ONE DAY the political scientist Ed Garcia showed me a letter he had received from a well-established group that had been fighting for autonomy against government repression for several decades. The authors explained that, as they did not constitute a state, they were cut off from many opportunities most take for granted. Without the status of state, they were not recognized by the other states of the world as a formal trade partner, as part of political and military associations, or as being a signatory in economic treaties. They were not represented in the international banking system, nor could they receive IMF state-based loans. They had no seat at the United Nations, no inviolable land to attract multinational businesses. Yet their people required food, clothing, household goods, jobs and cars like anyone else in the world. They required travel visas and the means to travel. They needed access to the resources to set up industries and exchange their products on the world’s open market. Not an easy thing for a group at war with a state. The state-based nature of the world’s politics and economy forced them to rely on non-formal markets. How, they wanted to know, would it be possible to function in the world’s formal economy?

It will be obvious to note that as I read this letter, I saw the role of states in determining the kinds of political and economic access people and populations have in the world. But I was in fact struck by something more subtle: I saw the vast international machinery that kept this group clothed and fed and armed and in business for all these decades, a machinery that functions outside of the world’s formal markets and politics – one invisible to government’s formal policies but equally powerful in shaping the course of the world’s progression, a machinery capable of sustaining entire populations and creating new nations.

This article will explore a series of shadow powers, international by definition, that – while capable of shaping world economies and policies – remain largely invisible to formal analysis. The heart of this study is ethnographic in nature. In the 15 years I have been conducting fieldwork in war
zones, I have charted the ways in which people gain the necessities to wage war and create peace — necessities that range from major weapons systems to basic medicines and goods. An equally important aspect of this equation concerns the ways in which people pay for these goods and services: gold, diamonds, drugs, precious metals, human labor, sex workers, timber and even seafood move out of war zones into world markets to purchase everything from AK-47s and M-16s to satellite-linked computer communications and weapons systems, from antibiotics to basic grains. A large part of this trade takes place outside formal state and legal channels. As war gives way to peace in the conflict zones in which I have worked, I have also charted the ways in which people begin to rebuild war-devastated economies. Here, too, people often rely on buying and selling the same goods they did during war, along the same non-state channels — both to gain life’s necessities and to acquire the finances and supplies to rehabilitate livelihoods and industries. Those most successful at this non-state trade amass economic fortunes that can be translated into political power, fortunes that can reshape social, economic and political landscapes (Nordstrom, 1995, 1997; Nordstrom and Robben, 1995).

This study of the shadows is not merely a study of extra-state transactions. The finances and power wielded by these shadow networks challenge academics to rethink our theories on states, sovereignty and the loci of power. It is not the story of individual people operating in the shadows, but a study of the vast networks of people who move goods and services worldwide — networks that broker power comparable to, and in many cases greater than, a number of the world’s states. I have come to this research through the study of war zones, where non-state actors and transactions are perhaps most visible. But, as this study will show, vast extra-state networks expand across war and peace, and across all the world’s countries. I have chosen to use the word ‘extra-state’ in defining the shadows to underscore the fact that while these networks are not comprised by states themselves, neither are they entirely distinct from, or opposite to, states — they work both through and around formal state representatives and institutions. This point is critical to the theory developed here: states and shadow networks exist simultaneously, each phenomenologically different, each representing distinct forms of authority and politico-economic organization.

I use the term ‘shadows’ (rather than criminal or illegal) as the transactions defining these networks are not confined solely to criminal, illicit or illegal activities — but they do take place outside formal state institutions. The relationships of power and exchange I am concerned with here cross various divides between legal, quasi-legal, gray markets and downright illegal activities. I do not use the term ‘informal’, but instead use ‘non-formal’, as the former in many definitions, the International Labor Organization’s included, refers expressly to small-scale, low-income, low-tech and subsistence level activities. Shadow should not be taken to mean insubstantial: these transnational networks, taken together, employ millions of people and generate more than a trillion dollars annually.
Shadow networks, licit or otherwise, are more than sprawling value-neutral international market networks (Appadurai, 1996). They fashion economic possibilities, they broker political power and, importantly, they constitute cultures, for these networks of power and exchange are governed by rules of exchange, codes of conduct, hierarchies of deference and power – in short, they are governed by social principles, not merely the jungle law of tooth and claw. Shadow networks, as I define them here, and as this article will develop:

