

## Durham Research Online

---

### Deposited in DRO:

05 October 2016

### Version of attached file:

Accepted Version

### Peer-review status of attached file:

Peer-reviewed

### Citation for published item:

Gregson, N. and Crang, M. (2017) 'Illicit economies : customary illegality, moral economies and circulation.', *Transactions of the Institute of British Geographers.*, 42 (2). pp. 206-219.

### Further information on publisher's website:

<https://doi.org/10.1111/tran.12158>

### Publisher's copyright statement:

This is the accepted version of the following article: Gregson, N. and Crang, M. (2017), *Illicit economies: customary illegality, moral economies and circulation. Transactions of the Institute of British Geographers.* 42(20): 206-219, which has been published in final form at <https://doi.org/10.1111/tran.12158>. This article may be used for non-commercial purposes in accordance With Wiley Terms and Conditions for self-archiving.

### Additional information:

## Use policy

---

The full-text may be used and/or reproduced, and given to third parties in any format or medium, without prior permission or charge, for personal research or study, educational, or not-for-profit purposes provided that:

- a full bibliographic reference is made to the original source
- a [link](#) is made to the metadata record in DRO
- the full-text is not changed in any way

The full-text must not be sold in any format or medium without the formal permission of the copyright holders.

Please consult the [full DRO policy](#) for further details.



**Illicit economies: customary illegality, moral economies and circulation**

Journal:	<i>Transactions of the Institute of British Geographers</i>
Manuscript ID	TIBG-RP-Dec-2015-0137.R2
Manuscript Type:	Regular Paper
Keywords:	illicit, illegal, logistics, fraud, EU
Abstract:	<p>This paper is concerned with how to think the illicit and illegal as part of economies. Economic geography has only recently begun to address this challenge but in limited ways. The paper shows the difficulties with those approaches, chief amongst which is a reassertion of the legal/illegal binary of products and actors that is contested by the more open term illicit economies. We draw on work in cultural economy to move economic geography beyond this impasse by seeing economy as practice. The paper develops a conceptual account of illicit economies connecting moral economy and the opacities produced by logistically complex global trade to highlight the importance of customary illegality in doing business. Customary illegality is the tolerance or practice of illicit activities by largely legal economic actors rather than just a focus upon illegal goods or criminal actors. Illicitness is thus shown to be neither a property of goods nor of particular economic actors but rather a transient quality often linked to circulation. The argument is illustrated empirically through three examples drawn from the food sector. The conclusion makes suggestions for future research that are empirical, methodological and conceptual.</p>

Illicit economies

**Illicit economies: customary illegality, moral economies and circulation**

**Nicky Gregson & Mike Crang**

**Abstract**

This paper is concerned with how to think the illicit and illegal as part of economies. Economic geography has only recently begun to address this challenge but in limited ways. The paper shows the difficulties with those approaches, chief amongst which is a reassertion of the legal/illegal binary of products and actors that is contested by the more open term illicit economies. We draw on work in cultural economy to move economic geography beyond this impasse by seeing economy as practice. The paper develops a conceptual account of illicit economies connecting moral economy and the opacities produced by logistically complex global trade to highlight the importance of customary illegality in doing business. Customary illegality is the tolerance or practice of illicit activities by largely legal economic actors rather than just a focus upon illegal goods or criminal actors. Illicitness is thus shown to be neither a property of goods nor of particular economic actors but rather a transient quality often linked to circulation. The argument is illustrated empirically through three examples drawn from the food sector. The conclusion makes suggestions for future research that are empirical, methodological and conceptual.

**Key words**

Illicit, illegal, logistics, fraud, food, EU

**1: Introduction**

In this paper we redress a key divide in human geography that separates the realms of the economic from the illegal and illicit. In this academic arrangement, the former is the domain of economic geography, which largely confines attention to the legitimate actors and institutions that apparently follow formal regulation (Hudson 2014). The latter is a realm often left to criminology to study, or to

1 Illicit economies

2 social and cultural analyses. In the latter, a rich tradition of work has built on classic ethnographies  
3 of criminal, marginal and deviant subcultures and on criminal entrepreneurship (e.g. Hobbs 1998;  
4 Venkatesh 2013) with a noteworthy body of work on commercialised sex and prostitution (e.g.  
5 Hubbard, 1999; Hubbard et al., 2008; Low and Ruhne, 2009; Sanchez, 2004). These studies have  
6 drawn attention to the importance of differences in local mores, occasionally across borders,  
7 spatially variable law enforcement, spatial zones of disrepute, and the tolerance of practices that are  
8 widespread socially but illegal.  
9

10 The lack of economic scrutiny of the illegal and illicit in economic geography is surprising, not least  
11 because there is a lot of it about. Few can have failed to notice the spate of recent financial  
12 scandals, from the rigging of Libor in London by traders, to UBS, the major Swiss financial services'  
13 company, being charged in the US for orchestrated tax evasion. Anyone who has shopped around  
14 online will have encountered some implausibly attractive offers on designer-ware, cosmetics and  
15 sports goods. Recent studies indicate that 6.5% of all sports(wear) goods and 7.8% of cosmetics sold  
16 in the EU are in some way counterfeit (Office for Harmonization in the Internal Market, 2014, 2015),  
17 whilst the WTO has an oft-repeated estimate that 7% of all global commerce is counterfeit. The  
18 World Economic Forum goes further, suggesting that 'Counterfeiting and piracy [...] will cost the  
19 global economy an estimated \$1.77 trillion in 2015, which is nearly 10% of the global trade in  
20 merchandise' (World Economic Forum, 2015, page 3). They further point to around 21 million people  
21 providing unfree labour and 'generating illegal profits of at least \$150 billion' and to an 'illegal trade  
22 in wildlife and natural resources [...] worth up to \$213 billion a year.' (page 5)  
23

24 The WEF listing of illegal economic activity is not definitive, and one could add forms of state  
25 corruption, and extend illegal trade in resources into the wider issue of mis-invoicing by extractive  
26 industries to avoid taxation. Mis-invoicing extends into other sectors, where legitimate goods are  
27 used to move money in Trade-Based Money Laundering. An estimated US\$101 billion was smuggled  
28

1 Illicit economies

2  
3 into China via export over-invoicing in 2012 alone, whilst global illicit financial flows that year formed  
4  
5 between 2 and 5% of global GDP (PWC, 2015).  
6  
7

8 Empirically this is a terrain that, whilst opaque, is not unknown. Whatever their issues - and the  
9  
10 tendency for large estimates to trump small, and for heroic guesses by reputed bodies to carry  
11  
12 currency needs to be admitted (Andreas, 2010) - these studies indicate that between one-in-ten and  
13  
14 one-in-twenty items circulating in global trade are in some way suspect themselves or enabling  
15  
16 something suspect. Yet one would be hard pressed to know that from the geographical literature.  
17  
18 Indeed, an awareness of this has only recently led to calls to rethink economic geography (Hall 2010;  
19  
20 Hudson 2014).  
21  
22

23  
24 We think it imperative that the illegal and illicit are not seen as an aberration, to be bracketed off  
25  
26 from the regular economy. But this raises the question of how to think the illegal and illicit as a  
27  
28 normal part of economies. The paper draws on cultural economy perspectives that emphasise  
29  
30 economy as practice to make three main contributions to this challenge. First, we take further the  
31  
32 emerging work on the illicit in economic geography. Whilst this work recognises that illegal practices  
33  
34 have economic drivers and outcomes, we suggest it needs to be extended to include the zones of  
35  
36 toleration and social custom that position illegality as acceptable or even normal within business  
37  
38 practice. This is to work with cultural economy as practice – or how economic activities are actually  
39  
40 done, as opposed to how they are often purported to be done. To do this, we contend, requires an  
41  
42 appreciation of the illicit/licit pairing. Currently, economic geography equates the illicit with the  
43  
44 illegal, and therefore relies on definitions grounded in political/legal, rather than social, authority.  
45  
46 We suggest this misses a range of important activities and thus underestimates the scale and reach  
47  
48 of illicit economies.  
49  
50

51  
52  
53 We develop these arguments in Section 2. There we interrogate the binary dualism of legal/illegal  
54  
55 that presently dominates economic geography's representations of illicit economies. Instead, we  
56  
57

1 Illicit economies

2  
3 advocate thinking economies through the illicit/licit pairing that also intersects with the legal/illegal.

