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Roger Ballard\*

## Containing the Challenge of Transnational Networking from Below: Post-9/11 Initiatives

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Our strength as a nation state will continue to be challenged by those who employ a strategy of the weak using international fora, judicial processes, and terrorism. We have learned that an unrivalled capacity to respond to traditional challenges is no longer sufficient. Battlefield success is only one element of our long-term, multi-faceted campaign against terrorism. Non-military components of this campaign include strategic communications, law enforcement operations, and economic sanctions.

Donald Rumsfeld: 2005 US National Defense Strategy

## Introduction

In the aftermath of 9/11 the extent to which forces and processes operating within global arenas are in the midst of transforming the shape and character of the world within which we live have become alarmingly self-evident. Thanks to recent technological advances, capital, goods and labour can now move around the globe at wholly unprecedented speeds, and at costs which are following and equally rapid decline. The world has shrunk, such that transnational connections have become the order of the day.

However the costs and benefits of this shrinkage have been far from uniform. Critics of these processes regularly argue that the benefits of globalisation have overwhelmingly fallen into the hands of the haves, whilst plunging the have-nots into positions of ever-deeper disadvantage. In historical terms there is a great deal of substance to that argument. Since 1492 – which simultaneously marked the fall of the Emirate of Granada and the departure of Columbus on his initial voyage of discovery – western Europe embarked on an immensely successful process of globalisation from above. By the beginning of the twentieth century European Empires, together with a successful break-away in the form of the United States of America, enjoyed a condition of global political and economic hegemony which gave every appearance of being wholly unchallengeable. Nevertheless there were soon to be straws in the wind: in 1906, the Japanese navy sank the Russian Fleet as it tried to make its presence felt in Vladivostok. Much more was to come: during the course of the 20<sup>th</sup> Century, all of Europe's formal empires collapsed, and now lie in the dustbin of history.

Nevertheless this did not have an immediate impact on the distribution of wealth: during the course of the 20<sup>th</sup> Century, those fortunate enough to be resident in the Euro-American 'North' achieved a position of unprecedented prosperity. Meanwhile the experience of most of those in the South was the inverse: an absolute – let alone a relative – decline in their living standards. But as the 21<sup>st</sup> century opens, the cracks in that pattern have also become increasingly manifest. Japan, and now China and India, are becoming increasingly prosper-

ous: there is clearly no holding them back. Meanwhile as Donald Rumsfeld's statement implicitly acknowledges, the United States has encountered the limits of military hegemony: hence his emphasis on the critical role of non-military initiatives in the defence of US interests – or in other words of its position as global hegemon.

Can the United States – and beyond that the North in general – hope to achieve that goal? As innumerable critics have noted, the North has only been able to reach and sustain its current position of global privilege by carefully managing processes of globalisation to ensure that they operate to their own advantage. Hence whilst obstacles to the global circulation of both goods and capital by now largely disappeared, the global market in labour – or to put it more specifically, in non-professional labour – has remained subject to tight spatial constraints. Hence whilst those who those who organise and manipulate the trade in goods and capital fill the expensive seats in the front of world's international airliners, leaving those in the rear to be filled by customers of the booming (Northern) tourist trade, thereby allowing those who conceive of themselves as 'global citizens' to circulate freely through the world's airports, those based in the impoverished South enjoy no such liberty. Only Northern passports facilitate travel, and ensure that their holders will be waved through immigration control. Southern passports are carefully scrutinised at every international border, and the absence of the necessary visas – which can only be obtained by the privileged and well-connected – serve as instruments of exclusion.

By so doing the North has managed to restructure the global economy without significantly endangering its inhabitant's position of relative privilege. Given strict controls on the transnational movement of labour, the North has succeeded in relocating vast swathes of the manufacturing activity from which it had previously drawn its prosperity to low-wage regions in the South and East, so enabling its increasingly prosperous inhabitants to enjoy the benefits of a huge array of cheaply manufactured consumer goods imported from elsewhere. Yet however comfortable this outcome may be to its beneficiaries, it is by no means clear as how stable these outsourcing strategies will be. As an immediate outcome of these developments, the world's most prosperous nation now finds itself mired in wholly unprecedented levels of both internal and external debt, just as it is trying – and failing – to fulfil the role of global policeman. It could well be that the resultant house of cards is close to nemesis.

However it is not the financial contradictions arising from current global trade imbalances on which this chapter focuses, but rather a parallel – but equally serious – set of contradictions: those which are emerging around efforts to constrain the global circulation of labour, given that for the past half century the wealthy North is has begun to experience serious shortages in that equally vital commodity.

## Global labour markets

That the most recent phase of globalisation should have been accompanied by the introduction of ever tighter constraints on the circulation of labour should come as no surprise. As the disjunction between Northern and Southern standards of living grew steadily wider as the cost of long long-distance travel steadily fell, the attraction of taking a migratory jump into Northern labour markets became increasingly attractive to Southerners with the know-how and the assets needed to get there. At first their arrival went largely unnoticed. But as the scale of their presence grew, indigenous Northerners soon began to fear that the competitive presence of Southerners would undermine their bargaining position in the local labour market, leading to the introduction of immigration controls. These rapidly became a focus of intense conflict, since Southern migrants had ever interest in penetrating those barriers, the better to reinforce their capacity to make the most of the opportunities for advancement available on the far side of these exclusionary disjunctions.

Although the barriers of exclusion have consequently been endlessly reinforced, their effective defence has proved to be exceedingly problematic, not least because processes of globalisation simultaneously insist that they should remain porous to an even larger volume of legitimate traffic, including businessmen, skilled professionals and tourists – as well as to numerous Southerners who have gained the right to cross them. Hence contemporary international borders are much more akin to sieves than brick walls. Their principal function is to protect the integrity of the socio-economic and demographic integrity of the population which lies behind them by filtering out unacceptable and illegitimate entrants. But as immigration control, together with the suppression of terrorism, has leapt to the top of the political agenda throughout the North, the construction of sieves which will successfully fulfil these contradictory demands is proving to be intensely problematic.

There are two main reasons for this. In the firstly place the discriminatory objectives of this sieving process stand in sharp contradiction to the universalist and egalitarian principles in which the Northerners social, political, legal and judicial institutions are nominally founded. Most jurisdictions have consequently embarked on all manner of work-arounds in their efforts to square the circle. Secondly, and more pragmatically, the excluders have found that they are already on a hiding to nothing. If their borders have already been breached by an earlier inflow of settlers, and if those settlers are in a position to support and encourage their kinsfolk in their efforts to join them, knowing that there are plentiful opportunities for employment

in the local labour market, it follows that all efforts to hold back the inflow are likely to be as ineffective as King Canute's efforts to hold back the rising tide. In other words no matter how successfully Northerners have hitherto been able to bend processes of globalisation to their advantage, in this sphere, as in so many others, nemesis appears to be far closer at hand than they are prepared to acknowledge. Despite the immense scale of the organisational, ideological and material resources which are currently being mobilised in efforts to defend the position of global hegemony which they currently enjoy, both the scale and the effectiveness of the transgressive Southern counter-attacks is becoming steadily greater, as Donald Rumsfeld plainly acknowledged. With such considerations this paper is best read as a report on current developments on key global battlefield.

## Antecedents: migration and industrial development

The North's current strategies of privilege-maintenance would have been far easier to manage if it had always had access to adequate supplies of labour – and most especially of unskilled manual labour – within its own spatial boundaries. However as its indigenous inhabitants grew steadily more prosperous during the course of the twentieth century onwards, it has become increasingly difficult to persuade anyone to fill the hard, heavy and generally unattractive – but nevertheless organisationally vital – jobs in what can conveniently be summed up as the servile sector of the labour market. Since many of those jobs were in the lower reaches of the manufacturing sector, one might have expected that the progressive export of the manufacturing sector to low-wage countries in the South would have resolved that problem, but that was not to be. As Northern economies continued with their onward march into prosperity, there has been a positive explosion in the demand for extra hands to process agricultural products, to operate the hotel and catering sector, and to provide personal care for the elderly, sick and otherwise disabled. In the midst of ever-growing prosperity, finding hands willing to undertake the dirty work has become increasingly difficult. These are tasks which the indigenes are unwilling to undertake at any price. In these circumstances only one solution was available: to import additional hands which were prepared to undertake such tasks. As prosperity has steadily spread throughout the North, it soon became clear that there was only one viable source of the necessary supplies of additional labour power: the relatively impoverished South.

However neither the demand for labour to carry out such menial and servile tasks, nor the arrival of migrants to fill them developed overnight. Current outcomes are consequently the

result of historical processes, such that neither the character of those outcomes, nor the contradictions which have accompanied their emergence can, nor indeed their likely course of future development can be properly appreciated in the absence of an understanding of the dynamic which generated them. Once viewed in processual terms, it becomes self-evident that current outcomes were in no sense consciously planned: rather they are better understood as the result of a whole series of *ad hoc*, but invariably creative, responses to immediate contingencies.

## The beginnings of globalisation from below

Having set up colonies in the ‘new worlds’ which they had discovered, the Northern globalisers who followed in Columbus’ wake promptly began to look for hands to perform the hardest and most challenging tasks in tropical plantation agriculture; and if members of the indigenous population failed to live up to the task, an obvious answer was at hand: the importation of forced labour from elsewhere – either as slaves, or when that went out of fashion, as indentured servants. Millions of people were turned into involuntary transnational migrants on this basis. However the switch from sail to steam several centuries later heralded a new development in the global labour market. Technological progress opened up a new category of waged employment: transnationally oriented tasks which Northerner workers were not prepared to fulfil – in this case stokers in coal-fired steamships, especially those sailing in tropical waters. Recruitment of local workers prepared to undertake these tasks was soon underway in Shanghai, Calcutta, Bombay, Aden and Lagos – and before too long clusters of ex-seamen of such origins could be found eking out living in small clusters near the dockside in all the major seaports of the North.

