

# “We Pay, You Pay”: Protection Economies, Financial Flows, and Violence

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**A**cross the globe illicit flows have not only continued to sustain themselves; they have expanded into new sectors, with a series of new criminal markets now emerging. What is remarkable about this development is not so much the growth, although in some sectors this has been truly astonishing, but that the policy solutions to the phenomenon have been so underwhelming.<sup>1</sup> After decades of focus on drugs markets, most analysts have conceded that law enforcement and associated development policies have failed to curb the power and expansion of illicit networks. In conflict zones, notably in Africa, where illicit trafficking has now become a standard—albeit understudied—feature, a series of tentative programmatic experiments appears not to have achieved the envisaged results.<sup>2</sup>

As their depth and breadth have grown, “organized criminal networks” and “illicit trafficking” are often now identified as key drivers of conflict. Yet, exactly how illicit markets contribute to conflict is not well understood. More often than not, the connection between organized crime and conflict is assumed rather than explained. But understanding the connection between illicit economies, their funding, and the promotion of violence is crucial for policymakers. This applies to several conflict zones, but methodologies for doing so have been less developed in the specific context of Africa, where countries are experiencing new forms of warfare, often on state peripheries, across several states, and involving multiple protagonists.<sup>3</sup> The intent of this chapter is to provide a conceptual framing through which violence or the threat thereof can be linked to illicit economies; by doing so, the chapter will provide a better understanding of the financial transactions and flows that provide the stimulus for violence. This approach underlines that not all illicit markets generate conflict and the nature and types of violence differ between illicit economies. This distinction is critical for policymakers constrained by limited resources who need to prioritize their interventions.

This chapter argues that a useful analytical device to understand the linkage between local power relations and evolving conflict dynamics is that of “protection economies.” Such economies, and the transactions they involve, provide a means to structure the relationship between criminal entrepreneurs, armed groups, state structures, and the use of violence. This analysis takes its inspiration from a wider body of literature, often referred to as “protection theory,” which draws on the formation of mafias and other groups and

their use of violence to obtain tribute or to extort payment, and has sought to understand how violence, or the threat thereof, becomes a marketable commodity in itself.<sup>4</sup> In other words, protection emerges as a key service in an economy where there is a high demand for it and where the state does not or cannot provide that service, or does not do so in an even-handed way. The buying and selling of protection of the transport of illicit goods creates dependent relationships between smugglers and those capable of protecting the lines of transport; the existence of this relationship provides valuable opportunities for policymakers to tailor interventions to stem the flow of illicit goods by targeting the market for protection.

### **Assumptions and Methodology**

Protection economies provide a useful lens through which to examine the linkage between organized crime and conflict, precisely because they mirror two important developments in the current global political economy: the dramatic growth of illicit flows and their channelling through weak or conflict ridden states; and, a proliferation of armed groups in such zones of instability which do not necessarily have external funding sources.

Though to build this framework, a number of key assumptions should be laid out clearly at the outset. The first is an acceptance that organized crime or illicit trafficking may be key drivers of conflicts, but they are not the only ones. How organized crime or illicit markets affect conflict is often context-specific, including how such resources are absorbed and used by criminal and/or political groups. The second is a dismissal of the idea that only nonstate actors engage in cooperative efforts with organized crime and illicit trafficking during conflict. State actors, too, make these linkages. Importantly, how state and nonstate actors participate in protection economies needs to be accommodated in the same model for it to be analytically useful. An important theme of this chapter then is “to bring the state back in” to our discussion of the vectors and beneficiaries of illicit flows and markets. Third is a concession that the flows of resources between different actors (what will be termed “transactions” in the analysis that follows) are difficult, if not impossible, to document accurately. So, assumptions are made as to how resources have flowed, based on interviews in the field and the presentation of a series of case studies. Finally, the term “organized crime” is a somewhat clumsy conception when applied to complex criminal markets and their connections to conflict, particularly in Africa.<sup>5</sup> For this reason, the chapter avoids the theoretical and conceptual debate around this issue by sticking to a narrower terminology around criminal flows or markets. The latter are seen as the demand or supply of goods or services (including violence itself) that are broadly considered to be illegal, “uncivil,” or harm-inducing.<sup>6</sup>

The chapter begins with a brief theoretical overview of the concept of protection. This analysis is then applied to three case studies along a single trafficking flow, that of commodities, including drugs and human beings that have and are, transiting West Africa through Guinea-Bissau, the Sahel through Mali, and North Africa through Libya. These three case studies are useful as they each provide a different example of a protection economy,

but drawing on the same set of conceptual principles. To broaden this discussion, several other cases from a wider repertoire are also used, but the focus is unashamedly African; the continent is now at the forefront of a series of violent engagements underpinned by illicit markets.<sup>7</sup> These allow us to identify the beginnings of a typology of protection. A follow-on section examines the use of resources by these actors, drawing conclusions in relation to the financing of conflict. The chapter concludes by drawing some implications for policy.

### What Is a "Protection Economy?"

Understanding how systems of power and control function can generally be traced to the resource flows that underpin them. The sets of individual transactions that define these systems are generally hidden from view and difficult for the casual observer to identify. That is particularly the case in illicit activities, where there is a strong motivation to retain a high degree of secrecy around how relationships and their structuring transactions operate.<sup>8</sup> In this sense, protection economies that develop around illicit flows are hidden, yet they are crucial to understanding both underlying systems of violence and related distributions of payment.

