
43. According to Fen Osler Hampson, where there has been unified and sustained third-party involvement in both the negotiation and implementation of the agreement, settlements were more durable than in those cases where settlements were ‘orphanned’ and third-party intervention was sporadic.

44. In the autumn of 1992, for example, the FMLN refused to demobilize on schedule in response to the military’s failure to carry out a purge mandated by the peace accords. UN Secretary-General Boutros-Ghali dispatched Under-Secretary-General for Peacekeeping Operations Marrack Goulding and Assistant Secretary-General for Political Affairs Álvaro de Soto to El Salvador to work out a compromise. Special envoys of the Secretary-General also visited Guatemala several times to monitor progress in implementation.


50. Jonas (2000), op. cit., p. 188.

51. Some reform measures have advanced, including most notably the creation of the Superintendency of Tax Administration (SAT) and increases in personal income tax.


54. In El Salvador, turnout in the presidential elections went from 47.3 per cent (1999) to 57.5 per cent (2004). In Guatemala, turnout went from 46.8 per cent in the 1995 elections to 58 per cent in the 2004 elections. See D. Azpuru et al. (2007), op. cit.


56. The fact that the FMLN organized its own commemoration of the tenth anniversary of the Salvadoran peace accords, refusing to participate in the government’s ceremony, and that the URNG did not participate in Guatemala’s ten-year celebration of its peace agreement, demonstrates that much remains to be done to foster consensus and post-war reconciliation.

---

### 20

#### Casting Long Shadows: War, Peace, and Extra-Legal Economies

*Carolyn Nordstrom*

---

**Introduction**

This is an ethnography of the shadows. The term shadows as I use it here refers to systems of association and exchange that occur outside the law. Ethnography underscores the fact that the data presented here comes from live fieldwork conducted in epicentres of political violence and apart from formal state systems— in the poorly illuminated yet powerful realm of the extra-legal.

In the frontier realities that mark political upheaval, the people, goods and services that move along shadow lines are often closely and visibly linked to the most fundamental politics of power and survival. Large amounts of arms, actors, and supplies flow into a country at war as valuable resources flow out of a country to pay for these items and alliances. A good deal of this takes place outside formal state institutions and international law. In fact, shadow transactions can equal a third to more than a half of a country’s entire Gross National Product in many locations in the world. For countries embroiled in war economies, the figure can rise even higher. The end of political hostilities does not herald a reduction in extra-legal activities. In fact, in many cases, post-war economies can show both a rise and an institutionalization of illegal activity.

Globally, taken in total, shadow economies involve trillions of dollars annually, and this brokers significant political power. My interest here is with vast, international networks—those residing in the shadows—whose economic and political power can match, even exceed, that of some states.

**Defining the shadows**

‘How many businesses do you think cross the lines of legality?’ I asked one of the world’s largest drug smugglers.
of power formation than the state does. For this reason, I refer to these powers as ‘extra-state’, denoting that while they may partake of state structures, they are not modelled on state systems. Chingono, writing on Mozambique, observes:

The International Labour Organization (ILO), the agency that has formalized the term ‘informal economy’, characterized the informal economy as ‘a sector of the poor’ in which ‘the motive for entry into the sector is essentially survival rather than profit making’… On the contrary, not all of those who participated in the grass-roots economy were poor nor were their motives for entry merely to survive. Corrupt bureaucrats and professionals used their office, influence or contacts to acquire via the grass-roots war economy, through for instance, smuggling, fraudulent export, barter, speculation, bribery, and embezzlement, and invest in building houses, hotels/restaurants, or in transport. Similarly corrupt commercial elites, religious leaders, international agency personnel, as well as international racketeers and their middle-men, smugglers, money-dealers, pirates, and slavers and abductors, not to mention soldiers in the warring armies and foreign troops, were among those who yielded substantial benefits, and in many cases, became obscenely rich, by participating in the grass-roots war economy.7

Shadow networks, then, are not marginal to the world’s economies and politics, but central. They fashion economic possibilities, and they execute political power. If we do not yet know the exact financial and personnel strength of the non-formal sectors of the world, perhaps more dangerously, 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.

