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The Fraying Modern Map: Failed States and Contraband Capitalism

TIMOTHY W. LUKE and GERARD TOAL

Inter-relationships between markets and states are re-making the world political map but in some instances these interactions have created zones of political conflict where the world political map is fraying and coming undone. In certain 'wild zones' of the world, state failure and illegal exchange are the prevalent processes conditioning civil and nationalist wars. This paper considers the general relationships between turbo-globalisation, contraband capitalism, and failed states. Using the case of Russia and Chechnya, it seeks to illustrate and describe the illegal and illicit forms of governance that are fraying the 'modern map' and contributing to the complexity of the story of 'nationalism in a globalising world.'

Beyond the promise of budget surpluses, sustained growth, and geopolitical primacy for the United States at century's end, much of the world map, as it has been drawn by industrial modernisation over the past 250 years, is fraying. The world political map was conveniently organised during the Cold War into First, Second and Third World zones. Now it is filled with zones which defy easy characterisation. An increasing number of chaotic places – Afghanistan, Belarus, Somalia, Chechnya, East Timor, the Congo, Serbia, Sierra Leone – seem to be dissolving as sovereign governed spaces, devolving back into ungovernable external areas beyond the organized reach of the modern world system.¹ These wild zones are places where life is nasty, brutish and short. In re-evaluating the current and future condition of the world political map, the crucial dialectics between politics and economics, states and markets, legality and criminality in various regions of the globe must be considered. Many conceptual constructs have been invented to describe the sometimes weird (con)fusion of states and markets in the post-Cold War world, including 'failed states', 'predatory states', and

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'criminal states', or, 'kapitalizm', 'turbo-charged capitalism', and 'contraband capitalism'.²

In this paper, we explore and extend some of these notions to provide a dialectical account of two seemingly separate global processes as they are rearranging the world political map – state failure and illegal exchange. We are particularly interested in how these phenomena are linked in the spreading 'wild zones' of the contemporary world, as they hover between sovereignty and anarchy, legality and criminality, modernity and chaos. Like Kolossov and O'Loughlin, we seek to examine those regions which have been described as 'geopolitical black holes'.³ These vorices of churning chaos contain 'pseudo-states', which are characterized by illicit economies and collapsed social and political structures.⁴ Unlike Kolossov and O'Loughlin, however, we believe that the geography of this unravelling of modern state structures is a much broader phenomenon than they concede, confined not simply to a so-called 'Fourth World' or the regions already characterized somewhat problematically by Robert Kaplan as 'the ends of the earth'.⁵ Consequently, we are interested not only in pseudo-states like Chechnya, but also in contemporary Russia where the ethos of global turbocapitalism is found working in odd combinations with failing state institutions and booming local markets for illicit goods.

The problematic of this paper, then, is a global one. In Foucaultian terms, we ask if modern state governmentality is transmuting today from a juridically proper register in which the state lawfully seeks 'the right disposition of things' to serve 'convenient ends' into an illegal, illicit, and improper 'disposition of things',⁶ in which political corruption, commercial criminality or cultural chaos establish illegal parameters of social 'convenience' to serve corrupted human 'ends'.⁷ In critical geopolitical terms, this question concerns the limits of the 'modern geopolitical imagination', as it has been defined by a state-centric organisation of space, and the development of a 'post-modern geopolitical condition'.⁸ Whether the question is cast in Foucaultian or geopolitical terms, it is difficult to accept popular rhetorics like Fukuyama's 'end of history', Reich's 'twenty-first century capitalism', or Luitwak's 'turbocapitalism' as being a widely enjoyed system for living well everywhere at the century's end.⁹

The peace and prosperity brought by stable legal exchange are fairly scarce public goods outside of the core OECD states. In the conflict and poverty that wrack the non-OECD countries, new clusters of illegal commerce have become rooted deeply in many destitute economies and societies. After expanding markedly in the 1990s, an illicit global economy of criminalised transnational economic activities is estimated to turn over a global 'gross criminal product' of nearly \$1 trillion.¹⁰ This global black market economy embraces the narcocapitalist trade of Latin America and

South Asia, which has corrupted regimes as diverse as Afghanistan, Thailand, Myanmar, Bolivia, Colombia and Mexico. It also includes the collapsed democratising states of the former Soviet Union, where the new 'corrupte criminals'¹⁰ are organising a capitalist frontier economy around vicious *mafya* racketeering, and the red capitalist frontier provinces of China, where vast smuggling networks in Guangdong, Guangxi, and many other areas move billions of dollars in illicit commodity trades as well as bootleg movies, pirated software, counterfeit consumer goods, and undocumented human labour.

Elsewhere financial centres offshore facilitate money laundering, which was conservatively estimated by the International Monetary Fund in 1996 to represent two per cent of global GDP.¹¹ In addition, there are worldwide circuits of trade everywhere in everything from human body parts to toxic waste, endangered species to child pornography. All across the planet, the corrupt practices of a contraband capitalism suffuse the wild zones of failed states and colonize many dark corners in the turbocapitalist core of ordinary legal commerce. We cannot address all of these developments in this paper. Consequently, our focus falls upon only a few of these dynamics as they are unfolding in today's Russia. Our larger concern is to develop an account of geoeconomic and geopolitical change that treats 'failed states' and 'turbocapitalism' not as separate phenomena occurring in discrete geographical locations, but rather as interrelated processes that can overlap in the ordinarily illegal conveniences of criminal action where the morally wrong disposition of peoples and things occur. To construct this account, we first need to broaden the notion of 'failed states'.