- are more formalized, integrated, and bound by rules of conduct than studies of the gray and black markets that focus on high-risk items like armaments and drugs, or studies that focus on basic informal markets like foodstuffs, imply;
- are by definition international – they entail societal systems that cross-cut national, linguistic and ethnic collectivities;
- are not simply (shadow) markets or economies (Ayers, 1996) – but a compilation of political, economic and sociocultural forces;
- benefit from analyses like those of William Reno’s (1995, 1998) that look at ‘shadow states’ – nation-based systems of power and patronage parallel state power – but focus on a different, and more distinctly international, set of criteria that constitute a set of ‘institutional frameworks’ in their own right;
- are not marginal to the world’s economies and politics, but central. While little in-depth work exists on estimates of the sums generated per year through extra-state activities, initial inquiries seem to place them in the trillions. To give some examples of how these figures add up, the following examples run from the tragically exploitative to the remarkably mundane. As much as 20 percent of the world’s financial deposits are located in unregulated banks and offshore locations (Lopez and Cortwright, 1998). UN estimates of illicit drugs earnings run at US$500 billion a year (UNRISD, 1995). Illicit weapons sales area also placed at US$500 billion a year (Ayers, 1996; Castells, 1998). As a single country, India’s black economy in the early 1980s was placed at more than US$60 billion, and has grown since then (Gupta, 1992). India is not unusual: in Peru, 48 percent of the economically active population works in the informal sector, and that figure rises to 58 percent in Kenya, and perhaps even higher in Russia (Greif, 1996). Prostitution brings in scores of billions of dollars annually, and people-smuggling brings in equally large amounts. In a study on money laundering, Pasuk Phongpachit of Chulalongkorn University in Bangkok estimated that people-smuggling earns US$3.2 billion a year in Thailand alone, and that solely from Thai women smuggled into Japan, Germany and Taiwan for prostitution. Profits to Chinese triads smuggling illegal immigrants into the USA alone is placed at US$2.5 billion a year (Strange, 1996). As to the more mundane, 1 million tonnes of oil was smuggled into China in the first six months of 1997; the standard savings to smugglers per single standard cargo of 30,000 tonnes
amounts to US$1.8 million (Singapore Newsroom, 1997). Freon smuggling is a classic example of the mundane and often overlooked that reaps huge profits – in Miami alone, illegal freon smuggling has exceeded drug-trafficking in volume and may soon rival it in revenues (Tyson, 1995).

We do not know how these vast sums affect global (stock) markets, economic (non-)health and political power configurations. What we can surmise is that these extensive transnational transactions comprise a significant section of the world’s economy, and thus of the world’s power grids. If all these industries were to collapse overnight, the world’s economies would be in chaos.

Ethnographic work on these networks prompts a reassessment of basic theoretical ideas concerning the nexus of legality/illegality, state/non-state and formal/non-formal power relations. Susan Strange writes that social scientists cling to outmoded and inappropriate theories that are rooted in a belief in a more stable and orderly world than the one we live in. Arguing that academics need to rethink the nature and sources of power, Strange (1996: 4) states:

The argument put forward is that the impersonal forces of world markets, integrated over the post-war period more by private enterprise in finance, industry and trade than by the cooperative decisions of governments, are now more powerful than the state to whom ultimate political authority over society and economy is supposed to belong.

Organized crime, for Strange, is an undeniable part of the world market. Sassen (1998), and Castells as well, find informal and criminal networks central to our understanding of global power. Castells (1998: 166) writes:

Crime is as old as humankind. But global crime, the networking of powerful criminal organizations, and their associates, in shared activities throughout the planet, is a new phenomenon that profoundly affects international and national economies, politics, security, and, ultimately, societies at large.

Like Strange, Castells (1998: 167–8) notes that: ‘There is a general acknowledgment of the importance and reality of this phenomenon, and a wealth of evidence. . . . Yet the phenomenon is largely ignored by academics.’

Ethnographic interviews yielded another possible explanation for the dearth of formal research on illicit economies. When I was in southern Africa in the second half of the 1990s, I interviewed several leading United Nations Development Fund (UNDF) economists about why formal economic indicators did not take account of non-formal economies when they so significantly affected the outcomes of any policy, from development to peace accords. For example, in both Mozambique and Angola in the mid-1990s, fully half of the nations’ resources were taken out of the country through extra-legal channels.2 I asked the UNDF economists why these figures were seldom represented, even in passing, in formal research and policy

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documents. ‘We cannot study this’, the senior economist from a European office replied, ‘it is not in our mandate.’ I clearly did not understand, replying that retooling mandate priorities would be a good idea. After a few moments, the senior economist asked me to consider where all those millions of dollars worth of seafood goes – to whose factories and whose tables? Where do all the billions of dollars worth of precious gems, gold and diamonds end up? They purchase hard currency, weapons and luxury items, from whom? ‘The countries’, he answered, ‘who write our mandates.’ Or, as he and his colleagues concluded, who write things out of the mandates.

Strange and Castells have explored the development of organized crime and the increasing numbers of alliances among major mafias, cartels and triads in the world; and Sassen looks at the increasing importance and complexity of informal markets in major cosmopolitan ‘global cities’ – and all chart the impact these activities have on global economic and political realities. My research both draws upon and supports these conclusions.

What is different in this study is the ethnographic component that demonstrates links across arenas of politico-economic activity that are traditionally divided in theory and analysis – links that show complex socio-cultural and political as well as economic organization in these networks of exchange and association.

**Linkages – Theoretical and Ethnographic**

Theory has generally disaggregated:

- illegal and dangerous goods (drugs, weapons, mercenaries);
- illegal and immoral practices (child labor, sexual slavery, exploitation of non-legal immigration);
- illicit and non-dangerous goods (gems, precious minerals, entertainment electronics);
- non-legal and informal goods and services (clothing, food, basic supplies).

Analyses tend to concentrate on single discrete categories: there are studies that focus on mafias (Italy, the new Russian criminals); on drugs (narcotrafficking, the opium trade); on illegal immigration, forced prostitution or women’s markets in Africa. These studies tend to be restricted to their field of inquiry: those investigating weapons transfers do not tend to look at the linkages with prostitution or immigration; those writing on narcotrafficking do not tend to explore the links to informal market economies or illicit trade in minerals and high-tech electronics.

Each category tends to be approached as a distinct set of networks, and is ascribed a distinct ethical and politico-theoretical domain. The outcome is that it appears each network represents a different, closed and bounded, category – drug cartels are international criminal organizations; gem runners are international profiteers; and non-licensed clothing vendors operate in informal sectors that are neither as dangerous nor as ethically compromised.
as those of drug runners, nor as cosmopolitan and illicit as those of gem
runners. Each is taken as a distinct domain.

