The Political Economy of Trafficking and Trade in the Sahara: Instability and Opportunities

Mark Shaw and Tuesday Reitano

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This paper is part of the Sahara Knowledge Exchange. The Fragility, Conflict and Violence Group is undertaking this exchange to better understand the linkages between security, governance, and development in the Sahara and explore how a stronger focus on development can improve regional stability. It brings together World Bank staff working in the Africa and Middle East and North Africa (MENA) regions with, inter alia, experts from academia, think tanks, and development agencies. This process includes a number of papers and events that we hope will inform the Bank's engagement with its partners in this volatile and important region.

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Abbreviations

AQIM	al-Qaeda in the Islamic Maghreb
DDR	disarmament, demobilization, and reintegration
EU	European Union
GDP	gross domestic product
LSCI	UNCTAD's Liner Shipping Index
MUJAO	Movement for Unity and Jihad in West Africa
ODA	overseas development assistance
SALW	small arms and light weapons
UN	United Nations

Executive Summary

In the last two decades, a number of countries in the Sahara region have undergone fundamental changes to their political and economic profile, which in turn have impacted the region's stability and development. The pace of this evolution appears to be accelerating, as trends such as globalization and the spread of ideological movements impact and engage local dynamics. The region's economies—and particularly those of the oil-rich states—remain largely undiversified, and the structural conditions of those states have done little to promote equal distribution of wealth or multisectoral growth. The conditions that have driven conflict or political instability are still in place, but newly fledged governments have few tools to contain conflict or pressure from localized interests. Zones of fragility are expanding, and increasing numbers of nonstate actors are challenging long-standing norms of governance and state consolidation, and in several cases the geographic borders of states themselves. This is set to continue and will both impact trafficking and trade in the wider region and be shaped by these phenomena.

In the context of this study, the term "trade" is used to describe economic exchange activities recognized as legal by parties or countries. The term "trafficking" represents those activities involved in moving what are generally recognized to be illegal commodities (drugs or guns or people against their will). "Smuggling" denotes the movement of commodities that are not themselves illegal (food, fuel, cigarettes, or people who consent), but their sourcing or the activity of moving them across borders contravenes the law of at least one government, such as in relation to the payment of tax or customs duties. This latter category of smuggling overlaps significantly with a substantial and growing informal (or grey) economy that exists in the region.

Old and new trends

Understanding how patterns of licit and illicit trade impact political developments in the Sahara have become critical to creating conditions for security, development, and economic growth. Several developments have had an important impact in forming emerging licit and illicit trade patterns and the interaction between them:

- Although long-standing, interregional trade driven by a thriving informal economy with significant levels of cross-border smuggling based around subsidized price differentials for commodities between oil-producing states and their neighbors has flourished as a result of greater political instability and conflict. This applies in particular to trade from North African states to communities along their southern borders.
- The result of the increasing dominance of sea-borne trade, and the subsequent development of West African port infrastructure as a staging post for wider regional trade, is that goods in the southern Sahara can be supplied without traversing the Sahara from the north.
- The introduction of high-value illicit goods (most notably cocaine) as a transit trade through West Africa in the early 1990s comingled with the already established west-east trafficking in hashish to

create highly lucrative drug corridors. However, this takes place in a context where state control has eroded, arms are freely available, and security must be bought.

While each of the factors above has shaped the emerging nature of trade and trafficking, the issue of wider insecurity in the region has a profound impact.

When protection is a commodity

As a consequence of both the growth in illicit trafficking in drugs and the erosion of state capacity to project itself into its borderlands, sophisticated protection economies have developed along the high-value trafficking routes. Not unique to the Sahara, protection economies emerge in the absence of effectively functioning state institutions, when protection itself becomes a commodity. But protection can be expensive and its costs increase when applied to high-value commodities such as drugs.

The increased costs of protecting trans-Sahara trade, combined with the lower costs of meeting the needs of communities on the Sahara's borders, have contributed to crowding out the legitimate economy, and there is evidence that it has dampened the capacity for informal trade beyond immediate neighboring borders, particular in the north where subsidies still ensure the possibility of a profit. It is now almost exclusively the trafficking of illicit goods—drugs, arms, and migrants—that traverse the Sahara itself, from north to south or east to west.

Thus, the fight against illicit trafficking and fragility in the Sahara are closely interwoven.

Gains are being distorted, diverted, and lost by the strength of the illicit economy. If peace building and state consolidation are to be achieved, then the problem of illicit trafficking needs to be reframed from beyond a security lens, and instead focus on understanding and breaking down the economic and political incentives that enable illicit trafficking and the informal economy.

The various groups enriched by illicit trafficking or able to control a protection economy have different characteristics and engage with state institutions at differing levels. Yet in all cases, those accumulating resources controlling or protecting regional illicit flows have little or no incentive to support the consolidation of good governance or state control. Close examination shows that these groups are more likely to challenge or undermine the stability and legitimacy of the state, or to seek opportunities presented by democratic transitions to use illicit resources to gain further influence. In some key regions, the protection economy has come to dominate legitimate markets and regulated trade, such that all flows—both licit and illicit—become subject to the controls of the protection economy and enrich those groups that control it.

Policy responses

A reinterpretation of the common assumptions about Saharan trade and community dynamics on this basis has significant implications for the policy response needed to consolidate and extend state reach, and for the strategy of providing incentives for illicit activities. The default policy of drawing those engaged in illicit trade more closely into the political process is likely to further consolidate and incentivize their illicit activities and corrupt the state-building process, rather than reinforce positive state consolidation in the interests of the broader population.

Similarly, the alternative interpretation that is predicated on the binary notion that the state must be strengthened to combat insurgents and traffickers will equally be ineffective. Instead, this report demonstrates that the reality is more complex. With endemic levels of corruption and the interweaving of trafficking groups into the state, and the state into the protection economy, the interests of the two groups may not be distinct. State officials may follow economic, social, and political incentives that are incongruent with the interests of central state consolidation, indicating that the problem is less technical than political. With that lens, the knee-jerk response to strengthen the capacity of law enforcement and state security institutions, or to provide more technology, surveillance materials, vehicles, and capacity building, may empower the protection economy rather than the state.

To undercut the protection economy and create a positive dynamic that supports state consolidation and human security for communities in the Saharan periphery, armed groups must be separated from the protection economy. Both political and economic interventions will be required in tandem. This will reduce the prevalence of and access to small arms and weaponry, but at the same time provides political accommodation and produces agreements around creating shared commitments towards the provision of socioeconomic goods.

It is essential to explicitly address corruption. Across the Sahara, the state is increasingly perceived as corrupt and illegitimate wherever it is present. Arguably, this slow erosion of the state is a more potent and damaging form of fragility than the overt consequences, as it creates a quicksand of the foundations of governance, the rule of law, and democracy. Furthermore, as the international community concentrates on state institutions and the formal processes of democratic elections at the expense of community level interventions, this serves both to enable those enriched by criminal proceeds and to multiply the perceived tacit endorsement of the trafficking economy.

In the long term, a strategic and harmonized process needs to be applied to tackle informal trade and informal economies. Given the entrenchment of these economies and the establishment of strong networks of protection, this cannot be achieved through a punitive (that is, sanctions-based) or heavily regulatory approach. A range of tools can be brought to bear, including experimentation with taxes, tariffs, and subsidy policy. Rationalization is required across the region within a context of political accommodation for those groups in the border areas most affected.

Over time, and congruent with the broader sociopolitical and structural interventions, there will need to be an effort to bring the state back into those regions where its reach has not been felt, and ensure its capacity to control, regulate, and secure livelihoods and communities. The informal economy maintains its traction at the community level because of the paucity of other alternatives. An overarching framework needs to be applied in a crime-sensitive manner to development and to economic priorities that recognize the dynamics of the informal economy, make the structural reforms required to bolster the resilience of communities, provide a broad-based, pro-poor redistribution, and create viable alternatives to the most at-risk communities and population groups.

Introduction

The greater Sahara region—stretching across the northern coast of Africa, down to the west and across the broad Sahelian band—is currently experiencing unprecedented levels of instability. Developments in the region remain fluid, as the dynamics of political change and shifting global economic trends interplay to exacerbate fragility.

Along the North African coast, the turbulent political transitions of the Arab Spring have made states that were stable for decades (albeit authoritarian) newly vulnerable. Inland, across a number of countries in the Sahel, the legitimacy of the state is being eroded by a combination of poor governance and long-standing economic challenges. The state's failure to deliver services and ensure basic development for the majority of the population has disenfranchised citizens from the state. The growth of illicit economies, often closely associated or integrated with state structures has created a culture of corruption and impunity. In at least two states, Mali and Libya, this long-term erosion of governance, overlaid by recent instability, threatens to evolve into sustained civil conflict.

The prevailing regional political and economic dynamics have opened the door for new actors and illicit resource flows to influence the process of state consolidation. The region is highly interdependent, and as this paper will show, patterns of trade and trafficking can serve both as important reinforcers of current political arrangements (Algeria's oil wealth being one example), while also holding the potential to undercut fragile polities (Libya, Mali, and Niger are all cases in point).

In order to understand the drivers of fragility in the Sahara region, therefore, it becomes critically important to understand how both licit and illicit trade patterns impact political developments in the region. Do they provide opportunities for longer-term economic growth and political consolidation, or do they serve as sources of instability, including by providing resources to those who wish to undermine the consolidation of several newly democratic states?

Past studies on intraregional trade within the greater Sahara have emphasized that current trade and trafficking routes have evolved from historical patterns of trade, most notably the legendary camel trains that traverse the Sahara. Such studies largely argue that licit and illicit forms of trade are closely intertwined, traversing along the same physical routes, and engaging the same actors who are typically perceived as being disenfranchised from the central state. Some have argued that the illicit flows bring resilience and livelihoods to people in the central Sahara. Predicated upon these assumptions, the policy response has typically been to try and give those marginalized groups that control trade flows a greater stake in the political process in the hopes they will be enticed to act as enablers rather than spoilers to peace and state consolidation.

By contrast, however, a close examination of both licit and illicit trade flows challenges these long-standing assumptions. Our conclusion is that in the past two decades, the patterns both of illicit trafficking and legitimate trade across the greater Sahara region have changed fundamentally, and as a consequence, there is a growing distinction between both the flows and the actors who perpetuate them.

Within an overall context of globalization, two dynamics—one licit, the other illicit—stand out as having triggered this fundamental shift. The first is the increasing dominance of sea-borne trade, and the subsequent development of West African port infrastructure as a staging post for wider regional trade.[1] The second was the introduction of cocaine as a transit trade through West Africa in the early 1990s. This comingled with already established west-east trafficking in hashish to create highly lucrative drug corridors that overwhelmed legitimate trade flows, and created around them a strong protection economy to facilitate the flow.

Current evidence suggests that these two trends have, combined, caused very little (if any) licit trade to now traverse the Sahara. Legal commodities through the formal economy can be easily supplied or extracted through seaports that have proliferated around the coastline, particularly in West Africa. The informal economy is particularly thriving in the framework of increased political instability, with significant levels of cross-border smuggling based around subsidized price differentials between oil-producing states and their neighbors. However, for reasons of necessity—a requirement for secrecy in the case of drugs, and desperation in the case of human migrants—it is now almost exclusively illicit goods that completely traverse the Sahara in any direction.

