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INTRODUCTION

Given inevitable constraints of the fiscal year framework for development planning, not to mention the day to day rush of project design and implementation, development policymakers and practitioners often simply lack the time to engage in longer term strategic planning. While there is usually a general sense of what they want to see happen 10 years down the line, there is still a need to think more systematically about what should be done today to best ensure those goals are actually achieved. In other words, we need to increase our resources for thinking over the horizon and strive to better understand how to get to where we really want by acting earlier in a more coordinated fashion. Foresight is intended to help meet this need in a novel way, by offering new insights drawn from cutting edge evidence based academic research. Each issue will be dedicated to a single theme, to be defined through a dialogue between academic researchers and the policymaking community. Articles will synthesize current research from the perspective of what we need to think about today in order to achieve our goals 10 years from now. In this way, we hope to create a new nexus between research, policy and practice by disseminating the latest development research in a practical way that is in tune with the priorities of the development community.

POLITICAL ISLAM AND MILITANCY: A POLITICAL ECONOMY APPROACH

Khalid Medani, McGill University

Introduction

The attacks on the United States on September 11, 2001, once again demonstrated that political Islam and militancy are important global political issues. They also highlighted a number of challenging, but increasingly crucial policy relevant questions: How popular a force is militant Islam, and how precisely is it linked to the emergence of failed and failing states in Muslim countries? Does the rise of Islamic militancy represent a
“clash of civilizations,” or is its emergence a result of locally embedded economic and social forces? And, finally, given the considerable diversity of socio-economic formations within Muslim societies, when, and for what reasons, do religious rather than ethnic cleavages serve as the most salient source of identification?

Many arguments advanced since 9/11 have sought to answer these questions by invoking the economic underdevelopment of the Muslim world to explain why Islamic militancy has emerged as a threat to international security. According to some, economic globalization has benefited the West and harmed vast segments of the Islamic world. These analysts contend that the increasing permeability of state borders resulting from globalization and failed states has transformed some economic grievances in the Muslim world into mistrust of Westernization and modern capitalism. According to this logic, this hostility is consistent with the emergence of Islamic banking, the expansion of Islamic charitable associations, and the use of informal banking systems (hawalat) by Islamists not only to finance their terrorist operations, but also to pursue a strict campaign of economic and cultural separatism. In contrast, other analysts continue to downplay the long-term threat of Islamic militancy. They contend that, by and large, most Muslims are supportive of global markets, technological innovation, and capitalism in general.

These interpretations capture important general truths about some of the causes and consequences of militant Islam. What has not been adequately addressed, however, are the social and economic conditions that give rise to both political Islam and its militant variety. This paper argues that it is crucial that policy-makers address the challenge of militant jihadism by focusing on the locally specific social, economic and political factors that help to sustain these movements in places like Sudan, Somalia, Afghanistan and beyond. Policy makers must draw greater attention to the economic and political conditions that have led to the rise of different forms of Islamic mobilization and the recruitment of Islamic militants in order to construct pre-emptive measures designed to stem the popularity of militant Islam.

In order to understand the socio-economic conditions under which recruitment into Islamist militant organizations occurs, it is imperative to understand when and under what conditions religious rather than other forms of identity become politically salient in the context of changes in local conditions. However, instead of emphasizing aspects of Islamic doctrine, the impact of U.S. foreign policy, or formal political and economic linkages with nation-states, it is important for policy analysts to focus on the informal institutions that have resulted in the organization of Islamic militancy at the level of the community. This is important since the bulk of analysis on the shortcomings of the global war on terrorism have highlighted the failure to understand the belief systems of jihadist Muslims and Islam more generally. Contrary to popular misconceptions, jihadists remain a minority in Muslim countries and there is little indication that they are winning the battle for the “soul of Islam.” The roots of the problem are locally specific and have more to do with political and economic crises than doctrinal issues.

State Failure and Militant Islam
There is little question that the failure of domestic states to provide resources and public goods has played an important necessary but less than sufficient role in militant Islam. Most analysts now concur that under the exigencies of declining state capacity, both Islamist fundamentalists and jihadists have found fertile ground for recruitment leading to a new form of Islamist politics. More specifically, in the absence of an efficient and strong state with the power to mobilize public resources towards productive ends, militants have established a variety of institutions to fill the vacuum of authority,
legitimacy and capacity. They have formed informal Islamic oriented institutions to finance Islamic militant organizations within the context of failed and fragile states in some cases. These institutions have included the expansion of informal financial services (e.g. hawwalt), unregulated Islamic welfare organizations and banks, and the “Ahali” (or private) Mosque. Taken together these institutions have served as important sources of material incentives for the recruitment of young jihadist militants.