In the midst of war

In 1990, at the height of the war in Mozambique, I traveled to a remote town in the middle of the country. It was remote, but it was of strategic importance: it was the site of gem mines. This location, largely forgotten in the sweep of nation-wide war atrocities and power-war development history, captures the deep linkages between shadows and war. As I conducted interviews, I came across scores of stories from civilian and military locals about the foreign white men and troops who passed through to collect large quantities of precious gems. I also collected photographs of soldier-drawn graffiti on the barren walls poking up from the bombed-out buildings. The graffiti chronicled the war from the young bush soldier’s perspective. There were pictures of battle plans; of helicopters strafing villages and villagers; of local men, women, and children in white uniforms. There was
pictures of the human tragedies of war: soldiers raping women, and old grandmothers carrying the wounded on their backs. The drawings held a deeper truth: these soldiers were not merely villagers fighting a local bush war – these were people trained in the latest international technologies, both technological and ideological. Soldiers in tattered uniforms wield the latest superpower arms. The pilots flying the helicopters have been trained in cosmopolitan military centers. The methods of the raps are enactments of the latest pornographic magazines that are yet one more military currency in battle-zones. The political slogans inscribed in the drawings are battle cries forged in distant nations and other wars and carried across time and continents by military allies, mercenaries, gem and arms runners, military texts, and the latest fads in the Rambo genre. In this graffiti and in these gem mines I saw perhaps as clearly as anywhere the powerful intersections of local and transnational, the legal and the illegal, and of the curious ways the power of these realities insinuates itself into the fabric of living and dying.

Consider the complex ways these international transfers blur the boundaries of legal and illegal. Gems, ivory, oil, and other goods and resources brought out of rebel areas to pay for military supplies cannot be said to fit the description of legal or illegal: international law applies to formal states not to rebel-held regions. On the other side: what layers of legality apply to governments and militaries who sell off national resources for military gain and buy sanctioned commodities? The economic answer is in part supplied by recognizing the fact that a wartime economy can yield considerable riches for the canny and the powerful, and these riches move far beyond war supplies. They also move beyond the military.

The links between the shadows and the formal sector should be evident by now: profiteers assist the transfer of military goods and payments in precious resources; these profits fuel formal businesses, and these profits – both material and political – can be converted into political power.

Military, business, and politics intersect in these transactions, and public policies are often in actuality crafted in the shadows. This is not merely the movement of goods around a country. Consider the fact that the parallel economy sets the black, or street, exchange rate for currency, and that this street rate is considered by many, including the banks, the International Monetary Fund (IMF), and governmental agencies, as the accurate one. The official bank rate is often more a political than a factual rendering. The more successful business people (those who set up and control both legal and illicit wartime economic enterprises, and dictate economic policy on the ground) are also the people who set the daily street currency exchange rates. Not the government, not formal international governmental economic alliances. The true value of currency, in these instances, is set in the shadows. It is set according to transactions that partake of formal and shadow economic and political realities. And it is this that under-girds the foundations of economy.

Post-war development

We’ve always run goods and people across these borders. We do it, our fathers did it, our grandfathers did it, back to the time when these stupid senseless borders didn’t divide us all.

Honestly, how would we survive otherwise? It’s not like the government is knocking on our door with baskets of plenty. And this trade keeps us linked into larger communities, with international goods and markets. Food, clothing, electronics, petrol, machinery, you name it.

So, you know, when the war heats up, we are tapped to carry arms as well. And now we have to navigate all kinds of political divisions and threats. And it gets deeper: the commanders begin to control areas of trade, and to get permits, transport, permission, a person has to grease the palms of the commanders. Now it’s like we are working for them in a way. And the damn war now sits on our doorstep.

How are we going to get this thing off our doorstep? Those commanders who control ‘business’ [both legal and illegal] in the extremes of war. Are they going to let go of this with the end of the war? I doubt it.

