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Alongside global political economy — a rhizome of informal finance

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One contemporary issue confronting global finance is the nature and extent of its participation in and contribution to a global war on terror. To date, efforts have involved a variety of methods, including both an increase in the surveillance of financial transactions and the regulation of previously unregulated methods of financial exchange. This paper offers a conceptualisation of one informal value transfer method (known by its Arabic name — *hawala*) in the form of a rhizome, using the concept as developed by Deleuze and Guattari in *A Thousand Plateaus*. This paper argues that the ability of hawala to regenerate itself along multiple paths situates the procedure as a rhizome, and that standard methods for financial regulation fail to appreciate the crucial difference this regenerative ability makes for attempts at control and regulation. Consequently, the activity that the state is seeking to control will merely be displaced, to reform and regenerate itself yet again. To ground this argument in the present condition of the global political economy, the specific example considered is Al Barakaat, a transnational Somali firm that fell victim to the global war on terror in late 2001.
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In the course of researching the consequences for individual liberty that arise from initiatives to counter terrorist finance, the extensive use of informal transfer methods to send money home emerged as an understudied factor in the global political economy. The insight found in that research project involved stepping back from the conventional approaches used to frame financial transactions, both formal and informal, and applying a different framework for knowledge, creating a new assemblage drawn from the jointly authored text *A Thousand Plateaus*, by Gilles Deleuze and Felix Guattari. A central concept used by Deleuze and Guattari in *A Thousand Plateaus* is the rhizome, summarised in the conclusion to the book as a line that 'passes *between* things, *between* points' (Deleuze and Guattari 2003: 505, emphasis in the original). The argument advanced in the following discussion is that the concept or analogy of the rhizome captures the essence of the informal value transfer methods used throughout the world as financial transactions that 'pass between things' and exist parallel to or alongside the formal banking system. While the formal banking system will be more familiar to the reader as a means to transfer money across national borders, at the same time it represents a hierarchical structure of rules and regulations. In the terminology of *A Thousand Plateaus*, the formal banking system is an arborescent structure 'with centers of significance and subjectification' (*ibid*.: 16). It is, in other words, a system of power and domination operating in the global political economy over states and peoples.

These two concepts, the arborescent structure and the rhizome, represent a major thematic in *A Thousand Plateaus* where they are positioned as opposing ideas, opposing philosophical schemas and opposing approaches to understanding the world. Thus the image of the tree, with its hierarchical relationship of a central trunk up and out along each branch network to the leaves at the end, is echoed in the hierarchical structures of institutional knowledge, the nature of the state, psychoanalysis and Western thought in general (*ibid*.: 16–8). In contrast to these rigid structures, Deleuze and Guattari offer the rhizome, declaring that it consists only of lines and that '[t]here are no points or positions in a rhizome, such as those found in a structure, tree, or root' (*ibid*.: 8). As discussed in more detail in the next section, the rhizome is malleable because it is non-hierarchical, regenerating from its rootstock in multiple directions (along multiple lines of flight) and in turn serves as an organic metaphor for the nature and operation of informal value transfer methods. By its very nature the informal approach to financial transfer serves as a form of resistance to the state-directed regulatory requirements of the formal banking system, including requirements to demonstrate and prove identity, to maintain a fixed address and to submit to the surveillance imposed on our financial lives (Vlcek 2008b). At the same time, by avoiding predatory fees imposed to establish and retain accounts with retail banks, an informal approach represents a form of resistance to the profit-motivated excesses of banks that have filled the media since 2008.

By way of example, in 2000 an estimated 600 million USD was transferred between the United Kingdom and Pakistan via informal means, yet it is unclear whether those funds are reflected in the published accounts for the State Bank of Pakistan, which recorded 1,087 million USD in migrant remittances for that year (Ballard 2003a: 4, 11; 2005: 337–9; State Bank of Pakistan 2003: 94). Remittances, the money saved from the meagre earnings of migrant labourers that is transferred back to their point of origin, are valued by families and may be crucial to their livelihood, yet were not a significant item of interest for the supervisors and regulators of global capital before 2001. Previously, migrant remittances, when recorded, may have been listed as 'errors and omissions' in

Balance of Payments data (Freund and Spatafora 2005). These funds emerged from that category as a consequence of efforts to find, trace and suppress the financing of terrorism. Little known and tragically misunderstood, the traditional informal methods frequently used by many migrants became the target for US-directed efforts to protect Western civilisation from Islamic terrorism. A Global Remittance Initiative emerged as the by-product of US Treasury Department work 'on the transfer of assets by hawalas and other informal methods' believed to finance terrorism, and most especially Al-Qaida (Taylor 2007: 26).

Operating across and among the regulated global financial centres identified variously as onshore and offshore is an informal value transfer system now widely known by the Arabic name for one variant — *hawala*. Extensive media attention has been placed on hawala and migrant remittances more generally since 2001, in a belief that they have been, or may be, used to facilitate the financing of terrorism. Initiatives by the United Nations, European Union, United States and the Financial Action Task Force (FATF), among others, propose to formalise the informal and to regulate the previously unregulated operation of these structures. These informal methods have been cast in an unfavourable light by their conflation with underground banking, the black economy and illegal currency exchanges without regard to their historical continuity and location in diasporic communities (Raphaeli 2003; Glushchenko 2005; Passas 2005, 2006; E. Thompson 2008). It is important to note that in this context, informal does not reflect the nature or quality of recordkeeping, but rather the word remains as 'an artefact' of the system's ability to operate through a series of interpersonal trust relationships, as opposed to functioning through the 'formal' contractual relationships present in a retail branch banking system (Ballard 2005: 336).