The Spectre of Failed States

In the mid-1990s a new spectre began to haunt the world. According to international humanitarian organisations, global institutions and national security managers, this threat was 'the failed state'. Defined by an intellectual community of non-governmental relief organisations, United Nations officials, and worried Western security analysts, the idea of the 'failed state' emerged as all these interests grappled with the problems posed by ethnic cleansing in the former Yugoslavia, narcocapitalism in Latin America, widespread famine in war-ravaged Somalia, state-organised mass genocide in Rwanda, and massive refugee flight from Iraq, Afghanistan, and Sudan. Initially, failed states were defined as those states that had experienced a spectacular breakdown in the functioning of their governmental apparatus, and the disintegration of their civic institutions. Instances of state failure were defined by graphic scenes of chaos from Sarajevo to Mogadishu and Goma.

For Brian Atwood, Director of USAID, writing in the wake of the Rwandan refugee crisis, however, the 'coming anarchy' of state failure was a product of broader structural shifts in world geopolitics. From 1947 through 1992, the global games of Cold War competition either displaced or sublimated social disintegration and state failure as the US and USSR co-opted many weak, failing regimes into their strategic alliances as semi-peripheral or peripheral dependencies. Once the USSR collapsed, however, what little stability that had existed in these regions evaporated along with the other artifacts of Cold War politics, leaving in their wake 'countries without leadership, without order, without governance itself'. Atwood saw two interrelated sets of factors causing chaos. On a systemic level, 'a highly dynamic and increasingly interdependent set of non-governmental variables - information and financial flows, international citizen networks, proliferating and accessible weapons of war and millions of migrating people - is challenging our analytical capacity and undermining traditional diplomacy'. And, on 'the plane of country-by-country comparison the combustion of a collective chaos is being fired by common fuels: long-simmering ethnic, religious and territorial disputes; proliferating military stockpiles built dangerously high during the Cold War; endemic poverty; rapid population growth; food insecurity; environmental degradation; and unstable and undemocratic governments.'¹²

Failed states, according to this conception, are essentially decentred jurisdictions with defunct state machineries and small economies that no longer profit extensively in most legal world markets. They subsist without leadership, without order, without governance itself. Chaos there becomes marked by insufficient, ineffective, or insecure levels of governmentality. Their regimes are incapable of efficiently adjusting people to most things in the service of many convenient ends within their designated space of sovereignty. So ineffectual are these states as systems of governmentality that the sustainable carrying capacities of these territories are often exhausted and destroyed. Populations are forced into a desperate existence as migrants and refugees, becoming wards of international non-governmental organisations. This economic collapse frequently leads to a massive flow of contraband products into and out of these jurisdictions along with many more cross-border incidents of destabilising violence. Here enterprising criminal groups can disrupt the civic stability of neighbouring states, civil society of distant wealthy cities, and the smooth operations of legal civilian enterprise on a transnational scale.

The conceptualisation of 'failed states' that prevailed in policy circles in Washington DC and elsewhere in the mid-1990s was delimited, in practice, by the spectacular failures of the Somalian and Rwandan states, and the subsequent inability of the Western policy community to impose a political

settlement on Somalia's rival clans, prevent genocide in Rwanda, and staunch unprecedented levels of mass refugee movements in Central Africa. Failed states were thought of as 'Third World African quasi-states'. With minimal levels of modernisation, they were wracked by pre-modern forms of warfare, and crippled by stark environmental realities like deforestation, desertification, and overpopulation. In some discourses, state failure was naturalised in lurid descriptions of environmental collapse, governmental chaos, everyday brutality, ethnic warfare, and coming anarchy.¹³

That the notion of 'failed states' is a specifically African phenomenon is challenged by Bayart, Ellis and Hibou whose analysis of a common sign of 'state failure' for Western observers, the 'criminalisation of the state', identifies an African variant of a more general global phenomenon.¹⁴ The globalisation of trade, the deregulation of markets and the fiscal crises of states have created an environment within which criminal operators and activities have thrived. Illicit transnational networks of trade have grown considerably over the last two decades with Africa as a production and trans-shipment route for such commodities as drugs and diamonds, gold, ivory and exotic animals. In sub-Saharan Africa these tendencies have led to an evolution of the so-called 'politics of the belly', the accumulation of wealth through tenure of political power and exercise of clientelistic patronage.¹⁵ Slowly replacing it is the 'criminalisation of the state', the 'routinisation, at the very heart of political and governmental institutions and circuits, of practices' which are proscribed by the international community, particularly international aid organisations and the norms of international law.¹⁶ This 'criminalisation of the state' is a mode of governance that is not confined to sub-Saharan Africa. Always a part of state formation and economic accumulation across the globe, its degree of institutionalisation is diverse, with its own historical, geographical and cultural specificity in particular states. Bayart, Ellis and Hibou remark that 'the examples of India, Colombia, Peru, Turkey, Russia and perhaps Japan and Italy demonstrate that neither centralisation of government nor the democracy of the market is sufficient to insulate any society' from the drift towards criminalisation.¹⁷

As Atwood's initial conceptualisation acknowledges, the phenomenon of 'failed states' did not capture the full scope of a more prevalent and complex phenomena than those that were officially recognised. Countries once thought only to have 'state failings', like Russia, Tajikistan, and Colombia, are beginning to be regarded as almost completely failed states. Failed states are not necessarily total 'basket cases', teetering on the edge of complete collapse. Failed states also co-exist with thriving contraband economies of drug smuggling and primitive resource exploitation. Failed states, then, occupy many zones of illegal activity, sites of rupture, or points

of unpredictability in the global marketplace that have been fabricated by transnational businesses. Most populations and territories nominally associated with failed states are beyond the legal workings of economic globalisation. So they become new sites for the production and consumption, circulation and accumulation, organisation and reproduction of contraband capitalist commodity chains.