Smuggling economies generated by subsidies in Algeria and Libya have reinforced these illicit markets, but it was the high-profit cocaine trade that most pertinently shifted the balance between the illicit and licit economies. Interviews across the Sahara show that while many other illicit commodities may be transported interchangeably, those involved in trafficking cocaine (and now a growing number of other high-value recreational drugs, including hashish, methamphetamines and a limited amount of heroin) were prepared to pay higher prices to secure the safe transit of their lucrative flow. As a consequence, sophisticated economies have developed along the cocaine trafficking routes, and in particular in those regions with limited state reach, utilizing the classic currencies of protection: corruption and violence. These have now adapted to encompass other flows, as is currently the case with human smuggling in northern Niger and southern Libya.[2]

These protection economies have different characteristics and engage with state institutions at different levels. Yet in all cases, those accumulating resources controlling or protecting regional illicit flows will have little or no incentive to support the consolidation of good governance or state control. They are more likely to challenge or undermine the state's stability and legitimacy, or to seek opportunities presented by democratic transitions to use illicit resources to gain further influence. In some key regions, the protection economy has come to dominate legitimate markets and regulated trade, such that all flows—both licit and illicit—become subject to the controls of the protection economy and enrich those groups that control it.

A reinterpretation of the assumptions on this basis has significant implications for the policy response needed to consolidate and extend state reach, and for the strategy of providing incentives for illicit activities. The default policy of drawing those engaged in illicit trade more closely into the political

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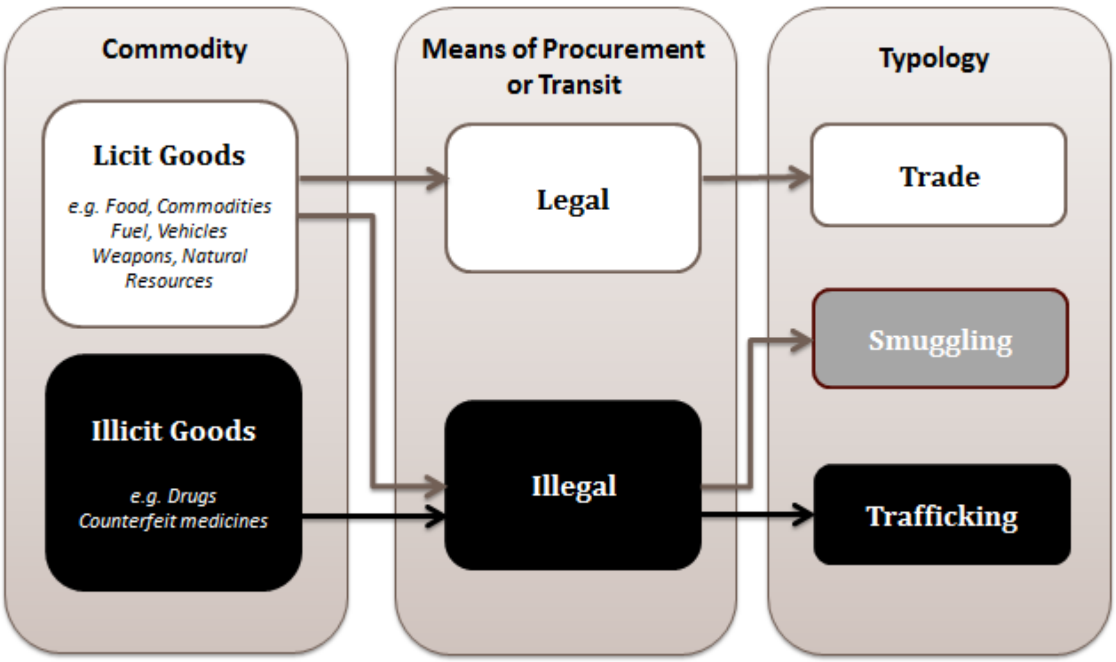
[1] It is currently estimated that 80 percent of global trade is transported by sea. See African Development Bank (2010, p. 33).

[2] See Section III, or, for example, the discussion on the Toubou communities in Antil and Mokhefi (2014).

process is likely to further consolidate and incentivize their illicit activities, and further corrupt the state-building process, rather than reinforce positive state consolidation in the interests of the broader population.

To further explore these issues, the paper will examine the nature, evolution, and structure of trade and trafficking in the region, and the subsequent impact on statehood, citizenship, and fragility. The paper will then draw preliminary conclusions on the policy implications of the analysis, in particular for the World Bank.

Figure 1. A typology of trafficking, smuggling, and trade



In the context of this study, the term "trade" is used to describe economic exchange activities recognized as legal by parties or countries. The term "trafficking" represents those activities involved in moving what are generally recognized to be illegal commodities (drugs or guns or people against their will). "Smuggling" denotes the movement of commodities that are not themselves illegal (food, fuel, cigarettes, or people who consent), but their sourcing or the activity of moving them across borders contravenes the law of at least one government, such as in relation to the payment of tax or customs duties.[3]

[3] While relatively clear on paper, the three terms can overlap or involve different degrees of legality. Thus, legal trade may resort to illegal means, most notably the corruption of officials, to seek advantage over competitors. Smuggled goods may end up in the formal economy and have the collusion of formal economic actors, such as, for example, in Libya, where pharmacists participate in the trade of expired or smuggled medicines. Trafficked goods may make use of registered companies to move them. The distinction between the three terms is usefully made in Dechery and Ralston (2014).

This latter category of smuggling overlaps significantly with a substantial and growing informal (or grey) economy that exists in the region. While precise definitions of informal trade are hard to achieve given the range of practices prevalent in the region, for the purposes of this paper, informal trade is defined as the flow of goods that are unreported or incorrectly reported by the country's customs authorities. Smuggling—where goods cross the border without the knowledge of customs authorities—is thus a subset.[4]

It should be underscored at the outset that there are currently no comprehensive studies of trafficking and trade in for the Sahara region as a whole. There are only a limited number of country or subregional studies available, despite an increasing focus in the last few years on the nature and impact of illicit trafficking through the west-central Sahelian band in particular.[5] Security and access issues have continued to undercut effective data collection while promoting a debate that is often long on rhetoric but short on facts. This paper is primarily a desk review, but nuanced with recent fieldwork by the authors and close associates in North Africa, the Sahel, and West Africa. The purpose of this paper is to review and assess the available data, draw preliminary conclusions, and outline possible policy implications. These could be better nuanced and applied with applied field research in the relevant countries.

Structure of Trade and Trafficking in the Sahara

The evolution of trade

The Sahara has been a theater of international commerce for centuries; the Fezzan region (now southern Libya) was noted for its salt production from as early as third century B.C.—a commodity that, at the time, founded cities and traded for gold.[6] Salt is still mined, as in the past, at Taoudenni, Mali, and at Bilma, Niger.

Research points to the resilience of the trans-Saharan trade from the pre-Islamic period until at least the late 1800s (McDougall, 2012). The Sahara itself has been evocatively described as a sea with ports on either side, in the south Timbuktu and Gao, in the north Ghadames (in contemporary Libya), with goods like gold, ivory, precious woods, and kola nuts brought northwards to the North African coast for onward shipment to Europe, Arabia, India, and China (Boddy-Evans, 2014).

The North African ports were the gateway for African goods bound for the wider world. A description of Tripoli in the 1850s makes the point well: "Tripoli was the swinging door that connected the Mediterranean countries with the interior of Africa. Merchandise from Europe entered through the

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[4] This definition is consistent with that used in other World Bank studies, including for example Ayadi et al. (2013).

[5] There are few studies of trade between North African countries, although some recent literature exists on the economic impacts of the Arab Spring on the region. See for example Amin et al. (2012). The most recent literature appears to focus on Mali and Libya, although in both cases issues of access to contested areas have limited the ability to collect data on trafficking and trade.

[6] For more on the evolution and dynamics of the salt trade and its impact on state formation and conflict, see Kurlansky (2002).

city's busy port. Goods from Africa's interior—ivory, gold, indigo, cotton cloth, animal skins, ostrich feathers, leather goods, kola nuts—left the city for Europe and the Ottoman countries. But the main export moving through Tripoli was slaves" (Kemper, 2012, p. 22).

The major evolutions in trade patterns through the Sahara are relatively recent, beginning as colonial rule consolidated in the early 1900s. Independence and discoveries of oil in the 1950s created a series of fragile yet wealthy states, characterized by intrastate and border conflicts that emerged as reaction to postcolonial state consolidation. While these conflicts increased the challenge of safely transiting the Sahara by land, they were not a sufficient disincentive to stop flows altogether (Ahmida, 2000).

The definitive shift in the internal dynamic of trade in the greater Sahara came as a result of two critical developments: the first was a growing reliance of key North African economies on hydrocarbons; the second was post-war containerization and a greater global focus on transit by sea. Since 2009, over 90 percent of worldwide cargo is moved by sea, with 70 percent as containerized cargo (Castonguay, 2009), making maritime transport and port activity a useful indicator and overall proxy for trade capacity and activity. In the last decade, this global trend has triggered a rise growth of trade through West Africa (African Development Bank, 2010), driven predominantly by a growth of demand in Asia.[7]

As the focus turned to the sea, the old Saharan land routes constricted to subsistence levels, bringing in basic commodities from ports to the inland cities that had previously stood as key trading posts at the edge of the Sahara desert. While there remains considerable cross-border informal trade that exploits price differentials due to subsidies provided by the oil-rich states, and save perhaps for the trade in illicit fuel, this is does not cross the full expanse of the Sahara. The commensurate reduction in the volume of transit across the narrow Sahelian band no longer sustains the communities living along the inland trade routes. Many were compelled to migrate to seek work in the burgeoning cities on the Mediterranean or in the newly independent African states to the south (Scheele, 2012).

The result is that the greater Sahara has shifted from being a region of transit to an outwardly focused region of global trade, and the core Sahelian Sahara has significantly shrunk. Economies have concentrated themselves around a system of increasingly well-developed ports and, for the most part, are characterized by a heavy reliance on the import of goods and export of oil. While there are some distortions to this depiction, the fundamental change from the past is that the heart of the Sahara has little collateral to leverage in this new order except in one area: illicit trafficking.

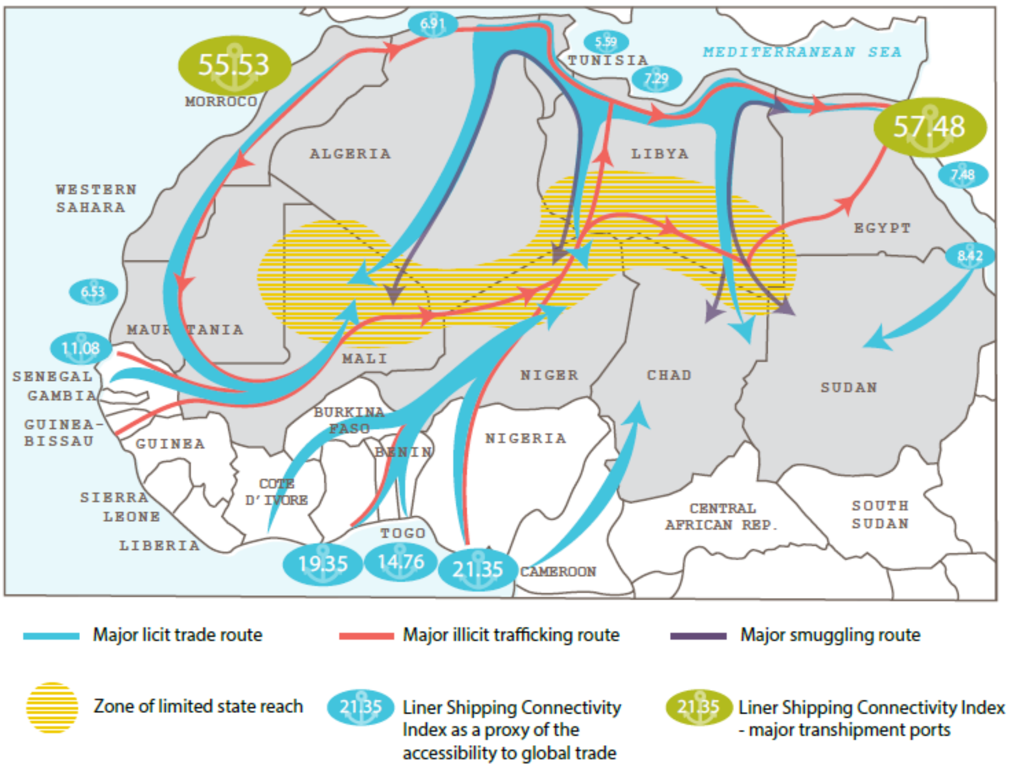
Thus, without alternative livelihood opportunities, the communities in the Sahel have become heavily reliant on smuggling and trafficking. As an area that was already characterized by limited state reach and distinct ethnic groupings,[8] that reliance often means that the control of trade and trafficking feeds strongly into local power structures, particularly in border communities where central government influence is weakest and cross-border relationships are stronger (if indeed there is any meaningful distinction to be made between those communities who straddle borders).