A conventional approach to analysing hawala might involve gathering data on local practices, such as the number of hawaladars, types of shops, surveys of clients, aggregate data for sums transferred daily/weekly/monthly, predominant destinations, etc. (European Commission 2004; Pearce and Seymour 2005). Quantifying such data would contribute to initiatives promoted by international financial institutions to measure informal remittances as compared to formal remittance flows, their impact on local economies and potential use for targeted economic development projects (Maimbo and Ratha 2005; ECORYS-NEI 2006; World Bank 2006; Hernández-Coss and Bun 2007). At the same time, quantified data could contribute to legal enforcement action in host economies to justify security budgets as well as identifying non-compliant hawaladars. Such an empirical approach would not necessarily help us to *understand* the role of informal transfer in the global political economy nor its persistent presence when first challenged by formal banking systems and now confronted by Western security fears. And as noted below there is a cross-cultural gap in conceptions of monetary exchange and transfer that would not be captured by a quantitative analysis of remittance flows.

This paper pursues a different conceptualisation of these alternative payment systems within the global political economy. It is an effort to situate these methods as existing *alongside* global finance as typified by large multinational banks. These transfers use national and international currencies (e.g., the US dollar) and may at times transit across formal banking networks. In this fashion, they may be considered similar to (when not part of) the informal economy. The term 'hawala' will be used here to represent a variety of systems, first to be parsimonious in language and second because it has the misfortune to be generally applied in public discourse in the context of terrorist financing.[1] The challenge posed by these systems of financial exchange is that rather than representing de-territorialisation (in a post-modern, globalisation sense of the concept), they have never been territorially bound. As a means to transfer safely economic value past barriers consisting of border guards, customs agents, tax collectors, bandits and pirates, hawala and its *confrères* have existed and operated for centuries. They were created, and continue to exist, in part to transcend the confines of a bounded territory while reaching locations not served by a retail bank branch. In the present day hawala is viewed through its association with Islamic culture, but similar systems exist outside of the Islamic world, and in some cases pre-date, hawala.

Embedded within this concern for unregulated transnational transfers and their *potential* for misuse by money launderers and terrorists is a long-standing concern by the state to control its territory/society/economy. Again, banking is an arborescent structure that *must* be regulated to protect people against con-artists and fraudsters; it *must* be regulated in order to know what is due the tax administration; it *must* be regulated in order to prevent misuse by drug traffickers, smugglers and other criminals. Demonstrating a misconception for the operation of these informal transfer systems the commissioner of financial institutions for the US state of Virginia declared, 'As a consumer, I would certainly like some protection before I give my money to someone to send halfway around the world' (Sheridan 2004). The argument here is that in order to accomplish the desired regulation of these methods, states and international organisations are seeking to impose formal regulation on an informal arrangement of relationships cemented by bonds of trust. Historically they supported nomadic traders, and more recently have re-emerged to provide financial services to migrant (nomadic) labourers. It is argued here that this effort at international financial regulation is no more likely to succeed than were similar attempts at control in the past. The hypothesis for this analysis concerns the difficulty encountered by international efforts to implement the control mechanisms against money laundering and terrorist financing over these informal transfers. Specifically, it argues that the problem encountered is the product of assumptions about the operation of systems of exchange in a developed state economy that are not necessarily present in a developing state economy.

The model for hawala comes from *A Thousand Plateaus*; hawala is not treated as a financial network in the familiar image of retail branch banking but is situated instead as a rhizome. The next section provides the description of the rhizome as it is used in this analysis on informal finance in the global economy. The second section opens with a history of informal value transfer systems in Asia, followed by an explanation of the modern process for transferring economic/monetary value and closes with the rationale made for regulating hawala. One victim of US action against terrorism — al Barakaat, a Somali informal value transfer service — is discussed in the third section as a representative example for the hawala rhizome. In the absence of arborescent state structures in Somalia, this account of al Barakaat's demise and its rapid replacement by other informal transfer service firms reflects the rhizomatic nature of hawala. The paper concludes with some remarks on the existence of informal finance alongside the formal in the global economy.

Rhizome as organic network

The rhizome is both metaphor and concept. It is a metaphor in that we picture a plant such as a potato (which regenerates, reproduces and extends itself via the rhizomatic process) and replace its constituent elements with an assemblage of relationships, objects and lines. At the same time, the rhizome is a concept. 'A rhizome ceaselessly establishes connections between semiotic chains, organizations of power, and circumstances relative to the arts, sciences, and social struggles' (Deleuze and Guattari 2003: 7). The term is used here in both senses within the context of the informal financial transactions that are buried in the everyday operation of the global economy. Fundamentally, the metaphor (concept) of the rhizome comes from botany to describe the reproductive strategy of plants.