The challenge for policy-makers in this regard is clear. It is important that global institutions cooperate closely to, first, understand the relationship between political and economic change and Islamic fundamentalism generally, and to broaden their knowledge about which specific types of Islamic institutions are (or are not) conducive to the rise of Islamic militancy and recruitment in particular countries. In addition, effective policy with respect to undercutting militant and terrorist recruitment must be based on dispelling three important myths. The first is the idea that Islamic culture and religious norms play the major role in the increasing popularity of militant Islam. The second misconception is the nearly universal assumption that “failed states” uniformly serve as safe havens for terrorists and result in an accelerated rise in the recruitment of militants. The third myth is the argument advanced by some academics and policy makers which contends that social and economic deprivation has no role to play in the rise of political Islam and its more militant variety.

The question of when, and for what reasons, Islamic rather than ethnic cleavages serve as the most salient source of political mobilization in predominantly Muslim societies is more urgent than ever following the attacks, and aftermath, of 9/11. After all, the vast majority of Muslims interact without recourse to violence or militancy. Nevertheless, many noted scholars studying the rise of Islamist movements have persuasively pointed out the crucial role Islamic informal institutions play in promoting alternatives to formal political institutions.

However, even within Muslim societies the great bulk of the population is more likely to identify with non-politicized forms of Islam (e.g. Sufi or popular Islam) as opposed to the fundamentalist or extremist variety. It is by no means evident that individuals and social groups in Muslim societies perceive “Islam” as the most significant form of political identification over that of family, clan, or ethnic group. This is especially true in the multi-ethnic societies of Muslim African and Asian countries, which are often neglected in the analysis of global political Islam. In fact, recent work on Africa suggests that the link between informal networks and the politicization of Islamist identity remains an open, empirical question since in the context of state failure and repression the poor tend to diversify their social networks to include both kinship and religious networks in order to consolidate efforts at acquiring material resources for their family members and communities.

**Informal Networks and Militant Recruitment**

While a large body of work on informal networks has highlighted their role in promoting a shared sense of cultural cohesion that can produce economic gains, many scholars have highlighted the “downside” of social networks operating in the context of failed and fragile states. These scholars argue that, while social networks can provide an informal framework for greater economic efficiency and the provision of social services in lieu of the state, they can also operate as mechanisms of corruption, and even promote “clandestine networks,” and “protection rackets.” More to the point in terms of
potential security risks, informal networks can be enlisted to support clandestine and militant activities. Moreover, since informal networks are designed to further the material and ideological interests of individuals and groups, many who participate in an informal network know and trust each other, and these networks have been easily exploited for the purposes of more extremist resistance to the state and its institutions. Consequently, rather than assuming a functionalist understanding of ‘social networks,’ analysts as well as academic researchers must focus on advancing an empirically grounded approach that distinguishes between various forms of informal networks, and recognizes the ways in which they can form the bases for recruitment into militant and terrorist organizations, and even clan-led militias through the re-articulation of Islamic norms and practice.

In addition, it is important for policy-makers to break with two common explanations of the causes of Islamic militant recruitment. The first is largely an economic-centered literature that often downplays the role of Islamic norms in contemporary militancy. The second is the body of research that emphasizes the militant theology of certain aspects of Islamic intellectual traditions to the exclusion of socio-economic and context-specific factors. In other words, in order to curb militancy and the terrorism it breeds, analysts must take into account both normative (i.e. cultural) as well as economic factors.

There are essentially three important reasons why Islamic militants have been successful in recruitment that highlights this point. First, from the perspective of their recruits, militant leaders often choose violence in order to improve the lot of their institutions and constituents by resisting state repression and gaining social and economic advancement. That is, state repression does indeed lay a foundation in legitimating militant ideology and activism. Second, the militants’ dissemination and enforcement of stringent Islamist norms—the hallmark of militant as opposed to fundamentalist Islam-- is based on their own knowledge of the very specific needs of local residents, many of whom are undergoing severe social and economic crisis. Finally, it is important to note that while militants may often enjoy a comparative advantage in certain forms of organized violence, their relative “efficiency” in this regard is context specific. That is, Islamic militants almost always come into conflict with other forms of authority, including traditional clan and religious leaders (e.g. sectarian), and communities.

