over the informal economy. Following the overthrow of the democratically elected government of Prime Minister Sadiq al-Mahdi, Mr. Ahmad was the first of many to be executed under a new presidential decree that charged him with “economic treason” against the state. In reality, Mr. Ahmad was falsely accused and then executed by the Islamist regime in Khartoum because he, like thousands of other Sudanese, was allegedly involved in the flourishing black market trade in the country. In subsequent years, I began to conduct research on the motive behind the state’s “wrath” against those Sudanese involved in the informal economy and discovered that the latter’s primary interest was to monopolize the informal trade in workers’ remittances as a way to finance their own Islamist clientelistic networks.

It was during my research in Sudan that I first realized the great political significance and true weight of labor remittances in terms of their impact on local political and economic dynamics. Following these observations, I traveled to Somalia to investigate the role of labor remittances. In 2000, I resided and worked in Somalia, I discovered that the inflow of labor remittance to the “weak” state of Somalia also represented a source of...
conflict, albeit of a different sort. Indeed, in the same period that the Bashir regime was attempting to corner the market on remittances to fund “fundamentalism,” in Somalia informal transfer agencies (i.e., sharikat hawwalat) were financing clan-based guerilla movements in northern Somalia. Organized under the Somalia National Movement (SNM), migrant workers from the northern-based Isaaq clan were sending funds to finance SNM fighters against the dictatorial regime of Siad Barre. In plainer empirical terms, I discovered that while informal financial markets played an important role in facilitating an Islamist coalition in Sudan, in Somalia they hardened and consolidated clan-centered ties.

These observations and subsequent research in Sudan, Somalia, and Egypt inspired the subject of this book. *Black Markets and Militants: Informal Networks in the Middle East and Africa* focuses on the variable ways that informal social and economic networks have played in the rise of new forms of Islamist Politics. However, given the diversity of cultural and religious cleavages throughout the Muslim Middle East and Africa, I do not a priori assume “Islam” as a primary source of political identification. I also analyze in detail when and under what conditions conservative and militant Islamism engender political activism and, in the case of Somalia, why ethnic and kinship ties may serve as the most important resource of political and social life. This analysis also has global policy relevance. Specifically, in order to examine the ways in which variable types of informal institutions serve to finance and organize different forms of Islamist activism, I detail the expansion of informal financial markets (e.g., hawwalat), unregulated Islamic welfare organizations, and the role of the “Ahali” (or private) Mosque in providing important context for the recruitment of young militants. This book then is a modest contribution to ongoing academic and public concerns. My goal is to enhance global understanding about the relationship between political and economic change and Islamist political movements generally, and to broaden knowledge about which specific types of informal mechanisms are (or are not) conducive to the rise of Islamist militancy and recruitment in particular local contexts.