> Thus if a rhizome is cut by a cultivating tool it does not die, as would a root, but becomes several plants instead of one, which explains why such weeds as Canada thistle and crabgrass are so hard to eradicate. (The Columbia Encyclopedia 2004)

The metaphor was analysed by Kathy Schuh and Donald Cunningham in their study of the use of metaphors to describe and understand the mind. Their position is that '*metaphor matters*; that is, the comparisons we make determine our worldview about the teaching-learning process' (Schuh and Cunningham 2004: 325, emphasis in the original). Consequently, in their use of the rhizome as a metaphor for the mind it served to emphasise 'knowledge as a process rather than a structure' (Schuh and Cunningham 2004: 338). While I too wish to emphasise process over structure, I also feel that the organic substance of this concept is particularly relevant. For Deleuze and Guattari (2003: 9), 'A rhizome may be broken, shattered at a given spot, but it will start up again on one of its old lines, or on new lines'. The gardener may pull up many clumps of crabgrass, but if any fragments remain behind they will reform, grow along new lines and re-emerge into the sunlight once again. As will be seen below, hawala possesses the rhizomatic characteristics of connectivity ('any point of a rhizome can be connected to anything other' (*ibid*.:7)); regeneration; and multiple points of access ('Perhaps one of the most important characteristics of the rhizome is that it always has multiple entry ways' (*ibid*.:12)).

The term 'network' is often applied to these informal systems and is in fact embedded within one frequently used term and acronym — informal value transfer *network*. Mapping the description of a network as composed of nodes, connections and vectors to hawala is an apt approach: hawaladars are nodes containing value (money) that flows (a vector with direction and speed) through the connections maintained between them. In his work on the 'network society' Manuel Castells argued that it is the network itself that is important, over and above its constituent parts. 'Nodes only exist and function as components of networks. The network is the unit, not the node' (Castells 2004: 3). Castells' approach, however, has been criticised as overly technological and largely empty of people (Smith 2003: 31–4). One alternate approach sees the network composed of 'essentially *relational processes*, which, when realized empirically within distinct time- and space-specific contexts, produce observable patterns in the global economy' (Dicken *et al.* 2001: 91). Hawala may be understood in this fashion empirically, for example with respect to the pattern of flows between the United Kingdom and Pakistan (Ballard 2004). Dicken *et al.* (2001) emphasise that among the reasons for establishing the network methodology to understand the global economy is its discursive power, that 'the conceptual metaphors that we circulate in order to understand the global economy' helps to identify agents and relationships. This perspective follows Schuh and Cunningham, yet at the same time any methodology omits (or conceals) as much as it reveals, in particular the discursive power that is driven by those actors that produce and reproduce the discourse.[2]

Another approach that restores people to the network metaphor is actor-network-theory (ANT). In their discussion of ANT, Dicken *et al.* (2001) offer several examples: 'The nation-state, for example, generates regulations to attract foreign direct investment, develops and attempts to implement monetary policy, and forms inter-state alliances via entities such as the G7' (Dicken *et al.* 2001: 102). All true; nonetheless these decisions and actions are made by people, individuals remain at the locus of these actor-networks, and it is at this point that ANT becomes less suitable than the rhizome concept that influenced it (Latour 1999; Smith 2003: 34, cited in Grabher 2006: 178). ANT is a non-representational theory focused on practices rather than structures, yet it presumes that ‘non-human artefacts, tools and rules’ enable social beings to produce and enact those practices (Dicken *et al.* 2001: 102). Consequently Bruno Latour, one of the formulators of ANT, states that the presence of the ANT process in any analysis is demonstrated by ‘the precise role granted to non-humans’ as actors, that they are ‘not simply the hapless bearers of symbolic projection’ (Latour 2005: 10). This aspect prevents the application of ANT to hawala, as the *practice* is essentially unchanged over time, while the particular non-human component has evolved from wooden chit to email message.

Consequently, it is the organic nature of hawala, originally performing as the financial circulatory system for extended, pre-industrial trade networks, that is central to this discussion. The use of the rhizome metaphor, as opposed to some form of network methodology, in this conceptualisation of hawala is to emphasise the malleable and re-generative nature of these relationships between actors. This aspect of the metaphor emerges from its organic source in botany. At the same time, hawala is both pre-colonial and post-colonial; it is distinctly and specifically non-Western (European) in origin and construction (E. Thompson 2008). The social/financial relations embedded in and integral to hawala are founded on understandings of personal trust. In essence then, the informal value transfer relationship is organic, entwined with ethnic connections and mutual experiences. This fact is acknowledged, for example, in the implementation approach for the regulatory structures (nominally) enforced in the United Arab Emirates (UAE) for hawala: ‘The BSED [Banking Supervision and Examination Department, Central Bank of the UAE] is of the opinion that the absence of any STRs [suspicious transaction reports] reflects the fact that the hawaladars’ customers are typically people who are known personally to them through family or business contacts’ (Financial Action Task Force 2008: 106). In other words, there are no ‘suspicious’ transactions by definition because the hawaladar would not undertake a transaction with a ‘suspicious’ person. This approach is in contradiction with the perspective of the FATF, as will be shown in the next section. The deployment in this context of the concept of the rhizome is not to represent it as a ‘better’ alternative to standard conceptions of the network, but rather to emphasise the living, organic, regenerative nature of these relationships. The production and reproduction of social and business relationships become obscured by our familiarity with the physical infrastructure of the computer and communications networks that surround our everyday existence. Thus, the network metaphor becomes visualised in the static existence of computers, cables and routers, rather than the open and uncontrolled organic growth of crabgrass that is a more indicative model for informal value transfer operations throughout the world.

