

Criminalisation and the politics of governance: illicit gem sapphire mining in Madagascar

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This paper¹ will examine the role of transnational criminalised networks in the gem sector in Madagascar. It will use the framework of Bayart's 'strategies of extraversion' (Bayart, 1993; Bayart 2000) to interrogate the ways that transnational networks impact on governance of the gem sector. According to Bayart, Sub-Saharan Africa is not marginalised by globalisation, instead the continent has increasingly exchanged goods and ideas with the rest of the world. Leading actors in Sub-Saharan Africa have compensated for a lack of autonomy by recourse to strategies of extraversion, and so the global economy has been turned into a major resource in African politics and international relations (Bayart, 2000: 219). Clearly for Bayart, the external environment is important in the structuration of African societies, and the strategies of extraversion are marked by the creation and capture of a rent generated by dependency (Bayart, 2000: 225; Nordstrom, 2001; Nordstrom, 2004; also see Bayart, Ellis and Hibou, 1999). This paper will examine the strategies of extraversion evident in the illicit gem economy in Madagascar. In so doing this paper will argue that it is no longer useful to divide 'political and/or economic corruption' from the formal and legal economic systems and political institutions (see Nordstrom, 2001; 2004).

Taking this theoretical framework, this paper will analyse the illicit gem sector and its impact on politics in Madagascar. Since the late 1990s Madagascar has been experiencing a boom in gem mining, especially high quality rubies and sapphires. A World Bank Study in 1999 found that US\$100 million in gems was smuggled out of Madagascar in that year alone. However, this boom has been driven by illicit mining and related transnational networks of gem dealers that traffic the stones out of Madagascar and into Africa, Asia and Europe. If the gem sector were properly regulated then Madagascar has the potential to become a wealthy nation. As a result the World Bank has developed the US\$32 million loan for the Mineral Resources Governance Project to try to gain control of mining in Madagascar. The assumption is that international mining companies will apply for exploration permits to undertake surveys of the areas for mineral exploitation; and that following on from this, the transparent and accountable development of mining resources in Madagascar will lead to national economic development. However, this paper will examine the ways that criminal networks currently structure the gem sector. In particular, it will contest the notion that criminalisation equals underdevelopment and that transparent governance translates into development. Instead it will use the notion of strategies of extraversion to demonstrate how criminalisation persists because of its transformative effects. In particular, criminalisation provides substantial benefits for some interests groups and networks that stretch across the formal and informal sectors, which in turn support its continuance.

¹ *This paper is based on field research conducted by Rosaleen Duffy in Madagascar in 2004, made possible through funding from the ESRC, grant number RES 000 22 0342.*

Strategies of Extraversion

Bayart (1993) argues that the internal dynamics of African societies have presented significant barriers to any attempt to impose global norms. Bayart suggests that the salient feature of African politics over the last 300 years is not the growing integration of Africa into a western dominated global economy, but the contrary, it is the latter's inability to pull the continent into its magnetic field. Bayart suggests that the externally defined periodization of Africa's past reflects a misunderstanding where the determining dynamics of the continent are presented as external. This fails to acknowledge the importance of Africa's historicity, which underestimates the internal dynamics, and the precolonial African history of living without organizing European style state systems (Bayart, 1993). The importation of a state system by European colonizers was resisted in various ways by African societies, and this has resulted in a complex mix, which means the African state that is a rhizome rather than a root system. As a rhizome, the state is organized along patrimonial lines which stretch through society in a horizontal fashion, and has reappropriated the institutions that originated under colonial rule. State-society relations are then characterized by factional struggles, the rhizomatic nature of the state and patronage politics. Bayart calls this the *politics of the belly*, which refers to the way in which political elites use informal and invisible networks to exercise political and economic power (Bayart, 1993). However this does not mean the continent is marginalized. On the contrary, according to Bayart, Sub-Saharan Africa has increasingly exchanged goods and ideas with the rest of the world. Leading actors in Sub-Saharan Africa have compensated for a lack of autonomy by recourse to 'strategies of extraversion', and so the global economy has been turned into a major resource for political elites in Africa (Bayart, 2000: 219). Clearly for Bayart, the external environment is important in the structuration of African societies, and the strategies of extraversion are marked by the creation and capture of a rent generated by dependency (Bayart, 2000: 225; Nordstrom, 2001; Nordstrom, 2004; also see Clapham, 1996).