[7] For an analytical and policy-orientated analysis of the evolution of the West African maritime trade and port development, see World Bank (2007).
[8] This argument is made well in the related series paper on governance (Antil and Mokhefi, 2014).

Current patterns of trade and trafficking in the Sahara

The greater Sahara region now resembles a disc into which licit trade routes stretch from the coastlines inland, but do not cross the Sahara. The only flows that transit across the Sahelian band of the Sahara are illicit.

Figure 2. Trafficking and trade across the Sahara



As depicted in the map above, trade routes thus stretch into the interior from settlements and their ports along the coast. Three aspects of this emerging structure of trade require explanation:

1. The nature of the economies along the North African coast (the northern rim) and their impact on both trade and smuggling;
2. The greater efficiencies, although admittedly off a low base, being achieved with respect to trade through West African ports, and this impact on the Sahel states at the Saharan periphery (the southern rim); and,
3. Building on the explanation of the two trends above, the rationale for why trade through the Sahara (the heartland) is now almost only of the illegal variety.

The northern rim: "As a country we are wealthy but to smuggle is to survive"[9]

The nature of trade flows, both licit and illicit, along the North African coast and between the region and outside, is determined by the fact that the two largest countries, Algeria and Libya, have economies dominated by hydrocarbons, with little incentive to diversify.[10]

In both countries, a decade of hydrocarbon-fuelled growth did not provide the labor-intensive pro-poor growth that would have allowed the benefits of the wealth of natural resources to filter down to the general population (African Development Bank, 2012). Instead, in both Libya and Egypt, poverty, unemployment, and income inequality worsened significantly over the period, and youth unemployment is particularly high (World Economic Forum, 2013).[11] To maintain popular acquiescence in the absence of viable sustainable livelihoods, both states have historically subsidized consumer goods (fuel, flour, sugar, and others). These subsidies create pricing imbalances with neighboring states that in turn have created a significant regional informal economy, with substantial amounts of cross-border smuggling. Furthermore, recent research has shown that the informal economy is growing while trade in the legitimate economy is falling.[12]

The two smallest states, Morocco and Tunisia, have relatively active and diversified open market economies that consist of agriculture, tourism, phosphates, textiles, clothing, and some manufacturing. Both countries import and export a variety of goods, and in both cases the main trading partner is the EU. In 2010, for example, 75 percent of Tunisia's export and import transactions were with the EU. Both countries have a series of trade agreements with both the EU and the United States that have served to bolster trade volumes. While informal trade accounts for only a small portion of Tunisia's trade in absolute terms, it plays a significant role in bilateral trade with neighboring Libya and Algeria. For example, a recent study has asserted that more than half of Tunisia's trade with Libya is in the informal economy, and 25 percent of the fuel consumed in Tunisia is "informally imported" or smuggled from Algeria (Ayadi et al., 2013). This has a commensurate impact not only on the legitimate tax revenue garnered by the Tunisian government, but also on the dynamics of border communities that are increasingly engaged in and dependent on the informal economy for their livelihoods.

Table 1. Hydrocarbons in North African economies

Country	Hydrocarbons represent	
	% GDP	% export revenue
Algeria	35%	66%
Libya	25%	95%

[9] Quote from a "businessman" involved in smuggling on Libya's eastern border with Tunisia, April 2013.
[10] There is wider literature that will be traced on this, but for a good summary see Springboard (2011).
[11] Worthy of note, however, is that the North Africa region as a whole posts the highest youth unemployment rates globally.
[12] See Ayadi et al. (2013) and the conclusions of the World Bank study on informal trade between Algeria and Mali (2014).

Egypt, the other traditional economic powerhouse of the North African rim, sits in the middle of this spectrum with a moderately diversified economy. The political turmoil since 2011 has severely constrained the Egyptian economy, with a precipitous drop in foreign exchange reserves, inflation in double digits, and swiftly rising unemployment.[13] Like Algeria and Libya, Egypt maintains a heavy reliance on the oil economy, but in this case with the Persian Gulf states, which also now provide significant aid to the country.

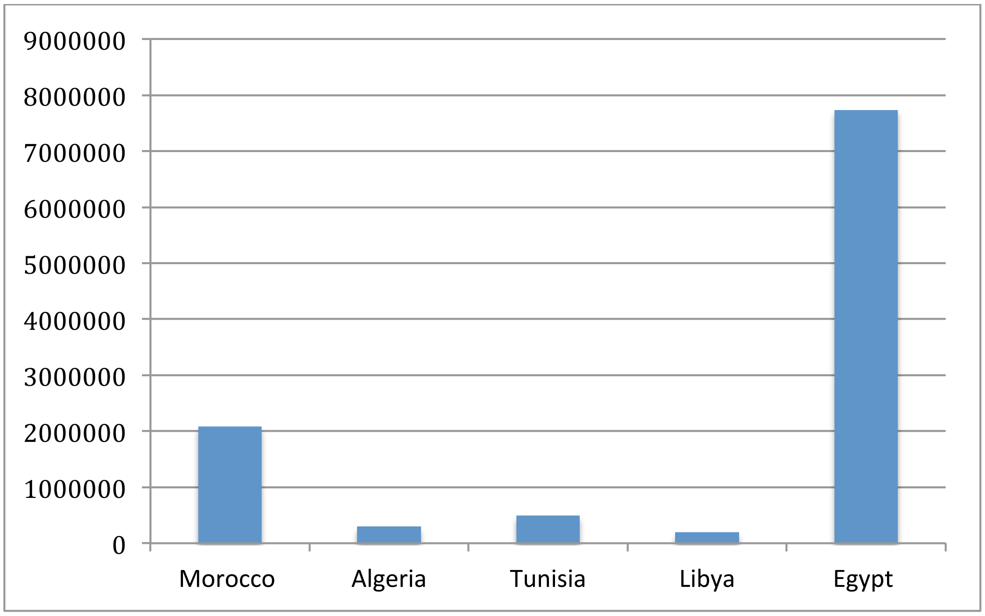
A paradigm has thus been created in oil-rich North African states: the failure to translate oil riches into equally distributed livelihood and development gains for the majority of the population, and a perception that these funds are diverted through corruption, becomes a source of tension between citizens and the state. This is further reinforced by growing engagement in and reliance upon the informal economy and cross-border smuggling, which serves to exacerbate fragility and further estrange people from the central state (see Antil and Mokhefi, 2014).

Given the scale of global trade undertaken by sea, port volumes are an interesting (though not perfect) indicator of overall trade and integration into the global economy. The greatest volume of trade through North African ports takes place at either end of the North African coast—in Morocco in the west and Egypt in the east (UNCTAD, 2013, Annex V). The largest container ports at Tangiers-Med in Morocco and Port Said on the Suez Canal in Egypt are key transshipment points that handle mainly trade in and out of Europe as well as ocean-vessel to ocean-vessel transshipment. Figure 3 provides an alternative measure—in the form of UNCTAD's Liner Shipping Index (LSCI)[14]—of the integration of five North African countries into existing global shipping networks.

[13] Statistics from the Central Bank of Egypt show that foreign exchange reserves have fallen from US$35 billion to US$17 billion in only three years.

[14] UNCTAD's LSCI is a measure of a country's level of integration into the existing liner shipping network. It captures liner shipping services to a country's port(s) using five components: (1) the number of ships; (2) the container carrying capacity of these ships; (3) maximum ship size; (4) number of services at the port; and (5) the number of companies that deploy container ships on services to and from a country's ports. The LSCI can be considered a proxy of the accessibility to global trade (UNCTAD, 2013).

Figure 3. Containerized port traffic (2011)[15]



Egypt has historically been well connected and is a key transshipment for global shipping through Port Said, which includes the Suez Canal Container Terminal. Morocco is a recent (and impressive) entrant whose share of global shipping trade increased around 500 percent between 2007–2009 when the Tangiers-Med port opened in 2007. But these statistics are deceptive in the degree to which they can serve as a measure of sustainable economic development benefit for the two countries. While transshipment ports generate revenue in the form of shipping fees, due to their nature they contribute little to local economic activity, as goods pass through without engaging in the domestic economy. Furthermore, given their strategic position facing outward to the Atlantic for Morocco, and along the Suez canal in the case of Egypt, these ports bring still fewer benefits for the broader Saharan region.

With the exception of Morocco and Egypt on either side of the North African coast, the volume of trade through North African ports is comparatively small. Apart from hydrocarbons' export volumes, activity through the ports of Algeria and Libya is negligible and largely geared toward meeting domestic demand.[16] As previously noted, the concentration of population in North Africa countries is in coastal cities, and as such there is a comparatively smaller quantity of goods that move southwards to meet the needs of inland communities, or the land-locked countries in the Sahel.[17]

Those commodities intended for the consumption of inland communities are driven from the coast to the internal Sahel towns within Algeria and Libya, and to a lesser extent the northern towns of Mali and Niger. Recent research has noted that Algeria provides transport subsidies in the range of US$12.5

[15] Data taken from Annex V of UNCTAD (2013).
[16] Visits were paid to Tripoli, Misrata, Benghazi, and Tobruk ports in 2013. Port authorities reported that ships arrived full but departed empty.
[17] One exception is Misrata port, which appears to be a gateway for the vibrant market in secondhand cars from Europe, many of which are reportedly driven south to the Nigerian and Chadian markets.

million annually to ensure that subsidized commodities can reach communities in the southern reaches of the state. This has created a healthy cross-border smuggling economy, estimated at approximately US$50 million, with the communities in northern Mali (World Bank, 2014). Goods are also transported southwards from Morocco to the Sahel, mainly to Mali. The flow of goods southwards meets the immediate needs of Sahel communities living in or on the Saharan periphery, and there is no substantial southward movement of goods further south to the West Africa coastal states, or to the southern parts of Mali and Niger. The same study noted that although in 2011, 30 trucks carrying subsidized Algerian commodities might have made it as far south as Bamako, this has fallen significantly following the conflict in northern Mali; often, the transport of commodities is used to mask the smuggling or trafficking of arms, drugs, or other illicit goods. Overall, therefore, transporting goods southwards by road has become financially prohibitive for legitimate trade, and has also reduced the volume of informal trade. Distances are simply too far, and the security risks and costs of protection are too high.[18]

In the far west, for political reasons related to the Western Sahara, the border between Algeria and Morocco is shut, at least for legal commerce. By contrast, interviews in the border region in both countries suggest that trafficking and smuggling networks on "the Algerian-Moroccan border are among the most organized and expansive in the region" (USIP, 2014). This is driven in part by the transport of subsidized goods from Algeria to Morocco, but more importantly by the movement of significant quantities of hashish along the coast, an issue explored in greater detail below. The overall result is that there is extensive illicit (as opposed to licit) activity along the border. Trafficking of hashish into Algeria, for further movement along the coast, has become a significant challenge for Algerian authorities; seizures of the drug have increased 20 percent in the last five years.[19] However, there appears to be little communication (let alone coordination) between Moroccan and Algerian security officials along the border; as a recent study indicates, "they continue to warily eye each other across the border and blame each other for mutual security lapses."[20]

Cooperation along the Algerian-Tunisian border is significantly better, and improving (USIP, 2014). There remains extensive smuggling activity along the border that is driven by price differentials in basic commodities—for example, the cost of fuel in Tunisia is ten times higher than in Algeria; for cigarettes it is as much as five times (Ayadi et al., 2013). In addition, hashish moving westward also transits the border or moves directly into Libya south of the triangle between Algeria, Tunisia, and Libya.