In states with functioning systems of rule of law and high levels of capacity, the state itself provides that protection in exchange for tax. Institutions of the government are designed to guarantee protection when economic transactions occur. Thus, when firms contract with each other or with individuals, there is recourse to the courts or justice system should any of the parties fail to deliver their side of the bargain. Thus, if a firm does not provide the goods required, or they are of poor quality, or if an individual does not pay in exchange for the goods, either party may approach the courts for compensation for their loss.

Charles Tilly's seminal study of European state formation noted that this process and the development of organized crime had much in common.<sup>9</sup> In each case, payment is extracted for protection. How that payment is distributed and absorbed into the system determines systems of power and control. In Tilly's analysis, this constituted the first steps in the formation of Western European states; the use of these resources became more equitable over time, ensuring popular acquiescence to the emerging order.

We generally define the development of "organized crime" in contrast to the state—after all, the latter is meant to counter the former. So, what happens when the state is not present; or the justice services it delivers are of poor quality; or the commodity being traded is illegal, and state intervention is either unlikely or would endanger both parties and scupper the deal? In those circumstances, parties may seek a guarantee for their investment in the commercial arrangement: in criminal economies or where the state is not present that security may take the form of a "fee" given in exchange for protection.

The process is, however, more complex than this. In cases where the state is not in a position to intervene, powerful forces that have the monopoly on violence—or at least have the capacity to engage in violence without significant opposition—are in a position to extract rents from the movement of commodities. These are mainly illegal commodities often because legal forms of economic activity have declined or have much lower profit margins. It has been shown in the Sahel, for example, that the provision of protection

around more profitable illegal markets extends to legal ones in the absence of state presence and/or enforcement.<sup>10</sup>

It is worth noting here that this emerging arrangement around protection closely resembles that of businesses that are extorted for money; here, the entity doing the extortion may well be the same as that which disrupts the trade if payment is not made.<sup>11</sup> Such arrangements have been termed “the extraction of rents” in other contexts; in reality though, they can be better understood as a simple transaction for security—even if security and insecurity stem from the same source. As in the case of extortion, the extorter often makes a judgment about how much can be paid, so that the business can continue to function—even if not optimally—but will not collapse altogether, thus eliminating the source of payments.<sup>12</sup>

In places where resource flows transit areas of poor or weak governance, or where corruption is already endemic, structured protection economies develop. This is based on the characteristics of the trade of high value illicit goods (for example, illegal narcotics), in which there is a simultaneous need to transport the good to a variety of locations globally, through a series of local networks. Protection economies are, therefore, often relationships that are generated by the link between global markets and local control. The position can also be reversed, as in the control of mining sites or oil refineries, where the source of the commodity is under control and available for rent extraction, with the requirement to move goods to market—or often in this case—to launder them into offshore licit markets. In both cases, local control is a feature of extracting payment from wider global economic flows. In a different context, such an arrangement has been termed “glocal,” and the term retains some useful explanatory power to describe these relationships.<sup>13</sup>

Critically, since “payment for protection” implies at least two actors who transact with each other, protection theory recognizes the difference between two important role players within in the system.<sup>14</sup> The first is the criminal entrepreneur, generally the individual or group engaged in the economic transactions to move or extract the goods. The second is the entity that provides protection, which has been referred to in the African context as “an entrepreneur of violence.”<sup>15</sup> They sell protection as a commodity in its own right. While it may often be hard to distinguish between the two functions when looking at conflict dynamics from afar, it is almost always the case that the entrepreneurial trade function is separate from the entrepreneurial violent one.

## **Rethinking the Role of the State**

A key point here, and one already highlighted at the outset, is that we should remove our prejudice about who can and cannot be a “protector.” Protection may take multiple forms, constitute complex networks, and most importantly, almost always involves state actors in some shape or form. Some recent literature has suggested that a distinction should be made between “state-sponsored protection rackets” and “private protection rackets.”<sup>16</sup> In reality, however, the provision of protection almost always takes place along a spectrum, with state institutions performing a range of functions, dependent on the degree of capacity they may have.

**Table 11.1. Typologies of Protection Economies**

	State Control	Devolution	Mixed Control	Indirect Links	Mixed Local Control	Local Control
<b>Roles</b>	Full involvement of selected state actors. Direct protection or withdrawal of state actors at crucial times.	State as "gatekeeper" for regional and local control. Selects partners.	Agreements between state and local actors on the ground where both have a presence.	Weak state positions itself as interlocutor and receives payment.	Local state security actors and local strong men based on agreement.	Full local provision of protection. No state involvement.
<b>Provider of Protection</b>	State security forces.	State forces and local armed groups linked to "system of devolution."	Local militias and state actors, often in agreement as to "spheres of control."	Armed group with "quiet channel" to the state in exchange for payment.	Security forces without "central permission." Local armed actors.	Local armed groups.
<b>Resource Flow</b>	To senior levels of the state and/or security establishment. Small payouts at lower levels.	Senior state officials take a cut or an agreed tribute paid to state to maintain the system.	Local players with tribute paid at central state level.	Armed groups, but also to state actors who facilitate outside access.	Local security actors, state and nonstate.	Local players and leadership.
<b>Implications</b>	"Criminal state." Limited violence is easily quashed by dominant state.	Potential to resource local strongmen or promote conflict with those excluded from the system.	Local state presence in parallel with armed groups.	State further compromised in ability to respond. Acquiring resources strengthens armed group.	Increasing delinkage from the centre. Poor local service delivery. Conflict if alliances/agreements weaken.	Acquiring resources reinforces local territorial control.