Following on from Bayart's analysis of how African politics is highly interlinked with global networks, Reno's notion of shadow states is a very useful framework for understanding the politics of 'corruption' in the South. Reno's idea of the 'shadow state', which concerns the political management of informal markets in Sub-Saharan Africa is especially relevant for analyzing the ways that globalised illicit networks have transformed the nature of states, politics and international relations in Africa. Reno's examination of the growth of informal markets suggests that that they sprang up partially in response to the decay of central state authority, especially in Africa's weakest states. He argues that high-ranking politicians and businessmen (who may be local or foreign) constitute shadow states. Furthermore, they manage to exercise significant political authority through the private control of resources in informal and illicit markets (Reno, 1995; Reno, 1998; also see Nordstrom 2001; and Nordstrom 2004). Such clandestine circuits sustain powerful political and economic networks, and are often based on the exploitation of environmental resources (including timber, gems, drugs and wildlife products), deeply subverting externally driven projects of global management which include 'conditionalities' centred on transparency, accountability and good governance.

Academic research has rarely focused on the shadow networks that constitute the illicit economy. Bayart argues that African societies have a 'pays legal', a legal structure which is the focus of attention for donors and Western states, but there is

also a ‘pays real’ where real power is wielded (Bayart: 2000: 230). It is in examining the illicit economy that we can analyse the complex links between the formal and informal economies, criminalised networks and politics in the Sub-Saharan Africa (Nordstrom, 2001; Nordstrom, 2004; also see Bayart, Ellis and Hibou, 1999). An exploration of the relationships between illicit gem mining and trafficking, corruption and the global networks that sustain them provides a useful platform from which to examine the ways local shadow networks can present a challenge to global calls for transparency, anti corruption and accountability. In order to illuminate these debates this paper will provide an analysis of how transnational illicit networks determine the ways that the gem sector is organised in Madagascar, and why it benefits a narrow network of elites linked to global networks of traders and traffickers. This paper will now turn to an exploration of the politics of illicit sapphire mining in Ilakaka and the related development of a ‘shadow state’ in Madagascar.

Shadow states and gem mining in Madagascar

Currently, most gem mining in Madagascar is carried out on a small scale (artisanal gem and gold mining) or by larger-scale illicit networks. Chabal and Daloz argue that the social and political processes witnessed across sub-Saharan Africa represent an ‘instrumentalization of disorder’. Since Africa defies accepted notions of ‘order’, apparent disorder can have its own logic, and such political formations only appear as disorder when viewed through an externally constructed lens (Chabal and Daloz, 1999: 155). This demonstrates the necessity of looking at Bayart’s *pays real* rather than the *pays legal* (Bayart, 2000). This alternative way of viewing areas that are beyond official control is particularly useful for understanding the importance of illicit gem mining and trafficking. Although it might look anarchic and chaotic from one perspective, it clearly has a logic and organizational form of its own that roams outside the formal structures of governance through networks of states, international NGOs and donors.

The case of illegal sapphire mining in Ilakaka, around the boundaries of the Isalo National Park in southern Madagascar, offers a chance to analyse the impact of these networks. Ilakaka provides an excellent site for studying environmental change, local conflicts and resource management, but focusing on illegal and uncontrolled sapphire mining and its relationship to clandestine networks of international business and local politicians is especially illuminating. The continued ability to mine sapphires around Ilakaka is directly dependent on global networks of foreign gem dealers that traffic the stones out of southern Madagascar (with the assistance of Malagasy individuals) and into the international trade, to South and Southeast Asia, and to Europe. The organization of illicit sapphire mining is complex and spans global and local networks: it conforms to Reno’s notion of the shadow state as constituted by high-ranking politicians and businessmen linked to global networks which in turn underwrite their power and authority within a particular location. Economically impoverished Malagasy men travel to the gem areas to seek employment; they either work alone or are organized through clandestine networks headed by individuals within the Malagasy elite. The diggers then sell their unpolished stones to gem dealers (usually Thai, Sri Lankan or Indian, but also African, European and North America) who have established a gem buying business in the sapphire areas. Finally, the gem buyers traffic the stones out of Madagascar through airports or by sea, with assistance from key individuals within relevant Customs departments, government agencies and local businesses.