To formalise and regulate the informal

Historical trajectory

The practice of informal transfers is today demonised as a conduit for money laundering and terrorist financing, yet they have deep historical roots.[3] In India, hawala predates the establishment of Western banking systems, which occurred about 1770 with the Bank of Hindustan in Calcutta (Jost and Sandhu 2002). As already indicated, these older informal systems had been utilised by traders operating across the Indian Ocean to the Middle East for centuries (Trehan 2002: 77; Ballard 2005: 324–5; E. Thompson 2008: 102–8). Beginning in the 18th century, colonial governments increasingly instituted Western-style branch banking and legal structures that pushed the traditional informal financial methods to operate on the periphery of these economies (Maurer 2005). The post-colonial states retained these formal banking structures, and introduced capital controls on currency movement and foreign exchange. Hawala re-emerged as a feature of the global economy to serve the migrant South Asian population working in the Middle East and the United Kingdom in the 1960s and 1970s (Ballard 2004). Banks in peripheral states tend to be concentrated in urban areas, whereas the migrant labour resident in developed states often comes from rural areas (generally due to the lack of local economic opportunities). In these circumstances, hawala, the black market peso exchange and various other informal money transfer services provide a low-cost means of delivering money to remote locations. For the worker (who may be an illegal immigrant) the informal method also means that it is possible to send money without providing identification, filling out forms or maintaining a bank account (which can be expensive in its own right for those with a low income). 'The cost effectiveness, efficiency and convenience of hawala make it an attractive alternative to conventional systems of remittance, under almost any regulatory conditions' (Shanmugam 2004: 42).

Whether known as 'hawala' (Pakistan), 'hundi' (India), or 'fei ch'ien' (China), the traditional informal money transfer systems situated in the Middle East and Asia rely on 'ethnic-based trust' relationships. They existed before the institution of formal banking systems and continue to exist by providing a low-cost financial service reaching areas beyond retail branch banking. The trust relationship depends upon the desire of the individual to avoid social sanctions within the ethnic community, a situation that is very different from the legal structures that underpin formal banking (Masciandaro 2004b: 267).

Within hawala the emphasis is upon the trust relationship, knowing the person, and not upon the source or destination of the funds to be transferred.

> According to the [Malaysian] money changers they are not overly concerned about the source of the money being sent. What is important is that the person on behalf of whom the money is being sent be known to the money changer. (Shanmugam 2004: 43)

Nonetheless, the hawaladar will avoid any suspicious transaction for the same reasons as would a retail bank; it is purely a function of risk reduction. In the event of any problem associated with the funds, the hawaladar's reputation is called into question (for the misplaced trust), which damages their relationships throughout the business (Ballard 2005: 352, fn 61).

This is not to say that there are no hawaladars willing to move criminal money. After reviewing a sample of criminal cases against hawaladars in the Netherlands, Henk van de Bunt concluded that trust was not a universal feature of hawala transactions, 'The emphasis in the literature on the presence of trust between bankers [hawaladars] and clients as well as between bankers themselves is not supported by my research findings' (van de Bunt 2008: 699). At the same time, his research sample of 12 *criminal* cases represents a small number out of the much larger pool of transactions that successfully move money with no difficulty via hawaladars. The focus in the literature with which van de Bunt is concerned is not trust *per se*, but rather framing trust in hawala as a consequence of a strong ethnic, social or familial bond. Trust continues to exist in the relationships studied by van de Bunt between a hawaladar and an individual seeking to transmit the proceeds of crime. 'What matters in the end, is that a *hawala* banker can deliver on his promises' (*ibid*.: 696). In these criminal cases (and quite likely for non-criminal cases as well), it is a trust based on a business relationship and past successful transactions. As van de Bunt noted for the criminal cases reviewed in his research, 'There are no reports of threats of violence, fraud or financial "rip-off deals" by bankers [hawaladars] or clients' (*ibid*.: 698).

The process

The conventional presentation of a modern hawala transaction, for example from El-Qorchi (2002) or Maimbo *et al*. (2005), includes a transmitter, a receiver and between them a hawaladar on each side of the transaction. The individual with cash to be transferred provides it to a local agent (hawaladar), along with details on where this value should be transferred. The local agent provides a code or reference number to be used as identification by the receiving individual (a family member or acquaintance). The local agent contacts an agent at the destination location with the amount to be transferred, and the authentication code that will be provided by the receiver to verify their identity as the correct recipient. The destination agent (hawaladar) may deliver the funds to the receiver if they have the contact information, or wait to be contacted by them. After confirming identity with the verification code, the value (in the local currency or possibly in a convertible currency such as US dollars or euros) is delivered and the transaction completed (El Qorchi 2002: 31). Keep in mind that this process operates in a similar manner across all ethnic/national boundaries; transfers from the United Kingdom to Pakistan, Sweden to Somalia, and United States to Mexico are functionally the same for purposes of migrant remittances. Naturally, the process of intermediation and settlement is slightly more complex than suggested by this brief sketch.