The policy relevance of these factors should be clear in devising anti-terrorist measures. First, it is important that domestic states open up the political system in ways that can undercut militant recruitment. Second, western governments and international donors must cooperate with local elites in alleviating key social and economic grievances. And, finally, local elders and traditional authorities must be promoted in ways that promote more “indigenous” forms of religious practice and Islamic norms. This latter point is particularly important in multi-ethnic societies.

Understanding Local Context: Roots of Militant Recruitment and Terrorist Finance

In recent years there have been a number of useful quantitative studies on the security and terrorist threats posed by the emergence of failed states. The analysis here is based on qualitative research in Egypt, Sudan and Somalia that complements quantitative research conducted by the Canadian International Development Agency (CIDA). In the case of this author’s work in Egypt, findings suggest that an important reason behind the popularity of radical Islamists among the poor in that country is due to two important factors. The first cause is the lack of capacity, on the part of the government, to provide basic social welfare provisioning and implement effective poverty alleviation programs. This finding
supports the work that has found a strong link between the rise in Islamic militancy and increasing rates of economic exclusion, underdevelopment and poverty in Muslim countries. The second reason for militant recruitment can be found in the ways in which jihadist leaders have utilized highly violent methods to supplant the political power of community leaders, settle local disputes and enforce informal contracts for their members, while simultaneously preaching against the ills of conspicuous consumption in their sermons and imposing strict Islamic modes of conduct.

If research on Islamic extremists in Egypt has important relevance for our understanding of the type of incentives and institutions used to recruit new members into militant cells, this research also has implications for the recent debate on the role of informal financial transfers in the funding of Islamic fundamentalist and militant organizations. In many Muslim countries with weak or nonexistent political and bureaucratic institutions, external sources of funding and internal civil conflict have combined to enhance the power of radical preachers (Imams), the Ahali (unregulated) mosques, and Islamic Welfare Organizations (al-Jami’yaat al-Khayriyya al Islamiyya). There is, for example, definitely a connection between the informally, unregulated inflow of labor remittances and the ascendancy of Islamist groups in labor-exporting countries in the Middle East and North Africa. Over the last three decades, institutions such as the Faisal Islamic Bank, based in Saudi Arabia but with branches in many parts of the Islamic world, have been instrumental in promoting the financial profile of Islamists throughout the many Arab Muslim countries. Osama bin Laden opened several accounts in these banks, including a number of Sudanese banks while he was residing in that country. Branches of the Faisal Islamic Bank and Baraka have been an important source of financing for Islamist leaders in Sudan for almost three decades.

However, in Somalia, the unregulated financial transfer networks (hawwalat) have assumed a quite different role. Rather than facilitating the rise of political Islam and militancy encouraged by state elites during the oil boom as in Sudan and Egypt, remittance flows have played a large part in the disintegration of the Somalia state, and reinforced the importance of the clan as the most important social and political institution in Somali life. In other words, while hawwalat transfers are not regulated by formal institutions due to Somalia’s failed state, they are regulated by norms of reciprocity embedded in sub-clan affiliation and kinship relations. The militant al-Ittihad organization operating in much of Somalia, and designated as a sponsor of terrorism by the international community, has never been able to establish a monopoly over these lucrative transfers. The reason for this is because of the manner in which Somali clan networks regulate their distribution which serves to benefit a smaller number of clan members rather than a wider category of Somali Muslims.

These findings contradict much of the analysis which has assumed a direct link between state collapse in countries like Somalia and Afghanistan and the risk that they pose in terms of providing opportunities for financing terrorism and safe haven for transnational terrorist organizations. In contrast to their Sudanese and Egyptian counterparts, Somali Islamists are not the primary beneficiaries of these informal financial networks. Many hawwalat agents can be described as religious, and are sympathetic to Islamist groups. However, the strong pattern of militant recruitment, evidenced recently with the rise of Islamic Courts, is more apparent in Mogadishu where solidarity along clan lines is comparatively weak as a result of a decade of inter-clan warfare. In other words, these findings suggest that the weaker the ties of traditional authority in failed and fragile states, the stronger the likelihood for Islamic militancy to gain an upper hand in recruiting new adherents and operators.
Ultimately, militant forms of activism in Muslim societies have elements common to other extremist groups. Specifically, the organizational structures and recruitment methods are similar to other militant organizations in other parts of the world. However, what is specific to Islamic groups is the political and social context within which they operate and further qualitative research is needed in this arena. Many regimes in the Islamic world rely on political exclusion and repression to maintain rule. Under such conditions, many Muslims are forced to organize through informal networks to coordinate collective actions through these channels. In some, but by no means all, cases these networks are captured by militant leaders who find themselves in violent confrontation not only with the state, but also with the majority of Muslims in their own society. However, if state repression can promote militant recruitment, state failure even more than state collapse may also provide a safe haven for terrorists as international jihadist cells seek to find refuge and a base of operations for future terrorist activities. In the case of the Horn of Africa, this latter predicament has played an important role in both militancy as well as terrorism.