An irony in this analysis is that the very extra-state activities I have been discussing are also those by which a significant amount of development and more stable transitional peacetime economies are created. It is not a question that classical economic and development theories easily address: traditional wisdom posits conflict transformation and development succeeding through the strengthening of societies’ formal infrastructures. Thus aid and development monies go to existing state institutions to instigate formal programmes. My fieldwork suggests this model little matches the actual dynamics of reconstruction.

Consider the conditions that characterize wartime and greet most post-war societies. In addition to militarized and decimated infrastructure, agricultural lands lay fallow, and water sources may be polluted. Old currencies may have collapsed, and with them, banking systems. New currencies may be only as valuable as the paper they are printed on in international markets. Even the most legal of companies – those that haven’t been bombed, looted, raided, or taken over – find that they have to exchange monies, and possibly goods, on the black market. Currency exchange rates often fluctuate to extreme levels, making formal business transactions virtually impossible: who
can buy goods one day not knowing if they will sell them for a profit or a loss the next day depending on the vicissitudes of a powerful, but formally uncontrolled, financial market? In 1996 in Angola, I exchanged US dollars variously for 120,000; 200,000; and 270,000 kwanza in the space of a week: a rollercoaster of currency valuations. When I bought at 120,000 and the prices soared to 270,000, I paid over two times the amount for goods as those who had changed at more auspicious times. By 1998, I received nearly half a million kwanza for a US dollar, and with the war’s end in 2002, the currency was completely revalued. What industry can function in such financial uncertainty? But of course, who takes kwanza anyway? Most goods must be networked across numerous international borders: war-devastated countries often are unable to produce many of the basics, much less the luxury items, they need. To buy internationally requires ‘hard currency’ from dollars and marks to gold and guns. To gain access to these goods frequently entails having to resort to grey (informal or illicit) or black market (illegal) local resources. The bread and meat industries – and by that I mean the basic industries of everyday life from bakeries through clothing manufacturers to equipment plants – do not survive easily in these conditions (of course adding to this landmines, roving militias, severe corruption, and destroyed trade routes), and pack up to leave for greener pastures.

Who then thrives in such economies? From urban centres to remote rural communities there are those who do well in such conditions, who profit from the political instability or social chaos that reduces normative and legal restraints. Informal markets surface to provide the daily requirements to the broad spectrum of citizens. Non-formal banking systems emerge to transfer funds and provide loans. Grey market economies function on the borders between government regulations and practical survival, between formal international systems and the realities of daily life.

These are the conditions of a frontier: the perilous transport of daily necessities to the millions who need them; the wildcatting of vast fortunes; and the systems of protection, usury, and domination that see these various ventures to fruition. From kindly women trading tomatoes for medicines, through mafias trading in gems, drugs, and high-tech computers, to violent gun runners selling post-war weapons to urban criminals, the non-formal sector steps into the limelight in these transitional times.

Such people will be unlikely to give up their network alliances, or their reliance on the shadows, when they enter a formal state role. The development of many war-afflicted economies is largely jump-started along non-formal economic lines – far from the laws and taxes of failed government institutions. The final irony in this is that virtually all aid and loan dollars go through government channels. The government that controls only a portion of the economy; the government where military spending, failed institutions, and corruption have taken a lasting toll.

A question evolved from this research, a question that I incorporated into my ethnography of the shadows:

If the formal sector is largely inoperational; if what is operational largely assists the fortunes of very few and for the most part barely affects the daily life of the population as a whole; and if the massive informal market (including gray, brown, and black) largely sustains the population as a whole: Where does actual political and economic (post-war) rebuilding power come from?

Classical theory states that as these countries settle down in the course of normal state development, their economies will become increasingly defined by state-regulated institutions. In this view, while illegal goods (i.e., drugs and weapons) and service rings (i.e., mercenaries and prostitution) will always exist in the countries of the world, they comprise a marginal part of the world’s real economy.