The notional transaction depicted in Figure 1 contains an intermediation gap separating the transmitting agent ('shopkeeper') and receiving agent ('middleman'). Most authors acknowledge that the settlement of the transaction concealed within this separation may be completed in a variety of ways, including transactions flowing in the other direction (so-called 'reverse hawala') or with the exchange of cash, a cheque or money order. 'Their positions can also be transferred to other intermediaries. These other entities can assume and consolidate the initial positions and settle at wholesale or multilateral levels, also by various means' (Maimbo *et al.* 2005: 44–5). What is important to observe about the notional transaction is the absence of an actual transfer of currency. It is this event that requires the presence of trust relations across the wider structure of hawala beyond the initial customer contact, for each participant expects that at some point in the future the books will be balanced.

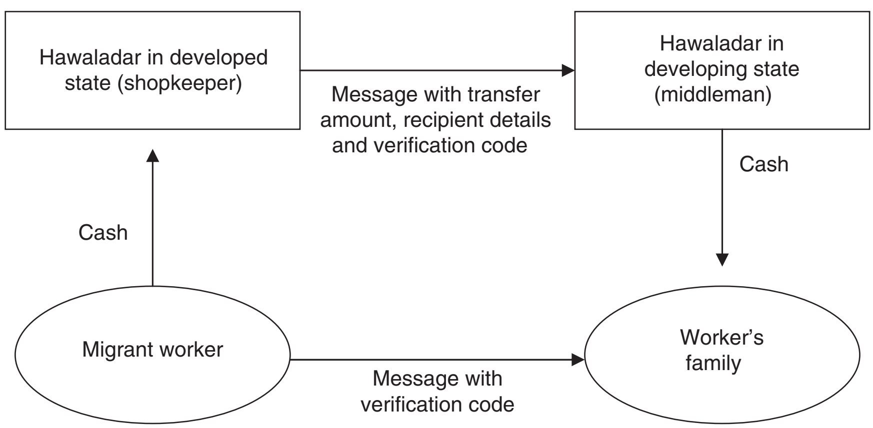

Figure 1 A notional hawala transfer.

This lacuna has been unveiled through the work of Roger Ballard at the Centre for Applied South Asian Studies at the University of Manchester as an independent consultant in a legal case involving hawaladars in the United Kingdom accused of drug smuggling in 2001.[4] Ballard writes that these intermediate stages of consolidation (the bundling together of many discrete transactions, transmitted as one bulk transaction to be unbundled by the receiving wholesaler) 'is the key to the operating efficiency of the hawala system' (Ballard 2003a: 9). Local agents passed cash and instructions to a local consolidator, who would aggregate transactions from a number of agents and forward the cash and instructions on to a wholesale consolidator. At the wholesale level, the hawaladar would sort and deposit the cash into a local bank account, and for the specific case studied by Ballard these deposits could range from several hundred thousand to over a million pounds a week. From this point in the process, the funds were often used to purchase US dollars, which would then be placed on deposit with a Dubai-based exchange house, for example into their account at the Bank of America or Midland Marine in New York City. There may be frequent transactions between parties because of familial bonds, but the desire for profit promotes a competitive environment seeking the lowest available transaction costs, particularly at the upper levels of intermediation (Ballard 2005: 334). In this competitive space the rhizome of hawala is continually adjusting, reforming and reproducing connections of value exchange.

A desire to regulate

The informal and essentially undocumented nature of small local hawala transactions effectively means that they cannot be audited. As a result, not only do migrant workers use an informal system to transmit remittances back to a remote village in India, Pakistan, the Philippines or Mexico, but also informal methods have been used to avoid taxes and capital controls. The undocumented nature of informal systems immediately mark them out as suspect in facilitating both money laundering and terrorist financing (Financial Action Task Force 2000, 2003, 2004). Figure 1 provides only one side of the transaction process, displaying only the passage of a labourer's savings back to their family. The action to complete the settlement of the transaction involves a reciprocal movement of either capital or goods from the receiving location. Ballard suggests that remittances from the UK to Mirpur District of Pakistan more recently totalled about £250 million a year. This capital does not rest quietly under the mattress, but it is converted into a variety of goods, property and services such as an overseas education or medical treatment (Ballard 2004: 147–8). In an edited version of a report he prepared for the legal proceedings that involved several UK-based hawaladars, Ballard described 'corporate hawala', a form of informal financial exchange between firms wherein one party is located in a state with tight foreign exchange controls (e.g., Iran, India and China). Such transactions also help the entire structure, and in particular the exchange houses of Dubai, to maintain a balance in their accounts (Ballard 2003b: 18–9, 30–2).[5]

The standard conceptualisation of these informal methods emphasises the differences between their operation and the more familiar Western retail banking system. For example, an Interpol report on hawala followed its description of the remittance process with this statement: 'When compared to a "traditional" means of remitting money, such as obtaining a check or ordering a wire transfer, hawala seems cumbersome and risky' (Jost and Sandhu 2002). Similarly, the response of the FATF in late 2001 was to identify 'alternative remittances' as a potential path for terrorist financing and to direct that governments *formalise* the informal (see Special Recommendation on Terrorist Financing VI, Financial Action Task Force 2001: 2). The challenge here is the fact that directing a course of action and successfully executing it are two very different things (Vlcek 2008a). The authors of the 2008 FATF Mutual Evaluation Report on the UAE declared that while their analysis sought 'to reflect the relative robustness of the measures taken by the UAE authorities', it remained necessary to evaluate those measures against the FATF (hence international) standard (Financial Action Task Force 2008). And that standard was created by representatives of developed states uncomfortable with informal methods, as represented by the earlier noted remarks of officials for the apparent lack of consumer protection and the 'cumbersome nature' of informal methods as a means to transfer money.

