THE PIRATE VERSUS PIRATE ISSUE

The Pirate Party: We interview the popularly elected internet pirates and ask them what they want to do with their growing influence.

Money & Guns: A report on business in the grey areas of the world. What can pirates and terrorist groups teach us about the economies of the future?

PLUS: Hallyu! Korean pop culture is booming / A food revolution has begun / FoMO / Liquid modernity / User experience and tomorrow’s innovation / Gen Y: Leadership / Social inequality / New world order: forget about China vs. USA / Science & Technology / Future past: Pirate radio / Pumpkin / Behavioural patterns / TECHTALK / Wildcards and risks
Navigating in the grey areas between the legal and the legal, the legitimate and the illicit, and the formal and the informal will be an unavoidable reality in the global economy of the future, the author thinks. He has visited Eastleigh — a Somali enclave in the Kenyan capital Nairobi, home to both organised crime and the financing of terrorism, but also one of East Africa’s most vital commercial centres.

**LAWYERS, GUNS, AND MONEY**

**WHAT TERRORISTS CAN TEACH US ABOUT NAVIGATING THE BLURRED LINES OF THE FUTURE GLOBAL ECONOMY**

*By Timothy Wittig*

Terrorists are also businessmen, but not particularly good ones. Even so, they know how to navigate the realities of the global economy better than most Western business and political leaders.

Being a ‘terrorist’ today is to be the ultimate outlaw; hated, hunted, and forced to do business outside the formal economic and legal structures which are the backbone of Western society, power, and prestige. Such economic exile dooms terrorists, conventional wisdom says, to marginalisation, debilitation, and eventually defeat. This notion — that success at the ‘edge’ of the formal Western economic system is difficult, if not impossible — is a foundational principle of Western foreign and economic policy. Unfortunately, it is also wrong.

Through the prism of one particular place suspected of being a key link in the financing of terrorism, this article explores what terrorists can teach us about how to navigate the global economy of the future; an economy where opportunities abound, but only for those who can successfully navigate the blurry lines between the formal and informal, legal and illicit, and legitimate and illegitimate.

**EASTLEIGH**

Eastleigh makes the rest of Nairobi look like Copenhagen. The neighbourhood, dubbed ‘Little Mogadishu’, is dirty and polluted, with semi-paved streets cratered with three-meter wide potholes that somehow are always filled with water even if it hasn’t rained in

Eastleigh market. Photo: Kimo Quaintance
weeks. Eastleigh, I had read, was a dangerous Somali ghetto and hotbed of both organised criminal and terrorist financing activity. I visited Eastleigh in August and September 2011 to research its role in financing al Shabaab, the brutal al Qaeda affiliate that now controls much of southern Somalia. The day before I first visited the neighbourhood, I was told by a wealthy Kenyan businessman that Eastleigh’s streets were patrolled by the Shabaab, and that since not even Nairobi’s police could safely enter, it was likely that I would die on arrival.

But when I did arrive, what I found was one of East Africa’s most vibrant commercial centres. Day and night, its streets are clogged with taxis, delivery trucks, street hawkers, roadside stands, and tens of thousands of men, women, and children. Eastleigh, it turns out, is where Kenyans buy cheap goods; and where Somalis come to do business, send and receive money, and meet relatives and friends. It is the heart of the Somali diaspora, especially its middle class, and even though it is in Kenya, Eastleigh also in many ways is Somalia’s main business district. It is from Eastleigh, like countless other similar places around the world, that one can gain insight into the future of the global economy, and the West’s changing place in it.

**SOMALIA**

When most people think of Somalia (if they do at all), it’s as the world’s most failed state, a land of downed Blackhawkos and mass starvation, piracy and terrorism; a country at the farthest edge of global society.

But Somalia, lacking any functional central government for two decades, also has some of most cost-efficient mobile telephone services in the world, thriving money transfer and livestock industries, and a huge entrepreneurial community of traders and merchants – including pirates – especially along its 3,000 km coastline; the longest in Africa.