In reality, in markets, and in people’s lives, these arenas of non-legal
and extra-state activities are not so clearly disaggregated. For example, it is
not enough to discuss the illegal arms trade as a distinct sphere of activity,
separate from the lives of those who transport a weapon from point A to point
B. To say only that the illegal arms industry generates US$500 billion worth
of profits a year, and to discuss ways of curtailing this trade, gives the impres-
sion that these caches of weapons circulate as an indistinct mass through
shadowy brokers to militias and criminals – and avoids the observation that
each weapon exchanges hands, individual to individual, for very specific
reasons. A criminal buying an illegal weapon to commit a crime is not
equivalent to a hungry African woman who trades an AK-47 for a chicken
to feed her family. Neither, my fieldwork has demonstrated, is the exception
to the rule of illicit weapons transfers. Each, theoreticians can argue, belong
to a different moral universe. Both make up the arena of illegal sales of
dangerous goods.

I am not arguing we collapse categories here, either morally or
analytically – quite the opposite, I am arguing for a greater nuancing and
understanding of complex international extra-state realities. The same com-
plexities of analysis adhere to, by way of another example, the gem trade.
While the illicit gem trade runs in the billions of dollars a year (Angola and
Sierra Leone alone each generate US$500 million a year), it is not confined
to a nebulous world of profitster business people. Gem miners can be local
families plying the only trade they can in a war-devastated economy; or, as
Paul Richards (1996) discusses, men with university education who are
unable to find any other work in conflict zones where unemployment can run
at 50 percent. Gems don’t flow in a vacuum – they flow along informal food
and supply lines, along illegal drug and weapons routes, along undocu-
mented immigration passageways, along legal diplomatic channels.

By uncritically disaggregating the various spheres of extra-state activi-
ties analyses not only miss the overlapping connections among the various
networks, but also fail to add up the sum total of extra-state phenomena and
their impact on global finances, security, politics and economic systems.
Castells (1998) and Strange (1996) are both careful to point out that, while
organized crime is not new to the world, the degree to which different organ-
ized crime networks in the world are creating alliances, partnerships and the
non-legal equivalent of transnational corporate organizations is new, and is
changing the face of international markets and state systems of authority.
Networks overlap. The dangerously criminal, the illicit and the informally
mundane cannot, in actual practice, be always or easily disaggregated.
Castells (1998: 167) reminds us:

In addition, is everything that receives added value precisely from its prohi-
bition in a given institutional environment: smuggling of everything from
everywhere to everywhere, including radioactive material, human organs, and
illegal immigrants; prostitution; gambling; loan-sharking; kidnapping; racketeering and extortion; counterfeiting of goods, bank notes, financial documents, credit cards, and identity cards; killers for hire, traffic of sensitive information, technology, or art objects; international sales of stolen goods; or even dumping garbage illegally from one country to another (for example, US garbage smuggled into China in 1996).

What I want to add to Castell’s equation are shadow goods, services, and networks that form not only because they are prohibited, but because they are basic to survival. Angola provides a good example. Large-scale illicit networks operate to bring military supplies into a country that has been at war for several decades, and pay for these supplies with luxury resources like gems. But also, because of the disruptions of war, 90 percent of Angola’s economy, by UN estimates, is non-formal. Average people, to survive, must trade outside formal state channels. This, as the letter to Ed Garcia points out in the introduction to this article, is true of rebel groups and war zones worldwide.

Following the Complexities of the Shadows in the Example of Angola – From Informal Economies to Global Power

Angola has been at war for decades, first for independence from the Portuguese, and then in a civil war between the rebel forces Unita and the MPLA government (Maier, 1996; Human Rights Watch, 1994, 1999; Minter, 1994). Many people and countries worldwide have vested interests in the outcome of the war: Unita was long supported by the United States and by the apartheid South African Defense Forces; the MPLA by the socialist bloc of the Cold War. In addition, powerful international profiteers and transnational companies, ranging from interests in diamonds and oil to timber and seafood, have wild-catted enormous profits made possible by the political dislocations of war. The civil war has gone through cycles of peace accords and the re-eruption of war throughout the 1990s. At the turn of the century, the war has escalated dramatically: in 1999 there were 1.7 million internally displaced people inside the country, and hundreds of thousands more fled to other countries. Over a million people have been killed since hostilities began. In terms of governance, there are really two Angolas: the MPLA holds the major cosmopolitan areas and the major infrastructure (roadways, airports, oil production); Unita holds the rural areas and the food-producing regions. Thus people in the government areas have goods but suffer a lack of food while those in Unita-held zones have food but lack basic goods.

To focus on the highly profitable gem trade sustaining Savimbi’s forces is to understand only a fragment of the complexities of extra-state networks. To understand the interconnections between power, politics, economics and survival that define Angola and its relationships within larger global systems it is critical to follow the complex linkages of state/non-state, legality/illegality and formal/informal beyond mere discussions of (a) large-scale gems and weapons networks; and (b) small-scale informal economies (Nordstrom, 1998).
First: profitable trade in illicit and dangerous goods is intricately tied to informal trade. Savimbi’s weapons systems do not emerge out of a vacuum into the hands of his soldiers, nor do the gems and goods to pay for these flow straight from the mines into the hands of international smugglers. Each shipment is carried along a complex network of people – many, like the women who trade automatic weapons for food or the university graduates who work in the mines, do so in order to meet daily necessities. Savimbi’s weapons and gems depend on these people, these linkages with informal networks. In war zones civilians and soldiers alike need food, clothing, medicines, daily supplies, etc., and supplying these requirements generally flows, like weapons and illicit goods, along extra-state routes – and often along the same extra-state routes. Like the harsh realities of survival, the complexities of trading illicit goods for survival are an ethically challenging issue for many of the people involved.

