

“Secret Agents” and “Undercover Brothers”: The Hidden Information Revolution in the Arab World

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According to a recent RAND report, the countries of the Middle East and North Africa (MENA) region are the “global losers” of the information age. With seemingly “no signs of [an] impending information revolution,” the report concludes that most of the region’s countries will “miss the information revolution altogether” (Burkhart and Older 2003).

At first glance, the official figures used to buttress this assessment seem to bear out RAND’s conclusions. The region has been largely unaffected by the wave of liberalization that followed the end of the Cold War and the ensuing decade of rapid economic expansion and political change. If the countries of Eastern Europe quickly discarded their state socialist economies on the “dust heap of history” and embraced globalization, Arab states of the MENA region seemed as unmoved as the pyramids, tenaciously wed to their ossified state-centred systems. While governments of the region reluctantly adopted some of the neo-liberal recipes en vogue among the technocrats of the World Bank and IMF, the effect was neither liberalizing nor democratizing, and economic growth slowed under the dual burden of lagging competitiveness and rising unemployment. Only in Iraq has there been any movement for radical change, and there the impetus has hardly come from within.

In almost every major indicator of ICT growth, the region lags behind the global average, and is only marginally ahead of sub-Saharan Africa and South Asia - the two poorest regions of the world.¹ Regional connectivity and infrastructure are badly served, with almost no interconnection

¹ In only two categories, (cell phone and satellite television subscribers) does the MENA region score higher than the global average, and only in one (number of cell phone subscribers) are diffusion rates comparable with more developed regions of the world.

among countries of the region. With the exception of a few Gulf States, almost all intra-regional telephone and Internet traffic is routed by way of telecommunications providers and backbones located in the US or Europe. There are no regional Arab telecommunication providers. On the national level, what privatization has occurred, has usually led to new operators who collude to ensure that telecommunications charges and services remain lucrative. Where state monopolies have disappeared, most have been replaced by private monopolies, often run by the very same groups and individuals.

To make matters worse, the ICT growth that has occurred is now being placed under regimes of censorship and surveillance. The Internet in particular has become the latest target of state censorship practices, which were already quite advanced with respect to other forms of mass media (especially press) in most countries of the region. In 2003, eight of the 23 countries of the region had implemented a national Internet censorship or surveillances regime, with specially formed government departments or the security services official tasked to block unwanted content, and to police the population's use of e-mail and the Internet. Censorship techniques vary from country to country reflecting the specific concerns of each government. Saudi Arabia takes a technology-based approach forcing all ISPs to channel traffic through a government controlled centre, which simply blocks any site thought to be in breach of "cultural or other norms" (Deibert and Villeneuve 2004). In Syria, access is denied to the entire Israeli Internet domain (ibid). In other countries authorities take a more hands on approach. In Tunisia, which is paradoxically the host country for the 2005 World Summit for Information Society, security services actively monitor Internet usage, and those found to be "surfing" prohibited materials (such as Islamist websites) are subject to arrest and detention (RSF 2003) In Egypt, police officers pose as on-line homosexuals in order to entrap and prosecute those who respond to their advances (HRW 2003). In perhaps the most extreme case, the entire Palestinian telecommunications systems is routed by way of Israeli providers to the Israeli security services, which facilitates the identification and tracking of Palestinians, and has been used to carry out targeted assassinations (Ben-David 2000).

And yet, against this rather bleak canvas of low diffusion and state caution, a visitor to the region cannot but be struck by the sheer number of televisions, cell phones and Internet cafes that seem to sprout in the villages, cities and refugees camps of the region. Every café no matter how remote seems to have its requisite television set tuned to the incessant beat of Lebanese music videos, sports, or, in times of crisis, one of the region's popular satellite news stations (Al-jazeera, Al-Arabiya or Al-Manar). Internet cafes, some containing only a few computers, are in evidence from the refugee camps of Gaza to the suburbs of Tehran, each with their teaming mass

of young men hunched over computer screens, downloading the latest music MP3, playing video games, chatting with unseen others, or, when no one is looking, surfing porn.. From Cairo to Beirut, ownership of two cell phones seems to have become de rigueur. Even among the impoverished Palestinian populations of the West Bank and Gaza, the penetration of cell phones is such that if calculated on the basis of numbers alone, every man women and youth of working age would have to possess at least one.

So which is the real Middle East? Informational “black-hole”² or budding information revolution? This paper argues that the simple “bean-counting” of ICT statistics does not provide good purchase on this question. If what we want to understand is the potential socio-political-economic effects of these technologies, we need to look beyond mere numbers of “things.” For, as trends in other parts of the world suggest, the real power of these technologies lies in the human agency they make possible, and the amplification of this agency on a scale far beyond what basic ICT statistics might suggest. This paper chooses to explore the possible social trajectories of the “information revolution” in the MENA region from a more agent-centred perspective, to examine the ways and means by which these technologies appear to be empowering certain “hidden” economic flows and actors, and the knock-on effects of this for other, more overtly political agents. It is these two ICT-empowered trends - economic and political - that perhaps provide more telling clues as to the likely trajectory of the “information revolution” in the MENA region, as the potent mixture of technology, radical politics and the “war on terror” inexorably force it into an era of change.

Breaking with Orthodoxy: Structural and Social interpretations of Technological Change

In recent years sociologists have begun to question the orthodox view that counting computers in an economy can tell us anything about their real value to society. Much in the same spirit, two World Bank economists have argued recently that the measure used for calculating the “digital divide” - the gap between absolute diffusion of ICT in the developed and developing world - may be fundamentally flawed. This is because a focus on absolute levels of GDP investment in ICTs will always yield a predictable gap between the developed and developing world as the former possesses a higher GDP to begin with. A more accurate picture requires a focus on *relative investment* in ICTs as measured by per unit GDP, as this reveals the value placed on ICTs in developing countries, in comparison to other forms of investment. By this measurement, Fink and

² (Castells 1996)

Kenny demonstrate that levels of investment in ICT is higher in many developing countries than in the developed world, suggesting that the digital divide is in fact decreasing rather than widening (Fink and Kenny 2003).