One gets a hint at this hidden dynamism in the café of the Grand Royal, Eastleigh’s nicest and newest hotel. More than just a place to sleep, the Grand Royal is an important business and social hub not only for the neighbourhood, but indeed for the worldwide Somali diaspora and the Somali business community. There, I met local journalists-turned-artists whose film company seeks to produce positive Somali-language films to help their people make sense of the conflict and extremism that has for so long wracked their country; a 23-year-old CEO with an accent as American as my own, who runs a travel agency with regular flights to Somalia; and a Kenyan-Somali woman who started a successful and internationally well-known commodity pricing service for small farmers, and is an active member of Nairobi’s thriving technology industry.

The world is interconnected in ways we in the West are only beginning to comprehend. And while places like Eastleigh or Somalia may seem to be at the periphery, it is towards these edges that economic power will move in the coming decades.

**BLURRED LINES**

Al Shabaab understands this, and knows how to exploit it to make millions of dollars every year. In southern Somalia, which is largely controlled by Shabaab, huge amounts of charcoal are exported to the Gulf countries, paid for by both money and commodities like sugar and consumer goods from Asia. These goods then are generally transported (smuggled) into Kenya, including into Eastleigh, and resold for cash. This trade cycle generates tens of millions of dollars every year, roughly USD20 million of which is estimated to go to al Shabaab. All this represents not some terrorist financing master plan, but simply this particular terrorist group’s success in doing business in markets at the edge.

For al Shabaab, the keys to making this work are relationships and paperwork. Al Shabaab profits from Somali trade flows by maintaining a small number of close relationships with Somali businessmen based primarily in the United Arab Emirates. These relationships – only some of which are ideologically based – offer an appealing quid pro quo, offering blacklisted al Shabaab a gateway into world trade flows, and its partners a privileged position in peripheral yet lucrative markets.

This is possible because both the Shabaab and its partners are savvy enough to formalise and legitimise these informal relationships with the proper paperwork. Paradoxically, it is illegal to do business with designated terrorist groups like al Shabaab, but most of the trade from which the group profits is legal, at least on paper. Legally registered trading companies (usually based in the UAE) contract legally registered ships to transport legally produced cargo to ports in southern Somalia and the Gulf countries, paid for by both money and commodities like sugar and consumer goods from Asia. These goods then are smuggled out of Somalia for resale in places like Eastleigh, including into Kenya, including into Eastleigh, and resold for cash. This trade cycle generates tens of millions of dollars every year, roughly USD20 million of which is estimated to go to al Shabaab. All this represents not some terrorist financing master plan, but simply this particular terrorist group’s success in doing business in markets at the edge.

For al Shabaab, the keys to making this work are relationships and paperwork. Al Shabaab profits from Somali trade flows by maintaining a small number of close relationships with Somali businessmen based primarily in the United Arab Emirates. These relationships – only some of which are ideologically based – offer an appealing quid pro quo, offering blacklisted al Shabaab a gateway into world trade flows, and its partners a privileged position in peripheral yet lucrative markets.

This is possible because both the Shabaab and its partners are savvy enough to formalise and legitimise these informal relationships with the proper paperwork. Paradoxically, it is illegal to do business with designated terrorist groups like al Shabaab, but most of the trade from which the group profits is legal, at least on paper. Legally registered trading companies (usually based in the UAE) contract legally registered ships to transport legally produced cargo to ports in southern Somalia and the Gulf countries, paid for by both money and commodities like sugar and consumer goods from Asia. These goods then are smuggled out of Somalia for resale in places like Eastleigh, including into Kenya, including into Eastleigh, and resold for cash. This trade cycle generates tens of millions of dollars every year, roughly USD20 million of which is estimated to go to al Shabaab. All this represents not some terrorist financing master plan, but simply this particular terrorist group’s success in doing business in markets at the edge.

**LEARN TO LOVE THE ‘EDGE’**

The edge can be an uncomfortable and even frightening place for those used to the order and the privilege of the West. In wealthy,
stable, ‘core’ societies, the lines of power and authority are transparent, budgets (even with the recession) tend to be ample, and everyone is basically confident in the rules of the game and their enforcement. At the edge, however, rules are ignored, budgets are small or simply non-existent, and power is in the hands of those who know how to get it. As supply chains, labour pools, customer bases, technical innovations, and even investment capital increasingly shift to formally peripheral places, it is obvious that the future will belong to those able to manage and even leverage the risk and uncertainty of the edge.