Turbocapitalism and Contraband Commerce

Failed states should not be defined by simply juxtaposing them against the turbo-charged prosperity of legal globalisation. In many former communist countries, a new dialectic appears to be emerging out of the turbocharged capitalism of contemporary global markets in which official streams of hi-tech, fast capitalist informational production coexist increasingly with, if they do not actually create, more common and much slower flows of illegal, immoral, and illicit exchange. This contraband commerce often nests its operations within those failed states where individuals and societies, which cannot ride turbocharged waves of change, struggle to exist amidst obsolete factories and unproductive farms by means of prohibited modes of production and consumption. From Russia to Peru, Cuba to Colombia, Cambodia to Afghanistan, the many varieties of contraband commerce are spreading almost as rapidly as the turbocharged capitalism of global internationalisation.

Contraband capitalists follow the money into failed states. Colombia narcocapitalists have a major piece of the US cocaine market, but they have also taken over the heroin markets during the past five years, especially in the big cities on the Eastern seaboard. With an estimated 810,000 heroin users in the US, Colombian drug cartels have allied with Dominican distribution experts, employed an estimated 35,000 peasants in Northern Colombia, and associated with the Revolutionary Armed Forces of Colombia (FARC) to capture an estimated 75 per cent of the US heroin market by reducing prices (\$90,000 per kilo instead of \$150,000 in 1994) and boosting purity (80 per cent pure versus South Asian heroin's seven per cent purity in 1999). Ordinary peasants make \$40 a day tending opium poppies as opposed to \$8 a day cultivating some legal crop, like coffee. Every hectare in heroin production yields about \$1,200 per harvest, and at least two harvests a year can be easily realised. Coffee and cocoa prices remain very low, and the Colombian government does not support their cultivation with agronomic assistance, low-interest loans or rural policing. The US gives Colombia \$289 million in anti-drug aid a year, making it the largest Latin American aid recipient. Only about \$5 million a year goes into alternative crop development, while \$96 million a year goes into helicopter support for the

national police.¹⁸ In the summer of 1999 FARC warlords were outgunning the Colombian state to such a degree that the US government began sharing real-time satellite intelligence with the Colombian military about guerrilla controlled territories – another sign of a fraying modern map where many states lack even elementary sovereignty over their territories.¹⁹

The freedom of open markets in turbocapitalism values almost uncontrolled profit-maximisation. Turbocapitalists, as Luttwak asserts, seek private enterprise liberated from government regulation, unchecked by effective trade unions, unfettered by sentimental concerns over the fate of employees or communities, unrestrained by customs barriers or investment restrictions, and molested as little as possible by taxation: what they promise is a more dynamic economy that will generate new wealth, while saying nothing about the distribution of any wealth, old or new.²⁰

In the transactions proclaimed as legal exchange, such freedom often seems to stimulate growth. However, these freedoms also are stimulants for other contraband economies in undeclared forms of illegal goods and immoral services. Like turbocapitalism, criminality flourishes beyond the reach of tax collectors, trade unions, tariff regulators, and transport managers, where it too can produce new wealth and trifle little over material inequalities. Moreover, it feeds its own growth by double coding some forms of contraband trade in weapons, technologies, resources, and skills as essentially legitimate turbocapitalist businesses. Of course crime, like poverty, has always been with us, but it perhaps has never been this big nor this lucrative since the establishment of the modern state system in 1648.

Contraband commerce is the trade in illegal and/or prohibited goods, practices, and services. The term itself originates in the Italian word, *contrabando*, or *contra*, 'against', and *banda*, 'proclamation', meaning something not declared in regulated shipping manifests because of its illegal or prohibited nature. While contraband goods and services might be prohibited, there always are big markets for such illegal merchandise. Whether it is illegal labour, narcotic drugs, war material, fissionable elements, untaxed liquor, uncut gems, new software, precious hardwoods, pirated ships, hardcore pornography, young prostitutes, protected animals, hi-tech hardware, unregistered handguns, toxic waste, stolen automobiles, or undeclared currency, there are willing buyers and sellers for many goods and services that almost every political jurisdiction would seek to regulate and/or prohibit if it could.

In fact, the new informational economy at the high end of the New World Order essentially accommodates many of these black markets by privileging the production of ideas, knowledge, and technologies as the world's high-growth, high-value added, and high-status areas of production. Not everyone in any society can excel at these pursuits. Still, all individuals

everywhere must make a living. Often there are no alternatives to going hungry other than turning to illegal forms of contraband trade at the low end of the New World Order. The same propensity for humans to truck, barter, exchange and trade celebrated by Adam Smith as the magic of legal markets is also at work in contraband commerce. People apparently have a desire to swap anything and everything, no matter what their governments do to limit, outlaw or tax these exchanges. The aggressive exploitation of comparative advantage and competitive behaviour, as it is accepted in the formal economy, also can be found in the informal black economies of contraband capitalism. Its entrepreneurs, however, are much more willing to use bloody methods of doing business every day.

Fortunately or unfortunately, Adam Smith indicates that the symbolic analysis at the performative peak of turbocapitalist OECD marketplaces in Miami, Chicago or San Francisco have desires that cannot be satiated at Amazon.com, Macy's or Ikea. So 'coyotes' bring low-paid gardeners, compliant nannies, and cheap dry wallers across the Rio Grande at night, 'mules' carry cocaine-loaded condoms in their stomachs on airline flights through LAX, and 'mustang ranches' open for business far beyond Nevada with Ukrainian teenagers on fake visas. In turn, large quantities of twenty dollar bills, semi-auto handguns, and hot Eurosport sedans are exported back to Mexico, Colombia, and the former Soviet Union to sustain the exchange of undocumented workers, illegal drugs, and illicit sex workers in many local economies for areas that are sovereign states essentially in name only.²¹ Reich does not admit to this tendency, but the goods moved by such illegal 'in-person servers' and illicit 'routine producers' are all part of the new world economy run by, for, and with symbolic analysts.