Recent research suggests that the role of state actors as vectors in the criminal economy has been greatly underestimated; where present, they act almost without fail to provide some form of protection. Absent the rule of law and effective forms of democratic oversight, state agencies that attack extortion networks often take them over.<sup>17</sup> And, the prevailing wisdom that state involvement in the illicit economy as "protector" is always the result of, or results in, state weakness requires a more nuanced or contextualized view. In some cases, the state can use the protection function, at least in the short to medium term, to extend its reach.<sup>18</sup> In the longer term though, state power may be significantly compromised when that system breaks down.

The spectrum of protection networks and the potential role of the state are illustrated in the table below.<sup>19</sup> Six typologies of protection economies can be identified, each defined by the degree of state strength or weakness. A measure of state strength in each case is a feature more of the state's ability to control the criminal economy than to deliver services across the territory of the state. As Meehan has dryly noted, "to derive a more accurate analysis of the relationship between drugs (or any illicit commodity) and state-building it is imperative to engage with how states actually function, rather than how they ought to."<sup>20</sup> Thus, in the case of Guinea-Bissau, which could be argued to be a weak state based on the measure of its presence across the territory and its ability to deliver services, state institutions—despite their weakness, but given their comparative strength compared to other forces—were able to exclusively control drug trafficking.<sup>21</sup>

On the left of the spectrum are cases where there is full "state control" over the protection economy. In such cases, the senior level of the state or the security forces provide total protection for illicit trade, with direct payment being negotiated between senior state functionaries and those engaged in the illicit market. As mentioned, a good recent example of such a case is Guinea-Bissau, where the military (and connected political) hierarchy

were the gatekeepers for the transit trade and used the available state security resources to maintain this position.

Further along the spectrum toward the right is the case where the central state acts as a “gatekeeper” for regional and local interests, despite the fact that it has little effective presence in the region where trafficking transits. In such cases, senior levels of the state may allow some armed actors to receive payment for protecting illicit trade, while denying others the privilege of doing so. Achieving such favor may be the result of political reasons such as, for example, the requirement to bolster one regional or local actor over others. In these cases, however, it must be the case that the overarching power lies with the highest level of the state to select or support local actors who control the trade. That presupposes some capacity at the central level for outside intervention, should “the wrong” groups “tax” or receive payment from trafficking. A good example of this typology, explained briefly in the next section, is Northern Mali before the coup in 2012.

In the middle of the spectrum are cases where there is “mixed control” between central state actors who have some presence (e.g., regional offices, a military base, control of posted elements of a centralized police) in the region and local actors who occupy the ground. Such an agreement may include an understanding around “spheres of control” and the payment of tribute to other regional or central government actors. The difference between this typology and the previous one within this analytical framework is the degree of presence of the state itself in the affected area. In the former case, the state only has a weak presence; in the latter, the state has a more permanent presence, although one that relies on agreements with local actors for the state to function at all.

In systems of “mixed local control,” local state security actors and local strong men agree on dividing up the spoils into different zones of influence. The difference with the models above is that local security forces do not seek or receive permission from the central state, and set out to make money on their own, often by forging agreements with local partners. In short, the state retains some influence, but largely through the actions of local commanders or lower-level officials. A good example of such a case is Northern Niger, where agreements between state actors and local power brokers have historically provided a system of protection for trafficking and migrant smuggling.

Types further to the right of the spectrum are defined by significant levels of state weakness, as illustrated by poor territorial control and limited ability to intervene from the center. In cases where there are “indirect links,” state interlocutors may position themselves in relation to local power brokers to negotiate access or safe passage for the transit of goods. Unsurprisingly, such arrangements often stem from intelligence services with connections to the highest levels of the state, but which can operate in secrecy to “close the deal.” Perhaps the best example is the linkage between hostage negotiations and the state in Mali, where senior officials working with “negotiators” in the field received a portion of ransoms paid. That ensured a symbiosis between state officials dealing with foreign governments and the kidnapers themselves, providing the incentive for government officials to protect kidnapping groups from external intervention, while also ensuring a parallel reliance by

foreigners on state interlocutors precisely because of the protective relationship. In short, a perfect symbiosis between state and nonstate actors.<sup>22</sup>

Finally, in the absence of any state institutions, or where state institutions themselves are very weak, protection is provided by local militia or strongmen in the absence of any linkage with the state. That has been the case in the context of southern Libya after the fall of Qaddafi and during the ongoing period of conflict.

### **Protection in Practice: Violence Control and Violence Promotion**

Having provided an overview of different systems of protection, in each case identifying the role of the state in any arrangement, we must now consider how each of the models begets violence, if any.

As several studies of state dominance of illicit markets have suggested, total control of an illicit economy reduces violence considerably.<sup>23</sup> It is in the interest of state actors to dominate the illicit market completely to secure profits; violence attracts external attention and may invite law enforcement attention or challenges from competing criminal interests. In most cases of high-level state control of illicit markets, violence is more likely to occur within the elite, rather than as a feature of a wider conflict in society. It should also be highlighted that protection markets may not generate huge resources, at least in comparison to the overall value of the illicit goods being shifted. Nevertheless, in the content of relative resource scarcity those may be considerable.

This type is well-illustrated by Guinea-Bissau, where senior officials in the military and political elite provide protection for drug traffickers through a system of agreed-upon payments per consignment. Widespread violence that has been present in other drug markets never occurred in Guinea-Bissau. That is because there was negligible local drug use, and so there was no requirement to fight over local markets for sale. Nevertheless, there was considerable violence targeted at individuals at high levels of the state, who acted to provide protection to the drug economy.<sup>24</sup>

The lesson of Guinea-Bissau is that, while high-level state provision of protection may ensure that violence is not widespread, the struggle for the elite to secure control of the protection economy causes significant political instability. Guinea-Bissau has been plagued by years of political fragility, with no prime minister ever finishing his term, but low levels of violence amongst the citizenry.<sup>25</sup> Arguably, violence would have been much greater had a single regional or local group assumed control over drug trafficking. Despite the weaknesses of the state, which has limited reach into the interior, the nature of the country's politics and the contacts that were first made between drug trafficking entrepreneurs and military officials mitigated against this.