Viewed from this perspective, the situation in the MENA region looks distinctly different from that painted by the RAND report, and the official ITU statistics on which much of the analysis was derived. Between 2000 and 2004, ICT growth exploded in the MENA region, fed by a steady stream of investments. At an annualized rate of 174.5 % the Internet grew faster than anywhere else world, while the telecommunications infrastructure expanded at a rate slightly lower than the countries of Europe. Even the growth of the PC market was second only to the Tiger economies of East Asia and the Pacific (World Bank. 2003; internetworldstats.com 2004).

These relative investment figures seem to contradict the idea that the MENA region is as barren of ICTs as the Sahara is of water.⁴ However, they are still focused on the beans. The numbers alone tell us nothing of the social value, use or potential social effects that may be enabled by these technologies. And it is to these issues we now turn, starting with a look at the role of one of the "old" ICTs - television -- in the Arab World, before turning to the "new" ICTs of the digital age.

The TV Nation - Reinventing the Arab World

Few inventions of the modern era have been subject to more speculation regarding their social impact than has broadcast television. Even in the age of the Internet and cell phone, with their respective capacities for communication and interactivity, television is thought by many to sit at the apex of the pantheon of technologies in terms of its supposed power to influence vast audiences and mobilize masses.

⁴ What we can say with some certainty is that it is too early to tell whether the current investment into ICT infrastructures and technology will lead to the kind of revolution in productive forces foreseen by theorist of post-industrial society, and which forms the basis of Castell's analysis of the coming global network economy. As both sets of numbers show, absolute levels of infrastructure are starting to increase from low historical levels, but rising rapidly. Structural factors, such as political and social stability, a fair legal and regulatory environment and a favourable investment climate will play a role in deciding this future outcome and, as argued eloquently in the RAND report, the future in this respect does not look promising given the regions economic weakness, endemic corruption and "democratic deficit". At same time, rapidly expanding investment in infrastructure in the region may result in other, not so obvious consequences, and may themselves be shaped and shape trajectories that are different than those offered by the linear progression to a post-industrial future. These possible trajectories lie outside of the realm of orthodox interpretations of the information revolution but may have consequences on economic and political life in the region equal or greater to those in the productive sphere.

By the end of 2003, over 90 Satellite channels were in operation in the MENA region, serving a variety of programming ranging from news and current affairs through to sports and entertainment to an estimated audience of 70 million viewers (Arabadvisors.com 2003). However, even these relatively high figures may grossly underestimate the social reach of television given that many televisions are located in public places - coffee bars, falafel stands, a busy corner in a refugee camp -- with a single set shared by tens if not hundreds of individuals every day.⁵ More importantly, what these numbers do not reveal is the social revolution that has occurred in the past decade as Arab television has been freed from the bounds of terrestrial broadcasting, which in most countries of the region was tightly under the control of the ruling regimes and their monotonous stream of official propaganda and half truths.

Satellite television has changed the Arabs perception of the world and their region in fundamental and significant ways. A little over ten years ago the only way Arab audiences learned of the War in the Gulf was through their own heavily censored national media or by listening into foreign broadcasts such as those of BBC radio or CNN. As such, the only "independent" coverage of the war was for the most part, narrated to Arabs audiences through the eyes of American and European news rooms (Sharabi 2003).

Ten year after the end of the first Gulf war, the situation had changed dramatically. By the start of the Al-Aqsa Intifada in September 2000, several regional broadcasters, led by Al-Jazeera, Al Manar, Abu Dhabi, and LBC-Al Hayat had captured an estimated 70-80 % of Arab viewers (Sharabi 2003). For the first time in the region's history, Arab viewers could tune into 24 hour coverage of a major regional event, in this case Israel's brutal reoccupation of the West Bank, narrated by Arab voices and unfettered by the selective censorship practices of their national governments.⁶ For the Palestinians, this marked the first time in their history where the story of their struggle was told to Arab reporters, while being filmed by Arab cameramen, analyzed by Arab commentators and broadcast to homes across the region by Arab broadcasters. .

Western critics who complained of the non-stop, 24 hour coverage as too graphic, gruesome and inciting of hatred of Jews missed the point. What to New York Times columnist Thomas Friedman seemed to amount to coverage designed to inspire hatred, "the greatest hits from the Israeli-

⁵ Perhaps proving the point about the veracity of statistics, official diffusion figures published by the ITU and World Bank suggest that the MENA region has the lowest diffusion of television of any other region with the exception of Sub-Saharan Africa (Paua 2003).

⁶ Outside of the news arena, the story is very similar. In the 1970 and 80s, between 40 and 60 % of TV programmes aired by Arab broadcasters were imported from Europe or the US (Ayish 2002). By the late 1990s, most broadcaster were relying on Arab productions, with between 70 and 100 % of entertainment content produced within the Arab region (Ayish 2002).

Palestinian conflict: non-stop film of Israelis hitting, beating, dragging, clubbing and shooting Palestinians," was a revelation for Arab audiences similar in effect to that elicited by U.S. networks two decades earlier, when TV brought the brutality of the war in Vietnam into American homes.⁷ While the violence may have disturbed western critics not used to such graphic depictions on their own television screens, for Arab audiences the real significance lay in the heated debates and argumentation of Arab talk shows, which often featured Israeli government officials and other intellectuals. For many Arab audiences, this is the first time they had seen or heard the "enemy" speak.