Illicit flows of smuggled commodities follow the path of licit trade, as the traditional analysis of the illicit economy has long asserted. Subsidies on goods in Libya and Algeria mean that the costs of important basic commodities—fuel, flour, sugar—is cheaper in these countries than in the surrounding states. The FAO estimates that one-third of all subsidized food and fuel from Libya is smuggled into neighboring countries (FAO, 2014). The scale of this flow should not be underestimated: the fiscal cost of subsidies to

[18] See Section III for an explanation of how the costs of protection in the illicit economy have crowded out legitimate trade and stifled the cross-border informal economy.
[19] Interview, Algerian security and customs officials, Algiers, April 2014.
[20] Interview, Algerian security and customs officials, Algiers, April 2014.

the government of Libya, including both energy and food, is US$11.5 billion,[21] meaning that the smuggling of licit commodities from Libya alone is worth an estimated US$4 billion dollars a year (IMF, 2013).

The trade is very visible; large numbers of trucks packed with contraband goods either pass through official border posts, where levels of corruption are high, or pass through the desert. This is not, however, a trans-Saharan trade, but one that arbitrages cheaper goods at a profitable rate to border towns in Chad, Niger, and Mali. An ongoing World Bank study of trade between Mali and Algeria highlighted the extent to which northern Mali depends on informal trade from Algeria—valuing the informal trade imports at approximately US$54 million per year, whereas annual exports accounts for a mere US$1.02 million (World Bank, n.d.).

It is pertinent to note the scale of cross-border informal trade, despite the number of border control posts and their caliber. The World Bank study on informal trade in Tunisia noted, for example, that informal trade between Libya and Tunisia takes place predominantly through the official border posts, which indicates high levels of corruption. The Algerian-Tunisian border posts, meanwhile, are estimated to record less than 2 percent of the total volume of trade, and smuggling networks are established and professional (Ayadi et al., 2013). All recent research has observed that significant quantities of informal trade offers few incentives (either positive or negative) for using legitimate trade routes or for supporting the extension of state authority (Kartas, 2013). Instead, informal trade routes dominate trade southwards (marked on the map in Figure 2 in dark blue) from Algeria to northern Mali, from Tripoli to Sebha to northern Niger, and from Benghazi to Kufra to Chad and Sudan. There is also a healthy smuggling trade between Libya and Egypt.

Strategies of survival in the North African coastal cities are driven heavily by state intervention and subsidies, and the resulting smuggling economy across adjacent borders reflects this, with the focus mainly on consumer goods and food. Wealth from the central state is used as a tool to ensure acquiescence of border communities, and a blind eye has largely been turned to smuggling activities. In the zones of limited state reach to the south on the Saharan periphery, livelihoods are steeped in either supporting the movement of illicit goods (as "businessmen," drivers, and guides) or as rent-seeking protectors of illicit trade. In the absence of legitimate livelihoods, and with few other independent sources of revenue accumulation other than those related to illicit trafficking, border towns like Sebha and Kufra are now heavily dependent on the smuggling economy. In some cases, for example in the south of Tunisia on the border with Libya, governments have tolerated or even encouraged informal trade rather than attempt to find legitimate sources of revenue and stimulus for economic growth (Antil and Mokhefi, 2014).

In an environment of political transition, however, governments seeking to consolidate the state find the process of subsidy reform difficult to broach without triggering popular discontent (IMF, 2013). Pressure from the International Monetary Fund in the early 1990s saw a reduction (although not a cessation) of the subsidies in Algeria, but not Libya (Lacher, 2013b). That reduced the overall volume of

[21] This is equivalent to 13.8 percent of Libyan GDP. By comparison, current spending on education and health are 5.1 percent of GDP and 1.8 percent of GDP, respectively.

smuggling southwards, although left in place the infrastructure (trucks, drivers, guides, and others) that had lived off the proceeds, thereby creating the infrastructure on which illicit goods and existing patronage networks could profit.

Cigarette smuggling became the first illicit profit driver that stepped into the space left by the decline in the smuggling of subsidized goods. Control over cigarette smuggling and the price differentials in place meant comparatively large profits and “greatly contributed to the emergence of the practices and networks that have allowed drug trafficking to grow” (Lacher, 2013b, p. 64). Importantly, in terms of profits and modus operandi, cigarettes were again a transit good, crossing the central Sahara, brought into West African ports and Mauritania, and moved northwards to meet the demand in North Africa (UNODC. 2009a). Algeria, Egypt, Libya, Morocco, and Tunisia smoke 44 percent of Africa’s cigarettes. The cigarette smuggling trade is now estimated to be worth US$1 billion a year, and has long-standing links to terrorist and insurgent groups.[22]

There is debate over the extent to which communities dependent on illicit trafficking and smuggling flows recognize their activities as criminal. The subsidization of commodities in the North African states and policies of the Libyan government under Muammar Gaddafi led to the perception that the smuggling economy was implicitly state-endorsed. In fact, Gaddafi not only tacitly endorsed black market economies, but actively used access and control of illicit flows to reward those favored by the regime.[23] As he was once famously quoted as saying, “You may think that black-markets are negative. On the contrary. As far as we are concerned as revolutionaries they show that the people spontaneously take a decision and without government make something which they need: they establish a black market because they need it… What are black-markets? They are people’s markets” (Shaw and Mangan, 2014, p. 7).

Across the region, however, this policy of turning a blind eye to the smuggling trade has allowed the trafficking of higher value illicit commodities to become entrenched, and it is increasingly challenging to distinguish illicit trafficking from the overall informal economy. Furthermore, to protect the higher value illicit flows, greater degrees of violence and corruption are required. As Tunisian officials on the border of Libya recently complained, they “are doing the work of two agencies,”[24] that is, providing both security and customs, as the border has become an “uncontrolled criminal market” and clashes between armed groups protecting their trade have become common (Shaw and Mangan, 2014, pp. 22–27).

The dominance of the smuggling economy from the northern rim down and the growing dependence of border communities on these illicit flows have increased the vulnerability of the communities that sit on the periphery of the Sahara, in the Sahelian band. Recent reports in the Sahel countries emphasized that these communities’ capacity to smuggle contraband, derive profit from trafficking, and migrate across the region’s porous borders is the resilience strategy employed to survive. Most feel that these activities

[22] While there is a reasonable body of literature on cigarette smuggling, a quick overview can be found at http://www.globalinitiative.net/illicit-cigarettes/.
[23] Ironically, one result of these policies is that smuggling is widely understood in the Libyan border communities as a right granted by governments in exchange for stability.
[24] Interview, Tunisian border officials, Tunis, April 2014.

have some degree of legitimacy, or are at least broadly justifiable given the tacit government endorsement and few other alternatives.[25] They do, however, recognize a distinction between the smuggling of commodities and the trafficking of higher value goods such as drugs and arms, which may be more clearly recognized as criminal and have visible detrimental impacts.

Focus group sessions in communities along the major trafficking routes through Mali and Niger in 2013 highlighted the degree to which the accumulated resources from drug trafficking have had important implications for community dynamics. First hashish and then cocaine created a source of illicit funding that has overwhelmed existing flows and enriched and empowered new societal groups. It further created a cadre of highly militarized young men with unprecedented influence on community stability and local power dynamics. Communities, and particularly women, report the growth of a "trafficking culture" that has developed around the high-value flows. This culture has undercut traditional practices, increased violence due to competition between armed groups, raised local costs (such as, for example, bride prices, but also of commodities and accommodation driven by illicit funds), increased the prevalence of violence against women and girls, and undermined traditional hierarchies and systems of authority (Tinti et al., 2014; Shaw and Reitano, 2014).

The southern rim: People and passage

The fragility of the Sahelian countries—whose northernmost communities sit at the periphery of the Sahara—are further exacerbated by a number of developments in West Africa that have had important long-term implications for trade across the wider Sahara. One of the most significant is the substantial growth in activity of key ports along the West African coast (UNCTAD, 2013). Using the LSCI rating as an indication of engagement in global trade, all of the ports along the West African coast show significantly higher scores than the ports of comparatively richer North African states (Algeria, Libya, or Tunisia).[26] These improvements are recent but are likely to be sustained.

An examination of the transit trade figures for the ports concerned show that almost all of the needs of the key landlocked Sahelian states—such as Mali, Niger, and Burkina Faso—are met through a limited number of West African ports. Niger receives almost all of its imports through the port of Cotonou in Benin and Lomé in Togo (UNCTAD, 2013). Trade to Chad is largely routed through Nigeria and Cameroon. Sudan is supplied through Port Sudan in the Red Sea. A proxy war between Sudan and Chad has meant historically little trade between the two, although efforts appear now to be underway to improve the transport infrastructure between the two countries.[27] While the Nigerian trade has remained relatively stable, with some trade shifting from Tema in Ghana to Lomé in Togo, the same does not apply in the case of Mali. Here there have been considerable increases in trade through two ports in particular, both of which have shown remarkable growth between 2008 and 2012. Mali, by contrast receives almost all of its trade through Dakar and Abidjan. While Cotonou transit traffic to the

[25] These points are well reflected in Tinti et al. (2014) and Shaw and Reitano (2014), which draw from extensive interviews with borderland communities in the Sahel.

[26] The LSCI figures are Senegal (11.08), Ghana (19.35), Togo (14.76), and Nigeria (21.35) compared to Algeria (6.91), Tunisia (5.59), and Libya (7.29).

[27] An excellent account of the "proxy war" and its implications is given in Tubiana (2008).

Sahelian states has remained stable, Lomé-Togo has seen an impressive growth of 43 percent. Abidjan and Dakar have seen a combined growth of 125 percent in transit trade (Eshun and Rasmussen, 2013).

The data also suggest that trade through these ports to the Sahelian countries is almost entirely a one-way import flow. Goods are moving into the interior, but few goods or commodities are being transported out. The exact reason for this increase in trade in the region is unclear. As in the case of their North African neighbors, with the exception of hydrocarbons, exports constitute only a very small percentage (5 percent) of total international traffic (UNCTAD, 2013). The Sahel is naturally resource rich: extensive iron ore deposits are exploited in the Fort Gouraud area of Mauritania. Niger is the fourth largest producer of uranium globally, and also sits on sizeable deposits of gold, tin, silver, and coal. Mali—recently referred to in an article as “the El Dorado of strategic minerals,” (Teichmann, 2013) also sits on deposits of gold, diamonds, and bauxite. In most cases, however, inaccessibility and instability have delayed significant exploitation of these resources, and bad governance has prevented their benefits being realized for the populations that sit outside of the capital, which leaves the borderland Saharan communities largely marginalized and underserved.[28] The genesis of this failure to achieve broad income distribution dates back to colonial policies, where the Saharan zones were perceived as “under the security angle rather than zones to be developed” (Antil and Mokhefi, 2014, p. 6). A distinction was further drawn between the pastoral and agricultural communities and those nomadic persons who were regarded as outside the purview of state management and often seen as a security problem and not as full citizens.

In 2013, the World Bank estimated that there are 20 million pastoralists in the Sahel,[29] and upwards of 80 million people rely on pastoralism as a major source of food and livelihood (World Bank, 2013). This being the case, and despite the significant natural resource wealth, there is little to explain the growing volumes of international trade recorded. One possibility suggested by interviews in the interior of Mali is that there are more funds as the result of illicit trafficking to buy household and other commodities, with the resulting growth in the trade figures.[30] Nevertheless, the costs of transferring goods inland remains high due to long distances from the ports, poor roads, unroadworthy trucks, poor logistics, and corruption (Zerelli and Cook, 2010). There is little, if any, onward *recorded* trade northwards.