4  
5 This shifts attention from illegal goods and services to focus on '*customary illegality*' in the business  
6  
7 economy and its support from a broader moral economy. By customary illegality we mean the social  
8  
9 acceptability and habitual practice of illegality in doing business, across goods and services. A moral  
10  
11 economy of the illicit is where business practices intersect with the wider body social. For example:  
12  
13 legal goods and services may be unacceptable at the societal level for cultural reasons (e.g. taboos  
14  
15 on the consumption of certain foods, or of debt). Equally, an emphasis on moral economy forces  
16  
17 recognition of the widespread acceptability within some societies of economic activities deemed  
18  
19 illegal elsewhere – Chinese counterfeiting being perhaps the exemplar case.  
20  
21

22  
23 Secondly, in Section 3 we contend that thinking about the illicit as normal economic activity has  
24  
25 much to gain from thinking through the circulation of goods and services. Currently, accounts of  
26  
27 illicit economies in economic geography and elsewhere (e.g. international relations) emphasise  
28  
29 il/legality as a property of certain goods and economic actors, and connect il/legality to the norms  
30  
31 associated with particular territorial jurisdictions. An effect is that they are grounded in a  
32  
33 methodological nationalism. In contrast, we work with a framing of logistics-in-action applied to the  
34  
35 global movement of goods (identifying reference removed) to show how the services of logistics and  
36  
37 distribution enable illicit economies.  
38  
39

40  
41 This is to work with, but also refocus, the critical logistics literature. If studies of logistics examine  
42  
43 how supplies are co-ordinated, critical logistics asks how that enacts and transforms power relations  
44  
45 and value capture. Whereas critical logistics has emphasised the remarkable reach of organisational  
46  
47 control and visibility (Bonacich and Wilson 2008; Cowen 2010a, 2014; Neilson 2012; Martin 2013;  
48  
49 Birtchnell, Savitzky and Urry 2015), we argue that logistics-in-action creates opacities that, in turn,  
50  
51 make spaces for customary illegality in the doing of all manner of legal business involving the  
52  
53 movement of goods and services. As services themselves, a range of practices in logistics and  
54  
55 distribution testify to the widespread acceptance of customary illegality in the business economy,  
56  
57

1 Illicit economies

2  
3 but their wider significance for the study of illicit economies – and the focus for this paper - is that  
4  
5 the circulation they facilitate generates the conditions in which customary illegality can flourish,  
6  
7 across multiple sectors. This is not to restrict illicit economies solely to the sphere of circulation, but  
8  
9 it is to highlight the importance of circulation to thinking the illicit as a normal part of  
10  
11 internationalised economies. As a consequence, we argue that illicitness in an economic sense can  
12  
13 be thought not just as a property of certain goods and certain economic actors in certain places but  
14  
15 also as a quality of circulation.  
16

17  
18  
19 Third, in Section 4 we shift to the empirical register, to illustrate the intersection of customary  
20  
21 illegality, moral economy and circulation in constituting illicit economies. Our vehicle is to work with  
22  
23 food -- a sector often taken in the geographical literature as emblematic of global commodity chains.  
24  
25 In Section 5 we conclude by discussing how research on illicit economies in economic geography  
26  
27 might progress.  
28

## 29 30 **2: What do we mean by illicit economies?**

### 31 32 33 **2.1: Towards an economic geography of the illicit**

34  
35  
36 Recently, there have been two calls that seek (1) to highlight how the illicit is amenable to  
37  
38 explication through the tools of economic geography, and which (2) make the stronger argument  
39  
40 that economic geography should recognise the importance of the illicit in economies (Hall 2010;  
41  
42 Hudson 2014). The impetus for the second point is the argument that the focus upon legal goods,  
43  
44 services and actors for conceptualisation and empirical elucidation in economic geography obscures  
45  
46 the importance of illegality in economies. In that spirit, Hudson remarks that in economic geography  
47  
48 there has been 'little more than a passing recognition [...] that there is more to the economy than  
49  
50 the legal mainstream' (2014, 777).  
51  
52

53  
54 Both Hall and Hudson draw on economic geography's political economy traditions to begin to  
55  
56 conceptualise economy's relation to the illicit, or 'illicit economies'. For Hall, illicit economies means  
57  
58

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

Illicit economies

attending to the significance of organised crime. The range of illegal, as well as legal and licensed, goods and services provided by organised crime is seen as the appropriate empirical focus, whilst an emphasis on their conceptualisation through networks, nodes and relations hints at a potential situation of organised crime within the frame of global production networks. Such a move would rework economic geography's longstanding interest in commodity chains, value chains and their governance through the organisational dynamic of organised crime, adding Transnational Organised Criminal Organisations to the more familiar Transnational Corporations. This is to align with a literature across the social science and policy domains that identifies transnational organised crime as increasingly important within the global economy and as a key threat to global security (Bhattacharyya 2005; Castells, 2010; Gilman, Goldhammer and Weber 2011; Nairn 2005), and with a policy literature which repeatedly elides illicit trade with organised crime and terrorist financing (Kelly, Maghan, and Serio 2005; Miklaucic and Brewer 2013; World Economic Forum 2015).

For Hudson, the illicit is more than organised crime; it is integral to the logic of capitalism and the capitalist space-economy. He states:

“Links between the legal and illegal are critical to the dynamic trajectory and spatiality of accumulation globally. Legal and illegal practices can be seen as genetically entwined and encoded in the DNA and ‘normal’ operations of contemporary capitalism, integral to the workings of the capitalist economy rather than a marginal and unusual anomaly” (2014 p 775).

Here organised crime is one end of a continuum of illegal activities that, at the other, includes small-scale individual and household activities understood as the survival strategies of marginalised people in marginalised places. For Hudson the illicit is another opportunity for accumulation but one that is associated with particular spaces in the capitalist space economy. He identifies these spaces as non-western economies and the transition economies of Central and Eastern Europe and Russia. For Hall,



1 Illicit economies

2  
3 by contrast, illicit spaces are those countries associated with organised crime (e.g. Colombia, Italy),  
4  
5 as well as a host of fragile and transitional states (e.g. Afghanistan, Angola, DRC).  
6  
7

8 Whilst valuable in bringing the illicit to prominence within economic geography, Hall's and Hudson's  
9  
10 accounts restrict the illicit to the illegal. When attention is confined to illegal goods and services,  
11  
12 these are typically those commonly defined as illegal in the Global North. This produces a familiar  
13  
14 list: certain classes of drugs, arms, counterfeits, stolen goods, trafficked people, human organs,  
15  
16 endangered species, toxic waste, and money laundering. It is this association, based on the illegality  
17  
18 of a product, service or activity in the Global North that pushes analyses of illicit economies towards  
19  
20 studying 'hidden' criminal actors. The illicit becomes a property of particular classes of goods (and  
21  
22 not others) and a characteristic of certain types of economic actors (organised crime, criminal  
23  
24 networks) and not others. To travel in this direction, then, is to reinscribe a binary dualism of, on the  
25  
26 one hand, illegal products and economic actors and, on the other, the products and firms that  
27  
28 characterise the legal mainstream; it is to define illicit economies as other to the normal,  
29  
30 mainstream economy, even whilst insisting on their implication or folding together. Defining the  
31  
32 illicit through goods and services that are illegal in the Global North means illicit economies become  
33  
34 those countries (always elsewhere) that produce these illegal goods (or key resource inputs), that  
35  
36 sanction their passage (often through corruption), and that clean 'dirty' money, as well as those that  
37  
38 harbour organised crime. The illegal is defined out of the global core economies that are then used  
39  
40 to create a template of what mainstream economies should look like. Working illicit economies  
41  
42 through the legal/illegal binary is to state a Northern-centric argument, that they are mainly a  
43  
44 matter of dodgy people doing dodgy things with dodgy goods in dodgy places, i.e. mostly in  
45  
46 economies outside the OECD.  
47  
48  
49  
50

## 51 **2.2: De-limiting illicit economies**

52  
53  
54  
55  
56  
57  
58  
59  
60

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

Illicit economies

In what follows, we first counter the identification of illegality with particular goods and services by turning to the enormous literature on informality. This has long recognised that legality is not absolute but rather a fine line, set within, as well as by, precedent and practice: as the late Labour Chancellor Dennis Healey once quipped, the difference between tax avoidance and tax evasion is the thickness of a prison wall. Much of the recent literature making this argument has focused on finance and the complicity of OECD governments, particularly the UK and US, in enabling and supporting tax havens (a point acknowledged by Hudson 2014 – Palan 2006; Andreas 2011, 2013, Christensen 2011; Murphy 2011). Beyond the finance literature, a body of work has sought to demonstrate the informal sector is present and indeed prevalent in OECD economies, not just the usual suspects of the Global South and southern Europe (Kesteltoot and Meert 1999; Williams and Windebank 1995). Illustrative here are studies in Scandinavia, to choose somewhere less associated with informal economies. They reveal which groups (marginal or privileged) might engage in, or utilise, undeclared work (Williams and Horodnic, 2015) and highlight practices of *svart arbete* (undeclared work) that avoid taxation yet are widely tolerated, and rationalised as normal, by consumers (Larsen, 2013a, b).