While lurid crime stories electrify audiences around the world in stock Hollywood tele dramas or Hong Kong kung fu movies about cops-and-robbers, there are many other more problematic contraband economies at play in the white collar criminal world. There one finds webs of semi-official exchange being conducted by units of government with other governments, non-governmental actors, and individuals all around the globe. Contraband commerce appears here in bankrupt Russian weapons labs aiding Iranian aerospace concerns, Japanese electronics firms assisting Chinese submarine designers, Chinese army commands selling ground launched cruise missiles to Iranian shore defence units, Colombian FARC cells selling dope to Russian *mafia* networks, and Sierra Leonean rebels logging out precious tropical hardwoods to East Asian timber markets. In these trades, state entrepreneurs are fostering another type of contraband state capitalism which may peg the ongoing maldesvelopment of their country's labour markets, fiscal accounts, and national infrastructures to such illegal and/or prohibited goods and services.

Luttwak's celebration of turbocapitalism seconds Reich's analysis of 'the work of nations' by casting the illicit/illegal/illegotten qualities of contraband commerce as a rational response to the informational restructuring of the world capitalist economy. The advent of turbocapitalism reintroduces the chance of winning and losing big-time into market calculation, and the return of poverty for the many attends the rise of Internet-borne affluence for the few. The same world that sees 5 million people buying books from Amazon.com also holds nearly 3 billion people who never have made a phone call. 'Ever since the end of the 1970s, the downwardly mobile have been taking away many of the jobs that were once left entirely to the uneducated. As the less than highly skilled are driven downwards by the transformation of the economy, they poach away the jobs of the unskilled who are excluded from work altogether.'²² Contraband state capitalism in the former Soviet Union or America's inner cities articulates how unintended labour markets in the developed world promote criminally as a highly rational career choice. A RAND Corporation report of the narcocapitalist economy in Washington, DC during the 1980s, for example, suggests the city's 11,000 regular drug dealers and 13,000 occasional dealers made a better living from drug crime than from the unemployment dole or minimum wage labour.²³ For Luttwak, this comes naturally out of the world's preparations for twenty-first century capitalism:

In reality, every advanced country is designed to acquire its own substantial underclass of the non-employable. Just as fast as public institutions are sold off to private owners or simply lose their funding, commercial regulations are abolished along with every other kind of obstacle to the free market today's computerised and globalised free market. As factories and offices become more efficient and as routine work is automated, sober, stable, hard-working but less than highly skilled employees are forced out and pushed down, forcing the unskilled below them into the chronically unemployed underclass, augmented by unskilled emigrants in many cases.²⁴

The regions into which individuals and societies are pushed out and down by turbocapitalist proclamations of a new economy are often the realm of the world's oldest professions of prostitution, theft, and smuggling. In the United States, the contraband capitalist hustle is threatening the family, destroying civic life, eroding urban infrastructure, and cultivating a drug culture that is also now undermining the civil society so essential for capitalism to work well. Even though the 1990s are the most prosperous times in the US since the mid-1960s, over six per cent of America's working-age adult males are in prison, on parole or out on probation.²⁵ And nearly 15 per cent of the total adult population, and 20 per cent of children under 18 live in poverty, according to the highly underreported official poverty count in the USA.

In-person servers will be needed in turbocapitalist economies, but many of them will be illegal, undocumented or super-exploited labourers competing for jobs with thousands of legal competitors. The Microsoft mirage of hi-tech capitalism creating a world where fewer and fewer people are needed in high-wage, high-status, high-security jobs is mostly a myth. The world, however, continues to have a need for more people to compete incessantly for low-wage, low-status, low-security jobs. On an individual level, the prospects provided by contraband capitalist markets are a highly rational choice, notwithstanding their immoral and/or illegal qualities. On a collective level, aggregates of these individuals inside weak and strong states occupy increasing wild zones of contraband production and consumption in which contraband capitalism, as a general social outcome, keeps some people with their heads above water. Still, in many other settings, like the economic dead zones of old North American industrial cities or the failed states of sub-Saharan Africa, contraband commerce acquires a freebooting, piratical quality not seen so broadly entrenched in everyday life since before the Enlightenment, as slavery, re-emerges in Sudan, sex work takes hold in Russia, pirates reappear in the South China Sea, and narco-peonage spreads in the Andes.

Contraband commerce takes hold anywhere that legal restrictions create a deep demand and enduring scarcity for goods and services that are illegal, but also readily available. Individual demand for drugs, cheap household help, pornography, untaxed liquor, and lower cost automobiles allows entire cities, regions, and nations to find productive niches in the world economy. The need in revolutionary groups, *mafya* circles or racketeering networks for banned weapons, gambling sites, counterfeit monies, pirated goods, and drug supplies also enables rogue states, corrupt officials in stable nations, and the 'black operations' units of major powers to conduct certain contraband activities. Finally, the national markets for high technologies, hard currencies, sophisticated weapons, nuclear materials, embargoed foodstuffs, petroleum products, and capital goods under various forms of controlled restriction all create opportunities for other nation-states, criminal networks, and shady individuals to make contraband deals. There are more than enough moral restrictions, legal prohibitions, and international controls on individual, group, and national behaviour to guarantee that contraband commerce will not flag any time soon. Moreover, the fast cycles of creative destruction by global turbocapitalism are also ensuring that many new entrants will come to these markets as millions lose their jobs, obsolete factories close, and national economies see comparative advantages crumble. To survive, many will resort to contraband capitalist activities.