Second: clear distinctions between legal and illegal, state and non-state, or local and international are often impossible to make. Extra-state activities and the power politics that support them can not be easily divided into opposing separate spheres of state/legal and non-state/illegal. Like gems and weapons, everyday goods can follow international channels of production and distribution that may intersect with states, but are not bounded by them. They can partake of official channels, non-formal production systems, quasi-legal gray markets and downright illegal enterprises. A state actor can function simultaneously as a formally recognized official, a non-state actor (say, in his or her role as family member or service organization volunteer), a state-recognized manufacturer and a black-marketeer. A state actor can simultaneously vote sanctions into law and then ignore them for profit or power. Disenfranchised civilians and wildcatting entrepreneurs bring everything from grains to industrial equipment through non-formal routes that link the cosmopolitan centers of the world with its hinterlands – hinterlands that may well be seen as the ‘breadbaskets’ of the world’s states for precious minerals and fuels, food and timbers, labor and raw materials. As Strange (1996: 117) writes:

The fact is that while financial crime has grown enormous . . . it remains, legally and morally, an indeterminate gray area. The dividing line is seldom clear and is nowhere the same between transactions which are widely practiced but ethically questionable and those which are down right criminal. . . . The need to use such secret or covert financial channels is not only a prerogative of organized and economic criminal groups – but also of terrorist and revolutionary groups and indeed of many individuals and economic operators engaged in activities which are not necessarily illicit. Investigations into the biggest financial scandal of the last fifteen years, the bankruptcy of the Bank of Credit and Commerce international, showed that BCCI was engaged in ‘reserved’ or illicit financial services for a very varied groups of clients, including Colombian narco-traffickers, Middle East terrorists and Latin American revolutionary groups, as well as tax evaders, corrupt politicians and several multinational companies (United States Senate, 1983, 1992).
These intersections of power, legality/illegality, non-legitimacy, and formality/non-formality are characteristic of shadow networks.

Third: *illicit and extra-state trade is, ironically, linked to development.* I have traveled to towns in the interior of Angola on several occasions. Many were among the most war-damaged I have seen in two decades of studying political violence. Roadways were heavily mined and beset by predatory armed bands, formal trade was virtually non-existent, banks were closed and state infrastructure was decimated. Yet in these besieged towns I found sophisticated electronic and computer equipment, transport vehicles, industrial supplies and other cosmopolitan goods. This involved trade that linked these remote areas to the major industrial centers of the world. It involved payments, not in the local Angolan kwanza (which does not trade on the international market), but in convertible ‘currencies’ like gems, precious resources, luxury items like hardwoods and seafood, and possibly drugs and weapons. As dangerous and illegal as drug and illicit weapons trade may be, it is often the means by which citizens gain the currency to buy industrial necessities, agricultural supplies and development goods. Such illicit goods purchase hard currency, they broker power, they allow investments into land, legal industries and political partnerships. They spawn and support subsidiary industries, both legal and illicit. And, of course, daily necessities like clothing, textbooks and medicines follow these same trading trajectories. If development is to take place without relying on illicit trade in dangerous goods, viable ways of making goods, services and payments available in these difficult circumstances need to be created.

Fourth: *illicit transaction and development link with political power.* The people in Angola who are adept at manipulating the junctures of licit/illicit markets to gain wealth often invest in legal enterprises in their countries. Illicit money, as Castells (1998) reminds us, must be laundered into legality. As business people amass economic power and status, they gain the ability to stand for political office. As influential business people, they may have the stature to work with international nongovernmental organizations, hold a position with the United Nations, consult for the World Bank. Business people who profit from shadow transactions are unlikely to give up shadow sources of power, profit and supply as they develop legitimate enterprises, and in fact, their success may depend on keeping these networks current.

Fifth: *the junctures of licit/illicit economy shape formal global markets.* In countries like Angola during the war, it may be impossible to conduct business without exploiting extra-state transactions. But it is important to remember all the goods that enter countries outside formal state channels constitute profits for legitimate businesses in industrial centers of the world. All US$500 billion worth of illicit weapons sold annually constitute a profit for legal arms industries in the industrial centers of the world. Angola is not unique: 50 percent of Italy’s, 60 percent of Russia’s, and up to 30 percent of the United States’ economies are non-formal (Ayers, 1996). This vast set of global shadow exchanges affects global pricing, stock markets, interest
rates and exchange rates, though these effects are as yet little researched or understood.

When we look at the networks that make such diamond/armament transfers possible, we are talking about thousands of people and billions of dollars annually, from a single diamond locale such as Angola alone. If we expand this to the other gem-producing regions of the world, and the armaments they purchase, the figures rise to millions of people and multi-billions of dollars. The number of people involved can rival populations of states. The revenues generated can far surpass the GNP of smaller nations. The power the leaders in these extra-state empires wield can rival that of state leaders. These vast networks shape the course of international affairs to as great a degree as the formal state apparatuses of some countries. When we expand out from gems and armaments to add in all extra-state industries, we are discussing a series of power grids that shape the fundamental economic-political dynamics of the world today.

