

## 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, neo-liberal 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*

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

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## Preface

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*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.<sup>1</sup>

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.<sup>2</sup> 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.<sup>3</sup>

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.