Illicit economies: customary illegality, moral economies and circulation

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Key words

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

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

The WEF listing of illegal economic activity is not definitive, and one could add forms of state corruption, and extend illegal trade in resources into the wider issue of mis-invoicing by extractive industries to avoid taxation. Mis-invoicing extends into other sectors, where legitimate goods are used to move money in Trade-Based Money Laundering. An estimated US$101 billion was smuggled into China via export over-invoicing in 2012 alone, whilst global illicit financial flows that year formed between 2 and 5% of global GDP (PWC, 2015).

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

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

We develop these arguments in Section 2. There we interrogate the binary dualism of legal/illegal that presently dominates economic geography's representations of illicit economies. Instead, we advocate thinking economies through the illicit/licit pairing that also intersects with the legal/illegal. This shifts attention from illegal goods and services to focus on '*customary illegality'* in the business economy and its support from a broader moral economy. By customary illegality we mean the social acceptability and habitual practice of illegality in doing business, across goods and services. A moral economy of the illicit is where business practices intersect with the wider body social. For example: legal goods and services may be unacceptable at the societal level for cultural reasons (e.g. taboos on the consumption of certain foods, or of debt). Equally, an emphasis on moral economy forces recognition of the widespread acceptability within some societies of economic activities deemed illegal elsewhere – Chinese counterfeiting being perhaps the exemplar case.

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

This is to work with, but also refocus, the critical logistics literature. If studies of logistics examine how supplies are co-ordinated, critical logistics asks how that enacts and transforms power relations and value capture. Whereas critical logistics has emphasised the remarkable reach of organisational control and visibility (Bonacich and Wilson 2008; Cowen 2010a, 2014; Neilson 2012; Martin 2013; Birtchnell, Savitzky and Urry 2015), we argue that logistics-in-action creates opacities that, in turn, make spaces for customary illegality in the doing of all manner of legal business involving the movement of goods and services. As services themselves, a range of practices in logistics and distribution testify to the widespread acceptance of customary illegality in the business economy, but their wider significance for the study of illicit economies – and the focus for this paper - is that the circulation they facilitate generates the conditions in which customary illegality can flourish, across multiple sectors. This is not to restrict illicit economies solely to the sphere of circulation, but it is to highlight the importance of circulation to thinking the illicit as a normal part of internationalised economies. As a consequence, we argue that illicitness in an economic sense can be thought not just as a property of certain goods and certain economic actors in certain places but also as a quality of circulation.

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

2: What do we mean by illicit economies?

2.1: Towards an economic geography of the illicit

Recently, there have been two calls that seek (1) to highlight how the illicit is amenable to explication through the tools of economic geography, and which (2) make the stronger argument that economic geography should recognise the importance of the illicit in economies (Hall 2010; Hudson 2014). The impetus for the second point is the argument that the focus upon legal goods, services and actors for conceptualisation and empirical elucidation in economic geography obscures the importance of illegality in economies. In that spirit, Hudson remarks that in economic geography there has been 'little more than a passing recognition […] that there is more to the economy than the legal mainstream' (2014, 777).

Both Hall and Hudson draw on economic geography's political economy traditions to begin to conceptualise economy's relation to the illicit, or 'illicit economies'. For Hall, illicit economies means 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, by contrast, illicit spaces are those countries associated with organised crime (e.g. Colombia, Italy), as well as a host of fragile and transitional states (e.g. Afghanistan, Angola, DRC).

Whilst valuable in bringing the illicit to prominence within economic geography, Hall's and Hudson's accounts restrict the illicit to the illegal. When attention is confined to illegal goods and services, these are typically those commonly defined as illegal in the Global North. This produces a familiar list: certain classes of drugs, arms, counterfeits, stolen goods, trafficked people, human organs, endangered species, toxic waste, and money laundering. It is this association, based on the illegality of a product, service or activity in the Global North that pushes analyses of illicit economies towards studying 'hidden' criminal actors. The illicit becomes a property of particular classes of goods (and not others) and a characteristic of certain types of economic actors (organised crime, criminal networks) and not others. To travel in this direction, then, is to reinscribe a binary dualism of, on the one hand, illegal products and economic actors and, on the other, the products and firms that characterise the legal mainstream; it is to define illicit economies as other to the normal, mainstream economy, even whilst insisting on their implication or folding together. Defining the illicit through goods and services that are illegal in the Global North means illicit economies become those countries (always elsewhere) that produce these illegal goods (or key resource inputs), that sanction their passage (often through corruption), and that clean 'dirty' money, as well as those that harbour organised crime. The illegal is defined out of the global core economies that are then used to create a template of what mainstream economies should look like. Working illicit economies through the legal/illegal binary is to state a Northern-centric argument, that they are mainly a matter of dodgy people doing dodgy things with dodgy goods in dodgy places, i.e. mostly in economies outside the OECD.