All of these tendencies, on one level or another, exist, but their existence often extends only so far into the world's remaining handful of stable liberal capitalist regimes. Even transactions in these regulated, taxed, and watched markets can be quite shady. Beyond these transactions 'in the light', 'above ground', or 'on the right' in the 'white markets' celebrated by the USA, the World Bank or *The Economist*, however, there are many other illegal markets. Unfolding in shadowy twilight zones amidst innumerable grey and black markets, one finds individuals, firms, non-governmental organisations, and states going underground to seek and/or sell contraband goods and services that few will admit to either wanting or providing. Nonetheless, these contraband markets exist, and one cannot understand the full range of today's postmodern geopolitics without developing a sense of their scope, methods, and operation. They satisfy desires few consumers profess, fill orders no companies supply, move goods no nation produces, and provide services no buyers reveal. Nevertheless, more and more money is now changing hands so that all of these anonymous needs and unknown orders can be filled. This brief discussion cannot provide a complete account of this exchange, because so much of it remains unregulated, unreported, and unrestricted. Still, there are enough secondary signs of its presence to provide a rough and ready fix on this trade. In many ways, contraband commerce has become one of the more troubling consequences of the New World Order, and it is a source of new insecurities and instabilities that threaten people everyday around the world. And, one of the best places to examine these developments is in Russia's recent transition to 'kapitalizm'.

The Russian Twilight Zone

The Russian threat is back. Russia, it is claimed by Western commentators, is a threat, not because it is a strong, united state, but because it is a weak and disintegrating one. This scenario is summed up by its increasingly popular geopolitical designation: 'Weimar Russia'. According to the *New York Times* Russia is sinking into the void of a 'failed state'.²⁷ For *New York Times* columnist Thomas Friedman, Russia is 'the big Albania', which looks like 'an experiment in democracy gone wrong, spewing out criminality, weapons and unemployment in all directions'. Consequently, it is 'a menace to everyone'. The country is likened to an environmental spill:

It is like a supertanker with a busted hull leaking rancid crude oil all over the place. It is selling weapons to everyone with cash; its most Dr. Strangelove-like scientists are putting themselves out to the highest bidders; it cannot afford to properly maintain and safeguard its nuclear arsenals.²⁸

The country described as a threat to everyone is one that has struggled since the collapse of the Soviet Union to reinvent its governmental codes and practices. Nominally a liberal democracy and federal republic, its economy is dominated by a small elite of oligarchs who have profited enormously from the sell-off of state industries and resources. With their control over various media networks, the oligarchs are a formidable political force that came together, despite bitter rivalries, to finance the re-election of Boris Yeltsin in 1996. Since then the oligarchs have divided into those close to power – the so-called Yeltsin circle or 'family' – and those who are more broadly part of the bloc of nomenklatura capitalists that traded in their Communist Party membership cards for business suits in 1992. They have used old political connections to carve out considerable positions of personal power in the various institutions and regions. This bloc is best represented by former prime minister Viktor Chernomyrdin, head of Gazprom. Chernomyrdin represents that part of the old military-industrial complex seeking to claim monopoly profits from these new economic circumstances. A different network, but part of the same power bloc, are the urban real estate interests operating under the leadership of Moscow mayor Yuri Luzhkov and ex-prime minister Primakov. A third power bloc is the old Communist Party, with the once powerful but now disintegrating military running a distant fourth.²⁹

The general condition of Russia is usefully summarised by Steven Cohen as 'the demodernisation of a twentieth century country'.³⁰ Never before has a modern nuclear power experienced such a dramatic disintegration of its key institutions, ranging from its economic base, military institutions, system of justice, and state ideology to the value and stability of its currency. In this lawless environment, bribery is the grease of commerce and the Kalashnikov the most formidable lawyer.³¹ The effects of global turbocapitalism on Russia have created a Hobbesian order where the main commerce that survives is owned and/or protected by the *mafija*. In 1994 one research centre estimated that around 75 per cent of private enterprises were forced to pay between 10 and 20 per cent of their earnings in extortion. In a 1995 survey nearly 80 per cent of entrepreneurs in Russia reported that they had paid bribes to obtain export licenses and other government benefits. An estimated \$18 billion of the \$43 billion sent out of Russia for investment abroad in 1995 was reportedly earned illegally.³² International corporate consultants and security groups consistently rank Russia as one of the world's most dangerous and expensive 'emerging markets', because theft, shakedowns and even murder are a normal part of the business environment.

In his study of the old and new *mafija* networks in Russia, Handelman argues that the roots of crime were firmly planted in the old Soviet system.³³

A powerful 'thieves world' had always existed in the old Soviet Union with long established codes of conduct, hierarchies of power and domains of operation. They serviced the country's extensive black markets which provided legal and illicit goods and services for those that could afford to pay. The Communist Party dominated the state by itself behaving like a *mafija*, crushing opposition to its rule by legal and illegal means, creating privileges for its own caste, and operating in ways that were rarely transparent and open. This mode of governance, with its criminal underworld, shadow economies and monopolistic party, came undone in the 1980s as *perestroika* created new opportunities for criminal gangs, the black market and ambitious Communist officials to expand beyond old Soviet norms and limits. Entrepreneurial thieves working together with the managers of black market factories formed alliances with businessmen and government officials to create networks of influence and accumulation that straddled the public and private power structures, legal and illicit economies. These 'comrade criminals' emerged as bureaucrats, police officials, judges, spies and soldiers from the old regime adapted to their new liberalised circumstances by launching careers for themselves as gangster-bureaucrats working in networks that blurred the boundaries between legality and criminality. In turn, criminal structures took over the political role once played by the Communist Party in many parts of the country.³⁴ In making this transition to capitalism, 'the criminal party has left the stage but the criminal state has remained'.³⁵

The basis of 'governmentality' in Russia today is thus partly a criminal mentality, and most ordinary citizens behave accordingly. Tax evasion in Russia is a deeply entrenched norm. As a consequence, the state is persistently battling with budget shortfalls. In 1996 only 2.8 million people bothered to file their tax forms out of an adult population of 100 million.³⁶ Russia has no computerized database of taxpayers and a limited staff of tax inspectors who, on their meagre salaries, are inevitably open to bribes. Furthermore, the Yeltsin government has given away lucrative tax breaks and exemptions to well-connected political supporters and clients. As a consequence, all of the major institutions of the state have suffered not only budget cuts but shortfalls in the finances actually officially allocated to them. None of this is unique to Russia, of course, for states as different as Pakistan and Brazil have serious difficulties enforcing tax liabilities. Of the estimated 73 million Brazilians in the workforce only 7.6 million pay income tax, while just one million pay taxes in Pakistan for a country of 140 million.³⁷