Table 2. Agricultural and ODA contributions to Saharan Sahel economies (2013)[31]

Country	GDP	Agricultural sector	Agricultural sector	ODA	ODA
	(US$	(US$ millions)	(% of GDP)	(US$	(% of GDP)

[28] The issue of natural resources and extractives is addressed by a separate study and is thus not covered in greater detail here.
[29] Including Burkina Faso, Mali, Mauritania, Niger, and Chad.
[30] Interviews with businessmen in Bamako, Mali, November 2013.
[31] GDP and Agricultural sector figures derived from the CIA World Factbook, https://www.cia.gov/library/publications/the-world-factbook/rankorder/2241rank.html; ODA from the OECD official statistics from January 2014, http://www.oecd.org/dac/stats/statisticsonresourceflowstodevelopingcountries.htm

	millions)			millions)	
Chad	13,590	6,292	46.3	479	4%
Mali	11,370	3,980	35.0%	1,001	9%
Mauritania	4,183	1,922	16.9%	408	10%
Niger	7,304	2,812	38.50%	902	12%
Sudan[32]	52,500	14,385	27.40%	983	2%

Another key resource flow to be considered in regards to economic and trade drivers, and arguably another explanation for the growth of imports into the Sahel, is the international community and overseas development assistance (ODA). As Table 2 shows, ODA makes up a significant percentage of GDP in many of the Sahelian countries, and the international community's attention and presence in these states has been increasing steadily since the millennium, as the terrorist threat and what has been called the "arc of instability" in the Sahel has grown in prominence.

A number of studies note that despite the significant influx of capital realized through ODA, this has generally been to the benefit of capital cities and urban hubs in the south, rather than in the marginalized Saharan populations in the north. Community perception surveys undertaken in Mali and Niger further highlight the fact that while state leaders and elites have enriched themselves, there has been little evidence of livelihood improvement in communities outside of Bamako and Niamey. This created a sharp bifurcation between citizens and the state, and has served particularly to disenfranchise the marginalized Saharan communities in the north that see little in the way of state service delivery. In fact, these surveys rather vividly depicted the widespread corruption of state institutions that seek to take rents from the local informal economies and smuggling networks. The focus groups and community level studies have also described the process by which those traditional leaders with authority and access to the state used their connections to demonstrate their value to the emerging trafficking groups by facilitating the passage of illicit goods (Shaw and Reitano, 2014). This materialized in the form of widespread local corruption and a growing integration of trafficking groups and culture into the institutions of the state, which in turn has led to the critical erosion of the state and what has been called the "hollowing out" of state institutions. In some cases and to varying degrees across the region, criminal groups have projected themselves into the vacuum left by the state to become another source of legitimacy, security, and service provision at the local level, which created additional justification for engagement in criminal economies.

[32] As an oil-producing state, Sudan's economy shares similarities with those of the two North African oil producers. ODA percentage is deceptively low, as GDP is markedly higher than the other Sahelian states. Oil represents 50 percent of the country's revenue and 90 percent of its exports. This provides little benefit to the broader population, of which 80 percent are pastoralist.

Over time, criminality and governance have become intertwined in many of the countries of the greater Sahara, and the systems of security and justice have been oriented to protect and facilitate illicit trade, creating an aura of impunity. At all levels, crime warps the core principle of democratic processes. Instead of earning popular trust through legitimate economic and social policies, the path to power lies in securing revenues through criminal practices. The profits made from illicit activities buy political influence, to the extent that participants in criminal activities may have multiple (sometimes reinforcing) identities within state institutions and criminal networks.

Migration and resilience

The nature and scale of economic growth in West Africa has considerable impact on the Sahel states, and thus on the Sahara as a whole. The dichotomy between the rate of economic growth in the region,[33] coupled with growing inequality and insecurity in some key states (most notably Nigeria), exacerbates fragilities for the Sahelian band. Rapid population growth and urbanization is also an issue. Consider Lagos, which has seen its population multiply forty times in sixty years and will soon be one of the largest mega-cities in the world. Cities such as Lagos are unable to provide economic opportunities for all their residents, which becomes a potential source of social conflict.[34] This has manifested in mass migration northwards from Nigeria and other Gulf of Guinea coastal states.[35]

West Africa has become the source of one significant export that does cross the Sahara: people. The migration of West Africans upwards through the Sahel—with the final destination of North Africa or ideally Europe—has reached unprecedented proportions in recent years and has become a source of instability and fragility for the Sahel countries. As shown in the map in Figure 4, migrants move in three large streams:

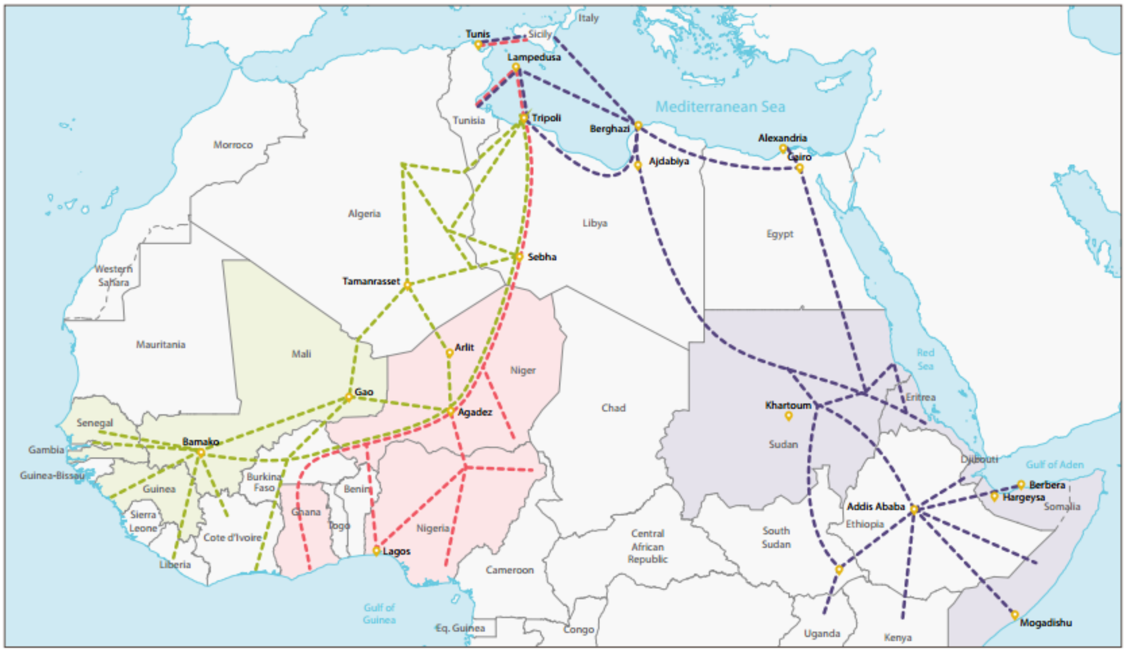
- From western Africa, with the main source countries being Senegal, the Gambia, and Mali;
- From central West Africa, with the flows beginning in Nigeria, Ghana, and Niger, amongst others; and
- From East Africa and the Horn, with Darfur in Sudan, Eritrea, and Somalia being the most significant source countries.

[33] Several West African countries—notably Nigeria, Ghana, and Côte d'Ivoire—have been identified as the fastest growing in the region. The Sahelian states are, in contrast, not considered to be in the same category. See http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/Regional_Editions/West_Africa_ENG_web.pdf.

[34] The growth of Africa's population and both its positive and negative consequences are well explored in Severino and Roy (2011). The authors note that given the fact that the population will have 25 percent more inhabitants than China, "the equivalent of the Indian subcontinent is forming on Europe's doorstep" (p. 9).

[35] Interviews conducted by the authors in several large holding areas for migrants detained in North Africa repeatedly highlighted that migrants move in order to improve their chances of employment and gaining a livelihood for themselves and their families.

Figure 4. Primary migration routes from Africa to Europe[36]



Western Route - Main sources countries: Senegal, Guinea, Mali

Central Route - Main sources countries: Nigeria, Ghana, Niger

Eastern Route - Main sources countries: Somalia, Eritrea, Sudan (Darfur)

It is reported that key migrant smuggling hubs—such as Agadez in Niger—see as many as 5,000 migrants a month who are looking for a route northwards (Al Jazeera, 2013). Given the volume of people moving, the smuggling of migrants has become a significant generator of illicit revenue. According to Europol, some 80 percent of irregular migration to Europe is "facilitated" by smugglers or criminal groups who are paid to provide services such as transportation, fraudulent identification, corruption of border officials, and settlement services (UNODC, 2006). A recent study by the Global Initiative Against Transnational Organized Crime revealed the extent of smuggling networks operating from Agadez to southern Libya: "Dozens of convoys leave locations on the outskirts of Agadez and its environs every week, typically on Mondays. Each vehicle in the convoy—usually a Toyota 4x4—is filled with 28 to 30 migrants, sometimes as many as 35. For the network in which these particular smugglers operate, passengers pay between US$200 and US$300 depending on their final destination in southern Libya" (Reitano et al., 2014, p. 10).

This particular route is largely controlled by the Toubou ethnic group, which at these levels is generating revenues of between US$10,000–US$15,000 dollars per week from the migrant trade. This has shifted balances of power at the community level by injecting considerable resources directly into the hands of one group, and has significantly strengthened their potential for influence over local and regional stability. As noted in Antil and Mokhefi (2014), "Control over parts of Libya's far south awards the

[36] The map is taken from Reitano et al. (2014), which gives the most recent overview of migration patterns from Africa to Europe.

Toubous a position of unprecedented economic and military strength and, above all, leaves them without an equivalent in terms of political influence ” (p. 30). The report also notes that this could in turn enrich and empower ethnic Toubous in Niger and Chad to challenge state consolidation.

From a purely economic perspective, the realities of the migrants’ journey also impact local economies; migrants often have to work their way northwards, finding employment to pay their way, and are frequently trafficked for labor or sex.

The Saharan heartland

The discussion of the northern and southern rims of the Sahara highlights a crucial point: while trade makes its way into the center, the Sahara is no longer a transit point for trade. The only exception to this rule is illicit trade, which traverses the Sahara from north to south, but also east to west. We have already considered the case of northwards migration across the Sahara, which is both driven by and exacerbates fragility and has become a mainstay of the regional criminal economy.

As the earlier narrative described, for a number of reasons, the reduction of legitimate trade through the central Saharan region has been an ongoing trend for several decades. Trade transit routes have constricted down to flows intended only to meet the immediate needs of the region and the communities that live in it. The decline of intraregional commercial exchange in communities heavily reliant on the transit trade instead created a vacuum that has been filled only by those illicit commodities that, for reasons of security and secrecy, could not follow the standard routes.

The central Sahara is now dominated by a self-reinforcing criminal economy based around trafficking that traverses the Sahara. There is some evidence that trafficking of high-value illicit goods (drugs, illegal migrants, pharmaceuticals, and so on) has provided the disposable income to fuel a so-called “grey economy” of smuggled goods that includes both subsidized basic commodities and also luxury items such as vehicles, weapons, and electronics. As captured in a recent study, “commercial exchange has been revitalized by migration and continues to structure regional relations on all levels” (Brachet, 2012, p. 249). Thus, while the account below will show that licit and illicit trade were historically intertwined, at present the Sahara is driven predominantly by illicit trafficking which stimulates the smuggling economy and a limited amount of informal economic activity between neighboring states.