2.2: De-limiting illicit economies

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 intersects with the legal/illegal binary. Heuristically, there are not then just illegal and socially unacceptable practices versus legal and socially acceptable ones. There are legal ones that are unacceptable (at least within parts of society) and also illegal practices that are acceptable (within parts of society). The former are well studied in accounts of unethical but legal business practices (e.g. in the race to the bottom for cheapest suppliers), so it is the latter that we focus upon as understudied. Counter to Hall and Hudson, then, we argue that if we are to speak of '*illicit* economies' then we need to turn to cultural economy perspectives to address the intersections of custom or habitual practice and il/legality within the business community, and, in turn, their intersections with a wider societal moral economy. We find it useful to think of such business practices through the term customary illegality to indicate the widespread social acceptance (or licitness) of illegal behaviour within many otherwise regulated and formal sector business organisations and to differentiate illicit economies from the much studied para-legal informal sector.

The need for that differentiation is clear when we go beyond the methodological nationalism that characterises both qualitative studies of informal work and wider efforts to estimate the scale of national shadow economies (Schneider et al. 2010). Figure 1 provides an expanded version of the classic model of the circulation of capital, in which the shadow circulation of capital intersects with, or folds into, the conventional model, at numerous potential junctures – as materials, processing, labour, products or undeclared financial flows – any one of which, or more, might be involved in the production of the commodity.

Figure 1 about here

If we take a (global) commodity chain for a given product, there will be resource and material suppliers, component fabricators, manufacturers and assemblers, retail and market venues and agents managing logistics and distribution, along with financial flows to link them, tax and regulatory regimes governing them, and workers in all those elements. Any one of these is a potential moment in which social and cultural un/acceptability might intersect with the legal/illegal binary. Those intersections can occur both within places and by exploiting the differences between places.

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

An implication of Figure 1, then, is that illegality is potentially everywhere in economic activity – so a corollary is that illegality must be a socially accepted, or licit, part of the business economy and business practice. Illegality, then, is not limited to informality's emphasis on un or under-declared work outside the measures of national income. Rather, it must also encompass the myriad social habits and practices within the business economy that produce and normalise these moments of illegality, and which in those parts of the economy engaged in making products may also materialise as mis- or un-declared products - hence our use of the term customary illegality, as distinct from informality.

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

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

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

In this way, Andreas begins to sketch the connection of customary illegality in the business economy to trade and circulation. It is the social acceptability of certain activities (in this case smuggling) in business practice that emerges in his accounts as key to the development of the US business economy. Yet, although trade and the movement of goods are central to Andreas' definition of the illicit, his work infers its effects rather than exploring the logics of circulation themselves. To establish the relation of the illicit to circulation in more analytical terms, we suggest, requires an engagement with the literatures on practices of trade and circulation. Most significant here, at least with respect to the movement of goods and services, is critical logistics, and it is to this field, and its potential to illuminate the illicit economic geographies of the present, that we turn next.

3.2: Logistics and the opacity of global trade.

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

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

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

Section 3.3: Illicitness as a quality of circulation

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

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

Thinking of circulation thus highlights the processes that turn economic goods into cargo (identifying reference removed). Critical here are the descriptors (compiled by shippers, or their agents in the logistics sector) that accompany cargo on the move (the bill of lading, manifests), the electronic data file that provides its digital counterpart and which allows logistics to move cargo across maritime and terrestrial space and between multiple platforms, and the variety of technologies that secure cargo against cargo theft, such as container seals. Paper and data files are necessary for any cargo to move. They are also ontological statements, in that they declare what cargo is, what state it is in, its physical weight and the material conditions and limits of its transportation (for example, temperature thresholds and storage and stowage conditions).