Of course, there is some validity in those details emphasised by many commentators when discussing hawala as a source of danger for illicit transfers. Yes, because hawala is essentially unauditable and relatively anonymous (at least from the perspective of a banking regulator with regard to any individual transaction), it may be used for illicit purposes.[6] It is also true, as noted by Samuel Munzele Maimbo, that even the honest user of an informal transfer method may facilitate the financial transactions of those that are up to no good, particularly terrorists and smugglers, by acting as an unaware counterparty in the larger settlement equation (Maimbo 2003: 8).[7] This contention, however, is not significantly different from the illicit misuse of the formal banking system wherein your grandmother's deposit of her pension cheque may become part of a counterparty transaction for money laundering, again in the larger picture of bank settlement activity. Those seeking to misbehave will always find a way to accomplish their goals (Nordstrom 2003). What is more important to appreciate is the extent to which the system is used by ordinary folks for mundane reasons like sending money home to their mother, and the fact that the magnitude and development impact of migrant remittances has been recognised and acknowledged in recent years (Ratha 2003).

It is also true that hawala is functionally very similar to a regulated commercial money service business (MSB) such as Western Union and Moneygram; an individual provides money and transfer instructions to an MSB agent, who may be physically located in a shop or local post office. The funds are transferred to the agent located nearest to the recipient, and in response to competitive pressures MSBs are providing an increasing number of methods to deliver those funds. Hawala and similar informal transfer methods nonetheless frequently remain the lower cost option for transferring small amounts (Yujuico 2009: 70). In general, the academic literature that analyses hawala or the practices of informal value transfer consider them to be representative for the discursive content found in the present actions taken against terrorism (Atia 2007; de Goede 2007). When the object of academic analysis is terrorism and its financing, then hawala is represented as the ‘Other’ and coded as the ungoverned, surreptitious and illegal method used by the terrorist evildoers to undermine Western democracy (e.g. Ehrenfeld 2007). As a representative example for the rhizomatic nature of informal transfer systems, and specifically hawala, the next section discusses the case of a Somali firm, named by the United States as a source of terrorist financing and subjected to economic sanctions at the direction of the United Nations Security Council.

The rhizome in Somalia

Al Barakaat is variously identified as a money-wiring service, a money exchange and a telecommunications service provider (as part of a diversification/expansion strategy bringing mobile phone service to the residents of Somalia). Prior to the anti-terrorism sanctions directed by the United Nations Security Council, it was one of the largest firms in Somalia (Kaufman 2001). Then, on 7 November, 2001, the US government announced that under the authority of a Presidential Executive Order (No. 13,224, issued on 23 September, 2001), it was blocking the assets of 67 individuals and organisation associated with al Barakaat and al Taqwa. These two firms were alleged to have links to terrorists, with al Barakaat accused of connections to Osama bin Laden, including an accusation that it even received its initial investment capital from him and al Taqwa was accused of proving investment services for Al-Qaida. Government officials in the United States described al Barakaat and its subsidiaries as conduits for terrorist financing that funded Al-Qaida by skimming from their transaction fees. On 9 November, 2001 al Barakaat and several associated individuals and firms were placed on the UN Security Council’s Consolidated Sanctions List after classified intelligence evidence was used to justify closing the firm and freezing its assets worldwide (Vlcek 2006, 2009).

With the closure of al Barakaat, the Somali diaspora and those family members that remained in Somalia needed an alternative means of transmitting money home. Initial media reports predicted calamitous effects and further chaos as a result of the UN Security Council's naming al Barakaat a source of terrorist finance.

> 'The al-Barakaat closure is having a very, very serious effect,' said Randolph Kent, the United Nations humanitarian representative in Somalia. 'We are at a point where we have to start anticipating a crisis that could be unique in the modern state system — the collapse of an entire national economy'. (Kaufman 2001: A30)

Now, one can make the case that the Somali economy effectively had already collapsed, and that this situation had opened a space for al Barakaat to become so pivotal to the economy and foreign exchange of Somalia in the first place. This demonstrates once again the resilience and drive with which people face adversity in all its myriad forms. Before the closure of al Barakaat, competitive pressure in Somalia had forced other firms in the local money transfer business sector either to consolidate or to specialise. 'These actions were not only successful in preventing a monopoly, but also succeeded in responding to ever-growing customer needs in the flourishing private sector' (Omer and El Koury 2004: 48). Following the closure of al Barakaat's foreign operations, the remaining firms adjusted and moved to fill the gap left by its departure, 'averting what would have otherwise been a humanitarian disaster' (*ibid.*). Or, in the conceptual framework presented here, individuals found alternative hawaladars providing service to Somalia, which in turn influenced the further growth and regeneration of the informal value transfer rhizome serving Somalia. Market dominance formerly held by al Barakaat had influenced the development of other firms along alternate lines, and with its departure they proceeded to grow and spread into the vacated space.