Observations from another Fieldsite

War zones are defined by contradictions: the immense suffering and impoverishment of people fleeing ruined towns exist side by side with the immense profits of business people manipulating war economies. An example from my own field data can help introduce the latter. I often fly with emergency relief cargo planes when I am at the epicenters of conflict. These emergency airlifts are quintessentially international enterprises. They receive aid money, both from governments and large international non-governmental organizations (INGOs). They require international alliances: airlifts are very expensive and cross a host of political, legal and technical jurisdictions. On a few occasions when I was preparing to ride with these cargo planes, I found the flights abruptly canceled with no explanation; but the planes departed at dawn, destination unknown. This in itself is unusual in airlift culture. Flight plans may not exist, pilots may give researchers unauthorized rides, but among colleagues (and this can extend to itinerant researchers) information is a commodity freely exchanged: staying safe in war zones depends on this.

I began to research these flight cancellations, and the facts turned out to be a study in power. A group of business people had requisitioned the plane (that means canceling not one, but five or six airlifts per day) to fly goods across the country: business goods, telecommunications equipment, war-related supplies, (stolen) motor vehicles, VCRs, luxury items, precious resources – the ‘hard currency’ of war zones. These people not only had the money to ‘requisition’ an airlift plane for personal use, they had the power to make sure the entire machinery that supported the airlift – from governmental to intergovernmental aid organizations and personnel (in this case, USAID among others was providing monetary support in the millions of dollars, though I doubt they were aware of the non-aid uses the plane was being put to) – was kept uninformed or unconcerned. Under cover of dark, planes were sometimes ‘requisitioned’ to cross international borders.
surreptitiously, collect state-of-the-art computers and military supplies (with planes, we are talking not pounds, but tons of cargo) and fly them back into the country to top military bases.  

These aspects of ‘business as usual’ raise the larger analytical issue of currency markets. In war zones, currencies often collapse, and black market (or ‘street’) currency exchanges are the norm. Those who control the black market money exchanges also control the exchange rates. These are, in effect, more powerful than formal institutions: they set the ‘true’ currency prices for an entire nation. The rates change daily, the product of complex monetary calculations. This itself represents an interesting study in power: in the midst of a war zone where all telecommunications and electricity were knocked out with frequency, business people at various ends of the country would work in unison, along with many others in a world economy, to calculate and set daily currency prices countrywide. These are extra-state calculations, they do not run through the banks and the government institutions of the country. These currency markets are very international: business people are calculating money indices based not only on internal conditions, but on a host of global market factors that range from the accessibility of goods and their worth to international exchange rates for hard currencies.

These fundamental financial systems can be found in many guises worldwide. Take, for example, the extra-state ‘banking systems’ in Asia. People often think of offshore financial interests and their relationship to money laundering when thinking of extra-state banking systems. But a far more mundane, yet powerful, ‘informal’ banking system is in place throughout the world. A customer, for example, chooses an informal ‘bank’ in one country in Asia and can send any amount of money to a receiving ‘bank’ in another country in Asia to hold for anyone the sender designates. Cash, goods and credit flow along these banking lines. This system may be non-formal, and the ‘banks’ little more than storefronts, but the system is both vast and powerful, transmitting untold fortunes through family and ethnic linkages, business partnerships and triad associations.

**The Defining Characteristics and Cultures of Shadow Networks**

One of the more interesting questions regarding these vast economic-political networks is how such massive amounts of goods and money, which follow such a complex set of exchange routes and political associations, flow as smoothly as they do. In plain words: Savimbi’s gems get to Antwerp, Belgium and then on to rings on our global fingers without a great deal more, and sometimes less, murder and mayhem than state-based transactions do. The billions that flow through the informal banks of Asia function quite a bit like state-supported banks in that their customers do not usually lose their money. In a nutshell, the system works. But how is another matter. Many people I have spoken to about this respond that the system works because if it does not, people are simply killed. That may or may not be true: the fact
is, it is an assumption, people have not collected representative data. We simply do not know how these vast billion- to trillion-dollar systems function on a day-to-day basis.7

Part of the answer lies in the fact that extra-state networks are not haphazard collections of people in ad hoc groups circling like moths around the light of profit. There is an explicit assumption in many analyses of state and non-state actors that states are somehow supra-communities, born of unique institutions of leadership that are not replicated outside the formal institutions of the state. No matter how successful or large a non-state collectivity, it will never approximate the moral community of the state. However true the existential answer to this is, practicalities demand a more nuanced assessment.

From diamonds to drugs, dominions exist that follow hierarchies of authority, rules of conduct, ways of punishing transgression and codes of behavior. Within these dominions, communities form, ideologies evolve and worldwide alliances and antagonisms are developed. These cannot be confused with states, but such interrelated transnational associations do have governing structures, law-like apparatuses and security forces. The people populating international extra-state networks forge trade agreements, foreign policy and currency exchanges. Susan Strange (1996: 112) discusses the ‘transnational diplomacy between national mafias’ that operates worldwide today. The people forging these networks set up the transport routes, communication linkages and banking systems to sustain their interactions.