In cases where the state acts as a gatekeeper for regional or local control, the potential for violence is greater. That is largely because such processes often favor some local actors over others, with the aim of reinforcing the central state's interests. Local "clients" are selected because they have linkages to the central state or may have been imposed from the center. Conflict is the result of two eventualities: the first is where different groups vie for

control over the trafficking economy, targeting the state-selected partner; and the second is when the state may attempt to diversify the profits from the drugs economy to placate local or regional political interests.

In Mali before the 2012 coup, the central state acted through intermediaries within the presidency to allocate who in the contested northern territory could accumulate resources from the protection of cocaine trafficking through the country. That system of selection and the flows of protection profits upwards to the center achieved a degree of stability, and indeed, was designed precisely to achieve that.<sup>26</sup> Remarkably, interviews with traffickers in the region suggest, some of the initiative for local devolution came from the traffickers themselves, whom are said to have persuaded the government that decentralization would ensure a greater division of the spoils.<sup>27</sup> While that accommodation did, in fact, achieve stability for a period, it also sowed the long-term popular dissatisfaction and political instability in the state as a whole.

On Libya's western border, in contrast, significant levels of violence resulted when the old system of spoils division broke down, and local communities struggled among themselves to gain control of trafficking. Before the revolution, two communities in the towns of Jamil and Rigdaleen had been provided the exclusive mandate by the Qaddafi state to engage in trafficking. When that state imploded, the two communities fought for the right to continue with illicit trafficking and smuggling, as surrounding communities attempted to muscle in.<sup>28</sup>

These two cases suggest that devolution of trafficking from center to periphery is almost always a recipe for conflict and violence in the longer term. On one hand, as demonstrated, it achieves stability for a period; on the other hand, when the system begins to break down, it portends high levels of violence and may, combined with wider process of political mobilization, lead to significant levels of instability, both before (as in Mali) and after (as in Libya) shifts in power. It should be noted, too, that such forms of devolved control of trafficking take place in those jurisdictions where the state has what might be termed medium levels of reach; the central state retaining the ability to intervene with violence to manage the system of devolved control of trafficking, but not having either the political or military strength to stamp its unquestionable authority in the peripheral regions where trafficking takes place.

There are echoes of this system in cases termed "mixed control" in the table provided earlier, in which local actors and local security interests divide up turf, usually in peripheral regions. In such cases, local security interests act outside of central government authority and negotiate arrangements with local players on the ground. The implications for governance, and by implication, the potential for violence, may be severe. Different groups may compete for control of the illicit economy and conflicts between state and nonstate forces may have wider political and security implications, clothed as they may be in alternative ideological baggage.

In addition, particularly in cases of security force involvement, tensions within the security forces between those involved and accumulating illegal profit, and those seeking

to act in the interests of the rule of law, may cause wider conflicts. In northern Niger, security force involvement in migrant smuggling—essentially “taxing” the flow of people, and so a form of protection in exchange for payment—caused significant internal tensions when, after numerous cases of dead migrants who were found in the desert were exposed, there was considerable external pressure for action.<sup>29</sup>

Ultimately, cases to the right of the spectrum, where local forms of control predominate and the writ of the central state is weak or nonexistent, have the greatest propensity for wide-scale violence. In contexts where there may be few other resources to sustain armed groups and where the provision of protection to illicit trafficking is the largest money-spinner available, access to and control over routes is a critical source of accumulating resources to ensure local control.

In Libya, sustained periods of conflict between local strongmen over access to illicit (and licit) resource streams have dominated the posttransitional period. Where no group is strong enough to control the illicit market, conflict may be sustained over a considerable period of time, mitigating against external efforts to achieve peace.<sup>30</sup> Where parties engaged in protection of illicit resources accumulate significant resources they may have much greater interest in maintaining the status quo, rather than participating in a negotiated settlement where power and authority will need to be surrendered to a newly constituted central authority.

In the wake of the fragmentation of the central state in Libya, numerous local militias competed for control of the trafficking economy. Importantly, those that assumed greater control were those, such as the Zintani in the west, who had higher levels of internal cohesion, who were better structured and led, and thus able to absorb external resources; in turn, resources acquired were used for the purchasing of arms to further strengthen their hold on the trafficking economy. The point here is that growing power is not automatically linked to the acquisition of trafficking resources. In some cases, the injection of external resources may lead to internal fragmentation or greater conflict *within* the group over access to resources.<sup>31</sup>

In summary, different constellations of protection result in different levels and types of violence. In some cases, highly organized and agreed-upon systems of protection ensure a negotiated criminal peace. But in all cases, violence manifests itself at the elite level, or more widely, when such agreements break down. The timing and type of violence, therefore, often relates to the length of time the criminal market has existed. Early periods of market consolidation may be associated with high levels of violence, as different groups offer and enforce protection economies. In cases where that control consolidates, violence may be more controlled over longer periods of time.<sup>32</sup>