The importance of these studies for our argument is not only that they destabilise the association of illegality with marginal places but also that they point to the importance of societal and business norms in understanding illegality. We contend that these norms, habits and customs are key to furthering understanding of illicit economies. Whilst the illicit does refer to that which is illegal, it is not restricted to the illegal. Rather, the term has another meaning that is critical to its use, often implying that which draws upon customary, moral judgements and which is often clandestine, or hidden. Common usages (e.g. affairs) are far from the concerns of economic geography but they indicate that the term illicit involves the interface between custom, il/legality and morality. In an economic sense, this means that it is not simply what is illegal and what legal that merits attention, but rather how social and cultural un/acceptability within economic organisations and wider society

1 Illicit economies

2 intersects with the legal/illegal binary. Heuristically, there are not then just illegal and socially  
3 unacceptable practices versus legal and socially acceptable ones. There are legal ones that are  
4 unacceptable (at least within parts of society) and also illegal practices that are acceptable (within  
5 parts of society). The former are well studied in accounts of unethical but legal business practices  
6 (e.g. in the race to the bottom for cheapest suppliers), so it is the latter that we focus upon as  
7 understudied. Counter to Hall and Hudson, then, we argue that if we are to speak of '*illicit*  
8 economies' then we need to turn to cultural economy perspectives to address the intersections of  
9 custom or habitual practice and il/legality within the business community, and, in turn, their  
10 intersections with a wider societal moral economy. We find it useful to think of such business  
11 practices through the term customary illegality to indicate the widespread social acceptance (or  
12 licitness) of illegal behaviour within many otherwise regulated and formal sector business  
13 organisations and to differentiate illicit economies from the much studied para-legal informal sector.  
14  
15 The need for that differentiation is clear when we go beyond the methodological nationalism that  
16 characterises both qualitative studies of informal work and wider efforts to estimate the scale of  
17 national shadow economies (Schneider et al. 2010). Figure 1 provides an expanded version of the  
18 classic model of the circulation of capital, in which the shadow circulation of capital intersects with,  
19 or folds into, the conventional model, at numerous potential junctures – as materials, processing,  
20 labour, products or undeclared financial flows – any one of which, or more, might be involved in the  
21 production of the commodity.  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44

45 Figure 1 about here

46  
47  
48 If we take a (global) commodity chain for a given product, there will be resource and material  
49 suppliers, component fabricators, manufacturers and assemblers, retail and market venues and  
50 agents managing logistics and distribution, along with financial flows to link them, tax and regulatory  
51 regimes governing them, and workers in all those elements. Any one of these is a potential moment  
52  
53  
54  
55  
56  
57  
58  
59  
60

1 Illicit economies

2  
3 in which social and cultural un/acceptability might intersect with the legal/illegal binary. Those  
4 intersections can occur both within places and by exploiting the differences between places.

5  
6  
7  
8 Places like the town of Prato in Italy, exemplify the more dynamic forms of il/legality within the  
9 commodity chain, and illustrate more than one instance of Figure 1's crossovers. Once an exemplar  
10 of the Third Italy of high end small specialist textile producers, Prato now houses rapid turnaround  
11 apparel in what is known locally as the 'pronto moda' (Lan, 2014; Lan and Zhu 2015). By 2010,  
12 production in Prato was dominated by more than 3600 Chinese owned and largely staffed apparel  
13 producers, making garments that are legally 'Made in Italy' (Barbu et al 2013). However, the  
14 production methods may not be legal. Many of the workers have elements of informality or illegality  
15 – be they legal migrants working a second undeclared job, formerly illegal migrants who have  
16 regularised their status or formerly legal migrants who are now overstaying their visa or changing  
17 their employment. The firms often contravene zoning laws mixing industrial and residential uses  
18 (that have been revealed in a series of tragic fires ((AP 20 October 2014))). They often do not declare  
19 all their revenue for tax (though nor do their Italian counterparts) and are connected to mis-declared  
20 financial flows of allegedly 4.5 billion Euros to China from Italy between 2006 and 2010, implicating  
21 China's largest bank – the Bank of China (South China Morning Post 11 April 2016). Moreover, some  
22 firms use their location to import clothes that are not 'Made in Italy' but can thus enter the supply  
23 chain (Barbu et al 2013). Here, then, we see instances of crossovers 1, 4 and 6. Neither firms nor  
24 products are beyond the mainstream economy, and yet many are clearly reliant on various forms of  
25 customary illegality. Looking at places like Prato shows that illegality does not run in parallel, or as  
26 an alternate exception, to the 'regular' economy. Neither is it necessarily best thought of as more-  
27 or-less confined to the economies of particular nation states. Rather, the global economy is  
28 continually touched by illegality; illegality runs through it.

29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54 An implication of Figure 1, then, is that illegality is potentially everywhere in economic activity – so a  
55 corollary is that illegality must be a socially accepted, or licit, part of the business economy and

Illicit economies

1  
2  
3 business practice. Illegality, then, is not limited to informality's emphasis on un or under-declared  
4  
5 work outside the measures of national income. Rather, it must also encompass the myriad social  
6  
7 habits and practices within the business economy that produce and normalise these moments of  
8  
9 illegality, and which in those parts of the economy engaged in making products may also materialise  
10  
11 as mis- or un-declared products - hence our use of the term customary illegality, as distinct from  
12  
13 informality.  
14  
15

16  
17 As important is that customary illegality within the business economy operates at the interface with  
18  
19 a wider moral economy. Certain forms of customary illegality within the business economy will be  
20  
21 accepted or tolerated by the wider body social; others will not – and this will only become clear  
22  
23 when practices surface. An example would be the normalisation of copies within China, for example,  
24  
25 and the contrasting responses to the discovery of Chinese "counterfeit" goods in the OECD (Figure 1,  
26  
27 Crossover 4). Another would be the various reactions to the revelations contained in the Panama  
28  
29 Papers of 2016, forcing resignations from implicated individuals in publicly visible positions of  
30  
31 authority in jurisdictions like Iceland or Spain, whilst other political entities (e.g. British Crown  
32  
33 dependencies such as the British Virgin Islands) displayed an acceptance, encouragement even, of  
34  
35 tax evasion as a habitual and necessary part of doing business (Figure 1, Crossover 6). Moral  
36  
37 economies are thus spatially located and variegated across the globe. As we outline in the next  
38  
39 section, this creates possibilities for 'moral arbitrage', through networks that extend across and  
40  
41 through these different places.  
42  
43  
44

45  
46 A further implication of Figure 1, however, is that it points to the potential importance of circulation  
47  
48 – or the movement and exchange of goods, services, labour and money – in enabling many of the  
49  
50 points or moments of crossover between illegality and legality. The Prato case certainly suggests  
51  
52 this. In the following two sections we turn to consider the importance of circulation to an  
53  
54 understanding of illicit economies, focusing in particular on circulation's role in another instance of  
55  
56 Crossover 4, fraudulent production.  
57  
58

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

Illicit economies

### **3: Connecting illicit economies to circulation**

#### **3.1: Illicit flows and circulation**

Research in international political economy has drawn attention to illicit flows as the flip side or dark side of globalization. Gilman, Goldhammer and Weber (2011) point to the rise of 'deviant globalization' in tandem with mainstream globalisation, in which 'entrepreneurs use the technical infrastructure of globalization to exploit gaps and differences in regulation and law enforcement of markets for repugnant goods and services' (page 3). Like van Schendel and Abraham (2005), they highlight 'cross-border economic networks that produce, move, and consume narcotics and rare wildlife, looted antiquities and counterfeit goods, dirty money and toxic waste, as well as human beings in search of undocumented work and unorthodox sexual activities' in the shadows of the formal global economy (Gilman, Goldhammer and Weber 2011 p3). As such, circulation is seen as the result of moral arbitrage opportunities between locally specific or national moral codes on acceptable products, instead of conventional arbitrage around factor costs. However, these all tend to end up identifying the illicit with the actions of particular, illegal, economic entities.