Profiteers, smugglers and black/gray market merchants are not isolated actors loosely linked into a web of profit. Farmers who plant drug-related crops or miners who harvest gems have families and children they must provide for, in a variety of ways, from paying mortgages to celebrating birthdays. Truckers who transport illicit goods need tires and tune-ups for their trucks, and dental work for themselves and their families the same as if they were ferrying post-toasties cereals. Pilots trained at accredited airschools fly smuggled goods, often wearing professional pilot’s emblems and uniforms. The banker that laundered the money and the college student who buys a smuggled diamond-studded Rolex watch or deals a few drugs to pay his or her tuition may not fit the image of the dangerous drug lord, but they are as essential to the whole enterprise as the growers and the transporters. All of these people are deeply immersed in society and civil life.

I am not arguing an ethical point here, nor am I arguing that there is a moral equivalency between people who operate in the shadows and those who operate in formal state systems.8 I am, instead, exploring the theoretical implications of the defining realities of shadow non-state systems. My goal is to challenge simplistic notions of non-state networks as ‘merely’ markets – devoid of social, cultural, political and legal ramifications. It is also to challenge ‘mere’ outlaw notions that non-state systems operate on the sheer violent rule of tooth and claw. Neither of these approaches can explain how these vast networks operate across up to a third of global transactional exchanges.
One of the answers to the question of how these vast international extra-state networks operate as coherently as they do is that people in these systems generally trust (and trust implies interpersonal and cultural definition) that the transaction will occur as predicted, and that they will remain safe (Gambetta, 1988a). The fact that large-scale massacres, wars and trails of dead bodies are found with far less regularity within these shadow networks than in and among the wars of states attests to the fact that the systems do work. This is no mean feat when we consider we are talking of millions of people exchanging billions of dollars worth of goods and services. Ernest Gellner (1988: 147) provides an interesting take:

The Hobbesian problem arises from the assumption that anarchy, absence of enforcement, leads to distrust and social disintegration . . . but there is a certain amount of interesting empirical evidence which points the other way. The paradox is: it is precisely anarchy which engenders trust or, if you want to use another name, which engenders social cohesion.

In a powerful irony, even Hobbes recognized that networks of self-interest were grounded in cultural codes of trust (Gambetta, 1988b: 215). Right or wrong, Gellner asks us to understand how what is taken to be anarchy becomes imbued with pattern and value. Chingono (1996: 114), writing on the war in Mozambique, captures well the paradoxes that can describe the complex intersections of legality/illegality and the state:

Although operating within these constraints, the grass-roots war economy was more predictable and rational in many respects than the official one. Illegal and unrecorded trade was not haphazard but institutionalized, operating according to a system of rules known to all participants. Examples included the standardized equivalences observed for barter transactions, the set rate for paying border guides, the arrangements set up for the terms of clientage, and the reciprocal obligations of other personal ties. The organization of a grass-roots war economy depended to a great extent on these reciprocal obligations of personal ties. The trust and confidence inspired by personal relations or common cultural background provided the reliability and predictability that were so conspicuously lacking in the official economy. To some extent, therefore, the grass-roots war economy generated alternative economic opportunities for people as well as an alternative society, with parallel religio-economic institutions alongside official ones.

How large, and how interrelated, are shadow networks; how many networks operate at any given time around the globe? Pat answers are, obviously, impossible. But several key observations are possible. Informal economies (small-scale subsistence), large-scale gray and black markets (from arms through luxury items to oil and freon), and state industries and personnel (from sanctions-breaking technology to corrupt customs officials) are more interrelated than neoclassical theories suggest. I have sought to show in the examples such as Angola and of the business people commandeering aid flights and setting international currency exchange rates how
running gems, for example, links within larger international exchange networks ranging from armaments through high-tech computers and industrial equipment to basic foods and medicines. Strange (1996: 111) observes that ‘what is new and of importance in the international political economy is the networks of links being forged between organized crime in different parts of the world.’ The lines between state and extra-state power can easily blur here: ‘At the heart of the system’, writes Castells (1998: 167), ‘there is money laundering by the hundreds of billions (maybe trillions) of dollars. Complex financial schemes and international trade networks link up the criminal economy to the formal economy.’ As I have discussed, such wealth and influence – straddling licit/illicit lines – can translate into significant political authority.

At the same time these networks are not all-inclusive: the gem runners in Angola may have nothing to do with the drug runners in Colombia or the non-state banking ventures in Asia. Neoclassical theory tends to postulate non-state networks as quite discrete: there are smugglers, there is official corruption and there are informal subsistence economies and, essentially, never shall these three meet.

In fact, judging from my data, it would seem that integrating networks internationally is viewed as desirable in practice. A clear indication of this can be shown in exploring the question of why some drug smuggling networks based in Latin America and Southeast Asia send drugs to Europe via Africa. Any number of ports, from remote Namibia to urban Nigeria, broker drugs from these drug-producing regions on their way to western destinations. The logic of markets and rational analysis would assume the routes with the least number of stops and locations where illegal goods can be confiscated and the carriers arrested or executed would be the most desirable – in other words, a route straight from Latin America or Asia to Europe makes the best sense. No matter how easy it is to get illegal goods into an intermediate port, it is just as hard getting them into Europe from Asia, Latin America or Africa. Why, then, route through Africa? A part of the equation might be that the heavy flow of precious minerals and gems, ivory, weapons, mercenaries, food and medicines in and out of Africa provides more avenues for other types of goods to travel along, speaking to the interrelatedness of diverse networks. But this is only part of the answer, for such exchanges route worldwide. Another part of the answer is that in a different kind of market and political logic, associations of extra-state networks (and their state linkages) are more productive and powerful than smaller, isolated coalitions of people and profit. Routing drugs through Africa links Africa with the goods and power politics of Latin America and Asia, and provides the latter with the rich resources and human power of Africa. Each country and continent gains more by its association with others than it could hope to achieve alone – much like multinationals.\textsuperscript{10}

Networks, like the markets and the politics that gird them, are constellations of economic, political, demographic, historical and cultural processes (Appadurai, 1996; Greif, 1996). As such, they are dynamic, not
static, phenomena: as the patterns of the constellations of factors that define networks change over time and circumstance, so too do the defining characteristics of the networks. Perhaps the very extra-state flexibility and fluidity of these exchange systems are a factor in their success.