Given that states, or at least state security institutions, are key players within protection economies, periods of political, social, or economic change, which strengthen or weaken states, generally have a profound impact on the nature of the protection that may be provided. As in the case of Qaddafi’s Libya, the implosion of state security structures and systems provided opportunities for multiple players and widespread conflict as protection

economies coalesced. In other cases, the weakening or strengthening of some state institutions provides new opportunities. In Georgia, for example, Alexander Kupatadze recounts how a police campaign to remove organized crime extortion of businesses (a classic protection economy) was successful in doing so, only to provide the opportunity for the police themselves to take over the business of protection payments.<sup>33</sup>

It is worth pausing here to consider the implications of protection economies in democratic environments. It has been suggested that democracy provides greater opportunity for the development of systems of protection, as there may be multiple points of entry and a variety of different ways for actors to seek influence from within the system.<sup>34</sup> At the same time, however, democratic arrangements may allow greater transparency and oversight, undercutting systems of protection, although this process may in itself lead to instability as one form of protection takes over from another, as political regimes change. While more research is required, it can be concluded then that, depending on the circumstances, democratic politics in conflict-ridden or transitional states may make protection economies more common, but less durable.

### **Illicit Financial Flows and the Linkage to Violence**

As the section above indicates, where and how resources from illicit markets flow into the protection economy have important implications. Resource flows from protection, as we have seen, act under a number of conditions to strengthen some groups over others. This suggests that understanding and accounting for volumes of protection money is a critical component of this analysis.

The available evidence suggests that enormous amounts of money are accumulated in the illicit trafficking economy in a diversity of markets. Money from illicit narcotics remains the most significant, but multiple illegal markets now generate considerable volumes of funds, with some—albeit contested—estimates placing transnational criminal activities at an estimated 8 to 15 percent of global gross domestic product with a value of some \$3 trillion.<sup>35</sup> Even if the sums were half that amount, it is a considerable amount of money. An important question that must be asked, therefore, is how much of this money is accumulated by those engaged in trafficking and then by those engaged in the protection economy? And, what are the implications for violence?

Accumulating good data to answer this question is challenging for obvious reasons. While estimates can be made of the volumes of funds generated by illegal economies, it is much harder to isolate the proportion that is used to sustain protection economies. It can also be assumed that such protection may vary according to the nature of the market and the strength of the protectors. Nevertheless, some more detailed work around identifying the flows of funds into the multifaceted protection economy in West Africa, suggests a perhaps surprising answer: protection is cheap, at least measured against the overall sums of money being accumulated by criminal entrepreneurs.

In Guinea-Bissau, we have relatively certain knowledge around at least one proposed protection payment. One of the key “protectors” stated that his fee for facilitating transfers

of drugs would be \$1 million per ton routed through the country. If all the cocaine bound for Europe in one year, an estimated 40 tonnes, passed through Guinea-Bissau (itself unlikely), then the "protector" in question would earn some \$40 million from a commodity with a wholesale, as opposed to a street price, of some \$2.1 billion. If the estimated wholesale price of cocaine in Europe is \$52.7 million per ton, the protection fee for that amount of cocaine would be worth approximately 1.8 percent of the wholesale price.<sup>36</sup>

That is a steal in any market, and although it is possible that several protection payments would be required, protection seems relatively cheap. That is contrary to the general impression that vast fortunes are being made all round from illicit trafficking: they are, but not necessarily by those who sell themselves as "violent entrepreneurs" or protectors. At those levels of payments, a significant increase in price would be required before it became unaffordable for traffickers. Can the conclusions from this example be generalized? To some extent, it is possible that they can be. There are two reasons for this.

The first is that in many zones where illegal economies are present, or where flows transit, there are relatively numerous actors able to provide protection. Through the simple operation of the market, numerous alternative protectors push prices down. That may promote conflict, but keep the cost of protection down. In Libya, for example, local traffickers and smugglers suggested that in some places they had the choice of several "protectors," depending on the route selected.<sup>37</sup> Similarly, if Guinea-Bissau's military strongmen asked for too much, then it was possible to move the trade to Guinea or Liberia.

The second relates to comparative levels of wealth and economic activity. As in the case of Guinea-Bissau, money garnered from the protection economy may be by far the largest sources of resources in *comparative* terms. Local actors may also ask too little, being unaware of the total volumes of profits being generated in the market.<sup>38</sup> Better information about the overall profits being made might, therefore, push up the prices for protection. But overall, this is a seller's market: in West Africa traffickers can shift to other countries if the supply of protection ends in any one place and so, to some degree, the asking price for protection is bounded by competition in the market.

These conditions raise the question: what conditions must be in place to raise the price of protection, ensuring that, in proportion to the overall cost of movement, greater resources flow into the protection economy? Following the most basic principles of economics, monopoly control over the protection market is likely to provide an opportunity for generating greater resources. Such monopoly of control, however, may depend on another critical factor: that the flow itself must be vulnerable. As suggested above, for extortion, the vulnerability of the commodity being transported is related to the amount of the money that can be extorted without undermining the trade itself. In cases where extortion is practiced, therefore, the payment is calculated on ensuring that there is a balance found between the maximum profit available against the chances of destroying the business itself.<sup>39</sup>

An excellent example of a vulnerable flow is that of migrants. A recent confidential assessment of Islamic State (ISIL) activity in Syria notes how the organization now makes money by acting as the "primary" (and thus, monopoly) controller of migrants in its areas,

taxing the movement of people by seeking to control the “choke points” through which they must move. The report also notes that ISIL forces, given the profitability of the migrant supply chain for the organization, seek to treat refugee flows with a view to their potential income, driving the movement of people to flow through points where they can be “taxed.” The overall value of money raised from the enforcement of the protection economy around Syrian migrant flows leaving ISIL-controlled zones is estimated to be in the order of \$180 to \$360 million.<sup>40</sup>

Migrants’ vulnerability is due to the fact that they are individually exposed to danger during movement and have no collective bargaining power. This is in contrast to, for example, cocaine trafficking where criminal entrepreneurs may have more bargaining power with those in a position to provide protection. Their greater influence is a feature of both the more limited number of traffickers and the fact that they control the source of the profits—in this case, cocaine.