The evolution of smuggling and trafficking in the central Saharan region is the story of staged development, from one set of a commodities to another, each providing the platform for the next stage, and each in turn more profitable. While this evolution has occurred over several decades, it has only become the subject of international policy attention with the advent of wider and more visible instability in the Sahara, in particular the coup that toppled the regime in Mali in March 2012 (Reitano and Shaw, 2013).

As already described, the illicit economy was born as the subsidies provided by the oil economies of Algeria and Libya reinvigorated regional trade in the 1970s and 1980s, and combined with stronger border controls in the south. Goods that could be moved into and through the central Sahara to the markets not only in the borderlands, but also further south, could reap reasonable profits.

The first genuinely illicit commodity to begin to transit the Sahara is cannabis resin from Morocco. It has had an enormous (albeit under-analyzed) impact on the region. Morocco remains the largest producer of cannabis in the world and although recent reports suggest a decline in production, cannabis remains a significant source of trafficking revenue.[37] Significantly the trafficking of cannabis resin permeates the whole region by following two major routes, as shown in the map in Figure 5.

The first follows the North African coast and includes the use of boats along certain segments of the route. The second moves southwards from Morocco and then traverses eastward across the Sahel, along the Libyan-Chad border to Egypt. Cannabis resin has historically been transported in convoys along the Sahelian route. From Egypt, the resin is transported either to the Balkans for onward delivery to Europe, or distributed into the wider Middle East and the Gulf.

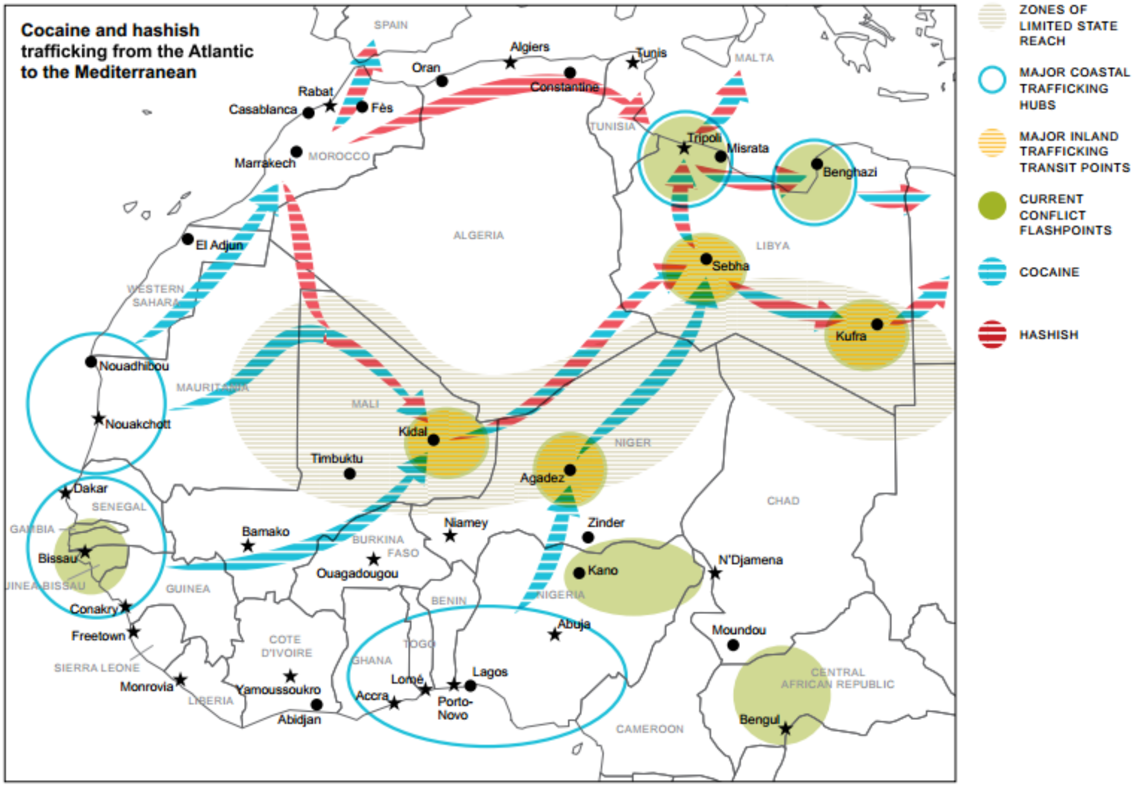
While the movement of cannabis is a major contributor to the resourcing of those involved in trafficking and those who provide them protection, there has been little work on determining either the extent of the trafficking or the profits that remain in the Sahara region. Reports from the Mauritian intelligence service estimate that about one-third of what is produced takes the southward route (Foreign and Commonwealth Office, 2013). Production in Morocco is reported to be decreasing, as indicated by the rate of seizures in Spain, the main entry point to Europe. Seizures in Algeria have risen 20 percent in the last two years and the Libyan authorities and militia groups have made relatively regular seizures since 2012. This suggests that the two Saharan routes may have assumed greater importance.

The other drug that moves through the Sahara—and by all accounts generates the greatest level of profit—is cocaine. Cocaine began transiting through sub-Saharan Africa in the early 2000s, as the European market for it grew, and interdiction efforts increased in the Caribbean (Williams, n.d.). Latin American traffickers targeted several coastal states, the most well-known and vulnerable of which were Guinea-Bissau. The arrival of cocaine on West African shores coincided both with the beginning of several fragile political transitions and, particularly in the case of Guinea-Bissau, the drying up of external licit resource flows (Kemp et al., 2013).

The route northwards from Guinea-Bissau has had a decisive impact on stability in northern Mali and now Libya, as the profitability of cocaine vastly exceeded any commodity that had previously passed through that region. While estimates vary, the UNODC determined that in 2008 approximately 14 percent of Europe's cocaine transited through West Africa, with a street value of some US$1 billion (UNODC, 2013, pp. 13–17). Those groups able to take a slice of the cocaine trade—and it appears that this has largely been determined along ethnic or clan lines—were able to use illicit resources to change long-established community hierarchies and leverage state infrastructure and political processes in unprecedented ways. This is further discussed in Section III below.

[37] See UNODC (2007) and the seizure dated reported in UNODC (2013, p. 25).

Figure 5. Interlocking flows of cannabis and cocaine[38]



As shown in the map above, depending on where shipments of cocaine reach the West African coast, they follow either a west-east movement (from Senegal or Guinea-Bissau) or a more south-north route, if landing in the small states in the Gulf of Guinea (Benin or Togo) or Ghana and Nigeria. Landings by aircraft in northern Mali have occurred in the past, but it is difficult to determine whether these are a regular occurrence.[39] It is reported that some cocaine follows the route of cannabis resin south from Morocco and then onto the main east-west trajectory, and some hashish convoys seized in the northern rim from Morocco have contained cocaine buried in the center.[40] Cocaine has been irregularly seized along the Libyan coast over the past two years, although in a recent case, 44 kilograms of raw cocaine was seized directly on a ship from Ecuador.[41]

38 Map prepared by the authors for an African Union study on *Drug Trafficking and Organized Crime in Central and West Africa*, February 2014, as yet unpublished.

39 There have been several cases of aircraft landing in northern Mali, the most celebrated of which was "Air Cocaine," a Boeing 737 that was destroyed after it landed; the drug consignment was transferred to waiting transport.

40 Interviews with European security officials in Dakar, December 2013.

41 Reported by community activists in Benghazi and confirmed by a press release from the Libyan Ministry of the Interior, April 22, 2014.

While seizures have recently dropped, it still appears that cocaine is transiting the greater Sahara region, and there is debate amongst analysts regarding the actual extent of trafficking through the Sahel.[42] Interviews in Mali, Dakar, and southern Libya do suggest, however, that trafficking continues; traffickers in Mali report it is still possible to move small shipments despite the presence of French troops and the UN.[43]

The degree of intersection between legal and illegal forms of trade is worth briefly exploring further. The available evidence suggests that while resources from the illicit economy may stimulate the grey one, the degree to which the actual physical movement of illicit and smuggled goods is combined with legitimate trade is relatively limited. According to a study of migration and trade on the Algerian border notes, for example, "Trucks engaged in such semi-official trade only rarely carry migrants to Algeria. Drivers refuse to cross the border with illegal migrants because they know that Algerian customs officials will not let them pass and they will have to pay a fine."[44]

Where comingling does occur, to a greater extent it is in areas where state control is particularly weak, notably in southern Libya, or in the southern perimeter of the Sahara, and there is less risk to transiting goods. But even in those areas where state capacity for monitoring is greater, security officials will often point to the impossibility of effectively monitoring land borders in the Sahara, given the vast expanses being considered.

But while all commodities are trafficked or smuggled along similar routes, on the whole there seldom appears to be a mixing of loads, as different goods require different levels of secrecy along a spectrum: the transport of smuggled commodities is relatively open; moving migrants requires increasing care but is hardly a hidden activity, while shifting hashish is of greater concern; and trafficking weapons and drugs requires much greater levels of secrecy. These last goods are isolated predominantly because of their profitability and thus are subject to competition from other groups. Interviews conducted in the region in 2013 indicated that the cocaine trade, which in terms of value is at the top of the food chain, is highly controlled, and that actors who traffic cocaine are unlikely to be involved in trafficking other commodities,[45] though some analysts have proposed that the smuggling of lower value commodities may be used to mask higher value flows (World Bank, 2014).

The Economies of Protection

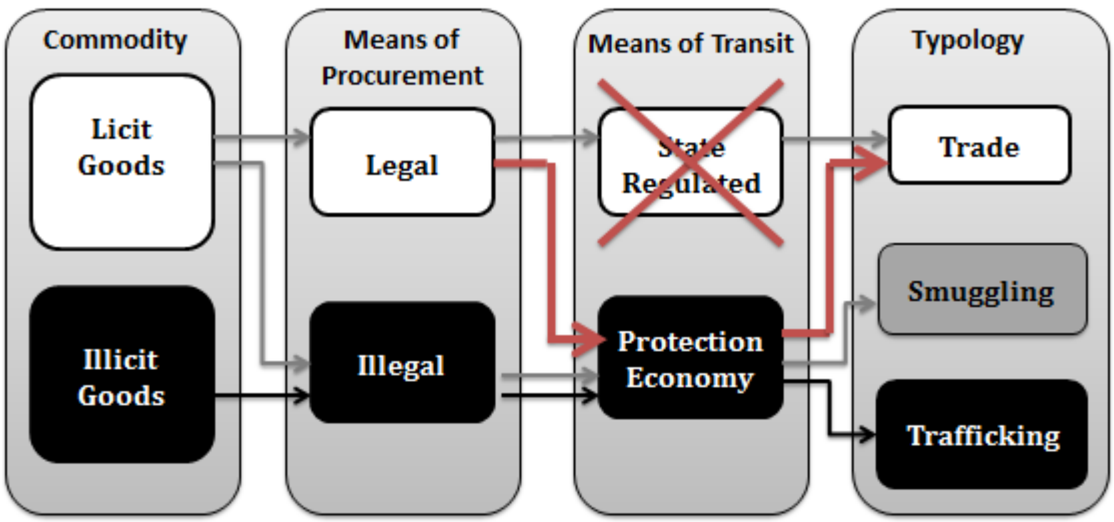
Section II outlined the broad structure of trafficking and trade in the greater Sahara. As already emphasized, one key conclusion that this narrative presents is that particular emerging patterns of licit trade and connected smuggling have opened up spaces where the incentives for engaging in illicit

[42] Wolfram Lacher (2013) has argued, for example, that the extent of cocaine trafficking through the Sahel has been overestimated, and that since mid-2010 "there have been neither seizures of cocaine, nor documented clashes over cocaine shipments on the overland route."
[43] Tinti (2014, p. 9), and follow-up interviews in Mali in April 2014.
[44] Tinti (2014, p. 9), and follow-up interviews in Mali in April 2014.
[45] Interviews with businessmen in Tripoli, on the Tunisian border, southern Libya, April 2013, and with purported traffickers in Mali and Niger in May 2013.

activities and protecting their transit have become greater. Thus, a phenomenon that is becoming increasingly prevalent in the greater Sahara region is the establishment of "protection economies," which use levers of violence and corruption to control territory and gain legitimacy.