However late nineteenth and early twentieth centuries exclusionary measure to prevent further settlement were largely unnecessary. Except in areas such as Canada, California and Australia where Asian migrants of peasant origins began to compete with their Northern counterparts for access to land on Agricultural frontier, formal efforts to exclude such competitive pressures were largely unnecessary. When labour ran short in the metropolitan cities, as routinely occurred during each successive economic boom, the vacant slots could readily be filled by migrants of Irish, and Eastern- and Southern-European origin. Given their routinely exclusion from the formal labour market, ex-seamen of Southern origin had no alternative but to rely on the informal sector – most usually as pedlars, fortune tellers and so forth – as a source of income. Whilst many achieved a moderate degree of success on this basis, until the advent of the Second World War, the profits from such activities were rarely sufficiently



large to persuade further settlers to follow in their footsteps. Nevertheless these early pioneers were to play a key role in the dramatic developments which followed the close of hostilities.

Wartime opened many niches in the labour market from which the pioneers had hitherto been excluded. As a result of mass mobilisation, acute labour shortages rapidly emerged in manufacturing industry. Race, like gender, ceased to be a bar to industrial employment. And although voluntary migration ceased during wartime, the settlers' numbers were steadily augmented by stokers rescued after the ships in which they served had been sunk by torpedoes or mines. For the hitherto excluded, wartime was consequently a period of considerably prosperity. Besides opening up opportunities for industrial employment, many pioneers further augmented their incomes by selling black-market nylons imported by their fellow-countrymen still serving on trans-Atlantic convoys. However this window of opportunity did not remain open for long. When demobilisation took place after the close of hostilities, racial exclusion set in with a vengeance once again.

In these circumstances many of the most successful pioneers returned home with their accumulated savings as soon as normal transport links were re-established; most of the less successful stayed on, and took the opportunity to expand the door-to-door peddling circuits which had been established in response to war-time exigencies. Hence when the post-war boom took off in the late 1940s, precipitating labour shortages which could no longer be filled by migrants from Eastern Europe, they were well-placed to move back into industrial employment as and when it became available, as well as to pass back news of the burgeoning range of opportunities to their kinsfolk folk back home. Hence each of the early pioneers was able to act as the catalyst for a cascading process of chain migration, in which new set of arrivals set about sponsoring the migration of further kinsfolk as soon as they had gained a position of reasonable security at their destination. Similar processes were also occurring across the length and breadth Euro-America.

It follows that virtually all the non-European ethnic colonies which are now a salient feature of the Euro-American urban-industrial landscape have a much longer history than is commonly realised. Besides owing their origin to the unpredictable contingencies to which led the early pioneers to wash up where and when they did, they owe their growth to steadily escalating self-recruiting processes of chain migration. The whole exercise was also strongly entrepreneurial in character. Migrants were not recruited by their employers. Instead the vast majority made their own way to their destinations, most usually with the active assistance of their predecessors. As a result these self-constructed migratory escalators delivered millions settlers from very specific localities in the rural South to equally specific destinations in the Metropoli-

tan north, and in doing so actively facilitating the growth of tight-knit ethnic colonies at all their multitudinous points of arrival (Ballard 2003a).

It follows that the Southern migrant presence in the Northern labour market was not the outcome of any kind of planned and formally implemented recruitment program on the part of either employers or state. Rather the process was much more akin to that whereby Europeans re-peopled the so-called New World: settlers were self-selected and self-recruited entrepreneurs seeking a better future for themselves and their families. Many were drawn from the former Imperial possesses of the countries in which they chose to settle, and hence had little difficulty in acquiring local citizenship – at least at the outset. Meanwhile those who established themselves elsewhere, or in countries such as Germany which had long been stripped of their Empires found themselves accorded much more limited civil rights, as in the case of Germany's *gastarbeiter* in Germany. But although many other European states are currently seeking to follow the German example, dual status *apartheid*-style regimes are proving hard to sustain, not least because they run wholly contrary to the principles enshrined in the European Convention of Human Rights. Hence the majority of settled migrants, and especially their offspring, have by now become *de facto* citizens. In this respect they are substantially better off than the even larger number of migrants whose transnational escalators have been confined to the South. Although processes of globalisation have recently begun to generate equally large demands for unskilled labour in oil-rich areas in the Middle East, and rapidly industrialising countries such as Malaysia, South/South migrants have nothing akin to the ECHR as a fulcrum around which to assert their rights. Hence the position of most such transnational migrants is much more akin to those of indentured labourers than that of their more fortunate counterparts who were fortunate enough to have washed up in destinations further North (Ballard 1988).

## Chain migration and the dynamics of South/North escalators

Long-distance migratory flows have long attracted the attention of economists and geographers. In keeping with their disciplinary predilections, their push/pull models of migration are grounded in a taken-for-granted assumption that those swept up in migratory flows have done so on a basis unstructured by anything other than their individualistic interests and priorities. As we have seen this assumption is as misguided as it is misleading. A key feature of contemporary mass migratory flows is that only a tiny minority of those involved were individualistic pioneers who set off along a hitherto unknown route to an equally unknown destination. Whilst chain migration cannot develop in the absence of such catalyst, once such a

pioneer has carved out a niche for himself and established its viability, all his many successors proceed on a very different basis: they know precisely where they are going, and as the flow increases, each successive wave of migrants moves down an increasingly well worn paths. Hence the volume of migrants passing along any given channel, together with the capacity of those involved to take evasive action in the face of migration managers' efforts to limit the scale of the inflow, is governed by a further dynamic over and above the push/pull variables on which economists routinely focus. Given that such escalators are grounded in an active dynamic of mutual assistance, these self-generated, entrepreneurial and hence structurally transgressive escalators do much more than providing those in a position to step aboard to remove themselves from conditions of relative deprivation at their starting point to lush pastures of prosperity at their destination. They are also corporately structured transnational networks – albeit constituted on an informal basis – which are no less adept in circulating assets, ideas and personnel on a global basis, regardless of national boundaries, than are more formally constituted transnational enterprises operating 'from above' .

Whether emanating from above or below, there are many parallels between the operations of such networks. There are many further parallels between the ways in which these networks operate, not least because the efficiency with which institutional structures serve their purposes is critically dependent on the sophistication of the strategies developed by those involved to help themselves. Several factors are critical in the process of so doing, of which information-transfer is one of the most crucial: the greater the speed and efficiency with which information about the global distribution of potential entrepreneurial niches, the capital required to cover both the cost of passage and of opening up those niches, and about the location of obstacles along the way, as well as the strategies best suited to evading them, is critical to the success of the whole operation. However at least on the face of things there is one massive difference between contemporary initiatives operating from above, and those operating from below: whilst the former have access to massive capital assets, the latter have – or at least began with – next to nothing. But as in all other entrepreneurial activities, migration also requires an initial capital investment to cover the cost passports, fares and in contemporary contexts, the evasion of border controls. With this in mind it is worth noting that the most successful escalators have been self-financing, in the sense that potential migrants' predecessors routinely prepared to provide the finance required to enable their kinsfolk to join them, and to enable them to find their feet once they have arrived at their destination. In other words the speed and efficiency with migratory escalators operate is directly proportional to the strength of the relationships of mutual reciprocity sustained within and articulated through transnational networks of which support them.

Nor did these networks of mutual support fall into abeyance once such migrants had reached their destination. Rather they played an equally significant role in facilitating the emergence of thriving ethnic colonies within which settlers once again made the most of their ancestral cultural capital – and most especially those entrenched within the networks of kinship reciprocity – to make the most of every available opportunity, whether within the specific local niche into which the escalator had delivered them, or yet further niches which members of the colony had begun to identify. But whilst the entrepreneurial character of these transnational networks set them on a path of continual spatial and economic expansion, links with the home base were rarely, if ever forgotten. Hence in addition to providing numerous kinsfolk to join the migratory escalator, all of which was eventually repaid, the majority of settlers also remitted substantial proportion of their savings in order to extend and rebuild their family home, to celebrate their childrens' marriages in style, and to invest in land and agricultural equipment. Such ever-burgeoning transnational networks have consequently served innumerable purposes besides facilitating further migration: as vehicles which actively facilitate the circulation of ideas, capital and persons within a global arena, they have also become powerful engines for economic development for members of the transnational communities they serve, and in doing so routinely deliver huge volumes of investment capital into each of the multitude of invariably tightly localised areas from which they originally emerged (Ballard 2003b).

### Global transgressors: transnational networks 'from below'

By contrast with the European predecessors, contemporary migrant entrepreneurs operate 'from below', rather than 'from above' (Smith and Guarnitzo 1998). Theirs is not an initiative which is part and parcel of a process of Imperial expansion, but rather of its antithesis: the outcome of efforts by those who were disadvantaged by those processes to break their way transgressively into the bastions of privilege to which Imperialism gave rise. Hence whilst outflow European migrants into the 'New World' during the eighteenth and nineteenth centuries unrestricted, given that it went with the grain of then largely uncontested processes of globalisation from above, the challenges to privilege let loose by their contemporary successors' countervailing strategies of 'globalisation from below' have been countered by increasingly fierce opposition. In the face of the transgressive challenges to the established order presented by Southern migrants' entrepreneurial initiatives 'from below', the North has responded with increasingly sophisticated strategies with which to hold such challenges at bay. Ever tighter immigration control has become a central plank of that strategy.

Nevertheless those seeking to curtail and control the activities of those engaged in such transnational initiatives from below regularly find themselves perplexed by what they encounter. Although no less skilled in transcending national boundaries to their own advantage than their formally constituted counterparts operating hegemonically ‘from above’, those operating ‘from below’ typically relied on informally constituted networks of inter-personal reciprocity as a means of ordering their transactions, in sharp contrast to the formal bureaucratic procedures typically deployed by transnational corporations operating from above. But although their alterity in this sense is undoubtedly an invaluable source of competitive advantage, it also precipitates a great deal of confusion – and equally deep-seated reactions of suspicion amongst those seeking to manage global processes from above.