However, this example also reveals the political limitations of Arab regional broadcasting. Notwithstanding its very real ability to elicit the emotion and outrage on the Arab street, the saturation coverage did not yield any tangible support political or otherwise for the Palestinians by any Arab government (Tounsy 2002). The Palestinians may have felt empowered to narrate their own cause, but the disconnect between this feeling of empowerment and the absence of any support was graphically summed by a Palestinian woman who grabbed a microphone from an Arab reporter and shouted into the camera, "Where are the Arabs? Why don't they do anything to rescue us?" (Obeidi 2003)

From this perspective, the real "mobilizing" power of Arab satellite television remains ambiguous. This is especially so when it comes to the issue of promoting greater liberalization or regime change. Thus, a decade of increasingly unfettered broadcasting has yet to result in any real popular challenge to the authoritarian regimes of the region. As one analyst summarized, "people seeking to create actions have not been able to mobilize political action using the airwaves" (Alterman 2002).

And yet, despite the fact that there are no systematic or credible surveys of Arab TV viewership or attitudes, television is considered by many powerful folks to be a major force in the region. On the eve of the second Gulf War, US officials exerted pressure on the backers of Al-Jazeera and other Arab satellite news channels to tone down their "anti-Americanism" (Fine 2003). More recently, in February 2004, the US launched "al Hurra" (or "the free one") a new US-based Arab satellite TV network supported by a \$62 USD million grant from the US Congress, designed to compete head to head with the region's highly popular satellite new providers, (Feuilherade 2004). While many observers feel the station may be seen as US propaganda (like Radio Sawa), others think it an important channel through which to influence the lack of discussion of freedom

⁷⁷ (Friedman 2002; Woollacott 2002)

of speech, human rights and democracy in the Middle East, and to thereby push the region towards greater “democratization”.

These latter analysts, who seem to think that “the message is the message,” may be overlooking an important element of the success of regional Arab broadcasters: Perhaps the real emotive power of Arab television lies in its connection with the Arab “street” - as Arabs narrate their own events to their own, reflecting and resonating with popular opinions and sentiments. If so, it remains an open question as to whether or not an “external” message will be able to resonate with that spirit and shape its expression. And the backers of Al Hurra should not forget that the most popular television stations during the second Gulf War were those that were the most critical of the invasion (Al-Tonsi 2003; Amin 2003; Fine 2003).⁸

Overall, the influence of television in the MENA region, seems to lie more in its power to engage emotions than to mobilize masses. The reasons are complex, but linked to the fact that emotions do not a revolution make. Simply put, crowds shouting at a TV, no matter how loudly, will not lead to anything except sore throats. Mobilization for change - be it social, political or economic -- requires, at a minimum, leadership, organization, financing and the space to act. And of these, it is perhaps the latter - the space to organize and act - that has been the most lacking in the strong states of the MENA region. Television does not provide that space. But other ICTs -- those that allow for “private” interactive communication -- do. And what is more they are, in ways that are only just beginning to be seen, with trajectories not yet understood. One area in particular has been massively empowered by ICTs in recent years, but has remained mostly hidden: the informal economy of remittance flows. It is to this issue I now turn, to sketch out the massive scale of these flows, illuminate how they have been empowered by ICTs, and then to reflect on how this enhanced economic agency may be manifesting itself in more political forms.

Secret Agents: The Hidden Economy of Arabia

It has no central bank, nor elected parliament. There are no ministries, nor police force. There has been no central government for over a decade. And yet, Somalia has a functioning economy, arguably Africa’s most efficient banking system, and best and cheapest telephone service (APWire 1999; Maass 2001). How? Somalia provides perhaps the most extreme and unique example of an economy where a combination of informal economic flows, diasporic communities and technological empowerment through ICTs, has created what amounts to the world’s first and only “virtual state”.

⁸ These stations were: Al-Jazeera Al-Aribiya and Al Manar

The secret of Somalia's success is complex. It includes a mixture of traditional "informal codes of honour" that allow business to take place in the absence of a formal legal or banking system (Omer 2003). These codes form the normative backbone of *hawala* - a complex but informal system for transferring remittances (money earned by Somalis abroad) that relies on social networks and personal trust rather than the formal banking system (Ballard 2003).⁹ It is also helped by Somalia's tight knit clan system that embraces the entirety of the Somali diaspora (thought to number close a million people since the early 1990s) and acts as a social safety network for its members, no matter where in the world they may be located (Omer 2003). Finally, the telecommunications and Internet boom of the 1990s came at a fortunate time as it quickly became the mechanism through which Somalis could exercise economic power and agency and continue to play an active political role in Somalia even from afar.

At present remittances account for almost half of Somalia's GDP. Most of these flows go directly into household consumption, covering the needs of entire Somali communities. However they are also increasingly at the core of the domestic Somali economy. Investments in businesses that are part-owned or operated by diaspora networks are on the increase. In the last two years a two million dollar bottling plant was built and financed by diasporic Somali sources (Maass 2001).

The link between the economic agency of the Somali diaspora and ICTs is clear and direct. The former is made possible by the latter. This is evident in the fusion of the telecommunications and banking sectors, and its key role in the economic and political life of the country (Salah and Taylor 1999). For all intents and purposes, banking and telecoms are the only two national institutions on which all Somalis can agree. For example, until its blacklisting as a possible channel for al-Qaeda funding, al-Barakaat, Somalia's largest hawala and telecom operator, was also Somalia's largest employer and most profitable company. (Vesely 2002). Al-Barakaat's network of brokers covered the entirety of the country, crossing over clan lines and long-standing territorial feuds between rival warlords. Its network of offices and brokers provided international

⁹ Unlike the official banking system which relies on formal bureaucratic procedure and the threat of legal sanction as a means to regulate transactions, hawala works on the basis of extended personal trust. Transactions, some numbering into the millions of dollars, are handled by brokers who guarantee that a payment of equivalent value is issued to the recipient of the transaction, with little more than a promise or at best a code word to ensure the transaction occurs. At times even less is required. There is little formal accounting in hawala transaction, and no recourse to any formal legal process to adjudicate conflicts or non-compliance. Rather the system operates on the basis of trust, and the threat of sanction: those who transgress the norms of the community will be excluded from that community along with their entire extended network or family. In communities where networks of extended community form a social safety network not provided by formal state institutions (which function poorly, if at all in most developing countries) this kind of exclusion can have "disastrous implications" (Ballard 2003).