The persistence of informal methods is due to several factors besides cultural familiarity and the capability to reach remote locations. One point to observe here is that hawala successfully delivers the remittance to the destination party, which is not always the case for other methods of informal value transfer. Alternatives used in some regions involve bus drivers and taxi drivers who may not be as reliable, subject as they are to hold-ups, accidents or simply 'losing' the money (Mas and Morawczynski 2009: 78). Cost is very much a decision factor because of the low sums involved at the individual transaction level, which makes the fees of banks and MSBs very expensive as a proportion of the sum transferred home. As part of efforts to facilitate remittance flows as a contributor for economic development, the United Kingdom's Department for

International Development (DFID) has sponsored several studies and a cost comparison website.[8] Naturally, unregistered money transmitters, which likely still include many hawaladars, are not listed on the cost-comparison website; however, the website does provide the migrant with the means to compare prices with the hawaladar that they may have used in the past. A further factor emerging from the DFID-sponsored research is the role of habit, influenced by the 'combination of anxiety over security, a baffling market and restrictions in provider choice' (DFID 2005: 18). There is a disconnect between the efforts of agencies such as DFID in the UK and the initiatives intended to secure global financial systems from illegal conduct. It exists even though a wider geopolitical context, framed as a 'security-development nexus', is believed to exist wherein there is a mutually beneficial policy convergence between the development sector and the security sector.

Notwithstanding claims for a security-development nexus, much of the literature analysing the development potential of remittances (e.g. Yujuico 2009) gives very little attention to the security concerns that led to the closure of al Barakaat. And the literature analysing the security threat attributed to hawala (e.g. Raphaeli 2003) offers very little on the developmental contribution of remittances. This situation reflects David Chandler's criticism of the security-development nexus concept: even though there may be high-level policy statements joining these two policy areas at the international level, in practice there is very little evidence of such a confluence (Chandler 2007: 366). Moreover, the problem confronting Western security services attempting to suppress hawala is not simply with identifying and regulating the individual dealers operating in their local neighbourhoods. They are challenged also to regulate the larger financial centres, the larger root clusters of the hawala rhizome facilitating transnational transfers, such as the UAE. The money exchanges of Dubai were targeted by US officials and the international community, and the UAE government and central bank have responded to their expectations, going so far as to sponsor several international conferences on regulating the informal transfer sector (Financial Action Task Force 2008: 105). At the same time, this mutual evaluation report (Financial Action Task Force 2008) suggests that the appearance of compliance with FATF recommendations has not transformed into a structure of compliance as expected by Western officials.[9]

A line of flight for informal finance

From one perspective, to claim that hawala exists alongside the global political economy is to agree to its depiction as 'parallel banking' and thus that it is the *same as* formal banking, that it operates separately yet in parallel with the formally constituted system in order to achieve the goals of banking. This is not the case, however, in that hawala does not perform banking as such: hawaladars do not accept deposits nor provide loans. Rather, the emphasis rests on the *transfer* of value from one place across space to another place. Hawala is not the means for saving, or investing, or establishing a credit relationship in the community, but simply a method utilised in order to share the income from one's labour. The perspective deployed here then is to identify the existence of economic activity in the world that is not necessarily recognised as a part of the global political economy. So, in a formal sense, the informal economy, both as discussed here and in its wider presence in marketplaces throughout the world, exists within the world economy while at the same time it is not widely incorporated in the analysis of global political economy.[10]

The challenge confronting the state (in whatever institutional form — UN, EU, US, etc.) is not that the actions of individual users of hawala are inherently illicit or that they desire to conduct their business on the fringes of society. The challenge is that so long as there is a *need* within these migrant communities for a low-cost, efficient and trusted money transfer service to a remote location, then this rhizome of informal finance will continue to regenerate itself (and to populate the fantasies of international crime novelists while at the same time feeding the nightmares of banking regulators). The economic binary of supply and demand operates in this most basic of markets. As long as the demand for such services continues to exist, there will be someone attempting to satisfy it. The demand for the basic financial service of transmitting money emerges from the movement (legal and illegal) of labour in the global economy. Whether skilled or unskilled, these workers are providing significant revenues home to their families and the wider community from which they originated (Scott-Joynt 2004a, b; G. Thompson 2005; Davis 2006). Consequently, there is the additional tension present in Europe and North America over the presence of migrant workers, and in particular the 'illegal' migrant, as much as there are security concerns that hawala may be used to finance terrorism.