Indeed as the contents Donald Rumsfeld’s strategic vision for the future serves to emphasise, in recent years the transgressive efforts of those emerging from below to transform the global socio-economic order, and the challenges consequently posed to Northern efforts to sustain its established position of privilege have begun to render the contradictions between the two ever more acute. As a result a new battlefield has unexpectedly emerged: the rule of law. With the turn of the millennium the powers have begun to make ever more intensive efforts to contain the looming challenge from below is by harnessing the resources of national and international law as a means of de-legitimising, and indeed of criminalising all aspects of the transgressive initiatives currently being mounted from below. In doing so the informal components of those initiatives – which are so often a key to their transgressive success – are proving to be an extremely attractive target for legalistic, and hence legitimated, intervention.

## 9/11 and its consequences

From this perspective the events of 9/11 were a godsend to those seeking to implement the resultant strategies of containment. They paved the way for the passage of USA Patriot Act, whose draconian implications run onwards to this day. In the absence of any serious degree of scrutiny or discussion, Congress voted the Act – whose full title reads *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism* – into law less than six weeks after the collapse of the twin towers. Identifying its purposes as being “to deter and punish terrorist acts in the United States and around the world,” the Act runs to no less than 342 pages, and its implications are quite extraordinary.

The Act contains three substantive sections. Title II (*Enhanced Surveillance Procedures* pp. 13-60) is internally focussed. It provides the Federal authorities with wholly unprecedented rights to delve into the personal affairs of US citizens, and attracted vigorous criticism on the grounds that it severely undermines their civil liberties. By contrast Title III (*International Money Laundering and Anti-Terrorist Financing* pp. 60 - 185, and IV (*Protecting the Border* pp.185 - 242) are globally oriented. Taking advantage of the fact that the US dollar has become the global medium of exchange, and that every bank of any significance operating anywhere in the world consequently runs a correspondent account with one or other of major banks on Wall Street, Title III sets out AML-CFT regulations with which every financial operation in the world must conform if it wishes to participate in the dollar-denominated global financial system. Meanwhile Chapter IV sets out procedures which impose much stricter controls on those seeking to cross the borders of the USA, and of a kind which have also been promptly emulated throughout the North. In other words the 'terrorism' which the Act seeks to target includes all forms of transnationally transgressive challenges 'from below' to which the US has begun to find itself subjected.

Although presented as a single free-standing measure to counter the challenge of 9/11, there is no way in which the complex measures set out in the Act could have been prepared in the short interval between the collapse of the twin towers and its passage through Congress. Rather regulatory enthusiasts within the administration took advantage of the chauvinistic post 9/11 uproar to fold a whole series of ready-made measures at which Congress might otherwise have balked into the new measure, which was promptly enacted as law with little or no discussion or scrutiny. What is now quite clear, however, is that the regulatory initiatives set in train went far beyond the Act's announced purpose of providing the administration with the tools required to close down Al-Qaeda. Rather it provided the North with a whole arsenal of weapons with which to bear down on the everyday operation of all manner other transnational initiatives which had, like Al-Qaeda, emerged transgressively from below. Moreover in keeping with the logic of Rumsfeld's subsequent strategy statement, it provided a means whereby the authorities could set about pursuing these objectives on a legal, rather than a military basis. Having identified informally constituted networks as conspiratorial, and hence potentially either criminal or terroristic in character, the rest was easy: not only could all those engaged informal networking be threatened with criminal prosecution, but the global hegemon had placed itself in a position from which it could dangle an alternative and more acceptable remedy in front of such challengers. All they had to do to render their behaviour acceptable was to 'modernise' and hence de-criminalise their practices by re-routing them through the legitimate procedures of the formal sector. But however sensible – and indeed

innocuous – such exhortations may seem, they carry a large and quite deliberate sting in the tail. Hence their logic and consequences deserve our closest attention.

## Migration and economic development

If the ever more successful entrepreneurial activities of migrant workers are regarded as offering a steadily more alarming threat to the interests of the prosperous North, the reverse is the case from a Southern perspective. This was made clear in Dilip Ratha's unambiguously titled contribution to the 2003 issue of the World Bank's Report on Global Development Finance,<sup>1</sup> in which he argued that

As private capital flows have declined, workers' remittances have become an increasingly prominent source of external funding for many developing countries. This chapter's ... main messages are:

- Remittance flows are the second-largest source, behind FDI, of external funding for developing countries. In 2001, workers' remittance receipts of developing countries stood at \$72.3 billion, much higher than total official flows
- Remittances to low-income countries were larger as a share of GDP and imports than were those to middle income countries. Remittances are also more stable than private capital flows, which often move pro-cyclically, thus raising incomes during booms and depressing them during downturns. By contrast, remittances are less volatile – and may even rise – in response to economic cycles in the recipient country. They are expected to rise significantly in the long term.
- Remittances are often invested by the recipients, particularly in countries with sound economic policies. Improvements in policies and relaxation of foreign exchange controls in the 1990s may have encouraged the use of remittances for investment.
- By strengthening financial-sector infrastructure and facilitating international travel, countries could increase remittance flows, thereby bringing more funds into formal channels. The transaction costs of fund transfers often exceed 20 percent; reducing them by even 5 percentage points could generate annual savings of \$3.5 billion for workers sending money home.
- Facilitating international labour mobility is an even more crucial—and controversial—means of increasing remittance flows to developing countries. Greater international migration could generate substantial benefits to the world economy.
- Developed countries remain wary of relaxing immigration policies, however, as it is feared that immigration would increase competition in local job markets and pose a fiscal burden on local tax payers. Developed countries also fear that large scale immigration may erode cultural values and undermine national security.

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<sup>1</sup> Ratha, D. "Workers' Remittances: An Important and Stable Source of External Development Finance"

- Developing countries worry about a “brain drain” even though any output losses from emigration of skilled workers may be more than offset by remittances and positive network effects on trade and investment.

Despite the cautionary notes which Ratha sounds in his final two points, the overall tone of his contribution is distinctly bullish. But if the Bank had actively followed through the implications of the arguments he was making, it would in effect have put the institution on a collision course with respect a set of issues of intense concern to its principal sponsor. How, then, were the contradictions to be resolved?

The issues which Ratha had raised could not be ignored. Hence the 2006 issue of the report<sup>2</sup> was entirely devoted to the analysis of issues which had only merited a single unprecedented chapter three years before. Further analysis conducted the Bank’s econometricians cast no doubt whatsoever on the scale of the global financial transfers highlighted by Ratha. Although acknowledging that the figures with which they were working were far from complete, by 2006 the Bank’s statisticians had raised Ratha’s original estimate of the scale of value flow in 2001 from to \$72.3 billion to \$96.5 billion, and gone on to put the total scale of identifiable transfers in 2005 at \$166.9 billion. Moreover those estimates were based solely on reports supplied to Washington by the Central Banks responsible for each national currency, all of which not only used differing (and often inadequate) criteria to identify such transfers; moreover they were only in a position to identify transfers through *formal* channels. In what can only be described as a massive understatement, the 2006 report noted that “Whilst it is extremely difficult to estimate the flows through informal channels, they appear to be large.”

However a further striking feature of the report is that despite the huge degree of uncertainty about the data available to them, the Bank’s econometricians were not inhibited in sieving the figures with which they had been supplied through whole series of macro-economic cost-benefit analyses. The result of their efforts was entirely predictable. Whilst Ratha’s clear-cut conclusions about the boost to economic development which migrant remittances could be expected to precipitate could not be ruled out of court, they were nevertheless surrounded by – and hence buried – under all manner of caveats, counter-interpretations and qualifications. One striking new theme did emerge from the report however: the arguments set out in the final chapter, headed *Reducing Remittance Fees*. It begins by specifying the underlying problem with some clarity:

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<sup>2</sup> Global Economic Prospects 2006: Economic Implications of Remittances and Migration Washington, DC: World Bank



Cost is usually not an issue in large remittances (made for the purpose of trade, investment, or aid), because, as a percentage of the principal amount, it tends to be small. But for small, personal transfers, remittance costs are high – unnecessarily so. Providers of remittance services in the formal sector typically charge a fee of 10–15 percent of the principal amount to handle the small remittances typically made by poor migrants. High fees place a financial burden on the migrant remitters and on the recipients of the remittances, who receive a smaller amount of the much-needed funds sent by their family members.

and then goes on to explain that

The remittance industry consists of formal and informal fund transfer agents. Major competitors include a few large global players, such as the major money transfer operators (MTOs) and banks, as well as hundreds of smaller participants that serve niche markets in specific geographic remittance corridors. The informal fund transfer agents include friends, family, and unregistered MTOs such as hawala dealers and trading companies.... Major MTOs such as Western Union and MoneyGram apparently charge higher remittance fees than banks and other financial institutions that offer remittance services to attract migrant customers (table 6.1). Informal channels such as hawala are reported to be cheaper than formal services.

On this basis the theme on which the report moves almost entirely away from an examination of the development potential of migrant remittances, and instead re-focuses the discussion on what it identifies as the urgent need to reduce the high costs transmission costs with which migrants are faced when they set about remitting their savings back home:

Reducing remittance fees would increase the disposable income of remitters, encouraging them to remit more. It also might encourage smaller and more frequent remittances. Lower prices in a particular channel might encourage remitters to shift from other channels – notably informal ones.

As ever, the 2006 report was beautifully presented and apparently closely reasoned. Nevertheless a close examination of the arguments it sets forth soon reveals that it is riddled with contradictions. Is there really such uncertainty of the benefits – no less at a micro- than a macro-economic level – of string-free capital transfers which greatly exceed aid transfers not just to some of the poorest countries in the world, but whose delivery is also heavily skewed to the poorer, if not the very poorest, sections of their population? And although reducing the transmission costs of such remittances is undoubtedly a worthy aim, is it really so much of a problem as the report suggest? Or had the agenda of the Patriot Act wormed its way into the upper reaches of the Bank, given that Donald Rumsfeld's former deputy had by then become its Chairman? With this in mind the Bank's change of focus towards reducing transmission costs gains even greater significance, given that in most sectors migrants had already devised highly effective solutions to that problem by making use of their transnational networks to develop Informal Value Transmission Systems of their own, thereby enabling to circumvent the high fees routinely charged by transfer agencies such as Western Union. Indeed as the 2006 report noted "Informal channels such as *hawala* are reported to be cheaper than

formal services.” They are indeed, and by a large margin: but unfortunately IVTS/Hawala networks were one of the principal targets of the Patriot Act. As a result the World Bank – and subsequently DFID – were swiftly herded into efforts to suppress transnational initiatives from below in favour of the services of ‘safer’ and ‘more reliable’, but much more expensive institutional initiatives from above.