Illicit sapphire mining is thus highly dependent upon these complex clandestine or shadow networks that include international actors and local Malagasy from all sections of society. Global attempts to fund and implement conservation schemes in Madagascar have been undermined by these networks, which have proved to be highly resilient, flexible and adaptable. They have managed to evade attempts at global control partly because they are embedded within globalized networks that cross-cut and challenge the global level agendas of donors, NGOs, IFIs and international organizations. Sapphire mining in Ilakaka is linked with global networks of gem dealers and smugglers that stretch into sub-Saharan Africa (Rwanda, Mauritania, South Africa and the Democratic Republic of Congo), Asia (Sri Lanka, Thailand and Burma) and on to Europe. These global networks rely heavily on invisible economic and political networks of elites within Madagascar that intersect with, and are almost indistinguishable from, the formal apparatus of the state.

It is important to understand the broad political situation on Madagascar in order to analyse the importance of shadow networks. Prior to 2002, during the Ratsiraka regime, government reluctance to control gem mining and smuggling was believed to be related to the ways that key individuals and their families benefited from the illegal gem trade. This created a perception that decision-making had been moved out of the control of the formal state apparatus and into the domain of an informal and shadow network (see Reno, 1995, 1998; Bayart, 2000). When the results of the presidential election of December 2001 were contested, with both the opposition leader (Ravalomanana) and the incumbent President (Ratsiraka) claiming that they had won the vote,² a political crisis ensued. For six months in 2002, Madagascar effectively became two states, with two presidents and two capitals vying for control of the country. Supply routes to the official capital, Antananarivo, were cut off by supporters of the Ratsiraka regime. Formal systems of government, including the Customs services, were in flux, allowing illicit traders easier access to international trading networks. Conservation organizations were particularly worried that the state of uncertainty had created a 'breathing space' for illicit traders in endangered species and in gems: the crisis had provided them with an ideal window of opportunity to smuggle goods out of Madagascar.³ Furthermore, law enforcement agencies were not only unclear about which government to obey; they also had to focus their attentions on controlling internal strife rather than illicit trade. The networks that flourished in this period of uncertainty have remained important since the Ravalomanana government took over in 2002, despite a policy commitment to reduce corruption. This expansion of, and reliance on, illegal networks of gem dealers can be understood in terms of how local actors link up with global networks and then present a challenge to external forms of governance, such as attempts to control the global gem trade.⁴

Prior to 2002, opposition groups to the Ratsiraka regime had made little effort to regulate the gem sector for the benefit of Madagascar because key members of Ratsiraka's family and other government officials were heavily involved in the illegal global trade. By contrast, the new Ravalomanana Government has made fighting corruption a major theme of its administration. The World Bank has responded by re-engaging with Madagascar after suspending its support during the 2002 presidential

² See 'World Bank Welcomes Malagasy Reforms', and 'Madagascar Leader Rolls his Sleeves Up', <http://www.bbc.co.uk> (24 July 2002); also 'Gem Industry in Need of Regulation', IRIN News (18 September 2003), IRIN@irinnews.org.

³ Interview with anonymous interviewee.