**Failed States: A Safe or Insecure Haven for Militants?**

What does this analysis tell us about whether failed states actually serve as an effective haven for militants and terrorists? Contrary to conventional wisdom, the absence of state institutions does not provide a safe haven for terrorists. This is because the popularity of militants among local populations is dependent on their own capacity to provide public goods and contract enforcement more effectively than secular authorities. In this regard, it is important to note that what made Afghanistan so useful to Al-Qa’ida in the mid-1990s was not the failure of the state, but rather the fact that they relied on the state’s sovereignty to protect their members from attack and to provide their leadership with important benefits.

Similarly, the “failed states” of the Horn of Africa do not afford terrorists such benefits. This is due to four challenges that confront terrorist organizations. The first challenge is the lack of government-enforced order in many failed states that is needed to provide security against local authorities. Second is the unreliability of local allies, as in the case of Somalia, where local ties of clan and sect overlap in complicated ways. The third challenge is that the better an area is for training recruits, the more remote and sparsely populated it is, the harder it is to meet basic sustenance needs. The fourth problem is the challenge of getting fiscal resources in place. Financial services in the region continue to be weak and Islamic militants have not been able to effectively use the Hawalaat to provide key financial services in weakly governed areas of the Horn of Africa. This is the reason why Somalia with its collapsed state has not served as a fertile breeding ground for terrorism despite popular arguments to the contrary.

By contrast, as we shall see in the case study of Sudan, jihadists function more successfully under regimes that are able to provide both security from external attack as well as the necessary financing and labor recruitment to organize jihadists. In fact, existing security vacuums have not proven to be a viable base for exporting attacks abroad. Indeed, no international attacks have been supported out of Afghanistan since the U.S. invasion of Iraq and Somalia. From this perspective, policy-makers should be concerned with “ungoverned” spaces only in so far as they allow terrorists to operate openly. Instead, a greater focus should be paid to states that have promoted militant forms of Islamism and where terrorists have at various times found it useful to operate from. Indeed, what seems to be of the utmost importance to jihadist leaders is not the existence of a security vacuum and ‘fragile states’ as such, but the
potential of establishing new functioning state institutions under jihadi control as is the case of the Sudan.

**Joining the Jihad in the Horn of Africa: The Case of Sudan**

While the global Jihadist movement has undergone a dramatic transformation in the Horn of Africa since the attacks of 9/11, it is in Sudan where it continues to have a strong foundation in the region. By the early 1990s, it was in Sudan where the Islamist movement realized its greatest ambition: controlling the levers of state power and setting up itself as a model of similarly oriented movements not only in the Horn, but throughout the Islamic world. Islamist leaders have actively supported and financed terrorist groups elsewhere—helping to plan a failed military coup in Tunis, convening meetings with the leaders of Egypt’s militant Islamic Group, offering safe harbor for the leader of al-Qaeda, Osama bin Laden, and financing scholarships for members of Somalia’s al-Ittihad organization. The Sudanese regime provided safe haven for operational planning, easing security concerns for jihadists. Additionally, the weak Sudanese economy in the 1990s meant that Al-Qaeda operatives could recruit new members at low cost in terms of wages and benefits to the families of new members.

More importantly, Sudan’s Islamist leaders set the model for other jihadists on how to utilize financial means to capture political power, and promote the jihadist movement worldwide by the use of a wide range of Islamic banking institutions which played a great role in recruitment of new adherents to militant Islam. The financial network that set the stage originated with the establishment of the Saudi-sponsored Faisal Islamic Bank (FIB). The Faisal Islamic Bank (FIB) was not only the first of its kind, but also served as a model for similar Islamic banks which, taken together, came to play an influential role in the country’s financial sector.