Less obvious, perhaps, are the implications.

To begin with, risk management needs to be fundamentally rethought. The unavoidable and uncomfortable reality is that in most emerging markets, developing countries, and conflict zones, the line between legitimate and illegitimate is so blurry that distinctions between trade and smuggling, commerce and trafficking, elites and corruption lose all usefulness. In other words, despite their best efforts, it’s a virtual certainty that Western organisations regularly interact with undesirable people and activity all over the world, including terrorists. This reality is obvious to any who look, but it nevertheless flies in the face of the very anti-corruption laws, anti-money laundering and counter-terrorist financing regimes, and corporate social responsibility programs that Western organisations rely on to govern their engagement with the edge. The problem is that these efforts, while noble, are predicated on the seductive but ultimately baseless assumption that it is possible to separate out ‘good’ economic activity from its ‘bad’ counterparts. This may work in highly ordered Western societies, but how relevant is traditional due diligence in places like Eastleigh, where Kenya’s endemic corruption often forces businesspeople to commit a crime in order to operate legally, or else work in the black and grey markets in order to stay honest?

The solution in the long term is of course to use Western wealth and power to encourage more just and equitable societies along the edge. But much more immediately the West must correct a severe underinvestment in knowledge about non-Western societies and economies.

The West, no longer in a position to dictate terms, must every-day negotiate its relationships with foreign societies in small and big ways; but success in any negotiation requires knowledge and understanding of those on the other side of the table. Foreign travel and learning languages are important, but the best way to do this is to build the capacity of the true experts – locals – to research and communicate truths about their own societies in ways that we outsiders can understand (and rely on).

Investment in this kind of indigenous knowledge capacity will bring enormous benefits at relatively low costs.

First, it will enable Westerners to understand foreign peoples on their own terms, not through the prism of what ‘we’ want or think ‘they’ should be. This ‘hard-hearted empathy’, as it has been called, will actually in turn serve as a foundation for closer and deeper relationships, with less potential for hidden agendas and destructive conflict.

Second, it will provide a basis for much more targeted and evidence-based approaches to risk management, which focus less on avoiding ‘bad’ interactions and more on lessening actual bad outcomes, for both organisations and society as a whole. In particular, this will enable risk management innovations such as grey lists (as opposed to blacklists), and the calibration of risk mitigation strategies at regional or even local levels.

Finally and most broadly, investment in knowledge of the edge will open up opportunities for Western organizations, while at the same time improving the opportunity for peripheral societies to develop the legal, social, and economic structures necessary to make them not only more orderly but also more just. After all, much more than lawyers, guns, and money, the West’s greatest asset has always been its commitment to fair and equitable societies in which everyone has the opportunity to succeed, even if they happen to live on the edge.

---

EASTLEIGH

Eastleigh is a neighbourhood in the Kenyan capital of Nairobi, and is known as ‘Little Mogadishu’ because it serves as the centre for the Somali diaspora in Kenya. Even though this neighbourhood is located in a different country, it is in many ways Somalia’s foremost business district. It is in Eastleigh — and in countless similar places around the world — that you can get insights into the future for the global economy, and the altered position of the West’s position within it. Eastleigh is widely considered an important link in the financing of terrorism.
THE PIRATE VERSUS PIRATE ISSUE

The Pirate Party: We interview the popularly elected internet pirates and ask them what they want to do with their growing influence.

Money & Guns: A report on business in the grey areas of the world. What can pirates and terrorist groups teach us about the economies of the future?

PLUS: Hallyu! Korean pop culture is booming / A food revolution has begun / FoMO / Liquid modernity / User experience and tomorrow’s innovation / Gen Y: Leadership / Social inequality / New world order: forget about China vs. USA / Science & Technology / Future past: Pirate radio / Pumpkin / Behavioural patterns / TECHTALK / Wildcards and risks