The informal systems used to facilitate the transfer of economic value have been examined here — conceptually — as a rhizome. Fundamentally, to redeploy the concept of the rhizome from *A Thousand Plateaus* to global finance is an endeavour to force observers and commentators of the war on terror and the associated measures taken to combat the financing of terrorism to think anew about these techniques of *informal* finance. The rhizomatic nature of hawala suggests that externally directed measures for regulation are difficult and confront cultural preferences for face-to-face interaction (Razavy and Haggerty 2009: 147). These regulations, moreover, reproduce the arborescent structures of formal banking and seek to reconstitute informal practices as part of that global financial system. The pressure of Western governments to achieve security, in this instance through the interdiction of the financing of *insecurity*, clashes with the aspirations of migrant labourers to keep for themselves what little they earn and to share it with family and community in the developing world. Efforts at suppression as a response to the avoidance of regulation may force these systems truly underground (and out of sight). It is this concern that motivates the light regulatory approach followed by the Central Bank of the UAE (Financial Action Task Force 2008: 107). Rather than taking an adversarial or confrontational position towards hawala and imposing externally developed regulation on hawaladars, inclusion may be a better approach by inviting hawaladars to help defend society from terrorism and financial crime (Passas and Maimbo 2008). Here the development of an internal, industry-based supervisory capacity in Somalia for the money transfer sector (another rhizomatic strategy) may serve as a model for creating systems of security from within (Omer and El Koury 2004).

A conventional methodology analysing quantitative data for informal transfers could begin to provide a sense for the scale and dimensions of these transactions as a component of global capital flows. And, as stated at the beginning, it would in turn support and facilitate the international effort to transform informal processes into formal, regulated processes subject to surveillance intended to prevent terrorist finance. It is not likely, however, that such a methodology would advance our understanding for the continued operation of the hawala phenomenon. Further, non-representational theories, such as actor network theory, emphasise the performative aspects of economic activity, which also do not seem to be particularly applicable to an analysis of hawala. Rather, the motivation for these informal transfer practices are as important as the trust relationship that facilitates them. Familial obligations and the *desire* to fulfil those obligations — across space and time — motivate a variety of methods to send money home, among which hawala and related informal practices represent only one approach (Yujuico 2009). As discussed by several authors, the emphasis placed on the illicit *potentialities* of informal transfer systems since 2001 serves to impede these desires more than it serves to interdict terrorist financing (Zagaris 2007; Viles 2008; Vlcek 2008a; Razavy and Haggerty 2009). It is this desire that will feed and sustain the rhizome of informal value transfer, as hawala represents the low-cost solution to get money to remote, unbanked locations using culturally familiar practices. Similarly, the rapid growth of mobile money for remittances among overseas Filipinos in Asia reflects an emerging low-cost solution to reach the unbanked communities spread across 7,100 islands of the Philippines, a country where there are less than 7,000 ATMs (CGAP 2008: 5).

In sum, the argument made here has been that by reconceptualising hawala as a rhizome it is possible to expose the organic, regenerative nature of these cultural practices and thereby explain their durability. Importantly, the rhizome metaphor captures the fact that hawala has overcome past efforts at suppression and, notwithstanding ten years of focused effort by large states and their multinational institutions, it continues to function as a method to send money home today. Thus this closing quotation from *A Thousand Plateaus* serves to restate the regenerative role found with the rhizome in nature, as well as with hawala in the global political economy.

> A rhizome has no beginning or end; it is always in the middle, between things, interbeing, *intermezzo*. (Deleuze and Guattari 2003: 25)

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Notes

1 For an analysis of this public discourse, see de Goede (2003). She in turn refers to Nikos Passas (1999: 9–12) concerning the inappropriate usage of the term. In a desire to communicate with an audience that is not composed of global finance specialists and financial criminologists, the generic usage of 'hawala' is continued. At the same time, those readers that are specialists may consider that this action is performed 'under erasure'.
2 With regard to discursive power see Lukes (2005, 2007); Gaventa (2007).
3 See de Goede (2003) for a detailed deconstruction of this discourse portraying hawala as implicitly illegal and the source of terrorist financing.
4 Ballard also remarks on the simplified nature of conventional descriptions of hawala. 'Although useful as a basic introduction, if left undeveloped they do more to obscure than to illuminate the extremely complex series of transactions which underpin the contemporary system of globally-oriented hawala' (Ballard 2003a: 9). See in particular the section 'A worked example' in Ballard (2005: 333–4).
5 The use of more conventional inter-state trade to accomplish money laundering (with intentions of avoiding capital controls and taxation) also has been studied (de Boyrie *et al.* 2005a, b; deKieffer 2008).
6 For one story of the use of hawala/hundi to fund militants and undermine democratic governance in India, see Kapoor (1996). In this case we should not assume that the hawaladars involved in these transactions were not co-conspirators, or at least sympathetic to the political cause of the militants.
7 This argument is similar to the American anti-drug advertisements produced after 2001 warning people that by buying illegal drugs they were helping to finance terrorism.
8 See variously Pearce and Seymour (2005); UK Remittance Working Group (2005); DFID (2005); Sander (2003) and the website at http://www.sendmoneyhome.org.

9 The situation is not unique to either the UAE or the Forty Recommendations of the FATF on money laundering and terrorist financing; see Walter (2008) for an analysis of compliance by Asian states with international standards for banking and securities since the 1997 Asian Crisis.

10 Among the exceptions to the conventional approach are Nordstrom (2004, 2007); Masciandaro (2004a), Jerez (2003), Naylor (2002) and Strange (1996).

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