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

Concerns over the effects of quantitative mis-declarations on safety at sea (causing instability in ships) have forced the transport industry to break its agnostic relationship to cargo – which is 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 12th 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, will also be flagged for potential inspection. Also, some goods, like people, have priority on entering the EU space-economy. These may be time-sensitive goods or the goods of 'approved economic operators' (AEOs). In this two-tier system, flows of goods organised by AEOs are 'facilitated', meaning they are fast-tracked, whereas those of an unknown operator will be delayed through inspection procedures. The significance of the rise of risk analytics in the surveillance of global trade for work on illicit economies is that it has reconfigured the passage of illegal goods. For illegal goods to pass into the EU without being subject to stop and search procedures they not only need to look legal (i.e. be described as legal goods by both paper and electronic data files), they also need to come through reputable channels.

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

In the next section we shift to the empirical register to illustrate these arguments. We focus on one of the primary sectors through which global trade has been theorised --food. Through three cases 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 added to give a colour of 'virgin oil'. The World Customs Organisation Illicit Trade Report 2014 noted the labelling and selling of olive oil imported from Spain as '100 per cent Italian oil' and '100 per cent Italian organic oil' when in actuality it was of much poorer quality and, in some cases, mixed with waste cooking oil from restaurants. Exposés have not changed much due to the customary illegality tolerated in the system: as at the end of 2015, police found that 7,000 tons of olive oil sold in Italy and into international markets as '100% Italian' extra virgin olive oil was actually blended oils but now from Syria, Turkey, Morocco and Tunisia. Then in Spring 2016 it was oil from Greece being passed off with false mill declarations (Olive Oil Times 3 Dec 2015, 4 March 2016). Perhaps more worrying was the 85,000 tonnes of whole olives from the previous year that were 'recycled' by being painted with copper sulphate to give them a uniform and 'fresh' green colour (Guardian 3 Feb 2016). In March 2016, the Italian government proposed decriminalising olive oil fraud, making it a misdemeanour. This was seen as an admission of the licitness of mis-declaration and adulteration in the Italian olive oil business economy, and   reshaping the formal economy to accommodate these practices, and has been bitterly resisted by consumer groups.

4.2 Honey

In the global honey trade, seven of the top 12 exporting countries to the US appear to be exporting far more honey than their domestic bees produce (Schneider 2008), whilst retailers seem uncurious that although less than 1,700 tonnes of premium Manuka honey leave New Zealand each year, the global sales are estimated at 10,000 tonnes, of which 1,800 tonnes a year arrive in the UK (The Independent 1 July 2014). The circulation of honey globally offers possibilities to lose its origin. At the other end of the market, the US has both anti-contamination and anti-dumping regulations against Chinese honey. In this market segment, a German food trading group was prosecuted in 2008 for what the press inevitably termed 'honey laundering' -- disguising $80mn of Chinese imports. Practices included shipping it to and relabeling in India, Malaysia, Indonesia, Russia, South Korea, Mongolia, Thailand, Taiwan, and the Philippines. Taiwanese brokers were told to label it as 'Korean White honey' and use black barrels, as Chinese shippers habitually used green drums (Bloomberg 20 Sep 2013). Fake laboratory test certificates from Germany were provided for customs documents, whilst other brokers filtered out any pollen out that might identify its origins. When one consignment (labelled 'Polish Light Amber') was rejected for being contaminated with the kind of antibiotics used in China, it was resold to a Texas processor for blending into processed foods. These practices do not seem to have abated, suggesting – as with olive oil – that they are widely seen as licit in the honey trade. Indeed, some industry estimates suggest as much as one third of all honey in the US may not be legal - a figure that suggests widespread, knowing collusion by importers and wholesalers. That is further supported by how, when the University of Austin attempted to trace the origin of honeys by looking at the pollen they contained, they found 75% had been 'cleaned' of all identifying pollen (Liberty Voice 28 Feb 2014). Current estimates are that this avoids duties of around $179 million in the US alone (Houston Chronicle 29 March 2015). Many cases, however, involve the adulteration of honey by other high fructose syrups and focus on industrial honey – used as an ingredient in manufactured foodstuffs rather than sold in its own right. Again this suggests the predominant purchasers of illicit forms of honey are large commercial food processing companies, located firmly in the 'legal' economy.