Protection economies are by no means unique to the Saharan context, but exist in every country with illicit trade. How the protection market emerges and operates differs depending on the political, social, and economic context, and the impact it will have on state resilience also differs (Gambetta, 1993). It is particularly relevant to examine in the Sahara, however, because the state's low capacity for control combines with the protection economy to have a very detrimental impact on fragility, peace building, and central state consolidation.

Figure 6. The dominance of the protection economy over licit and illicit trade



In the "white" or legitimate economy, the flow of trade is controlled and regulated by the state in the form of legal regulations, transit fees, or taxes. In the grey or black economy, the flow of trade is controlled and regulated by gifts, bribes, payments, or kick-backs, and payment is made to whomever is in a position to control the transit corridor, whether this be a state actor such as a customs or security official, a local leader, or an armed militia group. In contexts of limited state reach, as we see in the Sahara, the protection of trade and trafficking becomes a commodity in its own right. Payments are required by both legitimate traders and illicit traffickers to guarantee the safe passage of any resource flow—legitimate trade, illicit trafficking, or even international development assistance—to those who control that economic or territorial space.

Protection economies use a nuanced set of tools to entrench themselves (Shaw, 2014). Arguably, and depending on the circumstances, protection economies use three interlinked forms of leverage, and with a spectrum of deployment. The most basic of this is the use (or threat) of violence to directly protect illicit activities. This runs in a spectrum from armed groups and local gangs at the lowest level, to the deployment of national security and military resources to protect trafficking routes. The second level of protection is bribery and corruption. This includes facilitating transactions or securing protection by persuading or buying off (bribing) key actors such as local leaders, regional or senior politicians, or relevant security actors at increasingly higher levels. Finally, the third and most sophisticated level of protection is the creation of legitimacy for illicit and criminal groups. In its lowest form, this is done through the provision of services to local communities not provided by the state (health services, education, or even access to credit).[46] At higher levels this can go up to the use of illicit funds to secure links into political processes, including through political party funding at both local and national levels.

As noted, violence is the first lever of a protection economy, and the widespread prevalence of small arms has played a pivotal role in continuing insecurity and conflict seen in the region—factors directly linked to environments conducive to organized criminal activity and in the interest of criminal groups. The arms trade also fuels corruption and insecurity to such a degree that it is directly related to the political stability of a region. Interviews in several parts of the region suggest that the introduction of large numbers of weapons both from West African conflicts, but more recently from Libya itself, have transformed protection economies. Protection is required and is now more expensive, because more people have access to weapons and can threaten the movement of goods.

After decades of conflicts, the proliferation of firearms has added fuel to zones of insecurity across the greater Sahara. The constant instability across the region has been a major driver of the proliferation and illicit circulation of small arms and light weapons (SALW). While the SALW market in the greater Sahara significantly accumulated in the post-Cold War period and was characterized by a heavy inflow of arms from outside actors, it has been widely reported in the last few years that the SALW market is largely saturated and arms are recycled within neighboring countries or in the broader region (*West Africa Insight*, 2012). Recent evidence suggests, however, that militia groups in Libya are purchasing new arms from international sources, in some cases upgrading their arsenals, having sold previous weapons regionally.[47]

The Gaddafi stockpiles are the main source of arms from the north. The illegal siphoning and sale of weaponry from stockpiles of national militaries is a second source. Overall estimates of the number of small arms circulating in the region varies greatly and are derived from a range of sources including extrapolations from seizure data, legal arms sales, and military stockpiles. Projections range from a few hundred thousand to up to 10 million small arms being moved about West Africa and the Sahel (UNODC, 2009b). Efforts to strengthen stockpile management in the region have largely been undermined by the widespread corruption; interviews in Bamako highlighted how even the most recent efforts to disarm combatants and, through cantonment, to reduce the level of small arms in the northern communities, was thwarted by corruption and theft.[48]

[46] For example, Tunisian criminal groups (cambists) offered financial services to Libyan elites during the UN embargo against Libya. They were informally recognized by the Gaddafi regime for their role as the main gateway for changing money, opening foreign bank accounts, and acquiring assets and real estate abroad. See Kartas (2013).

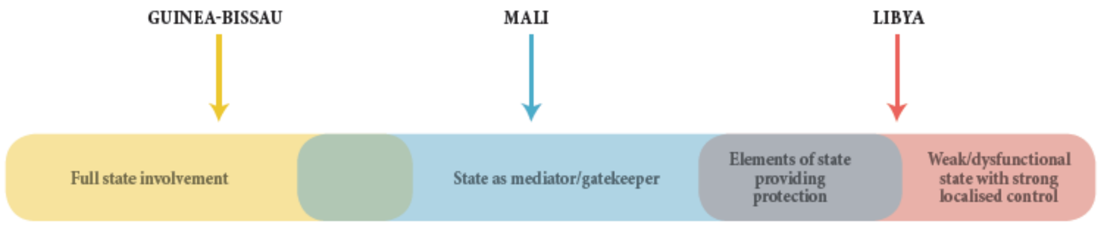
[47] Interviews in Tripoli, April 2014.

[48] Interviews with UN officials in Bamako, October 2013.

Protection economies and the impact on governance

Three states interlinked along the cocaine trafficking route northwards—Mali, Libya, and Guinea-Bissau—particularly illustrate the emergence of protection economies around trafficking and how these have distorted governance and exacerbated regional and national insecurity.

Figure 7. A spectrum of illicit economies of protection



Given the comparatively high resources obtained from trafficking, the two Saharan states have seen the emergence of strong protection economies, which has created significant centers of power outside of state control, constrained the capacity for central state consolidation, eroded key state institutions, and engendered further instability and violence. Long-term instability in Libya in particular now holds serious policy implications for the international community. Guinea-Bissau stands at the most extreme end of this spectrum, where the protection economy for illicit flows is provided at the highest levels of the state itself.

The case of Mali

In Mali, the protection economy has centered on co-opting the state and key state institutions. The central state used control of and access to resources as a way to keep on the side of (and strengthen) those political actors in favor. A closely woven relationship between political and business elite developed from the top down and was applied both for legitimate resource flows (including international development assistance), as well as for smuggling and trafficking.

The state in the north of the country was weakened by a policy of decentralization that saw power (and control over illicit trafficking) handed to local leaders in favor with Bamako. Beginning first with smuggled commodities, illicit trafficking became thoroughly integrated within northern Mali's political and military structures. The corruption required to ensure "protection" or safe passage greatly contributed to hollowing out the Malian state, undermining institutions and eroding the legitimacy of official systems of governance at the community level (Tinti et al., 2014). It also disenfranchised ordinary citizens, who increasingly saw the state as failing to protect or deliver services to the community. Instead, the state was viewed as being orientated around illicit flows and criminal activities, and its agents as acting with impunity.

This process began with the smuggling of commodities, but when the windfalls generated by cocaine trafficking began to enter Mali's political economy in the early 2000s, they constituted a new and important resource for the political elite. In a way remarkably similar to the distribution of political patronage, drug profits were accessible to those close to the president and to regional leaders in the north who aligned themselves with him. Others were excluded, and were acutely aware of this exclusion.[49] Furthermore, this process was self-reinforcing. Funding from illicit activities was used to secure political influence (including through electoral processes and campaign funding) in key territories along trafficking routes, which in turn maintained the protection of the flow.

Also empowered were those groups most likely to successfully make the desert crossing, or conversely, those most likely to disrupt the flow—the nomadic communities of the north such as the Toubou and the Tuareg, among others. To ensure the passage of cocaine, these previously, largely marginalized communities came to the fore as transporters and traffickers. Their share of illicit resources were used to secure access to greater legitimacy within their immediate constituents, and also to buy into local governance and security institutions. As a 2011 study described it, "In the zones inhabited by Malian Tuaregs, 'customs officials and the smugglers often belong to the same clan'" (Jourde, 2011, p. 18).

At the same time, however, the highly illicit nature of this high-value cargo required the guarantee of safe transit, and thus a more effective protection economy. Following the introduction of trafficking of hashish and cocaine, both the trafficking and the protection market in Mali became increasingly militarized. This resulted both in the proliferation of armed groups funded by traffickers to protect their convoys, pitted against state-sponsored militia groups and/or the greater engagement of the Malian military into facilitating and protecting trafficking flows.

As existing hierarchies eroded and the balance of power shifted, conflict around the control of trafficking increased. In January 2010, when clashes over a shipment of cocaine led to the abduction of a prominent (government-supported) local leader, this fragility severely tested the Malian leadership as it attempted to maintain stability between the increasingly competing interests of different groups (Lacher, 2011). The overall result was a weakened state whose security institutions had increasingly shifted from issues of state security toward securing trafficking routes, and a state in which corrupt practices undercut the ability to deliver basic functions. The situation came to a head in March 2012, when elements of the Malian armed forces carried out a presidential coup.

By the time of the coup, cocaine trafficking through northern Mali had reached a level of operational sophistication. Resources had accumulated and clear practices for moving the drugs had been tried and tested. More recent evidence suggests that trafficking networks were well positioned when old systems of protection weakened, failed, or disappeared to allow the negotiation of new deals with whichever armed group could provide the required services (Tinti et al., 2014). Thus when the state lost control of the north, armed groups from the Ifoghas and the Tuaregs took a share of trafficking proceeds to ensure safe passage. Currently, and in the wake of the French intervention, the protection economy has yet to stabilize; competing groups have made several attempts to attack and seize drug shipments.

[49] The best explanation of this in pre-coup Mali is Bøås (2012).

The case of Libya

The trafficking economy that has developed in Libya has in many ways reinforced these conclusions, though the trajectory was slightly different. As previously mentioned, trafficking in Libya is not new; in Gaddafi's time there existed what has been described as a "controlled criminal economy," in which selected groups and individuals aligned to the leader were provided space to engage in illegal activities. The fragmentation of the old security structures opened up the market for both smuggling and trafficking, and ordinary Libyans in the border areas saw the opportunity to share in the profits of the illicit economy as the fruit of the liberation struggle. Of greater concern, however, has been the degree to which armed groups have locked onto illicit flows as a source of profit.

In the wake of the Libyan Revolution and the seizure of control by militias in Tripoli in August 2011, the nascent government that had relied on the militias to seize power left them in place on the argument that they were needed to ensure security. In reality, the new civilian government had few tools with which to confront what were now a powerful set of armed groups that grew in influence in the wake of the liberation. To sustain themselves in the absence of predictable government payouts, militia groups began to engage in the illicit economy, typically by drawing on their military strength by offering protection to illicit flows. This empowered the most powerful armed actors, such as the Zintani, who quickly consolidated control over key transport nodes such as the airport in Tripoli.

Control over illicit flows and the provision of protection for the movement of illicit goods is now a significant source of resources for armed militia groups (Shaw and Mangan, 2014). Both the Toubou along Libya's southern border with Chad and Niger, and the smaller but powerful Zintani on the southwestern border, have been greatly strengthened in the process. In the coastal cities, and particularly for the militia groups swirling around Tripoli, illicit resources are channeled to support access to arms and influence over the ongoing political transition. In the hinterlands in the country's south, however, militia groups have translated the revenues from trafficking and the protection economy to consolidate local power. This dynamic empowers local strongmen who thus have few interests in engaging in the ongoing political process in Tripoli or supporting central state consolidation (Lacher, 2014).

As these two case studies demonstrate, across the Sahara, the nature of states and the nature of the development of trafficking and trade have not resulted in stronger central states through the collection of revenues; rather, these have increased the level of violence, undercut central state authority, and empowered local powerbrokers. The case of Mali demonstrates the way in which the state itself can become integral to creating and sustaining protection economies and resourcing the actors who control them.