## Migrant self-help: Transnational networks and coalitions of reciprocity

Anyone who has had first hand-contact with migrant workers will be well aware that if transmitting a substantial portion of their savings to their kinsfolk back home is one of their most urgent priorities, then finding a means of transmission through which their savings can be sent swiftly, reliably and above all cheaply to an often-remote destination is the other; and precisely because the vast majority will have arrived at their destination along self-constructed networks of mutual reciprocity, it makes immediate sense to make use of those self-same facilities to send the fruits of labours in the reverse direction.

Virtually all contemporary migrant communities have developed IVTS networks as a means of so doing. Those developed by South Asian migrants have built on the resources of the Hawala systems which have been in use since ancient times as a means of facilitating trade in the Indian Ocean region, and I eventually took the opportunity to set out detailed analysis of how they currently operate in a lengthy article in *The Journal of Banking Regulation*.<sup>3</sup> Taking up precisely the issues which the World Bank report signally fails to address, I argue that Hawala-style IVTS networks devised some highly effective strategies for dealing with the logistical challenges faced by all those seeking to deliver migrant remittances in the contemporary world. The challenge is immense, and in many respects a banker’s nightmare. Innumerable customers, often without bank accounts of their own, wanting to send penny-packets of value re-denominated in obscure currencies to remote destinations swiftly and cheaply – and at low cost. The last requirement is the killer: given the formal sector’s cumbersome bureaucratic procedures, there is no way in which such services can be provided at

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<sup>3</sup> Ballard (2005) “Coalitions of Reciprocity and the Maintenance of Financial Integrity within Informal Value Transmission Systems: the operational dynamics of contemporary hawala networks” *Journal of Banking Regulation* 6, 4, pp. 319 – 352. <[www.art.man.ac.uk/CASAS/pdfpapers/coalitions.pdf](http://www.art.man.ac.uk/CASAS/pdfpapers/coalitions.pdf)> A more concise analysis of the issues can be found in “Hawala: criminal haven or vital financial network?” *Newsletter of the International Institute for Asian Studies*, (September 2006 issue) pp. 8 - 9 <[www.art.man.ac.uk/casas/pdfpapers/IIAShawala.pdf](http://www.art.man.ac.uk/casas/pdfpapers/IIAShawala.pdf)>

low cost. By contrast IVTS networks have found a way of cracking the underlying logistical challenge. By making the most of local know-how, and by replacing cumbersome bureaucratic procedures with relationships of personal trust whenever and wherever possible, they are in a position to cut such overhead cost dramatically, and hence provide far more effective value transmission systems than their formally constituted competitors.

But although 'informal' in that they routinely replace bureaucratic relationships with those of personal trust, these operations are no sense either small-scale or unsophisticated. Indeed the secret of the contemporary success lies in their extensive use of the latest developments in communications technology, from the internet to satellite phones, as vehicles for the transmission of financial data on a global scale. Precisely because they have been able to combine a dramatic reduction of clerical activity through the routine use of self-constructed coalitions of reciprocity with the benefits of the latest developments in IT as a means of facilitating instant and accurate data-transmission, they have been able to build on the resources of ancient value-transmission systems to make the most of a rapidly growing niche in the global market place for transnational financial services.

From this perspective I would argue that Hawala networks – together with their equivalents generated in Chinese and Latin American contexts – are best understood as graphic exemplars of the more general phenomenon which this paper aims to highlight: the capacity of entrepreneurs 'from below' to build on the resources of their ancestral heritage, often in combination with a mastery of the resources of modern technology, to devise strategies with to evade, puncture and in more general terms to subvert the institutional obstacles placed in their path by established institutions operating hegemonically 'from above'. The consequences of the deployment of these strategies of transgressive entrepreneurship are steadily widening. Besides enabling self-selected groups of Southerners to continue to evade the barriers of immigration control, and hence to establish an ever larger and more firmly rooted presence in the North, they are also using their ethnic colonies as springboards from which to advance on further trajectories of upward socio-economic mobility, despite all the obstacles of exclusionism that they continue to encounter in Northern employment markets. To be sure the speed with which those involved are moving upward and outward varies both from context to context and from community to community. Nevertheless from a global perspective the redistributive impact of these developments is becoming steadily more spectacular.

Long-distance migration 'from below' has become a steadily more salient feature of the contemporary social order, as innumerable escalators rooted deep in the rural South have established beachheads in the worlds' prosperous and rapidly expanding metropolitan centres. As millions of migrants have marched upwards and outwards through these self-constructed

translocal networks in search of better opportunities for themselves for their families, they have achieved varied degrees of success. Some have failed completely, others have been viciously exploited, but many more have achieved significant degrees of success: the delivery several hundred billion dollars per annum to their kinsfolk back home is no mean feat, since it very substantially surpasses the level value delivery made by all the world's aid agencies put together. It is undoubtedly a development of global significance. But by the very same token these migrant initiatives have yet further destabilised the hitherto established structure of the global order, so much so that their achievements have precipitated an ever more ordered institutional backlash. Hence the North has begun to develop a carefully coordinated set of defences in an effort to constrain this mounting transgressive threat.

## Countervailing initiatives to constrain the transgressors

Most Northern governments – and most especially the electorates to whom they are democratically accountable – view the operation of the global economy in zero-sum terms. Hence despite their verbal commitment to fair trade and the eradication of global poverty, the initiatives launched by migrant entrepreneurs, now being followed up with yet greater vigour by their locally-born offspring, are routinely viewed as most unwelcome. But if electorates consequently demand that counter-measures should be taken to contain the threat, making a successful response to these demands has proved to be extremely tricky. The authorities found themselves confronted with two serious sets of contradictions as they set out to do so.

The first of these contradictions is the most straightforward: the why Southern migrants arrived in the first place, and why they continue to arrive despite ever more draconian efforts to prevent them from doing so that there is a real and pressing demand for additional labour power in almost every Northern economy. Migration managers consequently find themselves caught between the need to provide an adequate supply of hands to perform the servile tasks at the bottom end of the labour market, and ever more vocal demands that entry of unwelcome aliens should be suppressed. Granting short-term labour permits seems at first sight to be an attractive solution to that problem, but as regime after regime has discovered, *gastarbeiter* invariably display a remarkable capacity to put down local roots. Furthermore Human Rights legislation makes it exceedingly difficult to bar such settlers from bringing wives and children to join them. Nevertheless an alternative solution has recently emerged: the extension of the borders of the regional labour market to include neighbouring regions populated by persons of greater social acceptability than true Southerners. This is precisely what

has been achieved by extending the borders of the EU into Eastern Europe. Nevertheless as new Europe becomes steadily more prosperous, the problem is likely to emerge on an even larger scale: it is deep-seated global inequalities between North and South which precipitates the propensity to migrate. Those pressures will not evaporate until the underlying patterns of inequality are remedied.

The second source contradictions with which Northern societies are currently confronted are both more intractable, and yet more pressing. Thanks to their deeply rooted commitment to civilisation, the rule of law and the egalitarian application of principles of universal rights, let alone to the reduction of global poverty, all now face a profound dilemma: how can they find some means of implementing the necessarily discriminatory anti-transgressive counter-measures required to keep Southern interlopers at bay without falling foul of the egalitarian ideological principles around which their own internal social order is constructed? If they are to remain governed by the rule of law – a position to which they are inescapably committed – it follows that all such counter-measures must be legally sustainable. Or to put it the other way round, if the transgressive activities of the Southerners are to be held at bay, their efforts to up-end the global social order must be subjected to systematic criminalisation. That is why the combined impact of 9/11 and the Patriot Act are of such significance in any discussion of the current state of globalisation. Whilst the atrocities of 9/11 – reinforced by those of 3/11 and 7/7 – provided the justification for setting legalistic considerations of equality to one side, the measures set out in the Patriot Act set out templates around which to construct measures to criminalise transgressive initiatives from below. Title IV provided a means of doing so with respect to illegitimate border-crossers (Inda 2005), whilst Title III went very much further. It provided a template which rendered all efforts to transfer funds across international borders on a basis which the global financial authorities identified as unacceptable equally illegitimate, and hence subject to criminal sanctions. This is not to suggest that the Patriot Act initiated this process of criminalisation: numerous steps had already been taken in this direction, no less in Europe than in the USA. Rather the Act's significance lay in the scale, and above all the global extent to which it set out to advance this process through the construction of battery regulatory measures which rendered all manner of unwelcome transnational initiatives from below vulnerable to criminal sanctions

## Moneylaundering

The term 'Money Laundering' makes a usefully dramatic headline, and readily denotes the presence of serious criminal malfeasance. In essence the term refers to wide variety of differ-

ing forms of financial engineering, all of which have a common objective: to protect financial value from unwelcome inspection by all forms of external authority. In the contemporary world by far the largest category of transactions of this kind – both in terms of their number, and the sheer volume of funds involved – are those which are fed through the global financial system in such a way that their original provenance is systematically obscured prior to their arrival in financial jurisdictions where deposits will be subjected to the minimum degree of regulatory scrutiny as to the identity of their beneficial owners, and subjected to zero levels of taxation. The bodies most heavily involved in such activities are transnational corporations, whose capacity to incur losses in locations where taxation and other forms of financial constraint are high, and to generate profits in offshore locations where both are non-existent, can only be described as spectacular; following hard in their heels are so-called ‘high net-worth’ individuals, who access the same set of high-powered lawyers and offshore banks to produce precisely the same results.<sup>4</sup> It is also worth noting that the significant minority of these high net-worth individuals are of Southern rather than Northern provenance, and have gained access to enormous volumes of wealth during their kleptocratic occupation of public office in resource-rich states such as the Congo, the Philippines and Indonesia. Moreover as Baker elegantly demonstrates, the assets which have been tucked away on this basis are not only the ultimate spoils of contemporary processes of globalisation from above, but a major source of profits, and indeed the foundation of the asset base, of globally oriented financial services sector. Hence despite much huffing and puffing about the evils of money-laundering, no significant steps have been taken to contain, to control or even to monitor assets flows of this kind. Given the scale of the vested interests at stake in this sphere, there seems little prospect of the interventions of the kind which Baker recommends being implemented in the foreseeable future.