Where they control the commodity and have a choice of protector, the relationship between criminal entrepreneur and criminal protector shifts in favor of the entrepreneur. Indeed, evidence suggests that criminal entrepreneurs may outlast criminal protectors; in the Sahel, for example, traffickers claim to have renegotiated the transfer of illegal commodities with different protectors when the latter had been displaced.<sup>41</sup> In Guinea-Bissau, the same set of entrepreneurs appeared to be in a position to negotiate with new sets of protectors who had displaced the old.<sup>42</sup> Criminal protection, then, may not only not pay well, but it may also be an unstable business to be in altogether.

This chapter has argued that a distinction should be drawn between criminal entrepreneurial functions and activities associated with protection. Protection theory and a range of case studies of organized crime suggest that these two relatively distinct functions can be found in almost all cases where illicit goods are being moved. Indeed, it has been suggested that while illicit flows are transnational, their control by definition must be local, given the requirement for local knowledge, recruitment, and the specific connections and networks that are required to exert effective governance in particular areas.<sup>43</sup>

It is possible that in particular circumstances the functions of entrepreneurial trade and protection may be combined. But this occurs much less often than is assumed, and where it does, may ensure greater vulnerability for the combined grouping. Such a combination of functions is only likely in places where state control has dramatically weakened, with no state functionaries to “buy off.” But in such cases, as the example of Libya shows, lower-level armed groups, even when gaining in strength, lack the contacts and networks to engage in entrepreneurial trade. Indeed, in the case of Guinea-Bissau, when senior military officers tried to negotiate deals themselves for the trafficking of cocaine they, given their lack of experience, became vulnerable to external law enforcement interventions.<sup>44</sup>

Arguments around protection economies have sometimes been countered by suggestions that sophisticated trafficking groups simply create the armed functions themselves. In fact, that is much more difficult than it seems. While criminal entrepreneurs may retain the capacity for violence for their own immediate protection and if required to attack competing trafficking groups, there remains a broader requirement for a protection

economy. Movement of goods over long distances requires a more elaborate system, where state officials are paid off, armed groups must be financed for transiting zones they control, and high-level politicians must be "bought." Colombian traffickers arriving on West African shores for the first time, for example, and with few local contacts, had little choice but to create a protection economy around their activities. Thus, the division between criminal entrepreneurs and criminal protectors is almost always present based on experience, local contacts, and capacity for violence.

If, as this review suggests, the functions of trafficking and protection are almost always separate, with protectors receiving less compensation than is often assumed, and if protectors are more vulnerable than the traffickers that pay them, important factors for policy responses are illuminated. The concluding section briefly reviews the available options.

## Policy Considerations

Understanding protection economies requires a recognition of the basic economic nature of the transaction: the protection of goods has become a commodity in and of itself, subject to market forces. If the prices are a comparatively small part of the overall volume of funds generated by the trafficking economy, then protection comes cheap. If illicit economies are to be effectively tackled, then a much greater focus is required on raising the price of protection and reducing the profits from illegal activities. Effective trafficking cannot function without protection economies, so targeting these suggests an important set of possible policy approaches.

Ordinarily, achieving this objective has been the function of law enforcement. By targeting, for example, corrupt officials who provide protection, governments by implication force up the costs of protection by increasing the risks to those involved. These strategies have had a measure of success in developed states where the quality of institutions and the overall operation of the rule of law limited the number of protectors that take the risk of engaging in the practice. Even in cases where whole components of law enforcement have been corrupted in this way, the broader system has the capacity for self-correction.

But in situations, primarily in the developing world, where security or state institutions, armed groups outside the state, or senior politicians including heads of government, act in protective functions, domestic law enforcement agencies are severely constrained from acting. The options for foreign law enforcement are also limited, given that it would require external intervention which, at best, may be widely condemned, and at worst, run considerable operational risks. A good example of a success in this regard was the U.S. Drug Enforcement Administration's arrest of senior Guinea-Bissau military officials, who were lured off the West African coast. This is not a sustainable strategy and would require many such interventions to have a measure of success. Rather, in cases where protection economies have become well-developed, much greater debate is required to discern which alternative strategies are viable. These include the following:

- *Shifting the incentives for the provision of protection.* It has been suggested that the funds from protection are, in comparative terms, small. That may provide opportunities for paying protectors to change their allegiance, to shift their role from protecting traffickers (in their private interest) to protecting the interests of the state (in the public interest). Taking this route has indeed been suggested by those engaged in protection themselves. Tebu tribesmen who play a key role in the protection economy in Southern Libya, for example, have informed the author that they would be willing to change allegiance if they received the resources from the central state that they believe are theirs.<sup>45</sup> “Paying off” systems of protection, while it sounds radical, is not in itself new: European governments in the past paid off the Qaddafi regime to prevent migrant flows from the North African coast. It would not be inconceivable that such payments could be shifted to nonstate groups (such as the Tebu) now deeply embedded in the migrant smuggling economy.
- *Targeting the recruitment of potential “protectors.”* While protection economies can be relatively diverse and use an array of tools, by far the most common of these is the requirement to recruit those with the capacity for violence. In most places, that includes young men or networks of ex-military or sportsmen who can, with relative ease, be recruited to perform protection functions.<sup>46</sup> In postconflict societies in particular and those where state institutions are weak, providing alternatives for such a constituency must be an overriding priority. Again, this is not a new policy intervention; disarmament, demobilization, and reintegration (DDR) programs, for example, have just such an aim and have improved in their efficacy, based on experience of numerous attempts. But the focus of such programs is demobilized military personnel only, and while these individuals are also a key constituency for “protection” provision, programs that were tailored with the express objective of undermining recruits into the protection economy have yet to be tried.
- *Political engagement and inclusion.* As the typologies have suggested, those who engage in providing protection in the case of illicit flows are often on the periphery, either geographically or politically. The example of the Tebu in Libya is a clear recent case. Undercutting the protection economy provided by these groups requires a political strategy of inclusion. That is often overlooked when the automatic response to illegality is seen as a law enforcement response only. For example, the current European rhetoric against the smuggling of migrants seeks to identify “organized crime” and “smugglers” for law enforcement activity, ignoring the fact that, in fact, these may constitute whole communities that are better described as protecting the flow of people, than as “organized criminal networks.”