⁴ For further information see www.cites.org.

crisis.⁵ In 2003 it provided a US\$ 32 million loan to help the country manage its minerals more effectively, through the Mineral Resource Governance Project (administered through the Ministry of Energy and Mines). Part of this project is to establish an Institute of Gemmology and develop a lapidary arts sector in Madagascar to ensure that it can capture the added value of polished stones for sale to the global gem market.⁶ The Malagasy state, in conjunction with the World Bank and other donors, has also begun to turn their attention to identifying new gem mining areas and trying to obtain control over the extraction of mineral resources in those areas from the outset.⁷

Despite these attempts at governance, however, the gem sector has still largely remained beyond control. In order to understand this it is important to examine the logic of gem rushes and see how the sector developed into its current form. The case of Ilakaka is instructive. Ilakaka town sprang up in the late 1990s, after the discovery of high quality sapphires: it was estimated that the population of Ilakaka town increased from 30 to 100,000 between 1998 and 2000.⁸ The sapphires are considered to be amongst the highest quality; if gem mining and trading were properly regulated, Madagascar has the potential to be a very rich state.⁹ However, in general the sapphires have been mined in a haphazard and disorganized way and the majority of stones are exported illegally. The sapphires are in alluvial deposits, making them accessible to any individual with a spade: organized and commercial mining operations were not necessary to extract the gems. Given this accessibility, gem rushes have proved especially difficult to control or govern. Tom Cushman of the World Bank's Institut de Gemmologie in Madagascar suggested that the new Malagasy government was attempting to 'get ahead of the curve' on future gem rushes¹⁰, indicating an acceptance that areas where gem rushes have already occurred will remain beyond the boundaries of governance.

The Impacts of Illicit Sapphire Mining

It is clear that illicit gem mining continues to benefit a narrow section of society in Madagascar, mostly clustered around sections of the political and economic elite. While a few individual gem diggers may derive some economic benefit from the sale of stones within Ilakaka itself, the main beneficiaries are the political and economic elite linked to global networks that trade gems in the international system. However, illicit gem mining in Madagascar has had multiple negative impacts in the local area, which in turn are not tackled effectively by central government or global actors such as donors and NGOs; these problems remain unresolved because tackling these issues is detrimental to the interests of the networks of the shadow state within Madagascar.

⁵ Interview with anonymous interviewee; also see 'Blue Dreams in a World of Red Clay', *Financial Times* (18 August 2001).

⁶ 'Gem Industry in Need of Regulation', IRIN News (18 September 2003), IRIN@irinnews.org. Also, interview with Tom Cushman; interview with Josoa Razafindretsa.

⁷ Interview with Tom Cushman; interview with Josoa Razafindretsa; interview with Pomphile Rakotoarimanana.

⁸ 'Big Hopes for Madagascan Sapphires', *Financial Times* (18 August 2000).

⁹ Interview with Tom Cushman, Manager/Adviser, Institut de Gemmologie de Madagascar, Antananarivo 18.03.04; interview with Josoa Razafindretsa, Environmental Policy Specialist, USAID Madagascar, Antananarivo 22.03.04; and interview with Pomphile Rakotoarimanana, Directeur de Mines et Geologie, Ministere de Mines et Geologie, Antananarivo 16.03.04.

¹⁰ Interview with Tom Cushman, Manager/Adviser, Institut de Gemmologie de Madagascar, Antananarivo 18.03.04.

Illicit sapphire mining is an example of such a process that is essentially beyond the control of formal institutions of national government and international forms of regulation. It is supported and perpetuated through a shadow state in Madagascar, which means that it constitutes a key challenge to attempts by donors and NGOs to govern the Malagasy environment. Moreover, illicit sapphire mining is often carried out in areas either inside or close to designated protected areas, thus posing a direct challenge to national and international attempts to conserve the environment. In 2004, USAID produced a map of the country's potentially rich gem areas, which was intended to show which areas would be suitable for the sale of government prospecting permits to global gem mining companies. The map has been a cause for concern amongst the conservation community in Madagascar because it clearly shows that gem areas are contiguous with protected areas and tropical rainforests with high levels of biodiversity. For many conservation NGOs the challenge is to demonstrate to the Malagasy government, donors and private business that ecotourism and the creation of more national parks is financially more sustainable in the long term than exploiting the areas for gems.¹¹