The success of Russia's new oligarchs is not based on creating turbocapitalist innovations to manufacturing and services. Rather it rests on natural resource exploitation. Exports of timber, fish, gold, metals, oil, gas,

animal carcasses and caviar are the source of much of this elite's wealth. Each product has its own distinct *mafija* networks and transportation systems. Economic development strategies, to the extent that they can be described as such, are organised around intensifying this mode of primitive accumulation through greater resource extraction. In some instances, foreign corporations are strategic partners with local comprador *mafija* networks, but their mutual enrichment comes at the expense of the environment and the vast majority of Russia's population.

Describing the contra-governmental structures established by the oligarchs, Remnick notes that their 'various empires resemble one another in that they always have a political patron, a series of media outlets to protect their business and political interests, as a vast 'security' apparatus that acts as a kind of private army and KGB, shielding them from physical attack and gathering intelligence of their rivals and other businesses.' In the grand tradition of previous Russian modernisers imitating Western models, the 'tycoons' lifestyles mimic those of foreign turbocapitalists: 'posh business clubs, private jets, fleets of armoured cars, immense dachamansions on the outskirts of Moscow, vacation retreats in Cyprus, Switzerland and London. All of them can get a Kremlin minister on the phone in an instant.'³⁸ Across the former Soviet Union, Shelley argues:

Organised crime, by undermining the electoral process, is shaping the development of the future legal system and the norms that will govern daily life and the operation of the economy. The penetration of organised crime into the state exists from the municipal up to the federal level as organised crime had financed the election of candidates and members of the newly elected Russian parliament as well as those of other CIS states. Candidates, once elected, acquire parliamentary immunity.³⁹

The success of Russia's new entrepreneurs is based on their ability to manipulate the political process to buy up this failed state's riches at fire sale prices, secure contract quotas in sweetheart deals, establish monopolies over all vital necessities, and protect their business empires from serious competition. Russia, consequently, can be described as a region where turbocapitalism, a failed state, and contraband commerce all co-exist with each other in a seamy mix of criminality. Small parts of Moscow, other hi-tech research cities, and a few regional commodity production areas are wired into the legal markets of the outside turbocapitalist world, but vast parts of the country are being either reduced to peripheral resource producing spaces or pushed beyond the official world economy altogether. One region in that great illicit beyond is Chechnya.

The Chechen Twilight Zone

In November 1994 Boris Yeltsin gave the go ahead for a Russian military assault on the regime of Dzhokhar Dudayev in Chechnya. Dudayev had come to power through elections that his Chechen National Council had forced and then supervised in October 1991. Declaring independence in November 1991, he ruled over the Chechen part of the former autonomous region of Chechnya-Ingushetia until the Russian invasion in December 1994. Chechnya under Dudayev was perhaps the clearest instance of the emergence of a criminal 'gangster state' from the ashes of the former Soviet Union. Industrial production declined by 30 per cent in 1992 and 61.4 per cent in 1993, while unemployment levels rose sharply.⁴⁸ Investment in public services and institutions was virtually nil while criminal activity of all sorts blossomed. Chechnya's strategic significance as an oil production region, an oil refining centre, and a transit site for the Caspian Sea oil pipeline to Russia offered tremendous opportunities for illegal commerce. An estimated 10 to 15 million tons of oil went into the twilight zones of such trade in Chechnya during the 1991-94 period.⁴⁹ Oil moving through the Caspian Sea pipeline was diverted into an extensive petro-product black market.

The republic also became an important centre of counterfeit money operations and financial fraud schemes involving forged promissory notes from 'banks' based in Grozny.⁵⁰ In addition, the republic became a major transit point for all sorts of contraband, from narcotics to weapons. Grozny airport became the gateway to Russia for 'shuttle traders', smuggling legal and illegal goods into the Russian Federation tax free. Chechen drug smugglers used the republic as a key stop-over point in the movement of drugs out of Afghanistan and Tajikistan into Russia and onwards into Western Europe. The city of Grozny hosted a flourishing market bazaar with the largest and cheapest selection of goods in the Caucasus: 'Japanese televisions and videos from Hong Kong and the Arab Emirates, French perfumes, western sports wear, Turkish woodwork and leather'.⁵¹ Most striking was the largest open air arms market, where grenades, automatic weapons and anti-tank rocket launchers from the former Soviet Union, could be purchased without any questions.⁵² Finally, brazen train robberies, brutal kidnappings and truck hijackings proliferated in the region, becoming common everyday events.

A major justification for Russia's 1994 military campaign against Chechnya was to crackdown on Dudayev and his 'criminal regime'. What was happening in the republic was described by Moscow as a 'criminal revolution'.⁵³ Developments in Chechnya, however, merely reflected the course of affairs in post-Soviet Russia in general. Many of the members of

the Russian 'party of war' were deeply implicated in all sorts of criminal activities of their own. The corrupt oil and petro-products export system was protected by key members of Yeltsin's own government, especially the war-advocates, like General Aleksandr Kozhakov, the head of Yeltsin's Presidential Security Service. Handelman argues that the Chechens were, in practice, 'only junior partners' in the flourishing contraband commerce being run by top members of Russia's military defence establishment at the head of which was another 'party of war' member, Yeltsin's notoriously corrupt Defence Minister Pavel Grachev.⁵⁴ Grozny was merely one visible node in an underground criminal economy that stretched across the territories of the former Soviet Union from its headquarters in Moscow.