Understanding the linkage between violence and trafficking economies is now a priority for many international policymakers, and has been extensively debated at the

United Nations. A growing number of Security Council Resolutions have identified the linkage and have argued for more focused action to respond to the problem.<sup>47</sup> However, the analytical tools used in these approaches have largely misunderstood the linkage between violence and the trafficking or illicit economy; instead, the focus remains largely on law enforcement responses.

I argue that the use of the concept of "protection economies" may provide a better framework to understand the linkages between trafficking, violence, and the financial transactions that connect the two. These arrangements can be isolated into a set of types, each of which has different implications for the forms, sources, and nature of violence, and the extent of the financial payments that may result. They also suggest that undercutting the linkage between protection economies and illicit flows and markets may be possible through an integrated strategy that includes a combination of changed incentives, the alternative recruitment of potential protectors, and the effective political engagement of the same. Countering illicit trafficking and its linkage to financial flows and conflict has not previously been viewed through this framework, and until development, security, and political policy take these factors into account current policy approaches will fail.

## Notes

<sup>1</sup> To take one example, that of the illicit trade in rhino horn in Southern Africa: this has increased by a factor of 17,000 percent over a decade-long period.

<sup>2</sup> In West Africa, for example, a program by the EU to focus on the cocaine trade has had mixed results (European Commission, 2013).

<sup>3</sup> Scott Straus, "Wars do end! Changing patterns of political violence in Sub-Saharan Africa," *African Affairs* 111, no. 443 (2012): 179-201.

<sup>4</sup> Frederic Lane, "Economic consequences of organized violence," *Journal of Economic History* 18, no. 4 (1958): 401-417; Diego Gambetta, *The Sicilian Mafia: The Business of Private Protection* (Cambridge, MA: Harvard University Press, 1993); Anja Shortland and Federico Varese, "The Protector's Choice: An Application of Protection Theory to Somali Piracy," *British Journal of Criminology* 54, no. 5 (2014): 741-764.

<sup>5</sup> Stephan Ellis and Mark Shaw, "Does Organized Crime Exist in Africa?" *African Affairs* 114, no. 457 (2015).

<sup>6</sup> Nils Gilman, Jesse Goldhammer, and Steve Weber, *Deviant Globalization: Black Market Economy in the 21st Century* (New York, NY: Continuum, 2011).

<sup>7</sup> See, for example: International Crisis Group (ICG), *The Central African Crisis: From Predation to Stabilisation*, Africa Report No. 219 (Brussels: ICG, June 2014).

<sup>8</sup> See the discussion in: Federico Varese, *The Russian Mafia: Private Protection in a New Market Economy* (Oxford: Oxford University Press, 2001).

<sup>9</sup> Charles Tilly, "War Making and State Making as Organized Crime," in *Bringing the State Back In*, ed. Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol (Cambridge: Cambridge University Press, 1985).

<sup>10</sup> Mark Shaw and Tuesday Reitano, *The Political Economy of Trade and Trafficking in the Sahara: Instability and Opportunities*, Sahara Knowledge Exchange (Washington, DC: Fragility Conflict and Violence Group, World Bank, December 2014).

<sup>11</sup> Kai Konrad and Stergios Skaperdas, "Extortion," *Economica* 65, no. 260 (1998): 461-477.

<sup>12</sup> This is remarkably consistent across different extortion markets, as illustrated by the author's interviews with those involved in extortion economies in Johannesburg and Cape Town.

<sup>13</sup> Dick Hobbs, "Going Down the Glocal: The Local Context of Organized Crime," *Howard Journal of Criminal Justice* 37, no. 4 (1998).

<sup>14</sup> Anja Shortland, and Federico Varese, *The business of pirate protection*, Economics of Security Working Paper 75 (Berlin: German Institute for Economic Research, 2012).

<sup>15</sup> William Reno, "Understanding criminality in West African conflicts," in *Peace Operations and Organized Crime: Enemies or allies?* Ed. John Cockayne and Adam Lupel (London: Routledge, 2011); Vadim Volkov, *Violent Entrepreneurs: The Use of Force in the Making of Russian Capitalism* (Ithaca, NY: Cornell University Press, 2002).