Crime and terror: the resourcing of extremism

The conflict in Mali spawned a virtual industry of studies seeking to provide a link between the issue of organized crime, illicit trafficking, and terrorism. An initial set of studies focused on the degree to which criminal activities, mainly kidnapping foreign nationals and smuggling (most notably of cigarettes), contributed to the resourcing of terrorist or extremist groups (Lohmann, 2011). Announcements from senior policy makers at the global level reinforced this view.[50]

In retrospect, however, several analysts have sought to question a direct link between illicit trafficking and the growth of terrorism. In particular, while such a focus concedes that al-Qaeda in the Islamic Maghreb (AQIM) and the Movement for Unity and Jihad in West Africa (MUJAO) have been involved in kidnapping and smuggling, this is not their primary aim. Security officials in the region make clear that narcotics have never been seized from any known terrorist associate.[51] In the Sahara there is now some consensus, at least among academic analysts, that the "narco-terrorism" description does not adequately capture the reality of what has happened on the ground. If insurgent or terrorist groups profit from illicit trade, they more likely do so by taxing the movement of goods through territory they control rather than by being involved in the movement of the goods themselves (Tinti et al., 2014). Thus, terrorist groups have become key actors in protection economies.

The degree to which extremist groups rely on resources from trafficking should not be exaggerated, however. Violent groups like Boko Haram in northern Nigeria, for example, exist on the fringes of the trafficking economy, with ideological rather than economic linkages to the Sahara. As Wolfram Lacher (2013a) has argued, "Talk of an alleged drug-terrorism nexus diverts attention from the much more profound problems that allowed drug trafficking to thrive in the region: the deep involvement of state agents and members of local elites in organized crime, including narcotics smuggling." He concludes that "leading players in the regional smuggling business are well-positioned to return with a settlement of the conflict, whether on the side of [any] insurgent group or on that of the Malian state" (p. 9).

Policy Implications

The report has illustrated the complex interrelationship between trafficking and trade in the wider Sahara region. Central to this argument is that high-value illicit trade is relatively isolated from licit trade and that trafficking <u>across</u> the Sahara—both west to east and north to south—is almost exclusively now of illicit goods. While insulated from wider informal trade and smuggling networks, this illicit trade has however generated a protection economy that appears to have increased the costs for all movement of goods. Illicit trafficking has also introduced resources into local communities in ways that continue to change established systems of governance as well as local economies.

The evidence presented in this paper also suggests that across the region, illicit trade—both informal trade and the more pernicious trafficking—has hampered central state consolidation and become an important driver of instability and conflict. It argues that the creation of well-resourced protection

[50] See, for example, Antonio Maria Costa's speech to the Security Council on December 8, 2009: http://www.unodc.org/unodc/en/frontpage/2009/December/security-council-debates-devastating-impact-of-drug-trafficking.html.

[51] Interviews conducted by the authors in Niger, Mali, and Senegal in November and December 2013 all confirmed this point.

economies, fuelled by arms proliferation and violence, are at best isolating communities from engaging in central state processes and creating disincentives to support the strengthening of state institutions.

The paper concludes that there have been insufficient attempts to collect and collate the perspectives of ordinary people on their lives, well-being, and relationship to illicit economies. As such, it is not possible to draw conclusions that apply across all regions in this respect. In particular, the impact of informal trade and trafficking on border communities in particular requires much more analytical and policy attention. The threat of extremism has been overemphasized at the expense of a more comprehensive and nuanced understanding of how trade and trafficking has strengthened local powerbrokers, facilitated corruption, and undercut the central state.

Recognizing the existence of the protection economy has two implications for strengthening the responses of international actors both in challenging organized crime and illicit trafficking, but also for strengthening the process of peace consolidation, governance, and state building. Breaking down illicit trade cannot be accomplished without also breaking down the protection economy that surrounds it. Firstly, analysis of the protection economy can offer entry points to better understanding the nature of the illicit economy, its impact, and for monitoring evolving trends, as protection becomes a commodity in its own right. For example:

- The more illicit the nature of the good, the higher the protection fee is required to be paid. Analyzing the costs of protection is one way of understanding the nature of the flows that might be passing through that territory.
- The influence of individual actors or groups can be charted by the "protection fee" they can command.
- Levels of violence can indicate how well illegal economies are protected, and the degree of control; violence typically indicates an immature protection economy.

Secondly, analysis of protection can be used to better understand the dynamics of illicit flows, chart trends, and monitor and measure the impact of specific interventions. For example, in the case discussed earlier of migration between Agadez in Niger and Sabha in Libya, recent research on the ground has indicated that the Toubou are consolidating control over the migrant smuggling along that route. Research has shown that the price of the Agadez-Sabha leg of the route has been rising over time, despite a rising supply of migrants, which can be interpreted as indicating that the Toubou are increasingly gaining a monopoly position. It also becomes a way to identify the groups with which it is critical to work. Thus, with the example above, the illicit flow of migrants cannot be suppressed without engaging with the Toubou who control the trade. Political, economic, or social incentives must contingent upon a clear and demonstrated commitment to end illicit activity.

In the long term, however, if there is to be a sustainable end to illicit trade, and more importantly, its negative impacts on governance, it will be necessary to break down the protection economies, which in this region apply predominantly three tools: violence, corruption, and "buying" legitimacy. Interventions to break down the protection economy will need to be applied to these three tools concurrently.

Illicit trafficking and the entrenchment of protection economies are typically viewed as security challenges. With that view comes a quite binary notion that the state must be strengthened to combat insurgents and traffickers (that is, nonstate actors). Instead, as this report has demonstrated, the reality is more complex. With the endemic levels of corruption and the interweaving of trafficking groups into the state, and the state into the protection economy, the interests of the two groups may not be clear. State officials may follow economic, social, and political incentives that are incongruent with the interests of central state consolidation, indicating that the problem is less technical than political. Through that lens, then, the knee-jerk response to strengthen the capacity of law enforcement and state security institutions, or to provide more technology, surveillance materials, vehicles, and capacity-building, may empower the protection economy rather than the state.

To undercut the protection economy, armed groups must be separated from the protection economy, which requires both political and economic interventions. Reducing the prevalence of and access to small arms and weaponry will be essential, but this cannot be achieved without also applying social and economic interventions. Efforts at disarmament and cantonment in northern Mali, for example, have been heavily stymied, in part due to corruption—arms stockpiled are being sold by those charged with protecting them—and by the failure to provide viable incentives to the armed groups targeted. [52]

It is essential to explicitly address the second lever, corruption. Across the Sahara, where the state is present at all, it is increasingly becoming part of the protection economy. Arguably, this slow erosion of the state is a more potent and damaging form of fragility than the overt consequences, as it creates a quicksand of the foundations of governance, the rule of law, and democracy. Furthermore, as the international community concentrates on state institutions and the formal processes of democratic elections at the expense of community level interventions, this serves both to enable those enriched by criminal proceeds and to multiply the perceived tacit endorsement of the trafficking economy. This was argued both within the framework of the rush to elections in the aftermath of the Mali crisis in 2012 (International Crisis Group, 2013a), as well as in the noticeable absence of discourse on challenging criminal flows in the preparation of elections in Guinea-Bissau in 2013–2014. Similarly, the adoption of decentralization policies in Mali was done without an adequate assessment of the effect it would have on the criminal economy (Cockayne, 2013).

There are a number of approaches within the toolbox of anticorruption initiatives that can be brought to bear, including raising awareness, oversight, and local compacts. At the highest levels of state, international mechanisms to counter impunity are critical to changing community perceptions and reversing citizen disenfranchisement. Institution building is a long-term process and should not be confused with the formal processes of democracy. Studies have shown that multi-party democracies are extremely vulnerable to criminal infiltration, and that local and central elections have been used to position criminal groups closer into the state. While it may be necessary to accommodate groups as part of the political process, it must be done without reinforcing their stronghold over the protection

[52] Based on interviews with UN disarmament, demobilization and reintegration (DDR) officers in Bamako, October 2013.

economy into the transitional and political process. Cognizance of that possibility and understanding the political economy dynamics must be the first step.

Political and economic policies by states and other actors have given legitimacy to illicit activity at the community level; counteracting this legitimacy is the third lever that must be deployed. Interventions by international actors will need to include rebuilding state institutions to engaging local communities, and most importantly, providing effective economic alternatives. By working with specific groups at the community level, it may be possible to reach agreements around cost-sharing between the central state and local interests of socioeconomic goods, such as schools, water provision, health facilities, and basic infrastructure construction. These should be predicated heavily upon measures that will increase transparency over local budgets, promote citizen oversight over public institutions, and deliver tangible benefits along community-driven priorities. Examples exist where this has been done effectively through local community committees, including the private sector and other nonstate actors.[53]

Over time, and congruent with the broader sociopolitical and structural interventions, there will need to be an effort to bring the state back into those regions where its reach has not been felt, and ensure its capacity to control, regulate, and secure livelihoods and communities. The informal economy maintains its traction at the community level because of the paucity of other alternatives. If a long-term end to illicit trafficking is to be achieved, then alternative sources of sustainable livelihoods need to be generated, and ways to draw the informal economy back within the boundaries of legitimate trade need to be found. Too often, the development response is to provide short-term, high-impact employment programs, but these do not provide a viable alternative to trafficking. An overarching framework needs to be applied to development and economic priorities, which recognize the dynamics of the informal economy, make the structural reforms required to bolster the resilience of communities, provide a broad-based, pro-poor redistribution, and create viable alternatives to those communities and population groups most at risk.

Within the overarching framework, economic and development investments need to be crime-sensitive. For example, investments in transport infrastructure to facilitate legitimate trade will act as a magnate for actors in the protection economy. The case of Libya demonstrates the extent to which critical transportation nodes—airports and ports—have become hubs for the illicit economy, and the groups that can isolate and control them significantly enhance their resources and leverage. Again, a crime-sensitive approach is required, as is international oversight, while national capacity and integrity are being built.

In the long term, a strategic and harmonized process needs to be applied to tackle informal trade and informal economies. Given the entrenchment of these economies and the establishment of strong networks of protection, this cannot be achieved through a punitive (that is, sanctions-based) or heavily regulatory approach. Tools can be brought to bear, including taxes, tariffs, and subsidy policies, as well as direct incentives. As has been highlighted now in a number of studies on periphery communities in

[53] Shaw and Reitano (2014) give the example of a town in southern Mali where a covenant was created between citizens and local government to end corruption.

the Sahara, rationalization of trade policy is a regional issue, and one that needs to be handled within a context of political accommodation for those groups in the border areas most affected.[54]

Finally, we need to recognize that illicit flows are unlikely to end soon. There is too dominant a market dynamic for illicit drugs such as cocaine and hashish, and state institutions across the Sahel in particular are too weak at this time to provide a credible bulwark against them. There is an opportunity, however, to use the region's interdependencies to an advantage, and to attempt to stem the flow of illicit commodities higher up the supply chain in those states with higher capacity.

The fight against illicit trafficking and fragility in the Sahara are closely interwoven. Economic and development gains are being distorted, diverted, and lost by the strength of the illicit economy. If peace building and state consolidation are to be achieved in this region, a better understanding and renewed focus is required. Insufficient research has been done on the dynamics of informal trade and trafficking across the Sahara as a whole, taking into account the interdependencies also with the West Africa region. More work needs to be done that reframes the problem from beyond a security lens, and instead focuses on understanding and breaking down the economic and political incentives that enable trafficking, trade, and the protection economy.

[54] See Ayadi et al. (2013) for conclusions on Tunisia; Shaw and Mangan (2014) for Libya, and International Crisis Group (2013a) and International Crisis Group (2013b) for Algeria.

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