It has been suggested that Russia's move against Chechnya was, in reality, an *inter-profita* squabble over profit shares from this contraband commerce, particularly in drugs.⁵⁵ Some argue that Grachev urged war in part to distract attention away from his own corrupt activities. Others have suggested that Russia acted in order to stabilise the region and strengthen Russia's position in the bidding over proposed new Caspian Sea oil pipelines.⁵⁶ While all these economic factors were elements in the war, such are inadequate and superficial explanations of what was a complex conflict over power, identity and geography. They do highlight, however, the pervasive network of criminality working behind both sides of the conflict. Leven notes that the single biggest obstacle to Russia gaining the principal share of Caspian oil shipments was neither trouble in Chechnya nor geopolitical competition from Turkey, Iran, and America, but rather the private thieving of oil by the directors of the Russian state pipeline monopoly Transneft.⁵⁷ The failure of the Russian military establishment to crush Dudayev's rebellious regime and the disastrous performance of most units of the Russian army in Chechnya also are indicative of how far institutional corruption and collapse have disabled once powerful agencies that were the central supports of Russian and Soviet life. The strong Soviet state is become a failing Russian state.

The Retreating State

Turbocapitalism, as Lurttwak argues, represents a new approach to capitalist production. It is tied to the retreat of the state, widespread computerisation, rampant globalisation, just-in-time contractualism, and reorganised labour markets.⁵⁸ Its economic insecurities are grudgingly accepted, but increasingly many voters, taxpayers, and consumers are embracing a prohibitionist attitude on many cultural, legal, and social issues. Fearing the effects of turbocapitalism, many still refuse to attack its most negative outcomes head on. Instead they severely sanction drug use, sexual freedom,

cultural bohemianism, alcohol consumption, excessive eating, pornographic discourse, hate speech, property crime, and criminal behaviour. This reaction often creates a greater interest in contraband commerce as the population's fascination with 'forbidden fruit' becomes more deeply rooted at the same time.

Turbocapitalism in many ways is 'the new economy' of brain work, not hand work, of innovation, not mass production, of global competition, not local monopolies celebrated by Browning and Reiss.⁵¹ While its revolutionary qualities are undeniable, it is not at all clear that turbocapitalism is always clean, fair, and honest. Likewise, it always takes a lot of innovation, brain work, and global competition to be truly successful in contraband exchange. There will be a new global economy with turbocapitalist shape and substance, but it will not shake off many elements from the old economy's materiality in its own operations.

While the new economy is generating 'end of history' utopianism in the information revolution enclaves of Silicon Valley, Northern Virginia, and greater Seattle, countries like Sierra Leone subsist on the takings of contraband commerce as warring factions struggle to control its remaining diamond deposits, hardwood stands, and rice paddies. The world's poorest nation, its inhabitants have a life expectancy of 34 years and only about 30 per cent are literate.⁵² The official Afghan economy under the fundamentalist Taliban advertises (at www.unmah.net/taliban) that it is open for business in the production of cement, shoes, textiles, carpets, and steel, but the heroin and opium trade continues unabated and unfettered despite the Taliban's protests.⁵³ Once promising middle class people in South Korea, Taiwan, and Indonesia are unemployed, homeless, and going hungry as these economies contract, crack and collapse, and some of them are turning to contraband commerce.⁵⁴ None of these developments can be dismissed as a minor sideshow in an otherwise strong and healthy world economy. Its strengths cannot be separated from contraband commerce, because shadow work, grey area goods, and black market commodities fill niches of consumption that otherwise would go wanting, and keep some countries solvent that otherwise would be destitute. The sweep of contraband capitalism must actually be tracked more closely if one is to realise how large the world economy truly has become, to control where much of its environmental destruction effectively starts, and to change who dominates the lives of billions whose existences are truly poor, brutish and short.

The froth of contemporary neoliberal rhetoric bathes the present in a triumphalist aura of universal prosperity that it does not deserve. One result is that far too little attention now is paid to the dark side of unrestricted market freedom and its contraband commerce. With the retreat of the state,

the agency whose primary guiding principle was once thought to be the philosophy of right, governments are capitulating to markets where sordid jungle law and shiftless bazaar behaviour increasingly prevail. Hence, without some philosophy of right to guide its collective action, the operational rationalities of contemporary fast capitalism increasingly evade any form of taxation and all modes of regulation in a quest to realise superprofits. Contraband capitalism is part of these equations, and it is tolerated by many as one more price to be paid for our 'freedom to choose'. Because we now live in an era of global openness, however, the once hidden frictions of this unlawful commerce cannot be contained in the chaotic wild zones spreading across sub-Saharan Africa, the Andean region, former Soviet Central Asia, the far Eastern reaches of Russia, and Southeast Asia. Contraband capitalism completes many relays of commercialisation, circulation, and consumption in the Group of Seven turbocapitalist core as well as the most destitute member countries in the Group of 77. Unless all of its operations are traced out in the larger workings of the world economy, no one can know how fully the New World Order disposes of so many people so inconveniently with so many illicit things in the webs of contraband governmental illegality as contraband commerce continues to serve the ends of the few at the advent of Y2K.