My research to date suggests we need to rethink these assumptions. As Chingono writes, ‘the informal economy seems here to stay, and may even become the mainstay of the economy.’11 On a larger scale, local non-formal economies link with worldwide economic and political concerns: I can stand in the most remote war-zones of the world and watch a veritable super market of goods move in and out of the country. Tracing the supply routes of these goods takes one through both major and minor economic centres of the world. The sanctions-regulated lap top, satellite-linked computer I see on the battlefields of Africa was made in a major cosmopolitan centre of the world, and the gold, diamonds, ivory, and seafood that pay for these commodities move along the same channels back to those cosmopolitan centres. These international transactions are not comprised solely of such luxury goods. Clothing, watches, industrial components, VCRs, books, and medical supplies 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 United States of America as well as in areas of more rapid economic and political change and development – when the gems and oil of Angola and Sierra Leone and Burma and Colombia buy computers and armaments (or clothing, medicines, and VCRs) from cosmopolitan centres, the money helps define the financial realities of these centres, regardless of whether it arrives through formal or shadow means. All these factor into corporate sales, bank (laundered) revenues, stock market prices, cost of living indices, and so on, whether these facts are recognized in formal analyses or not.

These realities are belied in development programmes: virtually all aid and development organizations deal directly, and generally exclusively, through the
formal sector. The formal sector deals almost not at all with the vast majority of people in countries like Angola. So most of the development monies coming into the country are going into the formal sector that, to a large extent, is taking money out of the country, either in agreements like large weapon and foreign goods purchases, or in corruption. The last issue is critical: the corruption that is currently a prime topic of concern in development circles has its main font in the formal sector – the formal sector that intergovernmental loans and aid monies are channelled through. In addition, aid may well be channelled into the very structures that are most likely to foment continuing conflicts.

Peace

Now a Peace Accord is signed and someone says it is all over – do you expect this all to end? You expect these smuggling routes to suddenly close up and these people return home hungry and empty-handed?12

Wartime economic relationships follow markets into peace. Wartime profiteers emerge as peacetime economic and political leaders. Markets are not as free as democratic ideals would have them.

The end of war often finds rich resource and land concessions, industrial locales, patronage systems, and control of key aspects of trade consolidated into the hands of exclusive elite – political, business, and military leaders who extended domains of personal control during the war. Once such gains have been institutionalized in the frontier-like conditions of war, the owners may now find that the stability of peace allows them better profits. But the fact remains that the systems were honed in exploitative conditions, some of which continue with peace in the form of unfair hiring, work, and pay practices, and restricted legal recourse. In these conditions, access to political, economic, and military power continues to rest in the hands of a few.

Even the people dedicated to business ethics can find post-war conditions hinder their best attempts to formalize their enterprises. Consider the conditions many post-war societies face: in addition to militarized and decimated infrastructure, old currencies may have collapsed, and with them, banking systems. On the international market, new currencies may be no more valuable than the paper on which they are printed. Currency exchange rates often fluctuate to extreme levels. National production is likely to be severely curtailed, resulting in a heavy reliance on import goods that requires foreign currency. Antiquated and militarized laws, corruption, and onerous taxes, levies, and tariffs can plague all levels of business endeavour. Even the most legal of companies may find that they have to exchange monies, goods, and services extra-legally. As one successful businessman, a man noted for integrity in business, noted: ‘If I followed the letter of the law in every case, I’d be out of business. Period.’

While national economic and political systems may remain militarized, the military and political leaders are not the only profiteers. Militarization benefits global vendors. It benefits international wildcatters. It benefits legitimate vendors of information, services, and technology in the urban centres of the world who sell their goods for the hard currency oil, drugs and precious gems buy. An extensive network of people has grown wealthy on these extra-state exchanges; they are not easily convinced to give them up for less lucrative pursuits.

Postscript

Considering post-agreement reconstruction

We can’t really talk about it, but it is right there in the center of everything.

The informal economy.

And we can’t explain it, because we don’t deal in the informal economy formally.

(Regional Head of World Bank, who asked to remain anonymous)

Two uncomfortable truths emerge in considering post-agreement reconstruction. The first is that abusive profiteering has to some extent become institutionalized into the formal economy. The second is that average people survive the economic crises of the twenty-first century in part through the extra-legal. To condone the first is dangerous, to deny the second can be lethal.