The FIB was founded in the late 1970s under the initiative of Prince Muhamed bin Faisal of Saudi Arabia. He and other private Saudi sources provide 40 percent of the bank’s capital base. As an organization, the FIB was composed of the general assembly of shareholders, a Board of Directors, and a *shari’a* Supervisory Board to ensure that the bank would operate according to and seek to promote the economic principles of Islamic *shari’a*. Sudanese citizens provide another 40 percent, while the remaining 20 percent comes from other foreign nationals, primarily from the Gulf States.

The FIB, like other Islamic banks in the Islamic world, has an office in Jeddah, which accepts deposits from expatriates living in the Gulf. Because most of these banks’ capital is garnered from Arab sources, the success of this banking sector has paralleled the fortunes of the oil-exporting countries. At the height of the remittance boom, however, Sudan’s Islamists, like their counterparts in North Africa and the Middle East, were well placed to dominate this system in Sudan.

Following the same line as the FIB, al-Baraka Islamic Bank was established in Sudan as a joint public company. It was the idea of Sheikh Salih al-Kamil (a Saudi businessman), a shareholder in yet another Islamic Bank (the Sudanese Islamic Bank) and a major owner in a group of al-Baraka banks in the Gulf. The paid up capital of al-Baraka was US $40 million. The capital is shared by Sheikh al-Kamil, the Sudanese Islamic Bank and other private investors. It started in 1984. Al-Baraka Bank established two subsidiary companies; namely: al-Baraka Company for Services, and al-Baraka Company for Agricultural Development.

This process went on as a number of other Islamic banks were established throughout the 1980s, including the Sudanese Islamic Bank and the Islamic Bank for Western Sudan. Another important Islamic bank established in the early 1980s was the Islamic Cooperative Bank of Sudan (ICB). The main shareholders
in the ICB were the Faisal Islamic Bank, the Kuwait Finance House, Dubai Islamic Bank, Bahrain Islamic Bank, and other Arab private investors. In addition to its banking activities, ICB has shares in the Islamic Development Company (Sudan), Islamic Banking System (Luxembourg) and in the Islamic Bank for Western Sudan. Like all the other Islamic banks, ICB ownership is linked to a transnational network of Islamic financiers and investors. It is owned by a group of Islamic banks and private investors in the Gulf region who share a common Islamist ideology. Another key Islamic Institution established during this time was Dar al-Mal-al-Islami (DMI) (Islamic Finance House). Based in Geneva, DMI is a giant Islamic finance house with institutions and branches all over the world. Like the Faisal Islamic Bank, DMI was founded by Prince Mohammed al-Faisal of Saudi Arabia who is also the Chairman of the International Association of Islamic Banks worldwide.

From the beginning there was a mutual interest between the shareholders of the Islamic banks and the Islamists. Since the largest shareholders were primarily merchants of the Gulf, they sought religiously committed individuals who would be ready to support the Islamic banks in both material as well as ideological terms. This policy favored well known Islamist activists and individuals recommended by the leaders of the organization. This mutual interest between the shareholders and the Islamists put pressure on the state as well. Since the Sudanese regime sorely needed the political support of the Islamists as well as foreign financial assistance from the Gulf for legitimacy, the regime offered Islamic banks extraordinary privileges and preferential treatment over both state and other private commercial banks. This had dramatic social as well as political consequences by providing resources for recruitment of new members.

Islamic bank clients generally enter into a joint venture with the bank for a specific project. This usually takes the form of an equity participation agreement (musharaka) in which both parties agree on a profit-loss split based on the proportion of capital provided. If, for example, a trader buys and sells $10,000 worth of industrial spare parts, the bank (while not charging interest) takes 25 percent of the profits and the borrower the remaining 75 percent, assuming an equivalent proportion of capital provision. In this way financial incentives merged with ideological imperatives.

Moreover, in a strategy reminiscent of the mobilization efforts in other countries, the Sudanese Islamists financed numerous philanthropic and social services as a means to broaden their political base. In order to attract a strong following, they provided educational scholarships abroad to those who assumed an ardent ideological posture on their behalf. They actively solicited employment for recent university graduates, an especially attractive service in the context of a very competitive and weak labor market.

Through their dominance over the unregulated financial system, Sudanese Islamists were able to build a broad network of Islamist-oriented institutions in civil society. Islamic banks and affiliated companies established a large number of private clinics, private offices, private schools, and other private concerns of certain professional groups.