A Question of Sovereignty

There is a general tendency to postulate that the non-formal markets of eastern Europe, the former Soviet States, Africa and Asia are the result of a combination of changing political regimes, social transitions and economic opportunism. The belief is that as these countries settle down in the course of normal state development their economies will become increasingly defined by state-regulated formal economies. In this view, while illicit markets and mafias will always exist in the countries of the world, they comprise a marginal part of the world’s real power structures and economy. My research suggests we need to rethink these assumptions. I can stand in the most remote war zones of the world and watch a veritable supermarket of goods move into and out of the country along extra-state lines. Tracing the supply routes of these goods takes one through both major and minor economic centers of the world. The sanctions-regulated laptop satellite-linked computers I see on the battlefields of Africa are made in major cosmopolitan centers of the world, and the precious resources and human labor that pay for these commodities move along the same channels back to those cosmopolitan centers. Tanks, watches, industrial components, VCRs, electronic equipment, books, covert information, pornography and uranium travel these same routes. At the bottom line, it would appear non-formal economies play a formidable role in countries like Japan, Germany and the USA as well as in areas of more rapid economic and political change and development.

Given the complex social, cultural, political and legal, as well as economic, characteristics defining the vast international networks I discussed in the last section, and the enduring global nature of these networks described in the paragraph above, the question of the very nature of the power adhering to shadow networks arises. Tilly (1985: 169) opens his article ‘War Making and State Making as Organized Crime’:

If protection rackets represent organized crime at its smoothest, then war making and state making – quintessential protection rackets with the advantage of legitimacy – qualify as our largest examples of organized crime.

Tilly argues that war-making, extraction and capital accumulation interacted in shaping the development of the European state, and asserts that ‘banditry, piracy, gangland rivalry, policing, and war making all belong on the same continuum’ in this state-making process (1985: 170; see also Gallant, 1999; Heyman, 1999). Distinctions of legitimate/illegitimate force are of little importance in this process. States seek to monopolize the use of
force over all others – and what, Tilly (1985: 173) asks, distinguishes the violence employed by states from the violence produced by anyone else?

Eventually, the personnel of states purveyed violence on a larger scale, more effectively, more efficiently, with wider assent from their subject populations, and with readier collaboration from neighboring authorities than did the personnel of other organizations. But it took a long time for that series of distinctions to become established.

Tilly is discussing the period of state-making in Europe, a time now relegated to the historical past. Yet vast networks continue to link war zones, banditry and extraction. Perhaps the links between war-making, banditry and extraction are necessary to the continued success of the state. But Tilly is clear about the fact that the state gains legitimacy because it ultimately wields force more effectively than competing systems. If Strange (1996) and Castells (1998) are correct in their observations that criminal organizations are forming an unprecedented set of developmental alliances that are producing global networks, then it becomes logical to ask if the ability of the state to maintain its legitimacy and sovereign status will be challenged. Both authors see the ultimate authority of the state being undermined by these transnational associations.

Such questions prompt inquiries into the ultimate definition of sovereignty and its relationship to power. Is it possible to speak of non-state sovereignty in any aspect? Do coherent shadow networks – as transnational social, cultural, political and economic systems – operate as distinct power configurations which have full, or sovereign, authority – over which no larger power has control? Robert Latham’s (1997) concept of social sovereignty is useful in this context. His work on social sovereignty revitalizes dynamic definitions of sovereignty as complex domains of power and exchange that move the concept out from under a purely state-based focus. Latham asks: ‘But if the sovereign nation-state is a particular form of state, why cannot the state be a particular form of sovereignty?’ and goes on to question the supposed monopoly of sovereignty by the state and according to territoriality. Latham’s concern in this analysis is with globalizing financial market systems and the ‘social sovereignty’ that can explain internationally based collectivities. But the definition he applies to sovereignty fits well the ‘shadow’ power grids I have been discussing. Latham (1997: 23) asks:

When does the web of global financial markets – or any given domain for that matter – constitute a sovereignty? . . . [T]here is one key marker of a sovereign domain or social sovereignty. The degree to which upon entering the domain an agent is assigned or feels compelled to occupy or resist a role or place within the webs of codes, practices, and significances that constitute the domain. Thus, constitutive capacities rest exactly on the capacity to mark and code phenomena – from bodies and materials, to communications and values – that enter a relevant domain.

Latham (1997: 29) concludes:
Sovereignty, not just as an attribute of the state but as a basic dimension of modernity, serves as a compass for directing attention to questions about accountability towards, responsibility for, and authority over setting the terms of social existence.