Ilakaka is also important in terms of the wider debates on global environmental governance in Madagascar and in international organizations that operate there. In environmental terms, the geographical position of Ilakaka is significant as it is close to Isalo National Park, a key protected area in Madagascar's conservation estate. The park covers 81,000 hectares and is the country's most important in terms of tourism. It contains numerous different species of lemurs, but a particular attraction is the *verreaux sifaka*, endemic to southern Madagascar. The Parks Department (ANGAP) and other donors involved in the area became concerned about the impact of illegal, unregulated mining and its rapid expansion into the park. One concern is about the damage that the mining will inflict on the area: the ANGAP park managers are worried that once the area is exhausted of gems, the landscape will be left with highly visible and unappealing scars from the mining, which could adversely affect the development of tourism in the park and surrounding area.¹²

Community management of protected areas is a central concern of many donors and NGOs working in Madagascar. Apart from wildlife attractions, its landscapes and cultural histories are also important: Isalo, for instance, is the site of a number of ancestral graves and sacred landscapes that are spiritually significant to the local Bara people.¹³ In an attempt to involve local communities in the national park, ANGAP pursued a policy of bringing local Bara people in to manage the protected area. For example, Bara people were given priority for employment as tour guides and game rangers. In addition, half of the fees generated by visitors to the National Park are disbursed to Bara communities. This income has been used for community development projects such as building schools and clinics. ANGAP also runs education programmes to raise awareness about their conservation programmes in the park, although these efforts have worked partly because they intersect with pre-

¹¹ Interview with Dr. Helen Crowley, Country Director, Madagascar Programme, Wildlife Conservation Society, Antananarivo 25.03.04; interview with Josoa Razafindretsa, Environmental Policy Specialist, USAID Madagascar, Antananarivo 22.03.04.

¹² Interview with Jose Ravelonandro, Chef de Volet Ecotourisme, Isalo National Park, Ranohira, 29.08.01.

¹³ Interview with Parfait Randriamampianina, Director of Parks, ANGAP, Antananarivo, 21.08.01. He was the manager of Isalo for six years, and his term spanned the period before and after the sapphires were discovered.

existing local ideas about appropriate uses of sacred landscapes.¹⁴ In return, Bara communities had to provide assurances that they would not undertake a variety of proscribed activities within the park boundaries, including grazing cattle, burning grasslands and hunting.¹⁵ Unlike many other attempts at community involvement in environmental management that are covered in the wider literature — attempts which falter because of a lack of understanding between the community and the parks authorities (see, for example, Hulme and Murphree, 1999, 2001) — this effort has been largely successful. Bara communities and ANGAP were allied together in their attempts to resist a common problem: the miners and gem dealers of Ilakaka and their links to global networks.

The discovery of sapphires has had multiple impacts on the area including the park, ranging from cholera outbreaks to miners collecting fuelwood in the park. While these are unintended impacts (not organized or caused by any single interest group, network or individual), they nevertheless affect attempts to conserve the Malagasy environment. These environmental, social and economic impacts are an effect of the operation of the shadow state. ANGAP has tried to run campaigns to encourage the diggers to stay out of the park, but these have had limited effects. Unlike the foreign gem dealers, the diggers are primarily poor Malagasy who have travelled from all over the country in the hope of striking it rich. Rumours of sapphires the size of footballs and of fortunes made in a single day have made Ilakaka irresistible. One of the key cultural and political impacts in the local area is the growing conflict between Bara communities and the gem miners in Ilakaka. Some in the Bara communities have felt insulted by what they see as the sacrilegious behaviour of the gem diggers. Miners have begun to dig for sapphires inside the park boundaries and in places that are considered sacred landscapes — areas in which even the breaking of the earth is regarded as an insult to Bara ancestors. Bara people have become embroiled in conflicts with the miners in their attempts to prevent what they see as desecration of the landscape, and clashes with the sapphire diggers have even led to deaths. The ANGAP authorities in Isalo have had to call in the national army and the police to guard the boundaries of the park and keep miners out, leading to inevitable clashes with the diggers.¹⁶ Overall it is clear that local organizations, linked with donors and international NGOs (including ANGAP) have found it difficult to control diggers and prevent them from entering the park.