NOTES

1. On the notion of 'external areas' see Immanuel Wallerstein, *The Capitalist World-Economy* (Cambridge: CUP 1979).
2. See Manuel Castells, *The Network Society* (Oxford: Blackwell 1997), and *End of the Millennium* (Oxford: Blackwell 1999); Jean-François Bayart, Stephen Ellis and Béatrice Hibou, *The Criminalisation of the State in Africa* (Oxford: James Currey 1999); Susan Strange, *The Retreat of the State* (Cambridge: CUP 1997); Rose Brady, *Kapitalism: Russia's Struggle to Free Its Economy*. (New Haven: Yale UP 1999); Edward Luttwak, *Turbocapitalism: Winners and Losers in the Global Economy*. (New York: HarperCollins, 1999). The question of immorality, illegality and illicitness in this analysis is determined not by us but rather by how existing legal systems, state police forces, and nation-states have defined these qualities in the enforcement of their laws and economic sovereignty. In some sense, illegality might be found in the eyes of the beholders, but the beholders we are concerned with here are those in charge of the strong nation-states seeking to regulate, police or end these forums of contraband commerce.
3. Vladimir Kolossov and John O'Loughlin, 'Pseudo-States as Harbingers of a New Geopolitics: The Example of the Trans-Dniester Moldovan Republic (TMR)', *Geopolitics* 3/1 (1999) pp.151-76.
4. See Robert Kaplan, 'The Coming Anarchy', *The Atlantic Monthly*, 273/2 (1994) pp.44-76, and *The Ends of the Earth* (New York: Vintage 1997).
5. We are using this neologism to suggest its dystopian and disfunctional qualities.
6. Michel Foucault, Graham Burchell, Colin Gordon and Peter Miller (eds.) *The Foucault Effect: Studies in Governmentality* (Chicago: University of Chicago Press 1991).
7. John Agnew, *Geopolitics: Re-Examining World Politics* (London: Routledge 1998) and Gerald O Tuathail, 'The Postmodern Geopolitical Condition: States, Statecraft and Security

- at the Millennium', *Annals of the Association of American Geographers*, forthcoming.
8. Francis Fukuyama, *The End of History and the Last Man* (New York: Avon 1993); Robert Reich, *The Work of Nations: Preparing Ourselves for 21st Century Capitalism* (New York: Knopf 1991); Lutzwak (note 2).
9. H. Richard Friman and Peter Andreas (eds.), *The Mlicit Global Economy and State Power*, (Boulder, CO: Rowman and Littlefield 1999) p.17. The figure is for 1996 and can, of course, be treated as only a rough estimate.
10. Stephen Handelman, *Cambridge Criminal: Russia's New Mafia* (New Haven: Yale UP 1995).
11. Friman and Andreas (note 9) p.30.
12. Brian Atwood, 'From the Cold War to Chaos and Cholera (Development or Reconquista)', *New Perspectives Quarterly*, 11/4 (1994) p.21.
13. Kaplan (note 4).
14. Bayart, Ellis and Hibou (note 2).
15. Jean-François Bayart, *The State in Africa: The Politics of the Belly* (London: Longman 1993).
16. Bayart, Ellis and Hibou (note 2) p.15.
17. *Ibid.* p.31.
18. Douglas Furch, 'To Turn the Heroin Tide', *The Washington Post* 22 Feb. 1999, p.A9.
19. Douglas Furch, 'U.S. Aids Columbia with Data on Rebels', *International Herald Tribune* 12 July 1999, p.3.
20. Lutzwak (note 2) p.27.
21. Timothy W. Luke, 'Discourses of Disintegration, Texts of Transformation: Re-Reading Reichlin', *Alternatives*, 18/3 (1993) pp.229-58.
22. Lutzwak (note 2) p.99.
23. *Ibid.* p.100.
24. *Ibid.* p.101.
25. Jeffrey Madnick, *The End of Affluence: The Causes and Consequences of America's Economic Dilemma* (New York: Random House 1995) p.157.
26. Lutzwak (note 2) p.92.
27. David Hoffman, 'Russia is Sinking into the Void of a 'Failed State'', *International Herald Tribune* 27 Feb. 1999, p.1.
28. Thomas Friedmann, 'Russia, the Big Albania, is a Menace to Everyone', *International Herald Tribune* 17 Feb. 1999.
29. See David Renwick, *Resurrection: The Struggle for a New Russia* (New York: Vintage 1998); William Odom, *The Collapse of the Soviet Military* (New Haven: Yale UP 1998).
30. Steven Cohen, 'Look at What's Happening to Russia Under Reforms', *International Herald Tribune* 21 Aug. 1998. For earlier readings of these same dynamics see Timothy W. Luke, 'Yeltsin's Progress: On Russia's Pilgrimage West', *Soviet and Post-Soviet Review*, 21/1 (1994) pp.2-11; and, Timothy W. Luke, 'From 1789 to 1989: Postcommunism as unSoviet disUnion in the Commonwealth of Independent States', *Current Perspectives in Soviet Theory*, 13 (1993) pp.1-24.
31. Renwick (note 29) p.356.
32. All statistics from Handelman (note 10) p.viii.
33. *Ibid.* p.9.
34. *Ibid.* p.88.
35. *Ibid.* p.107.
36. Anneli Lienen, *Chechnya: Tombstone of Russian Power* (New Haven: Yale UP 1998) p.171. *Tribune* 22 Feb. 1999.
37. Hilton Root, 'See How Rulers Mismanage in Their Own Interest', *International Herald Tribune* 22 Feb. 1999.
38. Renwick (note 29) p.379.
39. Louise Shelley, 'Transnational Organised Crime: The New Authoritarianism', in H.R. Friman and P. Andreas (eds.), *The Mlicit Global Economy* (Boulder, CO: Rowman and Littlefield 1999) p.35.
40. John Dunlop, *Russia Confronts Chechnya: Roots of a Separatist Conflict* (Cambridge: CUP 1998) p.126.
41. *Ibid.* p.128.

42. Sebastian Smith, *Atlas's Mountains: Politics and War in the Russian Caucasus* (London: I. B. Tauris 1998) pp.132-3.
43. *Ibid.* p.129.
44. Dunlop (note 40) p.127.
45. *Ibid.* p.129.
46. Handelman (note 10) p.207.
47. Dunlop (note 40) p.132.
48. Smith (note 42) p.138.
49. Lienen (note 36) p.85.
50. See Stephen Gill, 'The Global Panopticon? The Neoliberal State, Economic Life, and Democratic Surveillance', *Alternatives* 20 (1995) pp.1-49.
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