The Sudanese Islamists also established a ubiquitous array of Islamic charitable organizations. Among the notable examples of this phenomenon is the Islamic Da'wa Organization, the Islamic Relief Agency, and Women of Islam charity, which owns a set of clinics and pharmacies in Khartoum. However, of all the Islamic enterprises doing “business” in the cause of Islam, the Islamic banks are the most important and had the greatest effects on the society and the economy, particularly during the boom period.

Indeed, with the escalating national debt and lack of domestic savings in the country, the Islamic banks
became one of the most important sources of finance in Sudan in the context of an increasingly failing state. Moreover, the Islamists' close links with Saudi Arabia and the Gulf States meant that there was almost no shortage of cash, even in a country as poor as Sudan. Within this context it is not difficult to see why the Islamist movement grew dramatically and played an important role in the transnational jihadist network.

**State Consolidation in the Recession**

The turbulent politics of Sudan that saw the passing of two regimes in less than a decade and the capture of the state by an Islamist-authoritarian military junta were triggered by the economic downturn beginning in the 1980s. As formal financing from the Gulf (as well as western bilateral and multilateral assistance) dried up giving way to the dominance of the parallel market, Nimeiri was forced to implement an IMF austerity program, removing price controls on basic consumer items. These measures sparked a popular uprising (intifada) that resulted in his ouster in 1985 and the election of a democratic government a year later. The civilian government that came to power was dominated by the traditional sectarian elites who, due to the severity of Sudan's economic crisis and corruption, proved ineffectual and lacked popular legitimacy. Blocked from formal assistance due to a dispute with the IMF, the civilian government attempted to capture the all-important remittance flows from Sudanese nationals abroad.

The consolidation of power by the Islamists in the 1990s has meant the rise of coercive extractive regulatory mechanisms (most notably the formation of a tax police to intimidate tax evaders), and the execution of black marketers belonging to politically marginal groups. Meanwhile, the state's failure has resulted in more predatory and rent seeking interventions. In addition to extracting revenue from local taxes, licensing fees and bank loans, the state has tried to capture a share of the informal urban market as well. It exacts taxes on a percentage of retail value on all shops, sheds, specialized markets, special services, and local development schemes.

One of the first measures the Islamist state implemented was to declare war on black marketers, hoarders, smugglers and traders who 'overcharge' threatening them with execution. Sudanese expatriates working in the Arab States - on whom Sudanese families depend - were ordered to declare their money at Khartoum airport, traders were directed to post official price lists in their shops, and many street vendors were imprisoned. While the recession in the Gulf has reduced the total volume of remittance flows, the continued weak Sudanese economy has meant that a broad spectrum of Sudan's civil society still relies on informal finances from the Gulf.

Having gained control of the state, the Islamists consider it vital to marginalize rival groups in civil society while continuing to recruit more jihadist elements, particularly among poorer segments of the population. When the regime executed several people from politically marginalized ethnic groups accused of operating in the black economy, this contributed to a sharp decline of expatriate remittances from the Gulf that fed the local economy, resulting in the further weakening of the state. This was even before the Gulf war, which further exacerbated the state's financial woes. Ultimately, the state was forced to repeal its military decree ordering the execution of black marketers out of economic necessity and fear of social unrest. Paradoxically, Sudan's economic crisis has resulted in increasing migrations abroad, with the result that remittances continue to fuel the black market and increasing state fragility.

In addition to its control over the economy, Sudanese Islamists have also consolidated their rule by taking over the civil service in a systematic fashion. The
Islamists were able to gradually fill key posts in the state bureaucracy in Khartoum and remote areas of the country, including Darfur. This penetration of the civil service created a powerful network throughout the bureaucracy. Once in power after the Islamist military coup, the Islamists pursued a program of dismissals from the civil service of non-Islamist cadres. These dismissals are based on ideological and security considerations. They targeted suspected rivals to the jihadists, including supporters of other political parties, women's organizations, and non-Muslims.

The same policy applied to the armed forces. Officers of anti-Islamist sentiment have been dismissed en masse. In addition to controlling the Army, the Islamists have established the Popular Defense Militia, all of whom receive extensive jihadist ideological and military training as befitting the political objectives of the Islamist regime. These measures culminated in the declaration of an Islamic state in the early 1990s and in the introduction of a “new” Islamic penal code. Thus, Sudan—one of the Muslim world’s most heterogeneous countries—became a center of international Islamism and by the 1990s embarked on promoting radical Islamist groups worldwide.