One of the favoured strategies deployed by those seeking to defend these still-licit forms of financial engineering from serious regulatory control is to differentiate themselves from the ‘real’ money launderers: those who deploy remarkably similar techniques to hide the source of their funds from the authorities, but do not to so much in the course of ‘innocent’ efforts to shield their legitimate income from taxation by grasping state agencies, but rather because the funds in question have been criminally acquired. Hence they argue that the term money-laundering should properly be reserved for the activities of those engage in such activities

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<sup>4</sup> The scale of these transactions (in trillions of dollars), as well as the manoeuvres which deployed in order precipitate their arrival at such destinations is discussed in detail and with great clarity in Baker (2005) *Capitalism’s Achilles Heel: Dirty Money and How to Renew the Free Market System*

selling smuggled consignments of Heroin and Cocaine, or alternatively financing illegitimate (i.e. terrorist) warfare – the AML/CFT agenda, in other words.

Whilst it goes without saying that both drugs smuggling and the financing of terrorism are phenomena as real as they are alarming, their precise extent, as well as the scale of the financial value transfers to which they give rise are by definition unknown. Moreover it is also worth remembering that since law-enforcement agencies are the principal source of estimates of the scale of such flows, and since they also have every interest in hyping the numbers both to celebrate their relatively paltry successes and to provide them with the foundations of demands for additional funding to enable them to do better, all the estimates of the scale of such transfer which they release with such enthusiasm to the public should be treated with some caution. Hence whatever the actual (but by definition unknown) scale of value transfers generated by such criminal activities may be, they are undoubtedly dwarfed into insignificance by the trillion dollar scale of more licit forms of money laundering which Baker explores. Moreover now that international observers are at long last beginning to appreciate the scale of transnational value transfers generated by migrant remittances, there are excellent reasons to believe that the scale of such transfers, whilst still dramatically smaller than those generated by tax-evasion strategies, are nevertheless substantially larger than those generated by drug-smuggling.<sup>5</sup>

Why, though, should we be talking about these three very different kinds of activity in the same breath? The answer should be obvious. If one of the most significant consequences of globalisation has been to erode the capacity of states control their own borders, that loss of control has now-where been more serious than with respect to the instrument which Marx properly recognised as the most corrosive human invention of all time: money. Put together with the way in which the internet has provided us with the capacity to engage in instant global communication, money has also become global phenomenon. As result the capacity of localised states to control the flow of value across its borders has almost completely evaporated. Although few dare say so out loud, the global financial system now stands wholly beyond any kind of local control – including that exercised by the Us Treasury and the New York Fed. In principle that should not matter. After all it is an article of faith that the benefits

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<sup>5</sup> A commonplace mistake in calculating the scale of transnational money-laundering precipitated by drugs smuggling is to assume that the bulk of the street value of the drugs passes straight back into the hands of the smugglers themselves. This is clearly mistaken: the cut of those profits taken out by the many layers of the distribution networks is so substantial that only a small proportion of the retail price ends up in the hands of the wholesale smugglers. Moreover it is by no means clear that such smugglers would always seek to transfers such funds overseas in the process of laundering them.

of globalisation arise precisely because it facilitates the free flow of goods, capital, persons and ideas across parochial borders of all kinds. But as we have already seen, any regime which gave *all* persons an unlimited right to roam on a global basis would have severe consequences for the current distribution of wealth and power. It is precisely in order to ensure that no such redistribution takes place that active steps have been taken to sure that the greater (and poorer) part of the global population are excluded from the exercise of such rights. With similar considerations in mind, efforts are currently being made to impose similar constraints on global flows of value – even though the implementation of this exercise is proving to be far trickier than those aimed at constraining the right to roam.

On the face of it the Patriot Act said nothing about migrant remittances: rather it justified the battery of regulatory controls on transnational financial transfers on the grounds that they provided a necessary barrier against the prospect of further terrorist outrages. However the drawer from which the contents of Title III were swept up had initially been constructed to address another feature globalisation was a source of no less concern throughout the prosperous North: the ever escalating inflow of illegal narcotics from more tropical regions in the South, to which their borders were proving to be just as porous as they were to unauthorised immigration. Given that attempts to contain physical import of narcotics had proved to be just as unsuccessful as those aimed at eliminating their cultivation, those in charge of anti-narcotics initiatives suggested than quite different strategy might prove more effective: if the financial sinews which underpinned these operations could be penetrated, the authorities would not only be in a better position to arrest the king-pins behind such operations, but in doing so bring all such operations to a swift halt.<sup>6</sup>

By now it is quite clear that the ‘cut the financial sinews’ strategy has borne very little fruit – at least with respect to the purposes for which it was designed. Since its introduction the retail price of both heroin and cocaine have continued to follow a steady downward trend, suggesting that AML initiatives have not significantly constrained drug-smugglers’ ability to supply their market. Indeed falling prices suggest that suppliers have in fact been able to more than meet the ever rising level of demand for psychotropic substances in the Euro-American marketplace. But whilst the introduction of AML consequently appears to have had very little impact on the transnational transfer of psychotropic drugs, there can be no doubt whatsoever that the increasingly draconian regulatory framework rolled out in the aftermath of 9/11 has

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<sup>6</sup> David Rose Opium of the people The Observer, Sunday July 8 2001



had a far reaching impact on the activities of all those engaged in implementing transnational flows of value, no less in the formal than the informal sector. But whilst the formal sector has been able to ride the consequence of the tighter regulatory with relative ease, even if the cost of introducing additional bureaucratic procedures required to comply with regulatory provisions has considerably increased their overheads, operations located in the informal sector have found themselves facing much great difficulties. Amongst the operations which have been hardest hit are the IVTS networks which have been constructed in an effort to avoid the excessive fees charges by financial institutions for the delivery of small packets of value to transnational destinations.

With such issues in mind it is worth remembering that transnational value delivery is a highly specialist form of financial activity, and as such is largely peripheral to bread and butter banking operations in the domestic sector. Moreover given that transcurrency value deliveries necessarily involve arranging forex settlements, Banks much prefer to implement such transactions on a substantial scale – as for example when they process business brought to them by major commercial enterprises. By contrast meeting the demands of migrant workers – the delivery of small packets of value in obscure currencies to even more obscure destinations on the far side of the globe – can only be described as a logistical nightmare. If they are able to provide for such customers at all – and they often conclude it is way beyond their interests and capabilities – the fees charged are invariably substantial.

Beyond this lies a further issue. Most banks take the view that it is hardly worth their while to provide banking services to low net worth customers. The potential for profit is just too small. Hence although the proportion of the population holding personal bank accounts has risen steadily over the years, not least because the majority of mainstream employers now prefer to pay all their employees' wages by electronic transfer rather than in cash, this does not work with respect to employees standing right at the bottom of the labour market. Many are still paid in cash, and in any event their incomes are too small and unreliable for them to gain straightforward access to banking facilities. Many recently arrived migrants find themselves in precisely this 'unbanked' position.

It follows that if banks are disinterested – for straightforward commercial reasons – in providing banking services to such customers, they are even less interested in facilitating the delivery of penny-packets of value to obscure destinations in the South,. Hence even if they can be persuaded to offer such a service, they invariably charge a substantial commission: as much as 20% for a straightforward bank-to-bank transfer. Given that specialist value transfer agencies in the formal sector – such as Western Union, for example – charge fees of a similar order, migrant workers have every interest in devising institutional strategies with which to

circumvent what amounts to a substantial tax on the product of their hard-earned labour. From this perspective the IVTS/Hawala networks which have emerged to serve South Asian, Middle Eastern and East African remittance channels during the course of latter part of the twentieth century are best regarded as a particularly sophisticated example of transnational entrepreneurship. By the turn of the millennium these networks had become extremely sophisticated. From a settlement hub based in Dubai, a series of Exchange Houses stood at the core of a globally extended IVTS network capable of processing value transfers totalling tens, and in all probability hundreds of millions of dollars worth of value transfers on a daily basis (Ballard 2005, 2006). Dedicated solely to the task of value transfer, and as proficient in handling migrant remittances in the \$100 - \$500 range as they were in negotiating much larger values transfers in the reverse direction, these Exchange Houses, together with the global network of local agencies operating on their behalf, provided an invaluable service to the global community labour migrants. On the one hand hawaladars were in a position to transfer value, and to deliver it in the appropriate local currency in the most remote destination (always provided that they were the source of a significant migratory outflow) within 48 hours. No bank accounts were necessary. Indeed hawaladars were often in position to deliver cash directly into the hands of the nominated recipient, for a fee which rarely amounted to much more than 1 or 2% of the value transmitted, and to do so on a much more reliable basis than transfers routed through the formal banking system.

Nor was that all. One of the reasons why Hawaladars were able to offer such a low-cost value transfer service is that Hawala networks yet further lowered their overheads by brokering a parallel set of value transfers in the reverse direction, mainly on behalf of businesses in migrants countries of origin seeking funds denominated in hard currency with which to facilitate the settlement of invoices they had received from overseas suppliers from whom they had purchased goods and services. Indeed from this perspective the multi-million dollar value transfers generated by migrant remittances have played a further vital role in the global financial services sector: the provision of capital liquidity to support the 'informal' trade of goods and services around the entire Indian Ocean region.

## **Hawala hits the headlines**

Had it not been for the looming contradictions between North and South, together with the way in which the lid was blown off them as a consequence of the traumatic impact of the events of 9/11, Hawala networks might have been deservedly celebrated as powerful engines behind autonomously generated (and hence non-dependency inducing) processes of

economic development. However that was not to be. As the United States struggled to comprehend with the implications of an airborne assault on the twin towers and the Pentagon, frantic efforts inevitably began to be made to identify the resources on which the perpetrators had relied. It did not take long for suspicion to fall on the Hawaladars.