The confusion and the rumours surrounding the size and quality of the sapphire deposits provided an ideal environment for a shadow state to flourish. Indeed the rumours — which are almost impossible to control from the global level — have an impact beyond mere gossip amongst Ilakaka's inhabitants. As a result of rumours, the belief spread that the area immediately around Ilakaka had been exhausted of the best sapphires, and that the National Park itself contained bigger stones of even higher quality. Parfait Randriamampianina, the former Director of Isalo National Park, also suggested that the diggers and gem dealers believed that the government knew this, and that was why the area had been gazetted as a National Park in the first place. The illegal miners also believed that he, as the Park Director, knew the location of the biggest and best sapphire deposits. Consequently, his life had been threatened on a number of occasions, and he was transferred to the ANGAP office in the capital as a

¹⁴ Interview with Jose Ravelonandro, Chef de Volet Ecotourisme, Isalo National Park, Ranohira, 29.08.01.

¹⁵ Interview with Parfait Randriamampianina, Director of Parks, ANGAP, Antananarivo, 21.08.01; also pers. comm. Emison Jose, ANGAP guide, Isalo National Park, 25 August 2001.

¹⁶ Interview with Parfait Randriamampianina, Director of Parks, ANGAP, Antananarivo, 21.08.01.

precaution. Nor were the Malagasy sapphire miners the only problem: as rumours of big deposits spread, foreign tourists were also entering the park with spades and starting to dig for gems. ANGAP responded with a stipulation that all visitors to the park had to be accompanied by a licensed ANGAP guide.¹⁷ This is indicative of the power of invisible networks that resist attempts to control their activities: the threats and intimidation directed at ANGAP staff demonstrate the confidence with which these shadow networks regard their own power and influence in the local area and even beyond.

The illegal mining in Ilakaka has also led to a variety of social, health, cultural, economic, environmental and political problems outside the park boundaries. As a result of the lack of formal controls over Ilakaka, miners have faced significant hazards and threats to their safety and health. Numerous diggers have been buried as the holes and tunnels they were working in have collapsed; since the digging is unregulated, deaths amongst the miners go unrecorded and unnoticed.¹⁸ The sapphire boom has also created significant public health problems. In the initial years of the sapphire rush, the mining area suffered from an annual cholera outbreak due to lack of adequate sanitation and contaminated water supplies. The only visible organization in Ilakaka, the Catholic Relief Services, ran a successful project aimed at preventing cholera.¹⁹ The lack of any organized garbage collection or of any sewage management system in Ilakaka compounds the threats to public health. The Malagasy government does not officially recognize Ilakaka as a settlement and has therefore been unwilling to sanction any developments in the town that would improve public health. The quandary for the authorities is that once they start to engage in public health works, such as installing a sewage system, this amounts to an admission that Ilakaka exists (anonymous interviewee) — something they are reluctant to do, in spite of the fact that Ilakaka is located on the main route through the south and is unmissable to anyone travelling by road in southern Madagascar. Ilakaka thus remains largely in the realm of the shadow state rather than being regulated by the formal state or related governance institutions (such as the World Bank's Mineral Resources Governance Project) or international NGOs (such as Conservation International and WWF).

The water supply in Ilakaka has also become contaminated. Since the area is one of porous sandstone, the local water supply has become polluted with the chemicals that the miners use to wash their stones, in preparation for selling them to the gem dealers. Ironically, the sandstone had previously ensured that Ilakaka had very pure water, because it acted as a filter. Since the discovery of sapphires, however, people in Ilakaka have started to buy water from the next village, Ranohira. The water trucks come into the town to sell drinking water to those who can afford it.²⁰ Mining has also impacted on the water supply for agricultural areas. The diggers have diverted the river to areas where they wash the stones, significantly reducing the amount of water running downstream to rice-growing areas, so that large volumes of sand are washed downstream onto the rice areas. As a result, Ilakaka is dependent on buying in rice at inflated prices. The diggers, who lead a haphazard existence trying to

¹⁷ Interview with Parfait Randriamampianina, Director of Parks, ANGAP, Antananarivo, 21.08.01.