and domestic hawala banking, micro-lending, postal, courier services, as well as telephone services to 45,000 cellular phone subscribers (CPJ 2002).¹⁰

Somalia is an extreme case and one not likely to be repeated in the MENA region (or anywhere else, for that matter). However, it serves to graphically illustrate two patterns that are increasingly in evidence throughout the region: the rising importance and role of remittances to the economic life of the region (which itself is linked to increased migration and demographic pressures); and the degree to which these economic flows bypass the official banking sector, and thus fall outside of direct government control and supervision. Both are important as technology closes the gap between “remitters” and “remittees” and allows diasporic and migrant communities to exercise greater influence through their economic muscle.

In recent years, economists have taken greater notice of the significant role that remittances play in the economies of most developing countries. Over the past decade remittances have exceeded official aid flows in most developing countries by over 260 % (Sander 2003). In recent years they have begun to displace other forms of financial flows such as private lending. By some accounts, they now make up as much as 42% of all foreign direct investment on a global scale (Sander 2003). So significant are these flows that development actors such as the World Bank are beginning to think of ways to factor these flows into official development planning.

According to recent studies, the MENA countries rank among the top twenty recipients of worldwide remittance flows. Jordan, for example, derives approximately 22.8 % of its GDP from remittances, making it the third largest recipient of remittances in the world.¹¹ At the same time the Gulf States of Saudi Arabia, Kuwait, and Oman are among the top ten sources of remittance flows world-wide (IMF 2003; Kapur 2003). All told, official figures for the region suggest that upward of 3% of GDP can be attributed to remittance flows -- a figure higher than in any other major region of the world (IMF 2003).

¹⁰ Following al-Barakaat’s demise the remaining two national operators (NationLink and Somali telecom) are among the most profitable enterprises in the country. Between 1998 and 2001 Nationlink saw its profits rise more than sevenfold, despite almost 35% of all accounts going uncollected (Willems 2002). In 2001, Nationlink announced a \$1.5 million dollar expansion of its network, while its rival Somali Telecom has announced a new Internet provider to succeed SICO which was also shut down by US sanctions following the attacks of September 11th, 2001. (Mohammud 2001; BBC 2002; CellularNews 2002).

¹¹ Yemen and Lebanon are only slightly behind, with a respective 16.1% and 13.8% of GDP coming from remittance flows (World Bank. International Economics Dept. 2003).

However these figures may grossly understate the actual size and influence of the remittance economy in the region. Some economists, citing the lack of reliable data, estimate that official figures may understate the scale of remittances by 120 % or more (Kapur 2003; Orozco 2003; Sander 2003; Solimano 2003). This oversight is because the analysis tends to focus on flows between developed countries and the developing world, and are based on data collected by the developed world governments. A recent report critical of the figures cited by the World Bank and IMF point out that they contain major data gaps with as many as 35-45 data points missing from the analysis (Kapur 2003). In the MENA region these factors are particularly significant as most remittance flows occur between and among countries of the region.

Moreover, recent studies suggest that the informal or “grey market” economy may account to anywhere between 25 to 35 % of all economic activity in many MENA countries (Schneider 2002). Given that much (if not most) of remittance flows are channeled through informal financial transactions (such as hawala) and thus not official recorded, it is not unreasonable to suggest that these flows may account for a fundamentally higher portion of some national economies of the region than was previously thought (particularly those high on the recipient scale).

Remittance flows are almost certain to increase in most MENA countries as more people seek economic prospects abroad. Pressures for emigration from the MENA region are strong, pushed by high demographic growth and declining economic prospects. The past decade of rapid economic expansion and political liberalization left much of the Arab world largely untouched. Arab economies remained largely in state hands, and no country in the region (save Iraq) has undergone any significant degree of change (liberalization or democratization). Economic performance languishes well below the global average. At the same time the population growth rate is the highest in the world, exceeding that of the least developed countries of Africa, Asia, and well above the global average (Anderson 1999; Abed 2003).

The median age in Arab countries is 20.5, among the youngest in the world (Anderson 1999). Faced with this demographic surge, the real wage earning potential for those entering the workforce has decreased by one third over the past decade resulting in a ever larger pool of workers facing fewer good economic prospects (Richards 2001). Youth in the region face unemployment rates from an estimated 35 % in Yemen to an average 22-25 % for most other countries of the region (Richards 2001) and Arab governments throughout the region are facing growing economic dissatisfaction from this demographic segment. A recent UNDP survey of Arab populations revealed a strong desire to emigrate among the region’s youth (upwards of 68 % of

respondents).¹² As a consequence, governments are facing strong pressures to use migration as a safety valve, to relieve some of the mounting demographic and economic pressure.

These trends suggest that the economic significance of remittance flows to MENA economies will only increase. At present, these flows are already significant accounting for 56 % of all financial flows to the region (IMF 2003; Kapur 2003). Moreover, statistics suggest that much like the case of Somalia, these remittances are being used to cover more than merely a source of income for household consumption. They are also increasingly a source of investment. Indeed in the MENA region remittances dominate all forms of public and private investment. They account for an astonishing 400 % larger than any other source of Foreign Direct Investment (FDI) in the region, a figure far higher than anywhere else in the world.

More worrying for governments of the region, these flows are increasingly being channeled outside of the formal banking system, and enter the national economies without being subject to any government checks or controls. Increasingly, remittance flows are being channeled by hawala.