On September 19<sup>th</sup> 2001 The Guardian reported that

The government last night announced a crackdown on money laundering as international regulators stepped up their investigation into whether Osama bin Laden speculated in the financial markets ahead of last week's terrorist attacks on New York and Washington ... The government is also setting up a task force to investigate Hawala bankers – a shadowy underground group that allows criminals in the UK to make illegal transactions in other countries without being detected.

By 8<sup>th</sup> October it went on to report that

the strike against the economic foundations of terrorism had already taken a step forward in Washington. "We are going to pursue the financiers of terrorism like they've never been pursued before," Paul O'Neill, the US Treasury secretary said, after an emergency meeting with his counterparts from the world's seven largest industrialised economies.... Experts warn that progress is likely to be slow because searching for clues about terrorist funds in the millions of bank transfers and accounts that make up the world financial system is like looking for a needle in a haystack. And the informal system of international money transfers called Hawala, common throughout the Arabic world, will be a further barrier to tracking down the terrorists' funds. Based on trusted long-standing relationships, Hawala transfers leave no paper trail.

The hunt was on, and a target, no matter how elusive, was in sight. Action swiftly followed. By November the US authorities had shut down the al-Barakat network, serving the global Somali community, on the grounds that it had been directly involved in financing al-Qaeda operations. However those allegations were never substantiated. Indeed when the 9/11 Commission eventually issued its report, it transpired that the perpetrators had financed their operation through wire transfers sent to an account which one of them had opened with the Suntrust Bank in California. They had not utilised the resources of the Hawala system.

Nevertheless the ball set rolling by the Patriot Act rapidly developed a momentum of its own, and as the War on Terror sank ever deeper into the mire, the need to identify and punish scapegoats remained as pressing as ever. A clear indication of the way in which the hunt was pursued can be found in the way in which the Department of Homeland Security has

celebrated its successes. In a press release headed *The USA Patriot Act - a Proven Homeland Security Tool*,<sup>7</sup> and dated 14<sup>th</sup> December 2005 the Department proudly announced that

Using new provisions of the Patriot Act, the Bureau of Immigration and Customs Enforcement (ICE) has launched a nationwide campaign against illegal/unlicensed money transmittal businesses that has resulted in the arrest of more than 155 individuals and 142 criminal indictments, over \$25 million in illicit profits seized, and several unlicensed money transmittal businesses shut down.

The following are examples of how the Patriot Act facilitated ICE investigations:

- On September 22, 2005, a key player in a scheme to illegally transfer more than \$100 million to Pakistan through a New Jersey money transmittal business was sentenced to nearly four years in prison as a result of an investigation by ICE and IRS agents. Umer Darr, a Pakistani native and naturalized U.S. citizen was first arrested in June 2003 along with five other men. ICE agents found that Darr and his associates were affiliated with a money transmitting firm called Access Inc. of USA, which operated out of a small, upstairs apartment of a suburban house. The business kept an unlisted number; did not advertise in the Yellow Pages, and could only be accessed through an unmarked rear door. Yet through this small hidden business, more than \$100 million in virtually untraceable funds were illegally moved to Pakistan. Several defendants in this ongoing case have been convicted.
- On September 16, 2005, a man who testified before the U.S. Senate shortly after 9/11 about the dangers of unlicensed money transmittal businesses was himself sentenced to jail for operating one of these illegal businesses. Rahim Bariek of Herndon, Virginia, was sentenced to 18 months in jail for operating an illegal money transmitting business (commonly known as “hawala”) without a license, in violation of provisions of the USA Patriot Act.

Prosecutions of Pakistanis conducting similar Hawala operations in Britain have also been conducted in HM Revenue and Customs; most have been convicted, and if anything with even heavier sentences than those handed down in the United States. What is also striking is that although the alleged use to which the funds in question were put differed sharply – Terrorist funding and the US, and laundering the profits of drug smuggling in the UK – no substantive evidence that the funds were actually used for those purposes in either jurisdiction. Instead there is every reason to believe that that all the funds in question were the consolidated product of a large number of migrant remittances, in just the same way as those which al-Barakat was engaged in delivering.

Nor has this been the end of the matter. The Financial Crimes Enforcement Network, an arm of the US Treasury, has been equally active in ensuring that the AML/CFT agenda is rolled out on a global basis. In doing so has worked closely with financial authorities all around the globe, and not least those in the EU, who have promptly cooperated in turning the screw. A

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<sup>7</sup> < [www.dhs.gov/xnews/releases/press\\_release\\_0815.shtm](http://www.dhs.gov/xnews/releases/press_release_0815.shtm) >

central consequence of this has been the issue of EU regulation No. 1781/2006,<sup>8</sup> with the apparently arcane title on *Information on the payer accompanying transfers of funds*. However the opening paragraph of the document immediately reveals its purpose:

Whereas:

(1) Flows of dirty money through transfers of funds can damage the stability and reputation of the financial sector and threaten the internal market. Terrorism shakes the very foundations of our society. The soundness, integrity and stability of the system of transfers of funds and confidence in the financial system as a whole could be seriously jeopardized by the efforts of criminals and their associates either to disguise the origin of criminal proceeds or to transfer funds for terrorist purposes.

(2) In order to facilitate their criminal activities, money launderers and terrorist financiers could try to take advantage of the freedom of capital movements entailed by the integrated financial area, unless certain coordinating measures are adopted at Community level ... Uncoordinated action by Member States alone in the field of cross-border transfers of funds could have a significant impact on the smooth functioning of payment systems at EU level, and therefore damage the internal market in the field of financial services.

(3) In the wake of the terrorist attacks in the USA on 11 September 2001, the extraordinary European Council on 21 September 2001 reiterated that the fight against terrorism is a key objective of the European Union. The European Council approved a plan of action dealing with enhanced police and judicial cooperation, developing international legal instruments against terrorism, preventing terrorist funding, strengthening air security and greater consistency between all relevant policies... To that end, measures aimed at protecting the financial system against the channelling of funds and economic resources for terrorist purposes have been taken. Directive 2005/60/EC ... Those measures do not, however, fully prevent terrorists and other criminals from having access to payment systems for moving their funds.

On the basis of this preamble the document goes on to set out an elaborate set of regulations which will come into force on January 1<sup>st</sup> 2008. Directed at businesses engaged in transferring of funds across the EU's external borders on behalf of others, it requires all those involved to maintain a data-base of each such transfer, noting in each case the identity of the payer, the sum transferred, and the identity of the payee, and also to ensure that sum transferred is tagged in such a way that its provenance and destination can readily be identified at every stage in the transfer process. Each EU state is also instructed to set up a regulatory regime to monitor compliance with these requirements, and to penalise all those who fail to do so.

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<sup>8</sup> < [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l\\_345/l\\_34520061208en00010009.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_345/l_34520061208en00010009.pdf) >

## Globalisation from above: efforts to constrain the operation of informal value transfer systems

So far these regulatory initiatives have attracted remarkably little public attention, let alone debate. The requirements they set out are manifestly arcane, and their justification – financial transparency – appears on the face of it to be equally innocuous. Nevertheless once considered from a more global perspective their significance is profound. What we are currently witnessing is the construction of a global regulatory regime which seeks to monitor and control the transfer of value which will run parallel to the system of passports and visas which currently serves to monitor, and above all to control, the global flow of persons. Moreover the driving force behind these financially oriented developments is identical to that which has propelled the intensification passport and visa controls: to contain the transgressive threat which the unmonitored flow of value to the established structure of the global economic order.

Just like the border controls directed at filtering the flow of persons, constraints on the global flow of value must by definition take the form of sieves rather than absolute barriers. Their objective is to cause the minimum degree of interference to the flow of legitimate, ‘white’, transfers, whilst blocking those which the regulatory regime designates as ‘black’. However task of establishing whether any given tranche of value should be classified as ‘black’ rather than ‘white’ is even more difficult than that of establishing whether or not any given person lacks the right to cross an international border. Financial value is merely a medium of exchange: it has no inherent colour. Moreover its physical format has become steadily more abstract, as bullion has successively been replaced by coins, by currency notes and most recently by electronic messages of one sort or another. That said, the underlying problem turns out to be remarkably similar to that facing those seeking to manage the migration of physical persons: the task distinguishing legitimate sheep from illegitimate goats.

Managing the passage of persons across international borders is challenging enough: hence the successive introduction of passports, of visas, and now the inclusion biometric data to which confirms a link between the document and the person presenting it, and – although implementation of the program still lies over the horizon – the preparation of global databases which accurately specify whether or not the person holding that biometric id is, or is not, a legitimate entrant. What is now beginning to emerge is a parallel financial regime in which all transnational value transfers will be similarly ‘tagged’ with the ids of both the sender and the recipient. The object of such an exercise, as the preamble to the regulatory directive makes clear, is to provide the relevant authorities with a means of inspecting, regulating, and

controlling global financial flows which will be every bit as effective – or so it is hoped – as those which will be applied to human cross-border movements as and when all passports contain machine-readable biometric data.

Just how realistic is the prospect of implementing such a global inspectorate? Given the scale of the task, doing so would be unthinkable in the absence of heavyweight IT support: hence the need for machine-readable biometric data in passports, as well equally complex machinery to check the match between that data on the chip and the person presenting the passport. However the task of monitoring global financial flows is much more challenging than monitoring the movement of persons, if only because the frequency with which such transactions occur is many orders of magnitude larger than that of border-crossing. With that in mind, advocates of AML/CFT have spotted a saviour in a further salient feature of the contemporary (Northern) order, the declining use of cash as a means of settling transactions. Hence a further startling feature of this initiative is to treat the use of coins and currency notes to settle all but the most trivial of transactions as inherently suspicious. If and when all significant transactions were to be implemented electronically, the ‘tagging’ requirements set out in the latest EU regulations could be implemented with no difficulty: in those circumstances all senders and recipients would hold accounts in banks with computerised record systems. Of course the whole exercise generate terabytes of data, but in the face of the ever-declining cost of electronic storage, archiving such data for five years – as the regulations also require – should not at least in principle present significant technical problems.