Building from this sense of moral arbitrage is the work of Peter Andreas, who unpacks the binary pairs of the legal/illegal and licit/illicit in his analyses, separating political and social authority, and then focusing on the points of their intersection. He then links the relational pairings (legal/illegal; licit/illicit) to trade and the movement of goods. For him, the illicit comprises: the trade in prohibited commodities; the smuggling of legal commodities (e.g. cigarettes); the black market in stolen goods; the clandestine movement of people, endangered species and body parts; and money laundering (2011, p 406). So, trade, circulation and the movement of goods, services and money are here seen as critical to the illicit; as critical as prohibited goods, services and money. They provide the

Illicit economies

1  
2  
3 conditions that make illicitness possible. Also, for Andreas, the illicit is not new. Rather, it is a feature  
4  
5 of all economies and societies and in the case of the US is argued to date back to the 17th and 18th  
6  
7 centuries. In a key move, what he terms 'contraband capitalism' is argued to be an old American  
8  
9 tradition at the heart of American capitalism, and smuggling a socially acceptable way of doing  
10  
11 business. Smuggled intellectual property, in the form of machinery and people who knew how this  
12  
13 technology worked, is shown to lie at the heart of US innovation in key sectors (Andreas 2013).  
14  
15

16  
17 In this way, Andreas begins to sketch the connection of customary illegality in the business economy  
18  
19 to trade and circulation. It is the social acceptability of certain activities (in this case smuggling) in  
20  
21 business practice that emerges in his accounts as key to the development of the US business  
22  
23 economy. Yet, although trade and the movement of goods are central to Andreas' definition of the  
24  
25 illicit, his work infers its effects rather than exploring the logics of circulation themselves. To  
26  
27 establish the relation of the illicit to circulation in more analytical terms, we suggest, requires an  
28  
29 engagement with the literatures on practices of trade and circulation. Most significant here, at least  
30  
31 with respect to the movement of goods and services, is critical logistics, and it is to this field, and its  
32  
33 potential to illuminate the illicit economic geographies of the present, that we turn next.  
34  
35  
36  
37  
38  
39  
40  
41  
42

### 43 **3.2: Logistics and the opacity of global trade.**

44  
45  
46 Work in critical logistics has examined the control-at-a-distance achieved through logistics. There are  
47  
48 two moves in this literature that provide insight into illicit economies. First, the literature points to  
49  
50 the *opacity of trade*, linking this to containerised shipping and illegality. These connections are well  
51  
52 observed by Carolyn Nordstrom, who states:  
53  
54

55 As I sit watching the 446 cargo ships enter and leave the mega-port of Rotterdam a day, I know I am  
56  
57 watching somewhere between 200 and 446 ships breaking the law in some way. By most estimates I

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

Illicit economies

have received in these five years, it is more along the lines of 446. In the world today, this is called crime. Most of these ships are well respected, most carry commodities from well-respected corporations. Some are world leaders. While this is formally called crime, it usually is not called anything at all. Or perhaps it is just called business. (Nordstrom 2007 p xvi)

In the critical logistics literature, the opacity of global trade is frequently read through the discourse around security. Influenced by the military origins of logistics and contemporary US politics, the focus is security more than economy. It thus highlights attempts to police labour in ports and export border controls as part of a security regime (Cowen 2010b; 2014). And yet, whilst since 9/11 the US has had a legal commitment to inspect every shipping container entering the country, that commitment has been deferred from implementation by every Congress since, on the grounds that ports cannot inspect more than 2% of in-bound containers without grinding to a halt.

Second, where critical logistics does turn to economy, it sees logistics as a means to maximizing the production of value across networks through the coordination of circulation (e.g. Coe 2014). Logistics (and distribution) does not see transport simply as a cost to be reduced. Rather it sees moving goods (which, for logistics and distribution, means freight cargo) as a means of realising profits, and as leading corporate strategy rather than serving it (Cowen 2014). Writers like Brett Neilson (2012) suggest logistics produces a smooth space, of joined up flows of knowledge, information and things. It is seen as fostering 'the rationalisation and optimisation of the relationships between sites to achieve maximum efficiency in storage capacity, distribution, and manufacture' [and as] 'enact(ing) new geographies of organisational integration and dispersal' (Hepworth 2014 p 1221). By contrast, we have shown that in the real world of logistics-in-action, frictions abound in the transitions of goods across spaces, and connect to multiple, intentional pauses, or discontinuities, in flow (identifying references removed). This point is foundational to our account of illicit economies as a quality of circulation. Whilst much work in critical logistics highlights



1 Illicit economies

2  
3 logistics as a regime of global visibility, we argue that logistics is also productive of opacity, through  
4  
5 which customary illegality can pass and in which illicit economies are generated.  
6  
7

### 8 **Section 3.3: Illicitness as a quality of circulation**

9

10  
11 In thinking illicit economies through circulation we do not see the illicit as a property of goods  
12  
13 located within territorial jurisdictions, but rather as produced by movement across borders and  
14  
15 between territorial jurisdictions. Illicitness, in this reading, is a quality that becomes, or is made,  
16  
17 through circulation be that of physical goods (freight), of money or of data, and that quality is  
18  
19 achieved through the open, transient and continually becoming nature of circulation itself.  
20  
21

22  
23 We begin by highlighting the materiality of circulation as this applies to containerised cargo, which  
24  
25 accounts for the majority of trade in the products economy. This is critical to il/licit and il/legal  
26  
27 translations. Each of the transitions in Figure 1 requires material actions and practices through a  
28  
29 relatively limited number of fixed passage points. The maritime space of shipping lanes is far from  
30  
31 fluid, being organised around key ports and major shipping routes (Ducruet and Notteboom 2012).  
32  
33 The infrastructure of circulation is not just roads, railroad networks, inland waterways, the ocean  
34  
35 and the global ICT network but also: ships, freight trains, trucks and barges, trailers, gantry cranes,  
36  
37 port stacks, warehouses, distribution centres and yards, containers, pallets, fork-lift trucks, bills of  
38  
39 lading and container seals. Then there are the scanning devices, data entry and transmission 'baply  
40  
41 files', and the multifarious software that manages cargo movement. To move any commercial good  
42  
43 through physical space requires that at least some of the above elements are brought together and  
44  
45 held together such that they constitute a conduit through which goods move. It is in the  
46  
47 heterogeneity of these elements and their complex configurations that opacities and openings for  
48  
49 the illicit emerge and the crossovers of Figure 1 can occur.  
50  
51

52  
53 Thinking of circulation thus highlights the processes that turn economic goods into cargo (identifying  
54  
55 reference removed). Critical here are the descriptors (compiled by shippers, or their agents in the  
56  
57

1 Illicit economies

2  
3 logistics sector) that accompany cargo on the move (the bill of lading, manifests), the electronic data  
4  
5 file that provides its digital counterpart and which allows logistics to move cargo across maritime  
6  
7 and terrestrial space and between multiple platforms, and the variety of technologies that secure  
8  
9 cargo against cargo theft, such as container seals. Paper and data files are necessary for any cargo to  
10  
11 move. They are also ontological statements, in that they declare what cargo is, what state it is in, its  
12  
13 physical weight and the material conditions and limits of its transportation (for example,  
14  
15 temperature thresholds and storage and stowage conditions).  
16

17  
18  
19 Given the sheer volumes involved, the vast majority of global cargo moves around the world without  
20  
21 physical inspection by regulators. So, global trade takes on trust the correspondence between  
22  
23 descriptors and cargo. The possibility of slippage, however, is widely recognised, if largely  
24  
25 disavowed, in the logistics and distribution industry. Notable here is the mis-declaration in cargo  
26  
27 weight (whose incidence has been estimated at some 30% of all shipping containers) that is itself an  
28  
29 indication of tax or quota evasion, as well as the mis-declaration of goods themselves that is  
30  
31 probably of the same order and conducted for much the same reasons. Confirmation of slippage  
32  
33 comes from mirror studies of trade figures, which look at how much one country says it exports of a  
34  
35 product to another, and then at the declared value of those imports from that country (Cantens  
36  
37 2015; Carrère and Grigoriou 2014). There are technical issues that can affect this, such as how  
38  
39 products are valued and different classification processes between countries, but the rough rule is  
40  
41 that one might expect import values to be 10% greater than exports – to allow for carriage and  
42  
43 transport costs. Instead one can see gross mismatches: e.g. if the volume of Chinese textiles  
44  
45 exported to Mexico and the US is analyzed – more textiles left China for Mexico than arrived there,  
46  
47 but US imports of Mexican textiles exceeded Mexican exports to the US by an amount suspiciously  
48  
49 similar to the missing exports from China (Rotunna and Vezina 2012).  
50  
51  
52

53  
54 Concerns over the effects of quantitative mis-declarations on safety at sea (causing instability in  
55  
56 ships) have forced the transport industry to break its agnostic relationship to cargo – which is  
57

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

Illicit economies

generally detached to the point of disinterest. For example, UK hauliers Maritime Transport, who move 10,000 containers a week in the UK, have said “90% of the time we don’t know what we’re carrying and we have no idea how the load has been packed” (The Loadstar 12<sup>th</sup> May 2014).

Regulatory changes demanding certification of the weight of cargo were introduced in 2016.

Nonetheless, these concerns do not address discrepancies between cargo and its qualitative descriptor; cargo as content continues to be black-boxed by the transport industry and by logistics, as unitised data and technologies of transportation. And that is the gap that is critical to understanding the illicit as a quality produced in circulation. *In the absence of any necessary correspondence between circulating goods and the qualitative paper and data descriptors that enable their circulation, logistics makes a space for the illicit that is right in the heart of the practice of global trade.* Businesses that depend on the movement of goods (manufacturers, wholesalers and retailers, as well as logistics operators) both know this and many exploit this, by routinely mis-declaring the content (and hitherto the weight) of containers, or both. In this way we see how customary illegality in the business economy and circulation connect in the intricacies of everyday global trade.