¹⁸ Interview with Parfait Randriamampianina, Director of Parks, ANGAP, Antananarivo, 21.08.01; see also 'Blue Dreams in a World of Red Clay', *Financial Times* (18 August 2001); and 'Sapphires in the Sand', *Focus* (August 2000).

¹⁹ Spurred on by this success, the Catholic Relief Services has now turned its attention to curbing sexually transmitted diseases, including HIV/AIDS. Interview with Beatrice Olga Randrianarison, STD and AIDS Unit Head, Catholic Relief Services – Madagascar, Antananarivo, 30.03.04.

²⁰ Interview with Parfait Randriamampianina, Director of Parks, ANGAP, Antananarivo, 21.08.01; see also 'Blue Dreams in a World of Red Clay', *Financial Times* (18 August 2001).

find stones to sell, are then faced with high prices for food and clean drinking water.²¹ This again indicates the importance of shadow networks in Madagascar, not only in terms of their challenge to forms of external governance, but also in terms of meeting the daily needs of people living in Ilakaka. The shadow state is more than an *ad hoc* and disorganized form of corruption: it is a systematized challenge to the formal institutions of control and authority in particular locations.

The growth of the gem mining and trading sectors has created further economic and social problems. When miners get a good find, sale of the stones gives them instant access to wealth. Walsh (2002, 2003) has observed that in Ambondromifehy, another sapphire town in northern Madagascar, young male sapphire miners earn and spend a great deal of what they call 'hot money'. For the miners, this hot money should not stay in a person's hands, but must be spent, leading them to engage in conspicuous consumption. Similar behaviour is also evident in Ilakaka, with such hot money being spent on prostitutes, drinking and gambling. The growing number of male diggers and dealers with large amounts of disposable income has created a demand for prostitutes. While many of the women working in the Ilakaka brothels and bars are from all over Madagascar, local Bara women and girls have begun to be drawn into the town. This has created serious social problems within the Bara communities as girls have begun to leave school in order to become prostitutes.²² At the same time rates of HIV/AIDS and other sexually transmitted diseases are increasing. This is not only a health concern, but is also causing alarm amongst the park authorities and tour operators, who fear that it will put tourists off travelling to the area. Furthermore, the illegal nature of gem mining and trading has created an industry centred on protection and extortion: it is usual for dealers to have hired armed protection. The brothels and bars are sites of violence, and are identified as extremely dangerous at night-time: this violence can easily erupt into shoot-outs between rival dealers and their bodyguards.²³ This confirms Reno's argument that players within shadow networks organize their own forms of private protection: a key feature of the shadow state is the development of privatized security that is an alternative to the formal security systems provided by the formal state.

The confusion and unregulated situation in and around Ilakaka provides perfect conditions for a shadow state to thrive. The Ratsiraka government failed to determine how many sapphires were in the area, what their value was, or how they were being mined. This allowed for wildcat illegal mining to develop and for criminal networks to flourish.²⁴ The illegal gem mining and trafficking in Madagascar is particularly problematic because it presents a significant challenge to global environmental governance, while at the same time being embedded in and sustained by different kinds of global networks. The sapphires have attracted gem dealers from

²¹ Interview with Parfait Randriamampianina, Director of Parks, ANGAP, Antananarivo, 21.08.01; see also 'Sapphires in the Sand', *Focus* (August 2000).

²² Interview with Beatrice Olga Randrianarison, STD and AIDS Unit Head, Catholic Relief Services – Madagascar, Antananarivo, 30.03.04; also see http://www.catholicrelief.org/our_work/where_we_work/overseas/africa/madagascar/index.cfm (accessed 15 August 2004).

²³ Interview with Beatrice Olga Randrianarison, STD and AIDS Unit Head, Catholic Relief Services – Madagascar, Antananarivo, 30.03.04; interview with Parfait Randriamampianina, Director of Parks, ANGAP, Antananarivo, 21.08.01; pers. comm. Emison Jose, ANGAP guide, Isalo National Park, 25.08.01. Also see, 'Prospectors and Poverty Mar an Island Paradise', *Financial Times* (3 February 2001).