- <sup>16</sup> Richard Snyder and Angelica Duran-Martinez, "Does illegality breed violence? Drug trafficking and state-sponsored protection rackets," *Crime, law and social change* 52, no. 3 (2009): 253-273.
- <sup>17</sup> Alexander Kupatadze, *Organized Crime, Political Transitions and State Formation in Post-Soviet Eurasia* (New York, NY: Palgrave Macmillan, 2012).
- <sup>18</sup> Patrick Meehan, "Drugs, insurgency and state-building in Burma: Why the drugs trade is central to Burma's changing political order," *Journal of Southeast Asian Studies* 42, no. 3 (2011): 376-404.
- <sup>19</sup> Drawn from: Tuesday Reitano and Mark Shaw, *Fixing a fractured state? Breaking the cycles of crime, conflict and corruption in Mali and Sahel* (Geneva: Global Initiative against Transnational Organized Crime, 2015).
- <sup>20</sup> Meehan, "Drugs, insurgency and state-building in Burma," 379.
- <sup>21</sup> Mark Shaw, "Drug Trafficking in Guinea-Bissau, 1998-2014: The Evolution of an Elite Protection Network," *Journal of Modern African Studies* 53, no. 3 (2015).
- <sup>22</sup> Tuesday Reitano and Mark Shaw *Fixing a fractured state? Breaking the cycles of crime, conflict and corruption in Mali and Sahel* (Geneva: Global Initiative against Transnational Organized Crime, 2015).
- <sup>23</sup> H. Brownstein, S. Cummins, and B Spunt, "A conceptual framework for operationalizing the violence between violence and drug market stability" *Contemporary Drug Problems*, 27 (2000).
- <sup>24</sup> Mark Shaw, 'Drug Trafficking in Guinea-Bissau, 1998-2014: The Evolution of an Elite Protection Network' *Journal of Modern African Studies*. 53, No 3 (2015).
- <sup>25</sup> Davin O'Regan and Peter Thompson, *Advancing Stability and Reconciliation in Guinea-Bissau: Lessons from Africa's First Narco-State* (Washington, DC: Africa Center for Strategic Studies, 2013).
- <sup>26</sup> Morton Bøås, "Castles in the sand: informal networks and power brokers in the northern Mali periphery," in *African Conflicts and Informal Power: Big Men and Networks*, ed. Matt Utas (London: Zed, 2012).
- <sup>27</sup> Interviews by author, Bamako, July 2014.
- <sup>28</sup> Mark Shaw and Fiona Mangan, "Enforcing 'our law' when the state breaks down: The case of protection economies in Libya and their political consequences," *Hague Journal of the Rule of Law* 7, no. 1 (2015): 99-110.
- <sup>29</sup> Personal communication, senior military officer from Niger, Niamey, June 2013.
- <sup>30</sup> Mark Shaw and Fiona Mangan, *Illicit Trafficking and Libya's Transition: Profits and Losses* (Washington, DC: United States Institute of Peace, 2013).
- <sup>31</sup> Paul Staniland, *Networks of rebellion: Explaining Insurgent Cohesion and Collapse* (Ithaca, NY: Cornell University Press, 2014).
- <sup>32</sup> Peter Andreas and Joel Wallman, "Illicit markets and violence: what is the relationship?" *Crime, Law and Social Change* 52, no. 3 (2009): 225-229; Stephen Schneider, "Violence, organized crime, and illicit drug markets: a Canadian case study," *Sociologia, Problemas e Práticas* 71 (2013): 125-143.
- <sup>33</sup> Alexander Kupatadze, *Organized Crime, Political Transitions and State Formation in Post-Soviet Eurasia* (New York, NY: Palgrave Macmillan, 2012), 116-139.
- <sup>34</sup> Richard Snyder and Angelica Duran-Martinez, "Does illegality breed violence? Drug trafficking and state-sponsored protection rackets," *Crime, law and social change* 52, no. 3 (2009): 253-273.
- <sup>35</sup> World Economic Forum (WEF), "Out of the Shadows: Why Illicit Trade and Organized Crime matter to us all," Global Agenda Council on Illicit Trade & Organized Crime 2012-2014 (Geneva: WEF, 2013).
- <sup>36</sup> Senior DEA officials, interviews by author, November 2013; Shaw, "Drug trafficking in Guinea-Bissau."
- <sup>37</sup> Traffickers in different parts of Libya, interviews by author, April 2013.
- <sup>38</sup> Military officers, interviews by author, Guinea-Bissau, October 2012.
- <sup>39</sup> Stergios Skaperdas, "The political economy of organized crime: providing protection when the state does not," *Economics of Governance* 2, no. 3 (2001): 173-202.
- <sup>40</sup> "Islamic State manipulates refugee flows to generate income – fall of Aleppo and Syria could triple refugee flows and finance to IS by 2016," INREP briefing document (Lillehammer: Rhipto-Norwegian Centre for Global Analysis, September 2015).
- <sup>41</sup> Interviews, Bamako, July 2014.
- <sup>42</sup> Interviews, Bissau, 2012 and 2013.
- <sup>43</sup> Federico Varese, *Mafias on the move: How organized crime conquers new territories* (Princeton, NJ: Princeton University Press, 2011); Jan Van Dijk and Toine Spapens, "Transnational Organized Crime Networks Across the World," in *Transnational Organized Crime: An Overview from Six Continents*, ed. Jay Albanese and Philip Reichel (London: Sage, 2014).
- <sup>44</sup> Mark Shaw, "Drug trafficking in Guinea-Bissau."
- <sup>45</sup> This point was raised in several discussions in Libya, and in more recent telephone interviews, October 2014.
- <sup>46</sup> Volkov, *Violent Entrepreneurs*.
- <sup>47</sup> For an overview of recent debates, see: John De Boer and Louise Bosetti, "The Crime-Conflict 'Nexus': State of the Evidence," Occasional Paper 4 (Tokyo: United Nations University Centre for Policy Research, 2014).