Finally, we must recognise the importance of code space in the circulatory system. Data management systems and algorithms are how logistics coordinates cargo movement. These systems translate, and make visible, cargo as data, and that data is the primary means by which global trade is both regulated by customs agents and monitored by surveillance services. Much as with human air travel, risk analytics is applied to global trade and ordered by the same predictive logics (Cowen 2010; Kanngieser 2013). The intent is that global circulation is simultaneously facilitated and secured. Thus, and in extremely broad terms, and taking the EU as our example, cargo emanating from certain places of origin, or that passes through certain transit points, will be red-flagged for stop and search before entering the EU, whilst outliers, or differences, in the normal pattern of trade for an economic agent, such as a new supplier entering the supply chain or a move into new goods,

1 Illicit economies

2  
3 will also be flagged for potential inspection. Also, some goods, like people, have priority on entering  
4  
5 the EU space-economy. These may be time-sensitive goods or the goods of 'approved economic  
6  
7 operators' (AEOs). In this two-tier system, flows of goods organised by AEOs are 'facilitated',  
8  
9 meaning they are fast-tracked, whereas those of an unknown operator will be delayed through  
10  
11 inspection procedures. The significance of the rise of risk analytics in the surveillance of global trade  
12  
13 for work on illicit economies is that it has reconfigured the passage of illegal goods. For illegal goods  
14  
15 to pass into the EU without being subject to stop and search procedures they not only need to look  
16  
17 legal (i.e. be described as legal goods by both paper and electronic data files), they also need to  
18  
19 come through reputable channels.  
20  
21

22  
23 Taking these points together we can see how the illicit is assembled in circulation, though not  
24  
25 reducible to circulation. *The gap between circulating paper and electronic data descriptors and the*  
26  
27 *actual physical composition of cargo on-the-move makes space for customary illegality but purely for*  
28  
29 *the duration of a shipment. Here illicitness is a transient quality of circulation.* It is how shippers and  
30  
31 consignees of all manner of legal goods routinely avoid and evade tax, by mis-declaring the content  
32  
33 (and weight) of unitised cargo. That same gap between circulating descriptors and their referent in  
34  
35 circulation is also the means to a range of fraudulent activities, including deceptions over the  
36  
37 provenance of goods, adulteration and the substitution of cheaper for more expensive materials and  
38  
39 components into supply chains. As important is that the gap between circulating goods and their  
40  
41 descriptors is the means by which illicit economies become illegal economies. Subsuming that which  
42  
43 is illegal in certain states with cargo whose legality is global denotes a parasitical relation of the  
44  
45 illegal on the legal. That parasitical relation has spread from one confined to individual cargo flows  
46  
47 to encompass circulation itself. Circulation is now not just the means to producing illicitness but also,  
48  
49 in its patterns and rhythms, the means to masking illegality.  
50  
51  
52

53  
54 In the next section we shift to the empirical register to illustrate these arguments. We focus on one  
55  
56 of the primary sectors through which global trade has been theorised --food. Through three cases  
57  
58

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

Illicit economies

we demonstrate how customary illegality, moral economy and circulation intersect to produce illicit economies. To counter the tendency in the literature to identify these activities exclusively with economies beyond the Global North, we limit discussion to examples that disrupt that line of argument.

#### **4: Customary illegality, moral economy and circulation: mis-declared and adulterated foods**

Customs data and regular Interpol operations (such as the series Opson I -- IV) indicate that there is large scale customary illegality in food production networks, or Economically Motivated Adulteration as it is termed. Opson III at the end of 2013 seized >131,000 litres of oil and vinegar, 1200 tonnes of fake or sub-standard food, nearly 430,000 litres of counterfeit drinks and 20 tonnes of spices and condiments. In this most sensitive and regulated domain, the scale of illicit trade is striking. A systematic review of academic and media sources suggested amongst the most commonly mentioned foodstuffs in terms of some forms of illegality were honey and olive oil, alongside fish (Moore et al 2012), since when the British 'horsegate' scandal has occurred.

##### **4.1 Olive Oil**

Sample tests in the US showed that 69 percent of imported and 10 percent of Californian olive oil samples labelled as 'extra virgin' failed to meet standards (UC Davis Olive Center, 2010). Lower grade oils are passed off as the superior kind. This practice is not confined to marginal firms – law suites name the third largest supplier of olive oil and supermarket chains like Safeway (Fortune 24 Jun 2015). Neither is mis-declaration confined to the US. When Italian olive crop yields fell by nearly a third in 2015, the exports of 'Italian olive oil' nonetheless grew impressively. How such a feat of productivity occurs is easily inferred since Italy is not only a large producer but the world's largest importer of olive oil. In 2015 imports of olive oil from Tunisia rose 481%, imported at zero duty. Mis-declaration in Italy is not simply relabeling origins. There are cases of lower grade being passed off as high grade (virgin/extra virgin) oil, or olive oil being mixed with vegetable oil and chlorophyll being

1 Illicit economies

2  
3 added to give a colour of 'virgin oil'. The World Customs Organisation Illicit Trade Report 2014 noted  
4  
5 the labelling and selling of olive oil imported from Spain as '100 per cent Italian oil' and '100 per cent  
6  
7 Italian organic oil' when in actuality it was of much poorer quality and, in some cases, mixed with  
8  
9 waste cooking oil from restaurants. Exposés have not changed much due to the customary illegality  
10  
11 tolerated in the system: as at the end of 2015, police found that 7,000 tons of olive oil sold in Italy  
12  
13 and into international markets as '100% Italian' extra virgin olive oil was actually blended oils but  
14  
15 now from Syria, Turkey, Morocco and Tunisia. Then in Spring 2016 it was oil from Greece being  
16  
17 passed off with false mill declarations (Olive Oil Times 3 Dec 2015, 4 March 2016). Perhaps more  
18  
19 worrying was the 85,000 tonnes of whole olives from the previous year that were 'recycled' by being  
20  
21 painted with copper sulphate to give them a uniform and 'fresh' green colour (Guardian 3 Feb 2016).  
22  
23 In March 2016, the Italian government proposed decriminalising olive oil fraud, making it a  
24  
25 misdemeanour. This was seen as an admission of the licitness of mis-declaration and adulteration in  
26  
27 the Italian olive oil business economy, and reshaping the formal economy to accommodate these  
28  
29 practices, and has been bitterly resisted by consumer groups.  
30  
31  
32  
33  
34  
35  
36

#### 37 **4.2 Honey**

38  
39 In the global honey trade, seven of the top 12 exporting countries to the US appear to be exporting  
40  
41 far more honey than their domestic bees produce (Schneider 2008), whilst retailers seem uncurious  
42  
43 that although less than 1,700 tonnes of premium Manuka honey leave New Zealand each year, the  
44  
45 global sales are estimated at 10,000 tonnes, of which 1,800 tonnes a year arrive in the UK (The  
46  
47 Independent 1 July 2014). The circulation of honey globally offers possibilities to lose its origin. At  
48  
49 the other end of the market, the US has both anti-contamination and anti-dumping regulations  
50  
51 against Chinese honey. In this market segment, a German food trading group was prosecuted in  
52  
53 2008 for what the press inevitably termed 'honey laundering' -- disguising \$80mn of Chinese  
54  
55  
56  
57  
58  
59  
60

Illicit economies

1  
2  
3 imports. Practices included shipping it to and relabeling in India, Malaysia, Indonesia, Russia, South  
4  
5 Korea, Mongolia, Thailand, Taiwan, and the Philippines. Taiwanese brokers were told to label it as  
6  
7 'Korean White honey' and use black barrels, as Chinese shippers habitually used green drums  
8  
9 (Bloomberg 20 Sep 2013). Fake laboratory test certificates from Germany were provided for customs  
10  
11 documents, whilst other brokers filtered out any pollen out that might identify its origins. When one  
12  
13 consignment (labelled 'Polish Light Amber') was rejected for being contaminated with the kind of  
14  
15 antibiotics used in China, it was resold to a Texas processor for blending into processed foods. These  
16  
17 practices do not seem to have abated, suggesting – as with olive oil – that they are widely seen as  
18  
19 licit in the honey trade. Indeed, some industry estimates suggest as much as one third of all honey in  
20  
21 the US may not be legal - a figure that suggests widespread, knowing collusion by importers and  
22  
23 wholesalers. That is further supported by how, when the University of Austin attempted to trace the  
24  
25 origin of honeys by looking at the pollen they contained, they found 75% had been 'cleaned' of all  
26  
27 identifying pollen (Liberty Voice 28 Feb 2014). Current estimates are that this avoids duties of  
28  
29 around \$179 million in the US alone (Houston Chronicle 29 March 2015). Many cases, however,  
30  
31 involve the adulteration of honey by other high fructose syrups and focus on industrial honey – used  
32  
33 as an ingredient in manufactured foodstuffs rather than sold in its own right. Again this suggests the  
34  
35 predominant purchasers of illicit forms of honey are large commercial food processing companies,  
36  
37 located firmly in the 'legal' economy.  
38  
39  
40  
41  
42  
43  
44