In 1993, Sudan was designated a state sponsor of terrorism by the U.S. State Department, and the regime in Khartoum hosted a wide range of Islamic militants in the first half of the 1990s, including al-Qa’ida. From 1992 to 1996 al-Qa’ida utilized Sudan to maintain training camps and fundraising enterprises, and Khartoum was used as base from which to launch terrorist operations in Eastern Africa. It was from Khartoum that al-Qa’ida deployed teams of operatives led by senior members with experience in military, operations, logistics, and jihadist propaganda. The al-Qa’ida Africa Corps was led by Mohammed Atef and, under his leadership, al-Qa’ida initiated recruitment drives in Somalia, Kenya and Tanzania. However, by the end of the decade, Sudan faced economic and diplomatic sanctions from the international community that proved effective in curbing Sudan’s support for transnational jihadists.

The policy implications of the rise and fall of jihadist politics in Sudan are evident. First, economic deprivation and recessionary downturns do play a role, albeit indirectly, in setting the necessary conditions for the potential recruitment of Islamic militants. Second, the fact that many militants are educated and highly skilled has to do with ‘screening’ procedures of militant leaders for technical expertise, reliability, and commitment based on various material incentives. In other words, while the leaders of militant organizations are often highly educated, they often exploit social and economy disaffection to recruit new members.

These findings suggest that rather than advising policy makers to beware of pursuing policies of economic development in failing states in the hopes of curtailing militant and terrorist violence as some analysts have advised, it is vital to understand that particular forms of economic insecurity and recessionary downturns do indeed play a role in expanding the potential ‘pool’ of militant recruits.

**Conclusion**

The larger implications of the above analysis should be clear. In the short term, the best cost-effective strategy is to monitor ungoverned spaces in failing states more closely but not to assume that they are automatically breeding grounds for militant and terrorist organizations. This would require minimum military deployment underpinned with a policy of working in alliance with locally legitimate allies. However, in the long term, the international community must devise a more comprehensive solution in order to undercut the popularity of militant Islam and wage a more effective war against terrorism.
Finally, devising effective anti-terrorist measures requires a closer examination of the challenges that militant organizations face themselves. In multi-ethnic societies in the Horn of Africa, militants have faced a host of overlapping ethnic and sectarian affiliations, insecurity, and a complex array of local political rivals and motivations. Until recently, it was only in the Sudan where militants were able to benefit from a safe haven, robust financial resources, and a regime which utilized functioning, albeit fragile, state institutions to support and promote a transnational jihadist network.

Professor Khalid Mustafa Medani is an Assistant Professor in McGill University’s Department of Political Science and Institute of Islamic Studies. His current research interests include African Politics, Islam and Politics, Informal Economies, Middle East Politics, Ethnic and Civil Conflict, Comparative Politics, and the Political Economy of Development. In 2007, Prof. Medani was selected by the Carnegie Corporation of New York to be a 2007 Carnegie Scholar, a prestigious award in recognition of his research project, “Joining Jihad: A Comparative Political Economy of Islamist Militancy and Recruitment”.

SUMMARY OF POLICY RECOMMENDATIONS

1. It is vital that states open up domestic political systems in ways that can undercut militant organizations. Islamic militancy (like other forms of religious extremism) is best undercut through a combination of policies that foster political and religious competition, improve social services, and encourage private enterprise. This suggests that western governments and international donors must cooperate with local elites in alleviating key social and economic grievances. Militant organizations clearly flourish where weak states or civil conflict undermine the provision of education, health care, poverty programs, property rights, financial services and law and order.

2. Legitimate local leaders and traditional authorities must be promoted in ways that encourage indigenous forms of religious practice and norms. This point is particularly important in multi-ethnic and multi-sectarian societies. Militant organizations are less likely to succeed in recruiting new members if they face competition in the religious ‘market-place’ as well as in the more secular provision of goods and services. The militant ideology of extremists is most effectively neutralized by other religious groups, sects, and ethnic and clan authorities. Consequently, these groups should be supported by both domestic states and the international community. Moreover, rather than regulating Islamic preachers (Imams), domestic governments must encourage a multiplicity of religious devotion and practice.