4.3 Horsegate

In January 2013 three of the biggest supermarkets in the UK (Tesco, Asda and Aldi) and a major ready-made meals manufacturer (Findus) were forced to withdraw from sale millions of burgers, ready-made meals and mince products. Routine laboratory testing had shown samples of these products to contain the DNA of horse – a form of meat that is illegal in the human food chain in the

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

“Horsegate” led to multi-agency criminal investigations across the EU, which in turn – as with olive oil and honey – showed the importance of circulation to understanding illicit economies. The adulterated meat entering UK supermarket supply chains was supplied from a French-owned meat processor with a factory located in Luxembourg that had in turn been supplied by another French meat processor. At all stages this meat was labelled as beef. Further back in the supply chain, the meat had been purchased from a meat trading company (run from Antwerp and registered in Cyprus). This included horsemeat supplied by Romanian abattoirs. Horsemeat had left these Romanian abattoirs clearly labelled as horse. Although this could not be proven, the strong suggestion is that the re-labelling of Romanian-derived horsemeat occurred in meat cold storage facilities in the Netherlands, from which it was shipped to the French processing plant, as beef (See Figure 2). Subsequent testing of more than 4,000 beef products across the EU found 4.7% contained positive traces of horsemeat with the largest number in France, followed by Greece and Denmark (House of Commons Environment Food and Rural Affairs Committee, 2013).

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

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

5: Conclusion

In this paper we have argued that the emergent study of illicit economies in economic geography can benefit from engagement with cultural economy perspectives. We have argued that illicit economies are more than Transnational Organised Criminal Organisations. A perspective recognising customary illegality, or the cultural acceptability in economic organisations of doing what is illegal, sees the illicit embedded within the mainstream economy. The examples drawn from the food sector show how customary illegality intersects with moral economy and circulation. They also demonstrate that circulation is critical to understanding how customary illegality is put together, as well as to how illegal goods move through the global economy. Correspondingly, illicitness in economies is not just a property of particular goods but also a transient quality, made in and through circulation. That quality is made possible through the logistical enactment of global trade. We close by considering the implications of these arguments for the further study of illicit economies. They are empirical, methodological and conceptual.

Illicit economies

Empirically, we highlighted a subset of cases of fraudulent activity in the food sector in the mainstream economy in the Global North. All hinge on substitution, adulteration and mislabelling (of materials inputs and provenance), as a means to cheaper production. The products and businesses here are (largely) legal commodities and actors. Products like olive oil, honey and meat, and firms from abattoirs to major retailers, are unquestionably all part of the legal mainstream economy. Yet, large numbers of products produced by these production networks have been shown to be mislabelled, and at certain points the implication is deliberately so. Food fraud highlights the importance of the misdeclaration of products and therefore adds to examples of copied or counterfeit products that have been shown to be rife in other sectors. More significant is that the empirical cases highlight how misdeclaration is most common in mixed or compound products, which comprise the majority of manufactured foods. Further, the fact that the majority of global trade is now in components and semi-finished goods suggests that such opacities will be proliferating well beyond the food sector. The empirical cases in the food sector also show a spectacular lack of curiosity on the part of major actors about how products could be provided at ever cheaper rates and evidence that fraud is seen by at least some economic actors as a customary activity, particularly by those at the bottom of the supply chain where margins are particularly tight. Fraudulent goods, therefore, are not something that should automatically be associated with, say, Chinese counterfeits. Rather, fraud is going on in Europe's and the US's own backyard with the collusion of not only economic actors on the lowest rung in the supply chain but also major firms. Investigating its extent is clearly a task for an economic geography of illicit economies.

That point raises questions of method. To focus on what might be termed 'fraudulent production' of legal goods by mostly legal actors in the mainstream economy, requires economic geography recognise the illicit is broader than illegal products and criminal actors. But how to research that? Attention could usefully be turned to scrutinise production staples. Examples in the food and drink sector include corn syrup, gelatine and Robusta coffee beans. Following such materials through multiple networks into multiple goods is a priority for an economic geography interested in adulteration. Another important direction would be to take a sector approach. There are, undeniably, key sectors in the economies of the Global North where intelligence reports suggest fraudulent production to be a concern, and where the security of global supply chains is either already threatened by, or vulnerable to, adulteration and substitution. One such is pharmaceuticals (the most seized counterfeit products in 2014 - World Customs Organisation 2015). To examine this means resisting the claims of logistical omniscience to ask instead where logistical practices create gaps and opacities. Although industry-insiders are reluctant to talk about the insecurity of their supply chains, insurers, shippers and distribution agents, as well as those involved in warehousing, offer possibilities. So too do the 'mirror statistics' used by economists to identify tax evasion.