Informal value transfer systems such as hawala have existed for centuries in the MENA region and elsewhere.¹³ Traditionally, they have been used to “route around” petty corruption, unfair taxation and other predation by local and government officials. Compared to the cost of formal banking, the charges incurred by hawala transactions are minimal, particularly for small sums of money (Ballard 2003; Schramm and Taube 2003). For example, a typical “informal” hawala transaction, will cost the sending party 1-5% depending on the amount being transferred (Economist 2001; Cooper and Johnson 2002); while a similar transaction via an official channel such as Western Union will cost as much as 15-22%. (Economist 2001; Robinson 2001). With savings like these possible, it is not surprising that *hawala* type systems are very popular in the

¹² Of the 68 % who indicated they wished to emigrate, 45 % wanted to do so for employment reasons, and 23 % in search of education opportunities (UNDP 2002).

¹³ The origins of halawa are not entirely clear, with some sources tracing it back as far as the 16th century Mogul Empire (Simpson 2001), while others suggest Indian traders who migrated to Africa and south Asia during the later part of the 19th century and needed a mechanism to settle accounts (Miller 1999). Its recent historical popularity dates from the Indian partition, when large communities of Hindu and Muslims were separated by newly created borders (Miller 1999). In China, a system known as *fei chien* (or *fei qian*), first used by during the imperial period by remote Chinese provinces to pay their tribute to Beijing without risking robbery, remains in use among the worldwide Chinese community (Miller 1999; Economist 2001). Similar informal economies in the Soviet Union, based on trust and the exchange of favours rather than the transfer of money (*blat'*) continue to have (Ledeneva 1998; Lovell, Ledeneva et al. 2000). At least one source claims a former CIA officer as saying that hawala acted as a conduit for funding local mujahidin commanders in Afghanistan during the Soviet occupation of the 1980s. Closer to home, at least one source claims that a halawa type system was used by American GI's serving in Vietnam to make mortgage payments back home, avoiding the cost and delay of doing so thorough the formal banking system (Harris 2002).

developing world and accounts for as much as 50 % of all economic activity in some countries (Schloss 2001).

Since September 11th *hawala* has received a lot of attention. In part, this occurred as result of suspicions that it served as the channel of financing for violent political actors such as Al-Qaeda (Passas 1999; Napoleoni 2003).¹⁴ As a consequence a lot more is now known about than was the case even three year ago.

Contemporary *hawala* transactions go well beyond the word of mouth, or telegram that was previously used to carry these transactions to relatives living deep in the provinces. The 21st century version of *hawala* is a highly technology intensive undertaking. Much like the formal banking sector, *hawala* has taken full advantage of the spectacular growth of international telephony, fax and the internet using these to develop into a truly global system of value transfer. (Passas 1999; Wilson 2002; Ballard 2003). More remarkably the system emerged without any central direction or planning. As one analyst put "like Topsy, it just grew" (Ballard 2003) .

ICTs have transformed *hawala* into a high tech enterprise and made it more accessible than ever. Virtually anybody with access to a phone and a few friends overseas can become a broker, like a Somali operating from a MacDonald's at a train station in Germany, who was said to have brokered more than 1.2 million dollars in *hawala* transactions (Cooper and Johnson 2002).

Experts consider the Arab region, and the United Arab Emirates in particular, to be the hub of the global *hawala* system. In Dubai over 105 independent exchanges have merged to form a global exchange for *hawala* transactions (the *hawala* equivalent of a New York, London, Frankfurt Tokyo). Individual brokerages representing specific ethnic or national groups are interconnected by way of Local Area Networks(LAN). This LAN automates the clearance of large transactions between currency and groups of transactions so that individual *hawala* transactions now benefit from discounts granted on volume transactions through formal banking system. In 1994, the Exchange Centre became a member of SWIFT, the international network banking network, and can now also clear transactions with the formal banking sector (Ballard 2003). As most experts now agree, the sophistication of the *hawala* system makes it a viable competitor and alternative to the formal banking system. As one analyst observed, "whilst the deals made in Dubai may at one level appear to be quite different from the arrangements made by formally constituted banks, in the sense that trust is articulated on a personalized "oriental" [sic] basis rather than

¹⁴ As experts in the field are at pains to point out, the *hawala* system is not criminal in nature (in fact most hawalanders avoid or refuse explicitly criminal transactions), rather it is deeply embedded in social life and customs of the communities it serves and rely on these norms to regulate commercial relations.

through formalized bureaucratic procedures, it is nevertheless clear that they have an identical outcome, namely the settlement of accounts in a banking sense (Ballard 2003). As another analyst concluded, "the *hawala* system goes beyond anything we can imagine... it is very, very well developed," (Miller 1999).

When viewed in isolation, it is fair to argue that migration pressures, rising remittance rates, and the expanding *hawala* network are each significant drivers of change in the MENA region. When viewed together, they suggest something more than just a new form of economic muscle; rather, they suggest new forms of, and spaces for, economic agency. Experience in other high remittance economies has shown that as the volume of remittances grows in relation to other forms of incomes and investment, the economic agency that they represent becomes more significant. In Mexico, and Dominican Republic, for example, politicians now regularly aim their election campaigns at diasporic and migrant communities in the US, recognizing that the economic flows they contribute to the national economy are significant enough to have negative repercussions should they be withheld or slowed. What we know of remittance flows in the MENA region tends to suggest that they are increasingly becoming central to productive economic forces in the countries of the region, representing an important form of investment. As such their presence or absence has real consequences for economic growth overall.

However, much of what remittances enable appears to be hidden within the informal *hawala* practices. And it is this feature which has linked *hawala* flows to more overt political actors in the region for some time, as the method of choice for financing "subversive" activities of rebellion or resistance. This historical partnership, when viewed in light of the rising volumes and value of *hawala* transactions, and their increasing sophistication due to technological facilitation, suggests that ICT-empowered *hawala* may be the "secret agent" of not only economic, but also political change in the region.