#### 4.3 Horsegate

45  
46  
47  
48 In January 2013 three of the biggest supermarkets in the UK (Tesco, Asda and Aldi) and a major  
49  
50 ready-made meals manufacturer (Findus) were forced to withdraw from sale millions of burgers,  
51  
52 ready-made meals and mince products. Routine laboratory testing had shown samples of these  
53  
54 products to contain the DNA of horse – a form of meat that is illegal in the human food chain in the  
55  
56  
57  
58  
59  
60

1 Illicit economies

2  
3 UK, although it is legally sold elsewhere in the EU. As well as raising cultural taboos over food, and  
4  
5 which animals can be consumed as meat where and which not, the scandal decimated consumer  
6  
7 trust in the major UK supermarkets. The UK government was forced to respond with a major  
8  
9 enquiry. The Elliott Review (HM Government 2014) took over 18 months to publish, not least  
10  
11 because its findings were uncompromising in relation to the UK food industry. Here was an industry  
12  
13 on which the nation's diet, as well as public health, depends. Yet publicly-funded laboratory testing,  
14  
15 itself being scaled-back drastically by government, had shown this to be an industry in which food  
16  
17 adulteration and mislabelling happens not occasionally, by mistake, but routinely. In the UK food  
18  
19 industry, "horse (is) passed off as beef, beef passed off as lamb and cheap poultry passed off as  
20  
21 everything from red meat to ham" (The Guardian, 4 September 2014).  
22  
23

24  
25 "Horsegate" led to multi-agency criminal investigations across the EU, which in turn – as with olive  
26  
27 oil and honey – showed the importance of circulation to understanding illicit economies. The  
28  
29 adulterated meat entering UK supermarket supply chains was supplied from a French-owned meat  
30  
31 processor with a factory located in Luxembourg that had in turn been supplied by another French  
32  
33 meat processor. At all stages this meat was labelled as beef. Further back in the supply chain, the  
34  
35 meat had been purchased from a meat trading company (run from Antwerp and registered in  
36  
37 Cyprus). This included horsemeat supplied by Romanian abattoirs. Horsemeat had left these  
38  
39 Romanian abattoirs clearly labelled as horse. Although this could not be proven, the strong  
40  
41 suggestion is that the re-labelling of Romanian-derived horsemeat occurred in meat cold storage  
42  
43 facilities in the Netherlands, from which it was shipped to the French processing plant, as beef (See  
44  
45 Figure 2). Subsequent testing of more than 4,000 beef products across the EU found 4.7% contained  
46  
47 positive traces of horsemeat with the largest number in France, followed by Greece and Denmark  
48  
49 (House of Commons Environment Food and Rural Affairs Committee, 2013).  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60



Illicit economies

Figure 2 about here

Figure 2 demonstrates the pan-European nature of the UK's supermarket meat supply chain and the complexity of that network that encompasses manufacturers of ready-meals, meat processors, meat wholesalers, meat traders, abattoirs and the farming, as well as horse, industries. It is circulation deep in the supply chain that enables illicit economies. "Horsegate" also points to how circulation and customary illegality intersect with a wider moral economy which in the UK makes the horse socially unacceptable as a source of meat for human consumption. Equally, that same set of customs creates the conditions for business in which an animal that, for cultural reasons, is of no meat value can be passed off as a meat of much higher value and with a wider market (e.g. beef). Moral economy creates the opportunity for customary illegality, whilst circulation makes the space for it to be enacted. Further, it is differences in formal and social values that allow for a moral arbitrage as products circulate across and between jurisdictions, exploiting societal differences for economic gain.

More broadly, all the examples highlight the importance of circulation to illicit economies. The circulatory system creates weak points in the supply chain for criminal actors, notably the road haulage industry and the warehouse-road network interface. This is confirmed by reports that over 100 truck-loads of frozen meat (comprising over £20m of goods) had been stolen in a 12 – 18 month period in the UK, by a criminal network posing as buyers for supermarkets and wholesalers (House of Commons Environment Food and Rural Affairs Committee, 2013). But the circulatory system also offers opportunities for legitimate economic actors. Storage, transshipment and reprocessing facilities enable the mixing and re-labelling of goods – as occurs with olive oil, honey and 'meat'. Long over-looked by an economic geography literature that emphasises an end to stock inventories, as a result of just-in-time supply chains, storage facilities emerge as sites and spaces of critical

1 Illicit economies

2  
3 importance to enacting practices of customary illegality, as well as to an understanding of how  
4  
5 contemporary supply chains might produce ever-cheaper goods – not only through a race to the  
6  
7 bottom over labour but also through the adulteration and substitution of materials inputs.  
8  
9

10 Finally, we highlight the importance of the gap between circulating paper and physical goods in the  
11  
12 spaces of circulation. Inaccurate live animal and carcass records as well as forged invoices are how  
13  
14 horsemeat is enrolled into the human food chain; mis-declared origins and sources enable the  
15  
16 renationalising of honey and olive oil, whilst the creation of false origins launders the product. If we  
17  
18 are to understand illicit economies it is to these types of gaps and occlusions, assembled in the  
19  
20 circulation and exchange of goods that we need to attend. By way of conclusion we make  
21  
22 suggestions as to future research directions.  
23  
24

## 25 26 **5: Conclusion**

27  
28  
29 In this paper we have argued that the emergent study of illicit economies in economic geography  
30  
31 can benefit from engagement with cultural economy perspectives. We have argued that illicit  
32  
33 economies are more than Transnational Organised Criminal Organisations. A perspective recognising  
34  
35 customary illegality, or the cultural acceptability in economic organisations of doing what is illegal,  
36  
37 sees the illicit embedded within the mainstream economy. The examples drawn from the food  
38  
39 sector show how customary illegality intersects with moral economy and circulation. They also  
40  
41 demonstrate that circulation is critical to understanding how customary illegality is put together, as  
42  
43 well as to how illegal goods move through the global economy. Correspondingly, illicitness in  
44  
45 economies is not just a property of particular goods but also a transient quality, made in and through  
46  
47 circulation. That quality is made possible through the logistical enactment of global trade. We close  
48  
49 by considering the implications of these arguments for the further study of illicit economies. They  
50  
51 are empirical, methodological and conceptual.  
52  
53  
54  
55  
56  
57  
58  
59  
60

Illicit economies

1  
2  
3 Empirically, we highlighted a subset of cases of fraudulent activity in the food sector in the  
4  
5 mainstream economy in the Global North. All hinge on substitution, adulteration and mislabelling (of  
6  
7 materials inputs and provenance), as a means to cheaper production. The products and businesses  
8  
9 here are (largely) legal commodities and actors. Products like olive oil, honey and meat, and firms  
10  
11 from abattoirs to major retailers, are unquestionably all part of the legal mainstream economy. Yet,  
12  
13 large numbers of products produced by these production networks have been shown to be  
14  
15 mislabelled, and at certain points the implication is deliberately so. Food fraud highlights the  
16  
17 importance of the misdeclaration of products and therefore adds to examples of copied or  
18  
19 counterfeit products that have been shown to be rife in other sectors. More significant is that the  
20  
21 empirical cases highlight how misdeclaration is most common in mixed or compound products,  
22  
23 which comprise the majority of manufactured foods. Further, the fact that the majority of global  
24  
25 trade is now in components and semi-finished goods suggests that such opacities will be  
26  
27 proliferating well beyond the food sector. The empirical cases in the food sector also show a  
28  
29 spectacular lack of curiosity on the part of major actors about how products could be provided at  
30  
31 ever cheaper rates and evidence that fraud is seen by at least some economic actors as a customary  
32  
33 activity, particularly by those at the bottom of the supply chain where margins are particularly tight.  
34  
35 Fraudulent goods, therefore, are not something that should automatically be associated with, say,  
36  
37 Chinese counterfeits. Rather, fraud is going on in Europe's and the US's own backyard with the  
38  
39 collusion of not only economic actors on the lowest rung in the supply chain but also major firms.  
40  
41 Investigating its extent is clearly a task for an economic geography of illicit economies.  
42  
43  
44  
45  
46

47 That point raises questions of method. To focus on what might be termed 'fraudulent production' of  
48  
49 legal goods by mostly legal actors in the mainstream economy, requires economic geography  
50  
51 recognise the illicit is broader than illegal products and criminal actors. But how to research that?  
52  
53 Attention could usefully be turned to scrutinise production staples. Examples in the food and drink  
54  
55 sector include corn syrup, gelatine and Robusta coffee beans. Following such materials through  
56  
57  
58  
59  
60