Likewise such a scheme represents – at least in principle – a crime-buster’s dream. Once a radical distinction has been drawn between electronically implemented ‘clean’ transactions and the cash based products of dirty criminal activities, any strategies which money-launderers might make to transfer their ill-gotten gains from the latter status to the former should be readily detectable. Hence the Office of Financial Education in the US Treasury is currently making great efforts to find ways in which the unbanked can be provided with access to and/or be persuaded to make routine use of electronic value transfer services, such that those whose sources of income are less than legitimate are rendered ever more vulnerable to detection and prosecution. If the dimensions of AML/CFT initiatives with which we are concerned here are part and parcel of an effort to roll out these provisions on a global basis, the whole program becomes ever more mind-boggling unrealistic – unless one further caveat holds. Perhaps the objective here is not so much to police the entire globe, but just as in the case of border controls directed at constraining the movement of person, to create what can perhaps best be described as gated communities. Could it be that the objective of such initiatives is not so much to impose a regulatory order which is equally applicable to all

sections of the global population, but rather to keep unwelcome transgressors 'from below' very firmly at bay, so enabling the current beneficiaries of globalisation to continue to enjoy their position on a relatively untroubled basis.

## Practical consequences

Setting these fantasies to one side, it is now becoming clear that the consequences of ever more determined efforts to impose 'immigration controls' on financial transfers are proving to be far from trivial. Whilst the formally constituted financial sector is no stranger to the experience of being subjected to the demands of market regulators, the demands of AML/CFT compliance are proving to be particularly severe. As one recent report puts it

AML is one of the biggest drivers of increased compliance costs in the West and certainly smaller banks are beginning to feel the pressure and complain about this new regulatory burden. The banking associations have started to take up their grievances with supervisors for clearer rules, more supporting information, and paperwork reduction wherever possible.<sup>9</sup>

Yet despite these cries of alarm, the demands of the AML regulatory regime have become progressively more intense. Moreover the increased overheads generated by the additional bureaucratic activities are proving to be substantial – around £250 million per annum in the UK, and of £1.2 billion in the USA, according to one recent estimate.<sup>10</sup> Moreover given that major financial institutions are congenitally risk-averse, the prospect of falling foul of the regulations has begun to provide the financial services sector with yet another incentive to withdraw their services from smaller (and hence low-profit) clients, and most especially those whom they cannot confidently identify – such as persons of overseas origin or with strange sounding names. Likewise financial service providers are equally reluctant to take on customers who might cause them to foul of the regulators. Hence an ever increasing number of IVTS operators have received notices from their bankers that their business is unwelcome, and that a decision has consequently been taken to close their accounts.<sup>11</sup> To sum up, the

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<sup>9</sup> Bedi. R. and Acharya A., (2005) AML/CFT – New Policy Initiatives London: PwC-IDSS [http://www.rsis.edu.sg/staff\\_pub/articles/PwC\\_IDSS\\_FINAL.pdf](http://www.rsis.edu.sg/staff_pub/articles/PwC_IDSS_FINAL.pdf)

<sup>10</sup> Anti-Money Laundering Requirements: Costs, Benefits And Perceptions City Research Series No.6 Corporation of London, 2005

<sup>11</sup> Passas, N. (2007) "Fighting Terror with Error: the counter-productive regulation of informal value transfers" in *Crime, Law and Social Change*, Vol. 45, Numbers 4-5, May 2006, pp. 315-336



most immediate consequence of the increasing intensity of AML regulations for the formally constituted financial services sector has been to raise their overheads, and hence their service charges, and to increase their incentive to back away from offering their services low net-worth and potentially risky clients. But if major financial institutions have found such developments manageable, if only because all their competitors had to bear similar costs, all of which could readily be passed on to their high net-worth customers, the consequences of development further down-market promise to be a great deal more severe.

As we have seen, operators of IVTS networks have been no slouches in their use of IT to facilitate financial transfers. Why, then, should they fall foul of AML/CFT demands for greater transparency? The core answer is quite straightforward, and has two components. The first has to do with the issue of trust: by deploying relationships of trust wherever possible, hawaladars were able dramatically to reduce the expensive clerical procedures typically deployed within the formal sector, such that they could be accused as running ‘systems without records’. Although in many respects grossly mistaken, it is nevertheless undoubtedly the case that their methods did not lead to each and every transaction being ‘tagged’ in the way in which AML procedures require. Secondly, and just as significantly, their reliance on coalitions of reciprocity enabled Hawaladars to operate distributed systems with no central registry. Although this was highly efficient in logistical terms, the apparent lack of audit trails led investigators to conclude that such networks lacked transparency, and were consequently inherently non-compliant with regulatory imperatives. In other words these systems were too technically efficient for their own good. Moreover it also followed that if these networks were to bring themselves into compliance with the new regulatory framework they would not only have to radically transform key elements of their established business practices, but that elements which they would have to alter were precisely those which enabled them to offer such an effective service to their customers. Despite the crucial significance of the services they offered, it is as yet my no means certain as to whether, and in if so in what form such initiatives can be expected to survive the current regulatory onslaught.

## Efforts by the World Bank and DFID to ‘assist’ the poor

In these circumstances it would have been gratifying to be able to report that as a result of their interest in the developmental potential of migrant remittances either the World Bank or the UK’s Department for International Development had stepped in to defend these initiatives from below. However in the event neither institution proved able to resist the pressures bearing down on them from above.

As noted earlier the 2006 edition of Global Development Finance merely nodded towards the existence of Hawala/IVTS networks, and made no serious attempt to estimate their scale or the basis of their *modus operandi*. Likewise the Bank has made no comments whatsoever on the likely impact of AML/CFT on the informal sector, although it has pulled no punches about their likely consequences for its favoured alternative, Micro-Finance Institutions:

Like any other financial regulation, the costs of complying with AML/CFT measures may increase the cost of services. For example, the cost of monitoring suspicious transactions may be high if suitable automated systems are not in place. Financial institutions serving low-income people may have to purchase and install new technology or increase their human resource capacity to comply with the requirements in their jurisdiction. In addition, rules for reporting and record-keeping may obligate institutions to save all physical documentation of transactions for defined periods, usually at least five years. Microfinance institutions in particular will need to develop systems, aided by available software, to reduce the operational cost and time required to comply with this requirement.<sup>12</sup>

Remarkably enough, the report also goes on to suggest that however much these additional costs may hit the pockets of the MFI's low-income customers, the installation of expensive IT can be justified on the grounds that it will bring them significant benefits:

Although there are always costs associated with regulations, these costs tend to be greater in countries where there is generally a culture of poor compliance. Developing or encouraging wider acceptance of compliance, not only for AML/CFT systems, is more cost effective because it reduces risk of fraud, helps protect savers and investors, and increases the integrity of the institution.

In assessing the significance of this stance, it is worth noting although officials in the relevant sections of both the IMF and the World Bank are fully aware of the scale and efficiency with which informal networks were capable of delivering remittances directly into the pockets of the poor,<sup>13</sup> both institutions have maintained a studious silence with respect to the threat which the ever greater intensification of the demands of AML/CFT compliance now offers to the integrity of their operations.

Recent policy developments in the UK serve to highlight the way in which one major international agency has responded to the pressures thrown up in the aftermath of 9/11. Inspired in

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<sup>12</sup> Hernández-Coss, Raúl and Egwuagu, Chinyere (2005) AML/CFT Regulation: Implications for Financial Service Providers that Serve Low-income People Washington DC: World Bank

<sup>13</sup> Whilst the issue is briefly touched on in my Chapter on Remittances and Economic Development in India and Pakistan (Maimbo and Ratha, World Bank, 2005), my lengthy analysis of the operational logic of IVTS/Hawala systems which was eventually published in *The Journal of Banking Regulation* originally began life as a polished version of a presentation of an IMF-sponsored Conference on Hawala held in Dubai in 2003, but which the IMF chose not to publish.

part by Ratha's work, DFID launched a major initiative to highlight the development potential of North-South remittances, culminating in a major International Conference in Dacca in June 2003. However there was very little in the way of a follow-through. Whilst the papers presented at the Conference (including an analysis which I myself had prepared on DFID's behalf) appeared in print two years later,<sup>14</sup> by then DFID's agenda had undergone a sea-change. Whilst the issue of migrant remittances remained firmly on the table, the earlier interest in exploring and reinforcing their developmental potential had atrophied, to be replaced by a focus on their transmission – and most particularly with the provision of advice to UK-resident migrants as to how their savings could best be delivered safely and cheaply to their kinsfolk back home; moreover just as in the case of the World Bank, the fact that virtually all settler communities of any size had already devised an effective means of doing just that was studiously overlooked. I was not alone in finding DFID's change of course bewildering: if migrants had significant concerns about issues in this sphere, it was with respect to the exceedingly high fees which the formal banking sector charged for access to its value transmission services.<sup>15</sup>

Given its change of emphasis, DFID's has invested heavily in developing a well publicised Send Money Home initiative, which presents itself as offering migrant workers resident in the UK with information about cheapest and most reliable means transferring remittances to their homelands. Remarkably enough, the market research agency tasked to generate comparative data on the cost of transferring funds through the various service providers operating in the remittance market wholly overlooked those located in the informal sector.<sup>16</sup> As a result that project's recently published advisory pamphlets make no mention of the availability of these facilities,<sup>17</sup> despite the fact virtually every ethnic colony in the UK is served by at least one specialist IVTS operator. Hence the best that can be said about DFID's Send Money Home operation is that will provide those who currently utilise the services of the cheapest and most efficient service providers with a convenient back stop should the new regulatory regime succeed in driving their preferred providers out of the marketplace. However much

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<sup>14</sup> Siddiqui, Tasneem (ed) 2005 *Migration and Development: Pro-poor policy choices* Dhaka: The University Press

<sup>15</sup> In my experience the most usual circumstance in which migrants used the formal sector was in gathering the documentation they needed to enable dependent relatives to gain entry into the UK. The immigration authorities were only prepared to accept receipts issued by Banks as evidence to confirm that established settlers were actually providing financial support to their kinsfolk in the manner claimed.