²⁴ For further discussion, see 'Prospectors and Poverty Mar an Island Paradise', *Financial Times* (3 February 2001).

around the world who have set up shops in Ilakaka town such as Congo Gems, Colombo Gems and Sri Lanka Saphir. The names of the shops bear witness to Ilakaka's close links with transnational trading routes and broader processes of globalization. A World Bank Study in 1999 found that US\$ 100 million in gems was smuggled out of Madagascar in that year alone.²⁵ In general, the miners have little ability to judge the quality of the stones they bring into town to sell. This puts the foreign gem dealers into a very powerful position: they are able, for instance, to claim that a stone has imperfections that will make it hard to cut. Since the mining and trade in gems are largely illegal, the diggers have no recourse to appeal to if they believe they are getting an unfair price for their stones.²⁶ It is impossible to place a precise value on the stones that are traded in Ilakaka each day, but one rough estimate was that US\$ 4 million worth of stones changed hands each day in 2001 when trading in Ilakaka was at its height.²⁷ Despite this massive cash flow in southern Madagascar, the Malagasy franc continued to fall against the US dollar. Rather than feeding into the formal economy, the income generated from the gem sector remains locked in an informal and illegal economy which is populated by gem dealers, criminal organizations, protection racketeers, miners and individuals in the Malagasy elite. While the biggest traders are foreigners, rumours have abounded that top Malagasy officials and members of Ratsiraka's family have been able to siphon off large profits from the illegal gem sector.²⁸ In sum, the illicit economy surrounding Ilakaka and the development of the shadow state in Madagascar are intimately linked. The illicit gem sector demonstrates that this is a broad and systematized process of corruption. In turn these economic and political processes are sustained by globalized networks that challenge attempts to govern the gem trade.

Conclusion

To conclude, this paper has argued that the gem sector in Madagascar is structured and supported by the development of a shadow state. Despite attempts by the central government, supported by global institutions such as the World Bank and USAID to gain control of the gem sector in Madagascar, it is so far proving impossible to gain control and regulate existing illicit mining areas. This in turn is partly due to the strategies of extraversion exercised by certain sections of the political and economic elite within Madagascar. Clearly the networks of in Madagascar that are engaged in the illicit gem trade are reliant on global networks of traffickers and traders. Criminalization persists because of its transformative effects at the local, national, regional and global levels. In particular, criminalization provides substantial benefits

²⁵ 'Sapphires in the Sand', *Focus* (August 2000). For further information on the World Bank reports on Madagascar and the sapphire sector see: <http://www.worldbank.org/afr/wps/wp19/1.pdf>; and <http://www4.worldbank.org/afr/poverty/pdf/docnav/03298.pdf>. (accessed 5 September 2002).

²⁶ 'Prospectors and Poverty Mar an Island Paradise', *Financial Times* (3 February 2001); also Interview with Beatrice Olga Randrianarison, STD and AIDS Unit Head, Catholic Relief Services – Madagascar, Antananarivo, 30.03.04.

²⁷ Interview with Tom Cushman, Manager/Adviser, Institut de Gemmologie de Madagascar, Antananarivo 18.03.04; interview with Josoa Razafindretsa, Environmental Policy Specialist, USAID Madagascar, Antananarivo 22.03.04; and see 'Sapphires in the Sand', *Focus* (August 2000).

²⁸ Anonymous interviewee; also see 'Blue Dreams in a World of Red Clay', *Financial Times* (18 August 2001).

for some interests groups and networks that stretch across the formal and informal sectors, which in turn support its continuance. As such, the dependence on strategies of extraversion deeply subvert projects of regulation or governance. Furthermore, it is clear that such strategies of extraversion are highly dependent on global trading networks. This means that it is not helpful to think of corruption, criminalization or the shadow state as bounded by the territories and structures of specific developing states like Madagascar. Rather it is important to recognise the complex inter-relationships between the global and local in terms of producing the shadow state in South.

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