Classical economics and modernist development philosophies do not offer tools to effectively deal with these realities.13 In any scientific investigation, it would be unthinkable to render analyses and policies based on a data set that was missing a significant portion of its data. But that is precisely what is taking place when classical economics is applied to the world, and disregards non-legal and non-transparent economic activity and the political power it encompasses.

And herein rests one of the key aspects of the intersections of illicit power. Angolans, for example, are familiar with the paths regulated and unregulated commodities take around the world. They have seen international wildcatters amass considerable fortunes from the ashes of war and political turmoil. Fortunes are made on these illegal sales, and political power stems from these fortunes. Industries are forged on these profits, and industries merge into transnational corporations with the power to influence world markets and international law.

Yet these relationships are not as highlighted – or even apparent in many cases – in Western political and economic theories. The ‘politics of invisibility’ is no accident: it is created, and it is created for a reason. It would appear that the modern state is as dependent on shadow economies and war-zone profits as it is on keeping these dependencies invisible to formal reckoning. Jean-François
Bayart captures these complexities when he writes, ‘The matrices of disorder are frequently the same as those for order.’

The challenge facing twenty-first century economics, and by extension, all reconstruction work, is for formal economy theory and practice to catch up with the truth of extant economies. One solution is to continue to develop the research questions and methodologies presented here. We need to ask how extra-legal networks operate in contrast to, and in liaison with, state systems. How is authority managed? How resources are procured and used, and how are proceeds laundering? How is power expressed? How do extra-legal networks link internationally? What determines belonging, recruitment, loyalty in any group? How are commodities, monies, and people moved and managed?

These are not idle questions. A new era of power contestations is forming in the twenty-first century. Looking at the history of extra-state groups defeating the colonial world and of extra-legal networks toppling governing systems, people have learnt that the extra-state is the most powerful way of challenging the state, or of controlling it. Yet our understanding is embryonic. To leave it here is to condemn people and their governments to post-war solutions that, at best, can only be partially useful, and at worst leave abusive power unchecked.

Anthropologists have long worked with multiple nodes and trajectories of power defining any given site. Heuristically, the state represents one such model. Concurrent systems, such as the extra-legal powers I discuss here, operate coexistentially across time and space. The relationships holding between different formulations of power do not stay constant. In the same way that international networks of traders during the time of kingdoms helped reconfigure the modern state, and their market tribunals presaged contemporary international law – extra-legal networks today may foreshadow new power formulations barely emergent on the horizons of political and economic possibility. Perhaps the most important question facing us today is who is shaping these outcomes?

**Notes**

1. An ethnography, in anthropology, is a long-term, in-site field study, usually where the anthropologist learns the language, customs, and cultures of the people among whom they are working. The research here is based on 12 years of in-site ethnographic research in Africa, Asia, Europe, and Latin America.

2. The term extra-legal refers to all activities that fall outside legality as it is formally defined and used in law and law enforcement. This includes illegal, illicit, informal, and undeclared, unregistered, and unregulated actions. For example, informal transactions, say trading food for services, are not technically illegal in themselves, but violate the letter of the law in not being responsible to systems of declaration and taxation. They are clearly a different arena of behaviour than illegal transactions such as narcotics and trafficking, the province of cartels; or corruption, the province of elites. All are extra-legal.

Extra-state refers to all activities that take place outside of formal state ruling systems. In this book, those of most interest constitute economic and/or political forces. Like extra-legal activities, these are diverse: rebel groups are extra-state players quite different from mafias and cartels, and both these differ significantly from extra-state activities done by state actors (corruption). Yet as a whole, these can be an invisible part of the way states function, and they can also challenge the supremacy of the state as the twenty-first century form of governance and community. Extra-legal networks often grow in economic sophistication and political authority to constitute serious extra-state forces.


8. I took photos of these pictures, and some have been published: see C. Nordstrom, ‘A war dossier’, *Public Culture*, 10, 2 (Winter 1998) and *A Different Kind of War Story* (Philadelphia PA: University of Pennsylvania Press, 1997).


12. Author interview with David Hesketh (2002). Hesketh heads the International Assistance Branch of Her Majesty’s Customs and Excise, United Kingdom.