Undercover Brothers

September 11th highlighted the coming of age of a new form of political agency in the MENA region. Diffuse, widely scattered networks of loosely affiliated actors, inspired rather than guided by a political vision where able to coordinate and ultimately concentrate their activities to cause "shock and awe" in the financial and power capitals of the world's remaining superpower. The attacks of 9.11 may have been a lucky one-off, a confluence of fate, fortune and fanaticism. However they betrayed what some had suspected all along -- globalization was not preprogrammed or preordained to serve liberal and democratic ends (as some had hoped). Rather

the infrastructure of globalization-- its communications channels and networks -- was available for anyone willing to use them. One did not have to be a liberal or democrat to embrace and exploit the benefits of modernity.¹⁵

In much of the MENA region, the ability of social or political actors to coalesce and network in the manner of civil society in the “West” is highly circumscribed. In most cases it is simply impossible due to the authoritarian nature of most Arab governments. With few exceptions, domestic political parties other than those set up to support the regime in power are outlawed, or otherwise prevented from working as an official opposition party in the conventional sense. However, the one “space” that the secular state has been least able to control is the religious space, specifically that occupied by Islam, which is the major reason why, after the failure of the Arab nationalist project and the gradual hollowing out of the promise of secular nationalisms, domestic or regional resistance movements have so often taken on an Islamic colouring. The oldest and best established Islamic-cum-political actors are the Muslim brotherhoods (al-ikhwan al-muslimoon), which can be found in almost all countries of the region in one form or another since the early 1950’s (McLaughlin 2003). While the activities of the brotherhoods tended, at first to service more social than political ends, their political turn has become increasingly sharp over the past decade.

It is against this backdrop that the “new spaces” being opened up by ICTs in MENA countries need to be understood. For ICTs like the Internet and cell phones, provide a new virtual space, where communication, interaction and organization can take place “outside” the gaze of the all-seeing state.

¹⁵ Throughout the 1990s globalization gave rise to the emergence of a new breed of political actor. They leveraged emerging technical networks such as the Internet, to extend the reach of their social networks. Over time, these connections bred new connections adding new actors and further extending the range and reach of organizations joined by a common purpose or commitment to an idea. Within a decade, loose networks of actors began to work at times in a surprisingly coordinated fashion. At UN Summits in Rio in 1993, networks of groups committed to a variety of environmental causes were for the first time able to make their voices heard at a summit of nation states. In subsequent years the activism of such networks grew bolder and more vocal. Experience in “coordinating without hierarchy” (Chisholm 1989) became more familiar, even across cultural and linguistic barriers. By the late 1990s, networks of nongovernmental organizations and other actors were a feature of most global fora and conventions. To many, the coalescence of individual interest and actors, across borders mediated by technology and acting with purpose, heralded the emergence of a new political actor - the transnational network. For some, this actor signaled more than just the emergence of a new form of political agency. Some drew on Habermas, to suggest the dawning of a “global civil society”, a virtual global version of the café culture. For other, perhaps steeped in a more pragmatic view of history, the agency implicit in its “network effect” was understood as a powerful organizational force, that allowed those actors who could master its form,, a considerable advantage over less nimble and adaptable opponents (Keck and Sikkink 1998; Arquilla, Ronfeldt et al. 2001).

Since September 11th, much attention has been focused on the way in which the new space created by ICTs has been actively populated by global terrorist networks, such as Al-Qaeda. The anonymity enabled by Internet channels, has been considered by some analysts, by some, to be the “terrorists dream,” providing a means by which to organize widely diffuse members, raise funds, and communicate propagandist messages, while routing around state control and censorship (Thomas 2003).

But the obsession with al-Qaeda is only part of the picture, and may prove the most insignificant in the longer run. The MENA region contains many other groups that have been quick to appropriate the organizational power and political and economic potential of ICT-enablement. For example, to return to the many manifestations of the Muslim Brotherhood and other socio-political Islamic movements, it is clear that many of these groups are beneficiary to an elaborate and growing international network of finances linked to migrant and diasporic populations. Some funds are funneled to these movements directly through donations to mosques and other charities, others arrive through informal financial transfers such as *hawala*, and still others accrue from a form of religious almsgiving (*zakat*) placed on financial transactions by Islamic banks institutions and some *Hawalanders* and which are then transferred to religious charities (Napoleoni 2003). According to one expert, *zakat* transactions are kept off the books and may run into the tens if not hundreds of millions of dollars (Napoleoni 2003).

The exact size of the economic flows that support the activity of the brotherhoods and other more radical organizations in the region, is largely unknown. In part, the closed nature of organizations like Hamas and Hezbollah means that this information is simply not available in any reliable form. In addition, it is nearly impossible to disaggregate the amounts of money that are going to essential social services as opposed to more militant activities. In places like South Lebanon and the Gaza Strip, Islamic charities form the single largest source of social welfare, providing schools, hospitals and other basic social services. While the scale and scope of these kinds of flows are difficult to ascertain, the closing down of several large NGOs and charities, and the seizure of bank accounts yielding hundreds of millions of dollars said to belong to so-called “terrorist groups,” suggest that that these flows are an important source of financing for political activities (Napoleoni 2003).

The economic flows being channeled to Islamic social-cum-political organizations, suggests a broad-based, and global, source of “hidden” support for these “opposition/resistance” groups in the MENA region. Some of the recipients of this support -- groups like Hezbollah - have demonstrated their capacity to appropriate and leverage the power of ICTs to address and even

organize their supporters, while also tapping into existing global media and activist networks, and to thereby promote regional and global action in way that regional television simply could not. In essence these techniques resemble the “network effect” that civil society activists used to great effect during the 1990s and which Ronfeldt and Arquilla have labeled as “social netwar” meaning the capacity to leverage ICT-enabled social networking in the service of specific political goals.¹⁶

The wider political potential enabled by the Internet first became observable during the Al-Aqsa Intifada when Palestinian and pro-Palestinian activists used the Internet to e-mail elaborate PowerPoint presentations that graphically detailed Israeli abuses and atrocities. The PowerPoint files were similar to the images available on regional Arab television, but their intent and effect was in some respects different. The viewing station - the recipient’s personal computer - was more intimate and the recipient was also encouraged to actively participate in the “resistance” by passing the file onto others, and making a public commitment of support by e-mail.¹⁷ Another important dimension of some of these presentations is that their captions were in English, indicating that the target audience was hardly domestic.

