

# Interconnections between Legal and Illegal Global Supply Chains: Points of Failure of Accountability Settings and the Rule of Law

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## Introduction

- It is estimated that illicit trade is responsible for an annual loss of \$2.2 trillion USD for the global economy (1).
- The growth of illegal supply chain activity, intertwined with the rise of legal supply chain activity, has led to a burgeoning problem for lawmakers and law enforcement agencies worldwide.
- Although industry-specific supply chain illegality has been studied to varying degrees, a broader, more comprehensive overview of “escape points of legality” across legal and illegal supply chains remains largely unexplored.

## Research Questions

This PhD project seeks to answer the following research questions:

- **Q1)** *Why and how do illegal supply chains manage to escape from established rule of law and accountability settings?*
- **Q2)** *What forms of interconnections can be observed between legal and illegal supply chains, and what factors influence actors to stray toward illegality?*

## Case Studies

The following case studies will be analysed and sythesised into the larger PhD project:

- *The supply chains which support the (illicit) transport of hazardous wastes into Albania.*
- *The supply chains which facilitate illegal activity in relation to lithium, with a specific focus on lithium mined in Zimbabwe.*

## Methodology

- Empirical research will be carried out by conducting **semi-structured interviews** with various bodies and individuals related to the two case studies, namely: policy experts; governmental organisations (including customs agencies); non-governmental organisations (NGOs); and individuals who are working “on the ground”.
- Then, by using a **grounded theory** approach, this project will seek to place the results of its empirical research in the broader academic literature, with the hope of filling in the aforementioned knowledge gap.

# How Can Supply Chain Illegality Occur?

Actors Involved in Supply Chain Illegality	External Conditions which Facilitate Supply Chain Illegality	Escape Points within Supply Chains (with Examples)
<ul style="list-style-type: none"><li>• <b>Organised crime groups</b> (OCGs) often form the “spine” of illegal supply chain activity. Their structural resilience and networking (2) has led to a deep <b>intermingling</b> between <b>legal</b> and <b>illegal</b> supply chain activity, as well as a weakening of the rule of law.</li><li>• <b>Peripheral actors</b> are generally <b>specialists</b> in their respective fields (accountants, engineers, lawyers, logistics employees etc.). Their work is crucial to OCGs conducting illegal supply chain activity.</li><li>• <b>Corporate actors</b> will generally use their legitimate reputation to hide and illicit supply chain activity. Such illegal activity does not usually form the majority of their dealings (in contrast to OCGs).</li></ul>	<ul style="list-style-type: none"><li>• States’ <b>lack of capacity</b> to police vast and complicated supply chain operations.</li><li>• State-level and regional government <b>corruption</b> and <b>collusion</b>.</li><li>• <b>Embeddedness</b> of criminal operations within supply chains (as crime should be understood in the context of social and economic relations).</li><li>• Lack of <b>internationally accepted definitions and regulations</b> regarding international trade (e.g., hazardous waste).</li><li>• <b>International political dynamics</b>, especially for countries in the Global South, which are often at the mercy of hegemonic nations.</li></ul>	<p>Escape points of legality can arise from various “acts” across supply chains (3):</p> <ul style="list-style-type: none"><li>• <b>Creation:</b> counterfeiting; illegal mining of raw materials; use of illegal labour; violations of health and safety violations.</li><li>• <b>Storage:</b> falsification of inventories to facilitate smuggling; warehousing of goods that are already illegal (e.g., narcotics).</li><li>• <b>Transport:</b> smuggling; transport document falsification; hijacking; bribing customs officials and private logistics firms.</li><li>• <b>Retail:</b> false advertising (e.g., the Horsemeat scandal of 2013).</li><li>• <b>Disposal:</b> illegal dumping, burning and export of waste; reuse of hazardous waste.</li></ul>

## References

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Any comments and feedback are greatly appreciated!