1 Illicit economies

2  
3 multiple networks into multiple goods is a priority for an economic geography interested in  
4  
5 adulteration. Another important direction would be to take a sector approach. There are,  
6  
7 undeniably, key sectors in the economies of the Global North where intelligence reports suggest  
8  
9 fraudulent production to be a concern, and where the security of global supply chains is either  
10  
11 already threatened by, or vulnerable to, adulteration and substitution. One such is pharmaceuticals  
12  
13 (the most seized counterfeit products in 2014 - World Customs Organisation 2015). To examine this  
14  
15 means resisting the claims of logistical omniscience to ask instead where logistical practices create  
16  
17 gaps and opacities. Although industry-insiders are reluctant to talk about the insecurity of their  
18  
19 supply chains, insurers, shippers and distribution agents, as well as those involved in warehousing,  
20  
21 offer possibilities. So too do the 'mirror statistics' used by economists to identify tax evasion.  
22  
23

24  
25 Finally, there are conceptual implications, most notably for the political economy inspired  
26  
27 commodity chain and value chain research that underpins much economic geography. Too little  
28  
29 attention is given in such accounts to the complexities of supply chain capitalism that lie well beyond  
30  
31 Tier 1 and 2 suppliers, and especially to how multi-tier processing might relate to practices of moving  
32  
33 cargo and the spaces of circulation. We suggest that, at least for the goods economy, it is in  
34  
35 circulation and the spaces of circulation, particularly sites of storage several stages removed from  
36  
37 Tier 1 suppliers, that illicit activity is most clearly to be found; not as a separate realm but deeply  
38  
39 connected to the ordinary economy. Such moments are an instance of Crossover 4 of Figure 1; they  
40  
41 are where switches from licit to illicit forms of accumulation occur and show how the illicit is  
42  
43 implicated (folded) into the mainstream. If that implication of the illicit within mainstream economic  
44  
45 activity is to be fully unpacked, then, there is a need for economic geography to shift its gaze, to the  
46  
47 spaces of circulation and their intersection with practices of customary illegality in the business  
48  
49 economy. To do that also requires a shift in conceptual perspective, away from the political  
50  
51 economy-based toolkit of economic geography, and towards the possibilities of cultural economy.  
52  
53  
54

55  
56 **References**

Illicit economies

1  
2  
3 **Andreas P** 2010 The politics of measuring illicit flows and policy effectiveness. In **Andreas P** and  
4 **Greenhill K M** eds *Sex, Drugs, and Body Counts: The Politics of Numbers in Global Crime and*  
5 *Conflict* Cornell University Press, Ithaca 23-45  
6  
7

8  
9 **Andreas P** 2011 Illicit globalization: myths, misconceptions, and historical lessons *Political Science*  
10 *Quarterly* 126 403-425.  
11

12 **Andreas P** 2013 *Smuggler Nation: How Illicit Trade Made America* Oxford University Press, Oxford  
13

14 **Associated Press** Fire Exposes Illegal Chinese Factories in Italy, 20 October 2014,  
15

16 [https://www.businessoffashion.com/articles/news-analysis/fire-exposes-illegal-chinese-](https://www.businessoffashion.com/articles/news-analysis/fire-exposes-illegal-chinese-factories-italy)  
17 [factories-italy](https://www.businessoffashion.com/articles/news-analysis/fire-exposes-illegal-chinese-factories-italy), last accessed 25 August 2016  
18  
19

20  
21 **Barbu M, Dunford M and Weidong L** 2013 Employment, entrepreneurship, and citizenship in a  
22 globalised economy: the Chinese in Prato. *Environment and Planning A* 45(10): 2420-2441.  
23

24 **Bhattacharyya G** 2005 *Traffick: The Illicit Movement Of People And Things* Pluto Press, London  
25

26 **Birtchnell T, Savitzky S and Urry J** eds 2015. *Cargomobilities: Moving Materials in a Global Age.*  
27

28 Routledge, London  
29

30 **Bloomberg** The Honey Launderers: Uncovering the Largest Food Fraud in U.S. History – 20  
31

32 September 2013 -- [http://www.businessweek.com/articles/2013-09-19/how-germany-s-alw-](http://www.businessweek.com/articles/2013-09-19/how-germany-s-alw-got-busted-for-the-largest-food-fraud-in-u-dot-s-dot-history)  
33 [got-busted-for-the-largest-food-fraud-in-u-dot-s-dot-history](http://www.businessweek.com/articles/2013-09-19/how-germany-s-alw-got-busted-for-the-largest-food-fraud-in-u-dot-s-dot-history), last accessed 25 August 2016  
34  
35

36 **Bonacich E and Wilson J B** 2008 *Getting The Goods: Ports, Labor, And The Logistics Revolution:*  
37

38 Cornell University Press, Ithaca  
39

40 **Cantens T** 2015 Mirror analysis and revenue fraud. In *World Customs Organisation Research Paper.*  
41

42 **Carrère C and Grigoriou C** 2014 Can mirror data help to capture informal international trade? In  
43

44 *Policy Issues in International Trade And Commodities Research Study Series.* Geneva: United  
45 Nations.  
46

47 **Castells M** 2010 *End of Millennium: The Information Age: Economy, Society, and Culture* Vol. 3. John  
48 Wiley & Sons, London.  
49  
50  
51  
52

1 Illicit economies

2  
3 **Christensen J** 2011 The looting continues: tax havens and corruption *Critical Perspectives on*  
4  
5 *International Business* 7 177-196

6  
7 **Coe N** 2014 Missing links: logistics, governance and upgrading in a shifting global economy *Review of*  
8  
9 *International Political Economy* 23 224 - 56

10  
11 **Cowen D** 2010a A geography of logistics: market authority and the security of supply chains. *Annals*  
12  
13 *of the Association of American Geographers* 100 600-620

14  
15 **Cowen D** 2010b Containing insecurity: logistics space, US port cities, and the "war on terror". In  
16  
17 **Graham S** ed *Disrupted Cities: When Infrastructure Fails*, ed. Routledge, London 69-83

18  
19 **Cowen D** 2014 *The Deadly Life of Logistics: Mapping Violence in Global Trade* University of  
20  
21 Minnesota Press, Minneapolis

22  
23 **Ducruet C and Notteboom T** 2012 The worldwide maritime network of container shipping: spatial  
24  
25 structure and regional dynamics *Global Networks* 12 395-423

26  
27 **Fortune**, Popular olive oil brands accused of 'fraud' 24 June 2015,  
28  
29 <http://fortune.com/2015/06/24/olive-oil-brands-lawsuits/> last accessed 25 Jun 2016

30  
31  
32 **Gilman, N., Goldhammer, J. and Weber S.** eds. 2011 *Deviant globalization: Black market economy in*  
33  
34 *the 21st century* Continuum, New York

35  
36 **Hall T** 2010 Economic geography and organized crime: a critical review *Geoforum* 41 841-845

37  
38 **Hepworth K** 2014 Enacting logistical geographies *Environment and Planning D: Society and Space* 32  
39  
40 1120-1134

41  
42 **HM Government** 2014 Elliott Review into the integrity and assurance of food supply networks –  
43  
44 Final Report

45  
46 **Hobbs D** 1998 *Doing the Business: entrepreneurship, the working class, and detectives in the East*  
47  
48 *End of London* Oxford University Press, Oxford

49  
50 **House of Commons Environment Food and Rural Affairs Committee** 2013 Food Contamination:  
51  
52 Report, together with formal minutes, oral and written evidence HMSO, London

Illicit economies

**Houston Chronicle** Honey smuggler busted, but many others evade authorities -- 29 March 2015 --

<http://www.houstonchronicle.com/news/houston-texas/houston/article/Honey-smuggler-busted-but-many-others-evade-6166982.php>, last accessed 25 August 2016

**Hubbard P** 1999 *Sex and the city: geographies of prostitution in the urban West* Ashgate, Andover

**Hubbard P Matthews R Scoular J and Agustín L** 2008 Away from prying eyes? The urban geographies of 'adult entertainment' *Progress in Human Geography* 32 363-381

**Hudson R** 2014 Thinking through the relationships between legal and illegal activities and economies: spaces, flows and pathways *Journal of Economic Geography* 14 775-95

**Kanngieser A** 2013 Tracking and tracing: geographies of logistical governance and labouring bodies *Environment and Planning D: Society and Space* 31 594-610

**Kelly, R. J Maghan J, and Serio J D** 2005 *Illicit Trafficking : A Reference Handbook*. ABC-CLIO, Denver

**Kesteltoot C and Meert H** 1999 Informal spaces: the geography of informal economic activities in Brussels *International Journal of Urban and Regional Research* 23 232-251

**Lan, T** 2014 Industrial District and the Multiplication of Labour: The Chinese Apparel Industry in Prato, Italy *Antipode* 47.1: 158-178.