As this study has pointed out, shadow networks forge economic policies, they operate within political realms, they fashion foreign policy. These networks have developed dispute resolution systems and systems of enforcement. They have codes of conduct and rules of behavior set in social and cultural systems. They are not states, but they share these attributes with states. And perhaps they share the status of sovereignty — a social sovereignty in this case — as well. Studies of states are abundant while studies of the shadows are underdeveloped: what theory lacks is an understanding of the ways in which shadow networks function in daily international life — how, for example, disputes are settled and judgments enforced; who wields authority in the junctures of state/non-state transactions; and how extra-state realities shape global markets and fashion political power.

States, Tilly reminds us, first forged power and the means to protect this power, and then fashioned legitimacy. Sovereignty was a product of this process, not a natural attribute of a natural political unit. The links of war-making, banditry, extraction and state-making continue. Who will be most effective at mobilizing economies and the force to protect them in the future is as yet an unanswered question. What is certain is that sovereignty, authority and power are shaped today by shadow systems. A better understanding of the shadows might provide us with the tools to understand the Asian market collapse, failed states and the dynamics of in/equality affecting the future potential of people globally.

Notes

2. Personal communication, senior economists and resident representatives of UNDP and World Bank offices in Mozambique and Angola; and senior economists of UN offices at the European headquarters.
3. The implications of this are extensive. For example, researchers are well aware that rebel groups do not have access to state taxes for the purchase of their military supplies and governing costs, and must raise money outside formal state channels. Given the tendency to disaggregate extra-state activities into distinct ethical categories, researchers often find it difficult to investigate these money-raising and weapons-purchasing actions if they support the group in any way. Thus, researchers who view a rebel movement in a favorable light often do not discuss extra-state illicit transactions for weapons, while those less supportive of the movements they study point out the links between weapons, drugs and illicit goods in the political economy of the rebel group.
4. Few people are surprised today by the degree to which state actors can be embroiled in illegal or extra-state activities. From the popular culture of Mel Gibson’s movie *Air America* to the politically charged problems defining US–Mexico relations on drug and drug enforcement issues concerning the degree of state involvement, the pull of high profits and power is well recognized. Another example is less widely recognized, but equally influential in shaping ground-level politics. UN peace-keepers have been praised for providing solutions to intractable wars, and their work is often exemplary. But the story is more complex than that. Sarajevo provides an apt example, where during the worst of the war when UN peace-keeping troops were stationed there, a large percentage of Sarajevo’s economy was diverted into black marketeering through UN troops (Fetherston and Nordstrom, 1995). ‘The UN soldiers are making themselves and the Sarajevo mafia rich. The locals are the middlemen for a trade in cigarettes, alcohol, food, prostitution and heroin, worth millions of pounds’ (O’Kane, 1993). Not only luxury items flowed along these channels. Tanks and weapons rumbled along these pathways, from states through peace-keepers to fighting forces, each nationality following the alliances of their states, or, more obscurely, the alliances of profiteering.

5. Given the sensitive nature of the information discussed in this section, I have intentionally left this location unnamed.

6. The story is sometimes much bigger: in one case a major emergency airlift run by an international organization and paid for by such donors as USAID (who, I am sure, was unaware of any untoward activities) was headed by a European man who was both an international smuggler and a profiteer. The planes actually did fly many tons of cargo to bombed-out townspeople for months on end, but a number of other less altruistic activities were taking place as well. This one airlift operation in this one war zone grossed considerable sums of money, though few know how high those figures actually are.

7. I have done interviews with United Nations officials and lawyers alike asking what actual data they have on what rules of conduct define these systems and how they are ‘enforced’. Each one – from the UNDP officers (Dr Aboagye, Dr Clements, Dierckx de Casterle) to academic economists (Professors Dutt and Melber) – said that the question was fascinating, but the data non-existent. And, lawyers and UN staff alike assured me, lawyers and economists do not ‘do’ fieldwork; without primary data, theory can not emerge.


9. Gambetta (1988b: 230) stresses a key consideration here in writing: ‘What is at issue is not the importance of exploring in greater depth the causality of those forms of cooperation which are independent of trust, but the fact that economizing on trust is not as generalizable a strategy as might at first appear, and that, if it is risky to bank on trust, it is just as risky to fail to understand how it works, what forces other than successful cooperation bring it about, and how it relates to the conditions of cooperation. Considering the extremely limited literature on this crucial subject it seems that economizing on trust and economizing on understanding it have been unjustifiably conflated.’

10. This is not a phenomenon solely of drug shipments. For example, Strange (1996: 111–12) notes: ‘What is new and of importance in the international political economy is the network of links being forged between organized crime in different parts of the world. While the Sicilian and American Cosa Nostras were the growing point, as it were, of this network, they no longer operate alone. There are half a dozen
other major transnational criminal organizations. The expansion of illegal markets has fostered a wider and more frequent interaction among the major organized gangs. Drugs, arms or illegal immigrants often pass through the hands of to ten or twelve different operators attached to various national gangs. Inter-group bartering of illegal commodities has also become very common since such deals help conceal the origin of the profits for the state authorities. As various criminal groups (like the multinationals) have expanded their activities outside their home territories, the illegal markets within state boundaries have joined together horizontally to form a single world market' (emphasis added).

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**Carolyn Nordstrom** is Associate Professor of Anthropology and a Fellow of the Kroc Institute for International Peace Studies, at the University of Notre Dame. Her books include *A Different Kind of War Story, Fieldwork Under Fire: Contemporary Studies of Violence and Survival, The Paths to Domination, Resistance and Terror*. She is also the author of several dozen articles on political violence, gender and cultural theory. She has done extensive fieldwork in Southern Africa and South Asia.