However no group has been as successful or innovative in harnessing “social netwar” than Lebanon’s Hezbollah, which has a highly developed and growing media operation including the regionally popular Al-Manar television station along with several websites. Al-Manar prepares its entire content in digital format and makes it available through a number of different channels. News is available via wire distribution, video streams and downloadable across the Internet, and is

¹⁶ The term “Social Netwar” was first coined by RAND analysts John Arquilla and David Ronfeldt in their assessment of the strategy taken by the Zapatista rebels in their struggle with the Mexican government in the southern state of Chiapas. The Zapatistas were able to successfully network with northern NGOs, which allowed them to harness the latent power of these actors, bringing them to their cause to a far higher degree than would have been otherwise possible. While the Zapatistas themselves were not competent users of ICTs, their receptiveness to work with ICT-savvy NGO actors allowed them to effectively “message their cause”, and let the networks of northern NGO actors propagate their cause to the extent that the Mexican government was “shamed” into ceasing its military operations in the Chiapas region, and returning to the negotiating table with the Zapatista rebels (Arquilla, Ronfeldt et al. 1998; Cleaver 1998). The Zapatista case caught the imagination of global civil society actors, raising hope in the potential of ICTs to further human rights globally. However, ICTs are a facilitating tool, not a guarantee of end-usage, as is evidenced by the growing number of an “criminal” actors that are leveraging the power of ICTs to further their self-directed “redistributive” networks, based on profits accrued in the world’s zones of conflict (Duffield 2002). In the political realm, actors ranging from Chechens (particularly during the first Russo-Chechen war, 1994-1996) through to Palestinians during Al-Aqsa’ Intifadah, to right-wing Jewish groups, and to diffuse networks of Islamist actors, have all leveraged the “network effect” to draw attention and support for their causes (Thomas 2001; Rohozinski 2003). The collective impact of these groups may equal if not exceed the collective political agency of the more conventionally understood “civil society” sphere.

¹⁷ Similarly, extreme Islamic groups have used streaming media files, easily distributed by the Internet and circulated among the global community, to rally support for their cause and advertise their self-proclaimed acts of “honour” or resistance. For example, the radical Pakistani group responsible for the murder of Wall Street Journal journalist Daniel Pearl distributed a Real Video file of the beheading via the Internet.

broadcast via terrestrial means in the region (including the West Bank and Gaza), and by digital satellite to the US and Canada.¹⁸ Besides current news, Al-Manar's downloadable archive includes inspirational songs, and music videos of Hezbollah fighters carrying out raids against Israeli Defence Forces along the Lebanese border. While in military terms the actual frequency and impact of these attacks is limited, Hezbollah's sophisticated media packaging has rendered them as important symbolic challenges to Israel's military power, scoring important "symbolic" victories (Rohozinski 2003).

Part of Al-Manar's apparent success is in the directness of its political message. It makes no attempt to hide its political purpose as, "the first Arab establishment to stage effective psychological warfare against the Zionist enemy" (Al-Manar 2002).¹⁹ Its sheer popularity means that at times news generated through this source is recycled by other global media and treated as any other news wire. For example, in the wake of 9.11, Al-Manar was identified as the source of a false report claiming that 4,000 Jews were warned of the possibility of an attack and did not show up for work at the World Trade Center on September 11th (Curtis 2001) The report was subsequently disseminated via the Internet (although not by Al-Manar) with incredible speed, in part, because of the credibility attached to the technology that was used to spread the rumor. Although only a minority of people in the Arab world, (and in the developing world) are connected to the Internet, the message spread to Internet users was then repeated by word of mouth, which in oral or illiterate societies can have a huge multiplier effect²⁰. In the end, even mainstream news sources picked up the WTC story. In Russia, Pravda initially published the rumor on its website only to retract it a few hours later (Curtis 2001).

Al-Manar's popularity has made it a powerful media force in the region, popular far beyond its size and resources. In some respect, the station has made Hezbollah into the "Zapatistas" of the MENA region (see footnote 16). Like the Zapatistas, Hezbollah has actively sought to leverage the support of communities sympathetic to its cause. Unlike the Zapatista case, however, Hezbollah has not attracted the support of most northern civil society actors; however its influence and

¹⁸ A cursory investigation of a popular Arab web site in Canada reveals that nine regional Arab TV stations (including Al-Mahar) are available through the Internet via Real Audio broadcast, while video feeds are available through the local cable provider or through the purchase of a satellite dish and decoder (ArabToronto.com 2002).

¹⁹ Text on the websites does go on to qualify this stance by also noting that "Al-Manar focuses on live talk shows and dialogue programs in which it makes sure to bring out different thoughts and beliefs, in addition to the participation of the viewers in the dialogues" (Al-Manar 2002)

²⁰ I first heard this of this story in November 2001 while visiting rural Tajikistan. It was told to me by a rural school teacher in a village that had neither radio, television nor the internet. He told me he heard the story through a relative in Dushanbe who had read it on the Internet. He told this story and another accusing Israeli and American interests as being behind the 9.11 attacks. Both stories were repeated as if they were a solemn truth.

impact in the region, and amongst global Muslim communities have been significant, if judged by the level of support it continues to receive. In this respect, the Hezbollah example is a potent reminder that low ICT diffusion rates may have little bearing on the political agency that the fusion of economic agency and ICT is in making possible within the region.