3. Policy-makers should not assume that state collapse or ‘failure’ automatically leads to breeding grounds for militant and terrorist organizations. Rather, a greater focus should be paid to those states that have a history of promoting militant forms of Islamism, and where terrorists have at various times found it useful to operate from under the patronage of governmental authority. It is in this context that the international community should cooperate to employ selective sanctions and incentives to undercut support for militant organizations by some segments of the state elite.
4. In terms of the global war against terrorist finance, the international community should continue to monitor and regulate formal financial transactions in an equitable fashion. However, they must refrain from closing informal banking networks such as the hawwālat in Somalia and other collapsed states. These informal financial networks support the livelihood of scores of families and individuals in these countries, and their closure can lead to greater pauperization and expand the recruitment of militants. Instead, the international community should work with the operators and brokers of these hawwālat to monitor and gradually formalize their operations. The support of financial services (and private enterprise more generally) in weak states actually reduces the ‘comparative advantage’ militants have in the provision of goods and services. It undercuts the material incentives to join these organizations, and can also lead to the defection of present members with weaker commitment to the “cause.”

5. Contrary to conventional analysis, policymakers must acknowledge that economic deprivation and recessionary downturns do play a role, albeit indirectly, in setting the necessary conditions for the potential recruitment of Islamic militants. The fact that many militants are educated and highly skilled has to do with ‘screening’ procedures by militant leaders for expertise and commitment. However, this is primarily based on the provision of material incentives. That is, while leaders of militant organizations are often highly educated, they exploit the social disaffection of communities in order to recruit new members.

6. In the short term, the best cost-effective strategy is to monitor ungoverned spaces, and work with legitimate local leaders to undercut the recruitment of new members into militant organizations.

7. In the long term, the international community must devise a more comprehensive solution in order to undercut the popularity of militant Islam. This would require supporting domestic governments to re-institute key social welfare provisions, promote infrastructural developments and poverty alleviation programs, and insist on the promotion of civil society organizations in ways that result in the liberalization of political systems in context-specific ways.

8. Finally, to be sure, devising effective anti-terrorist measures requires further research and analysis of the organizational as well as the ideological challenges that militant organizations face themselves. However, by focusing on encouraging greater political representation, social welfare provision, and expanding more competition among different forms of Islamic norms and practice, policymakers can help reduce the need for more violent direct military intervention. Indeed, the record shows that police-style interventions by both external and local actors have routinely proved to be counter-productive in stemming the tide of militant recruitment, and, indeed, have resulted in the rise in the popularity of religious extremism around the globe.
ABOUT CDAS

CDAS
CENTRE FOR DEVELOPING AREA STUDIES

Founded in 1963, the Centre for Developing-Area Studies is undergoing a process of renewal so that it better reflects the changed reality of the world we live in. In the not so distant past when the Cold War had an inescapable impact on the “third world,” the developmentalist state was almost universally regarded as a solution to development bottlenecks and the advantages of various non-democratic forms of government were hotly debated. Today the Cold War is over, states are often seen as obstacles to market-led development and political democracy is an explicit goal of a wide range of national and transnational actors. Sadly, while the problems of poverty and inequality often remain daunting after decades of development research and assistance, the solutions seem to be more complex than ever given the often contradictory tendencies associated with many of the changes that have so transformed the world in which we live. It is also more apparent than ever before that bridges need to be built between academic researchers, policymakers and various non-governmental actors to deal with these challenges. CDAS plans to help build these bridges. Foresight is one way to accomplish that.

CDAS’ new research agenda revolves around the need for Understanding the Foundations of Democratic Governance. To an unprecedented degree, achieving democratic governance where it does not exist and improving its quality where it does have become dominant goals, from the local level to the global. Yet it is not clear whether there is just one form of democratic rule, or if there is not, what qualities all democracies must share. For many new democracies, there is also a growing concern with the apparent inability of elected governments to effectively respond to citizens’ most urgent needs. However valued democracy may be in the abstract, the perceived ineffectiveness of actual democratic governments threatens to lead people to question its relevance to the most pressing issues of the day.

CDAS’ renewal also reflects a tradition of strength in development research and teaching at McGill. With literally dozens of tenure-stream professors working on issues relating to development, well over 100 graduate students completing MA and PhD degrees in Arts focusing on development issues and a new MA Development Studies Option at the graduate level, not to mention almost 1000 undergraduate students in McGill’s International Development Studies program, CDAS is poised to assume a new leadership role in development studies.