**Lan, T and Zhu S** 2015 Chinese apparel value chains in Europe: low-end fast fashion, regionalization, and transnational entrepreneurship in Prato, Italy *Eurasian Geography and Economics*

**Larsen L B** 2013a. Buy or barter? Illegal yet licit purchases of work in contemporary Sweden *Focaal* 2013 75-87

**Larsen L B** 2013b The making of a 'Good Deal' *Journal of Cultural Economy* 6 419-33

**Liberty Voice** Honey in the Bank: China Exports Bogus Honey to US -- 28 Feb 2014 --

<http://guardianlv.com/2014/02/honey-in-the-bank-china-exports-bogus-honey-to-us/>, last accessed 25 August 2016

**Low M and Ruhne R** 2009 Domesticating prostitution: study of an interactional web of space and gender *Space and Culture* 12 232-249

Illicit economies

- 1  
2  
3 **Martin C** 2013 Shipping container mobilities, seamless compatibility, and the global surface of  
4  
5 logistical integration *Environment and Planning A* 45 1021-1036  
6  
7 **Miklaucic M and Brewer J** eds 2013 *Convergence: Illicit Networks And National Security In The Age*  
8  
9 *Of Globalization* National Defense University Press, Washington DC  
10  
11 **Moore J C, Spink J and Lipp M** 2012. Development and Application of a Database of Food Ingredient  
12  
13 Fraud and Economically Motivated Adulteration from 1980 to 2010. *Journal of Food Science* 77  
14  
15 (4):R118-R126.  
16  
17  
18 **Murphy J** 2011 Capitalism and transparency *Critical Perspectives on International Business* 7 125-141  
19  
20 **Nairn M** 2005 *Illicit: how smugglers, traffickers, and copycats are hijacking the global economy*  
21  
22 Doubleday, New York  
23  
24 **Neilson B** 2012 Five theses on understanding logistics as power *Distinktion: Scandinavian Journal of*  
25  
26 *Social Theory* 13 322-339  
27  
28  
29 **Nordstrom C** 2007 *Global Outlaws: Crime, Money, and Power in the Contemporary World* University  
30  
31 of California Press, Berkeley  
32  
33 **Office for Harmonization in the Internal Market** 2014 The economic cost of IPR infringement in the  
34  
35 cosmetics and personal care sector: report of a pilot study  
36  
37 **Office for Harmonization in the Internal Market** 2015 The economic cost of IPR infringement in  
38  
39 sporting goods  
40  
41  
42 **Olive Oil Times** Police Uncover 7,000-Ton Olive Oil Fraud in Italy 3 December 2015  
43  
44 [http://www.oliveoiltimes.com/olive-oil-business/police-uncover-7000-ton-olive-oil-fraud-in-](http://www.oliveoiltimes.com/olive-oil-business/police-uncover-7000-ton-olive-oil-fraud-in-italy/49929)  
45  
46 [italy/49929](http://www.oliveoiltimes.com/olive-oil-business/police-uncover-7000-ton-olive-oil-fraud-in-italy/49929), last accessed 25 Aug 2016  
47  
48  
49 **Olive Oil Times** Police Seize 22 Tons of Counterfeit Tuscan Olive Oil 4 March 2016  
50  
51 [http://www.oliveoiltimes.com/olive-oil-business/europe/police-seize-counterfeit-tuscan-](http://www.oliveoiltimes.com/olive-oil-business/europe/police-seize-counterfeit-tuscan-olive-oil/50778)  
52  
53 [olive-oil/50778](http://www.oliveoiltimes.com/olive-oil-business/europe/police-seize-counterfeit-tuscan-olive-oil/50778), last accessed 25 August 2016  
54  
55  
56  
57  
58  
59  
60



Illicit economies

1  
2  
3 **Palan R** 2006 *The offshore world: sovereign markets, virtual places, and nomad millionaires*: Cornell  
4  
5 University Press.

6  
7 **Pricewaterhousecooper** 2015 *Goods gone bad: Addressing money-laundering risk in the trade*  
8  
9 *finance system* PWC, London

10  
11 **Rotunno L, and Vézina P-L** 2012 Chinese Networks and Tariff Evasion *The World Economy* 35  
12  
13 (12):1772-1794.

14  
15  
16 **Sanchez L E** 2004 The global e-rotic subject, the ban, and the prostitute-free zone: sex work and the  
17  
18 theory of differential exclusion *Environment and Planning D-Society & Space* 22 861-883

19  
20 **Schneider F, Buehn A and Montenegro C** 2010 New estimates for the shadow economies all over  
21  
22 the world *International Economic Journal* 24 443-461

23  
24 **Schneider A** 2008 Honey Laundering: A sticky trail of intrigue and crime. *Seattle Post Intelligencer*,  
25  
26 *Tuesday, December 30, 2008*

27  
28 **South China Morning Post** Bank of Italy conducts supervisory inspection at Bank of China offices,  
29  
30 roiled by illicit remittance case 11 April 2016,  
31  
32 [http://www.scmp.com/news/world/europe/article/1935122/bank-italy-conducts-supervisory-](http://www.scmp.com/news/world/europe/article/1935122/bank-italy-conducts-supervisory-inspection-bank-china-offices)  
33  
34 [inspection-bank-china-offices](http://www.scmp.com/news/world/europe/article/1935122/bank-italy-conducts-supervisory-inspection-bank-china-offices) last accessed 25 August 2016

35  
36  
37 **The Guardian** Food chain report leaves no doubt about huge scale of UK's problem – 4 September  
38  
39 2014 [http://www.theguardian.com/world/2014/sep/04/food-chain-report-no-doubt-huge-](http://www.theguardian.com/world/2014/sep/04/food-chain-report-no-doubt-huge-scale-uk-problem)  
40  
41 [scale-uk-problem](http://www.theguardian.com/world/2014/sep/04/food-chain-report-no-doubt-huge-scale-uk-problem) (last accessed 15 December 2015)

42  
43  
44 **The Guardian** Green olives painted with copper sulphate seized by Italian police 3 February 2016  
45  
46 [https://www.theguardian.com/world/2016/feb/03/green-olives-painted-copper-sulphate-](https://www.theguardian.com/world/2016/feb/03/green-olives-painted-copper-sulphate-seized-italian-police)  
47  
48 [seized-italian-police](https://www.theguardian.com/world/2016/feb/03/green-olives-painted-copper-sulphate-seized-italian-police), last accessed 25 August 2016

49  
50 **The Independent** The manuka honey scandal 1 July 2014 [http://www.independent.co.uk/life-](http://www.independent.co.uk/life-style/food-and-drink/features/the-manuka-honey-scandal-9577344.html)  
51  
52 [style/food-and-drink/features/the-manuka-honey-scandal-9577344.html](http://www.independent.co.uk/life-style/food-and-drink/features/the-manuka-honey-scandal-9577344.html) (last accessed 15  
53  
54 December 2015)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

Illicit economies

**The Loadstar** Hauliers believe poor container stowage a greater threat than misdeclared weight

May 12 2014 <http://theloadstar.co.uk/container-stowage-bigger-problem-misdeclared-weights/> (last accessed 15 December 2015)

**UC Davis Olive Center** 2010 Tests indicate that imported “extra virgin” olive oil often fails

international and USDA standards Robert Mondavi Institute for Wine and Food Science,  
University of California, Davis

**van Schendel W, Abraham I** eds 2005 *Illicit Flows and Criminal Things: States, Borders And The Other*

*Side Of Globalisation* Indiana University Press, Bloomington

**Venkatesh S** 2013 *Floating City: A Rogue Sociologist Lost and Found in New York's Underground*

*Economy*. New York: Penguin.

**Williams C and Horodnic I** 2015 Are marginalised populations more likely to engage in undeclared

work in the Nordic countries? *Sociological Research Online* 20 11

**Williams C C and Windebank J** 1995 Black market work in the European Community: peripheral

work for peripheral localities? *International Journal of Urban and Regional Research* 19 23-39

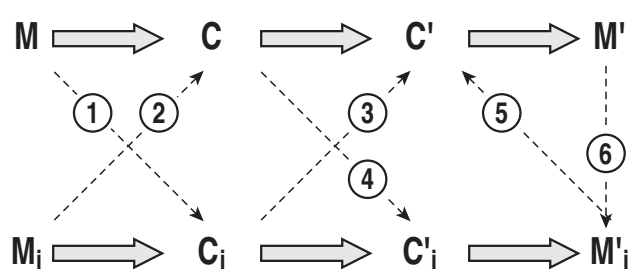
**World Customs Organisation** 2014 *Illicit Trade Report* WCO, Brussels

**World Economic Forum** 2015 *State of the illicit economy* Briefing Papers WEF, Geneva

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

For Peer Review

TOTALLY LEGAL



TOTALLY ILLEGAL (organised crime, etc.)

Examples of crossovers:

- 1 Use of illegal labour ('informality') or illegal factory
- 2 Dirty money buying legal assets
- 3 Products of informal economy
- 4 Counterfeit goods produced legally in one country but sold illegally in another
- 5 Money laundering by buying expensive cars / art / houses / etc.
- 6 Tax evasion

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

For Peer Review