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

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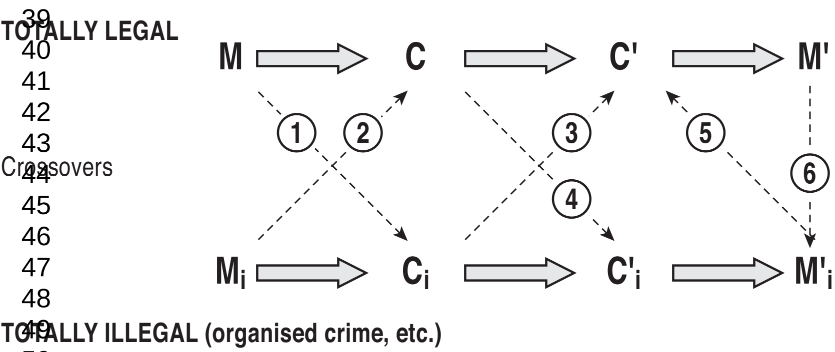


Examples of crossovers:

1 Use of illegal labour ('informality') or illegal factory

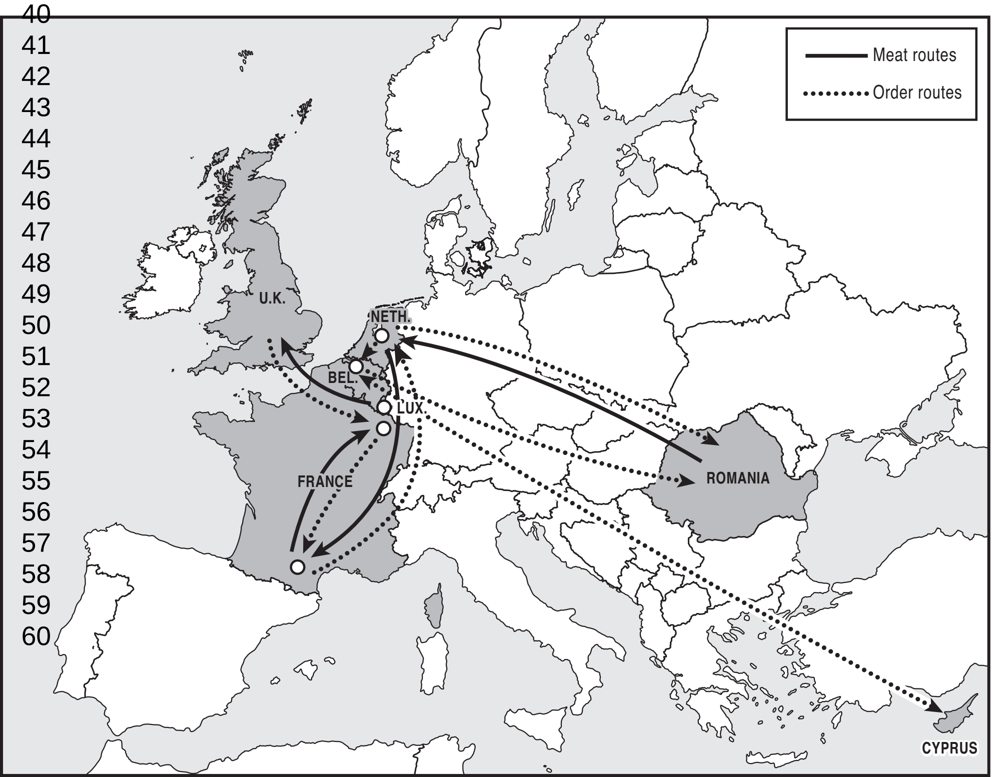
2 Dirty money buying legal assets

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


Meat routes
Order routes
U.K.
NETH.
BEL.
LUX.
FRANCE
ROMANIA
CYPRUS