In both, old political actors like the Muslim brotherhoods and newer actors like Hezbollah are rapidly adopting and adapting to the emerging possibilities for coordinated political action. While these groups have received in the most attention in the post-September era, they are by no means the only actors leveraging these means to mobilize and organize for their causes. An enormous latent agency lies largely unexcavated in the chat rooms, web sites and web-blogs of the region, whose ultimate trajectories remains undetermined, but whose influence on the region is only beginning to be felt.

Conclusion: Between Iraq and a Hard Place

Unlike RAND, this paper has suggested that a far-reaching information revolution is underway in the MENA region, and has been carving out new economic, social and political spaces. To date, however, this revolution has remained largely outside the viewfinders of those who count computers and calculate diffusion rates. In the shorter term, RAND may be right to dismiss the possibility that Cairo will become the next Singapore, or Tikrit a Silicon Valley. However they are wrong to assume that “progress” or change must follow a narrow and well marked neo-liberal path.

These “bean counting” assumptions, steeped as they are in the dogma of development, are as incorrect as they are dangerous. They are incorrect because, as development practitioners have long known, and recent studies are now confirming: there is no significant evidence that aid promotes democracy (Duffield 2001; Knack 2004)²¹. Moreover, another common and inter-related assumption is now more than ever open to question: the implicit link between ICT and “democracy”. Thus, an increasing number of studies suggest that while a free flow of information constitutes an important feature of democratic systems, the mere presence of these flows does not necessarily lead to democracy, nor does it preclude the technologies that support these flows from being used in a myriad of other ways (Rohozinski 1999; Kalathil and Boas 2003; Rohozinski 2003).

²¹ The study examined two separate sets of data; 1975-2000, and, 1990 to 2000, and found that “examples of successful programmes in particular countries may convincingly demonstrate that some kinds of aid can sometimes be beneficial, but tell us nothing about the overall effectiveness of aid in promoting democracy”. See, (Knack 2004).

That these assumptions are also dangerous can be seen from the ways in which they are being used to frame the interventions of outside actors in the region. In February 2004 the US administration unveiled its long awaited strategy for the Middle East. The Greater Middle East Initiative seeks to bring about a democratic transformation in the region, by balancing enticement with enforcement, and to thereby “develop” the region into a prosperous and secure member of the global community of democratic nations. At its core the initiative aims to apply development and coercion as the primary tools to combat what is perceived by the US and its allies in the “War on Terror” as the leading source of insecurity in the world.

While the intent may be noble, the strategy of attempting to resolve fundamentally political problems with grand technocratic solutions may yield quite unintended consequences that are not in keeping with the “expected” outcomes. If we extrapolate from the ways in which ICTs seem to be already “at work” in the region, we might argue that the clear message has been resistance - resistance to the constraints and impositions of the global financial system, and resistance to the state-and-regional forces that seek to block political expression and struggle. We might further argue that the political space colonized by Islam, and now economically and politically powered through ICT-enablement has just begun to show its strength.²² Against this backdrop, one may wonder at the hubris of those who think that this complex region can be shaped in their own image by way of a grand and deeply external programme.

And there is another important “over-the-horizon” factor that is just beginning to be felt in the MENA region, and that is the demographic weight of the “new generation,” who are now just leaving their teens. As already noted the median age of the population is 20, and the growth rate is the highest in the world. What we will witness in the coming years is the ascendancy of the Arab world’s first “television generation” who have been raised in the new Arab media environment of TV. A good and rising portion of these youth are also users of cell phones and Internet. (Anderson 1999). They are entering their most productive years, just as the barriers to access in ICT have been falling and diffusion rates increasing. Illiteracy in the region has decreased by half over the past 20 years: Currently more than 81 % of those under 24 -- the single largest demographic bloc -- know how to read and write (Anderson 1999).

²² This is not to argue that Islam is the only vehicle of political resistance or social change in the region. Many other factors and groups are at work, including more secularly oriented “civil society” organizations, as more “conventionally” understood. It is to point out, however, that Islam has provided the most long-standing “protected space” for more overtly political organization in the region, and also has perhaps the greatest mobilizing potential given its deep and pervasive rootedness in people’s everyday lives.

This generations' uptake of technology is already being felt, particularly in countries facing the greatest economic and demographic pressure. Statistics and social surveys targeting this demographic group indicate a high degree of interest in ICTs. In Iran, for example, where 31 % of the population is under 14 year of age and the median age is 21, growth in Internet usage is among the fastest in the world (Bank. 2004; internetworldstats.com 2004). Even in Yemen, the poorest of the MENA states, the majority of users (over 50%) is in the 18-14 age bracket (Noman 2002).

This explosive growth amongst the youth of the region is driving an increasing sophistication in both services and use that, according to some observers, "exceeds that of some European nations" (Rahimi 2003). And the political influence of the new generation - amplified through the reach and power of ICTs -- is already being felt. During the Israeli occupation of the West Bank in 2001, for example, the average age of "hacktivists" launching cyber-attacks against Israeli websites was under 20 years of age (Rohozinski 2003), while the well-circulated and gruesome PowerPoint presentations of the encounters with Israeli soldiers were distributed by users as young as fourteen.²³

Of course, most MENA youth, like those everywhere, are not solely, or even mostly, consumed with politics and social change. Rather, the emerging "Net Generation," seems to be primarily interested in entertainment. In Yemen, only 5 % of users said that they use the Internet for academic purposes, while 95 % admitted to having tried to access porn (Noman 2002). At the same time, it is clear that whatever forms this generation's agency takes, it will have significant influence for the future of the region, and the region's relationship to the rest of the world. Against this backdrop, it is bridges, not Walls, that are needed, if the world is to avoid the possible consequences that a prolonged crusade against terrorism may bring. That, and a realization that solutions to the problems of the region must start by addressing the clash of politics, and not of civilizations.

²³ For an account of the "cyber-engagement" between pro-Israeli and Pro-Palestinian hacker that occurred during the first two years of the Al-Aqsa Intifadah, see Rohozinski (2003).

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