<sup>16</sup> The Report, entitled *BME Remittance Survey 2006* was prepared on the basis of research carried out by ICM for DFID, and can be found at <http://www.dfid.gov.uk/pubs/files/ukremittancesurvey.pdf>

<sup>17</sup> All the details are also available on the project's advisory website <http://www.sendmoneyhome.org>

such an outcome might satisfy the US Treasury – as well as the service providers in the formal sector who can hope to gather in flocks of additional customers – it is hard to discern how the diversion of funds through more expensive formal channels would in any way enhance the development potential of outbound remittances from the UK.

## Current efforts to control the onrush of globalisation

So far this paper has effectively been concerned with the dynamics of what might seem at first sight to be some minor, or at least relatively arcane, parochial skirmishes which have accompanied contemporary processes of globalisation. In my view such a judgement is seriously mistaken, as is immediately apparent when we look beyond the multiplicity of bushes undergrowth in which these skirmishes are taking place, and instead seek to locate these developments within the structure of the overarching forest. Whilst the migrant worker-driven components of globalisation may at first sight seem small beer when set against the role of China in manufacturing and India in software, the challenges to the established global patterns in the distribution of wealth and power that such migrants and their offspring have also begun to precipitate are proving to be no less momentous. In raw financial terms, the reverse value flows precipitated by their efforts – currently running to no more than a few hundred billion dollars per annum – may be dwarfed into seeming insignificance by those generated by Southern activity in manufacturing and software, but nevertheless both the way in which those funds are generated, as well as their destination are of the utmost significance. Not only are generated by transgressors who have breached the physical barriers designed to keep Southern invaders at bay, but the recipients of a substantial part of those funds are not members of the new elites in Bangalore and Shanghai, but poor peasant families way out on the global periphery: the South of the South.

Moreover there are now good reasons to conclude that these developments in the undergrowth have now got the North running scared. All northern jurisdictions are now making huge efforts to regain control of their borders by yet further reinforcing the scale and sophistication of their sieves. It remains to be seen whether their current efforts to keep transgressive entrepreneurs from below at bay will prove to be any more successful than their predecessors; however what is clear is that in this sphere as in so many others, those transgressors' chances of success are being steadily reinforced a crucial further development: the ever growing scale of the number of ethnic allies on the far side of the border who are both able and willing to assist them. Despite ever heavier levels of investment, borders – a crucial

barrier to the realisation of the egalitarian potentialities of globalisation – are being steadily eroded by these processes.

But since it is money that makes the world – and especially the capitalist world – go round, it should come as no surprise that as these physical defences of privilege are steadily eroded, the powers that that be should have turned their attention to the prospect of controlling the circulation of value as a means of defending their position of financial privilege. On the face it controlling the transnational circulation of value would seem to be an even more unrealistic goal than that of bringing international migration under control. Unlike people, value – especially in substantial quantities – has no physical substance in the contemporary world. Hence whilst its arrival and departure has no less real an impact than does the movement of physical persons, its transit is infinitely more difficult to identify and control. Furthermore value becomes yet more elusive in transnational contexts, given that all forex transactions are by definition zero-sum swaps – the very phenomenon of which Hawaladars take direct advantage as they set about brokering back-to-back swaps, such that all transfer of currency notes are implemented on a local, rather than an a transnational basis.<sup>18</sup>

But if global Hawaladars are busy brokering multi-million dollar scale value swaps of the same general kind as those implemented by aggressive and bushy-tailed of International bankers, a further point swims into focus. If Hawaladars are indeed able to deploy ‘informal’ (but in fact highly sophisticated) operational procedures in such a way as to significantly cut their back-office costs as compared with those incurred with the rivals in the more sclerotically organised formal sector, could it be that the contest between them parallels the current confrontation between Toyota and General Motors? If that is indeed the case, it is becomes easier to comprehend the US Treasury’s current commitment to the enforcement of AML/CFT regulations on a global scale. Could it be that the perverse success of a bunch of Islamic terrorists bringing down the twin towers has simply provided a convenient peg on which to hang a much larger agenda? If one’s ultimate objective is to establish a globally regulatory framework which will serve to protect the global hegemony of the debt-ridden New York Fed, as well as to defend the profitability of the Bank of America, Goldman Sachs and the many other bulls of Wall Street and the City of London, there can hardly be a better excuse for radical interventions in global financial markets than to suggest that one is only doing so to keep the depredations of terrorists and drugs smugglers at bay.

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<sup>18</sup> For a model of how such back to back swaps can be implemented, see Ballard 2006.

Yet what are the prospects of actually implementing such an exercise? Given that the volume of foreign exchange transactions is currently estimated to be in excess of \$2 trillion per day, the prospect that the masters of the international banking system might go to such lengths to close down – or to but it more precisely, to reincorporate into the ‘transparent’ and hence legitimate stream of value transfers – as sum as piffling as \$250 billion per annum might hardly seem to be worth the candle. Moreover however laudable the objective of cracking down on drug smuggling an organised crime may be, the prospect that efforts to ‘crack down on their financial sinews will meet with any degree of success appears to be remote. As a report by two well-laced commentators recently concluded:

After over 20 years of money laundering prevention, the results are disappointing: organised crime and drug trafficking still prosper. Banks face a high burden because of their active involvement in money laundering prevention. The various prevention schemes have weakened the basic rights of the bank clients, who have to pay for the prevention measures. Of course, there has been some success. Compared to the direct and indirect costs as well as to the estimated volume of organised crime, the victories are minor and the costs are high.<sup>19</sup>

Once placed in a more global perspective, however, these costs swim into focus as a worthwhile investment as part and parcel of efforts to contain a much larger and more sustained threat to the interests of the powers that be: those which are being precipitated by the entrepreneurial efforts – and indeed the by growing levels of success – achieved by those engaged in transgressive processes of globalisation from below. It follows that if my analysis is anywhere near correct, efforts to tag and monitoring financial flows are emerging as crucial to current efforts to sustain the North’s comfortable position of socio-economic hegemony as are current efforts to tag, monitor, and hence to control the flow of *persons* of Southern origin across its borders, and indeed to ensure that the WTO does not dismantle the way in which world trade in agricultural products is constrained and ordered by a subsidy and tariff regime which has been deliberately constructed to protect the interests of Northern farmers. . If so, migration-management and AML/CFT can be seen to provide structurally similar bastions aimed at ensuring that processes of globalisation are ordered in such a way as to bring disproportionate benefits to some to the equally serious disadvantage of others, and to provide a legitimate means of directing criminal sanctions against those who have the temerity to attempt seriously to transgress the established global order.

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<sup>19</sup> Geiger, H and Wuensch, O., (2007) “The Fight against money-laundering: and economic analysis paradoxon” *Journal of Money Laundering Control* Vol.10, 1 pp. 99 – 105.

## The benefits of globalisation: now you see them – and now you don't

From this perspective globalisation begins to look more and more like a hall of mirrors. At least in principle the world's current condition of globalisation is a product of the ever freer movement of persons, goods, capital and ideas around the globe. However a focus on migrants and their doings reminds us that in this sphere – as in so many others where Northern and Southern interests stand in contradiction to one another – freedom of movement is becoming an ever more contentious issue. Of course the North retains a strong ideological commitment to the principal of the freedom of movement: to do otherwise would wholly undermine innumerable aspects of the privileged position which its fully signed up members currently occupy within the global socio-economic order. However close inspection soon reveals that that commitment is further conditioned by a crucial proviso: free movement is only acceptable when the movement in question is classed as legitimate.

Hence although the scale on which persons, goods, capital and ideas have begun to move around the world has become mind-boggling intense in recent years, these movements have simultaneously been rendered subject to ever tighter controls. These controls have not been directed at inhibiting personal freedom: Northern ideology insists that the maximisation of opportunities for personal freedom is one of our highest values, and nothing should be allowed to inhibit that. However the events of 9/11 have provided the North with an opportunity to add a caveat to that ringing declaration: *unless such movements undermine the security of civilization itself*. In other words the security agenda out-trumps all others. Hence our contemporary condition of globalisation is also underpinned by a whole series of increasingly well-organised efforts to *restrict* the freedom of movement of persons, goods, capital and even of ideas, above all when such movements emanate by, from, and within the South, and appear significantly to undermine Northern interests of any kind.

The driving forces behind these developments should by now be plain. Thanks to the progressive collapse of Euro-American imperial project in the aftermath of the Second World War, successful entrepreneurs bursting upwards and outwards from the South and East have mounted ever more transgressive challenges to the still-expanding conditions of privilege enjoyed by the North and West. But precisely because of the interdependencies and fluidity which are part and parcel of the contemporary global order, the North has found it quite impossible to keep the transgressors outside the gate, or even to require those who have penetrated its wall to 'join the club' by conforming to the global establishment's precepts and expectations. A complex dialectic of challenge, resistance and counter-challenge has consequently emerged, on some of the more significant parts of which this paper has sought to

focus. But if the equality-precipitating potential of globalisation still has far to go, the very prospect of such an outcome has yet further intensified the North/South and East/West contradictions which were initially opened up by European colonial expansion. Whilst the post-war collapse of the formal dimensions of that project has opened up all sorts of novel opportunities for successful entrepreneurship from below, the events of 9/11 have provided those nominally committed to global freedom a heaven-sent – or more likely a devil-sent – opportunity to tighten the regulatory screws bearing down on all those who had the temerity to use their freedom in such a way as to challenge the established order.

In the midst of all this the likely course of future developments remains hard to discern. At present all sides are moving forward with bewildering speed, so much so that the dialectics of challenge, containment, resistance and counter-reaction have already begun to undermine the utility of spatially-grounded disjunctions between North and South, East and West as analytical descriptors. Hence, for example, members of southern and eastern elites are now often just as ardent supporters of screw-tightening as are their counterparts in the North and West – always provided that their own freedom of movement – whether of their persons or their capital – is not significantly inhibited.

It was ever thus. *La Lutta Continua* – albeit within an ever more globalised arena.



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