Golden Opportunities:

A case study of the Sudanese Rapid Support Forces' gold supply chain and its place within the global economy

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Abstract

A significant amount of economic activity around the world takes place in the illicit global economy or the shadow economy, where money and trade flows are hidden from authorities and violent non-state actors operate to make money or obtain necessities for violent combat. Through the laundering of goods and capital, licit economic activities might indirectly support or enable violent activities elsewhere. While prior research has theorised on the topic of illicit globalisation and some have analysed elements of the illicit economy, there is still a need to take a security perspective in analysing how violent actors make use of the global illicit economy and the role globalisation has played in that process. This dissertation explores the interactions between illicit and licit markets and shines a light on how a violent non-state actor capitalises on economic opportunities provided by the economic globalisation of illicit markets. It not only studies the enabling role of illicit globalisation but also paints a picture of a complete illicit supply chain. An instrumental case study has been conducted into an illicit gold supply chain which starts with gold sourcing under the control of the Sudanese Rapid Support Forces and moves into the licit global gold market via Dubai, a central gold trading hub, where the gold could be laundered to hide its illicit origin. The Rapid Support Forces were able to enjoy the profits of their trades. This study shows how the many facets of economic globalisation, including the reduced barriers to the movement of goods and capital and the creation of facilitating jurisdictions, which were originally created to stimulate global economic trade and development, have created opportunities for illicit economies.

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List of Abbreviations

DGD	Dubai Good Delivery
DMCC	Dubai Multi Commodities Centre
FATF	Financial Action Task Force
IFFs	Illicit Financial Flows
LBMA	London Bullion Market Association
RSF	Rapid Support Forces
SAF	Sudanese Armed Forces
VNSA	Violent non-state actor
UAE	United Arab Emirates

1. Introduction

In recent years, there have been increasing talks of deglobalisation and the decoupling of our global supply chains (Cesluk-Grajewski, 2022). The narrative argues that supply chain disruptions, caused by among other things the Covid-19 pandemic and the war in Ukraine, have shown the vulnerabilities in the existing system leading to a need to reconfigure supply chains (Evenett, 2022). Even though much of the debate is based on the ideas of strategic competition and economic dependence, and many have criticised the narrative that globalisation is reversing or slowing down (Cernat, 2022; Evenett, 2022), renewed critical attention towards the structure of the globalised economic system is not a necessarily negative development.

There are many aspects of the economic system that can be critically evaluated, ranging from its impact on labour conditions around the world or the environmental impacts of global trade to the ethics of short selling or the effects of central bank policies on currency values. This study, however, aims to shine a light on that side of the global economy that tries to stay hidden in the shadows, namely the illicit global economy. We might not know exactly how much money flows around in this shadow economy, but considering estimations ranging from 6 to 22 million USD or up to 30% of the global GDP (Chittooran and Helfstein, 2016), one can conclude that there is a significant amount of illicit economic activity around the world. Many kinds of actors can be involved in these activities, though most notably criminal organisations or other types of violent non-state actors (VNSAs). Since their direct access to the legal economy is restricted because of the illegal or illicit status of their organisation, they necessarily have to engage in illicit economic activities. For a paramilitary group or a terrorist organisation, their ability to reach their goals and be successful depends partly on their ability to mobilise resources (Podder, 2013). It logically follows that in order to fully capitalise on all opportunities to mobilise resources, a VNSA would likely enter the illicit global economy.

As globalisation has globalised our economies and has made us ever more interconnected, it is argued that also illicit markets have become more global and interconnected (Andreas, 2011). With globalisation associated measures to facilitate international trade, including market deregulation and the reduced barriers to transnational flows of goods and capital, have had similar effects on the illicit global economy, allowing local conflict economies and VNSAs to connect their economic activities to the global economy (Andreas, 2011; Jung, 2002). For VNSAs, globalisation might have provided them with economic opportunities at a more global scale.

The connection between global illicit markets and VNSAs is often assumed by scholars in the field of conflict studies but not as often studied in-depth. There have been a few scholars who have theorised on this topic, such as Andreas (2011), Vittori (2018), and Balaam and Dillman (2018). Many more have only focused on specific aspects of the functioning of illicit markets or illicit financial flows (IFFs), including Basu (2014) and Cobham (2014). This, while the UN recognises the importance of economic globalisation in the internationalisation of illicit activities and combatting IFFs is even part of the Sustainable Development Goals (UNODC, 2010; UN, n.d.).

This study aims to contribute to our understanding of illicit markets and the role globalisation has played in their dynamics. There is a need to critically evaluate the globalised economic system from a security perspective, focusing on the economic opportunities VNSAs have and how globalisation has affected their ability to maximise their gains and obtain funds. In order to do so, this study attempts to answer the question:

> *How has the globalised economic system provided non-state actors with the economic opportunities to realise obtained gains and fund continued violence?*

Through conducting an instrumental case study of an illicit gold supply chain that is partly controlled by a Sudanese paramilitary group, the Rapid Support Forces (RSF), this study aims to analyse the functioning of illicit supply chains and the enabling role that globalisation might have had on the performance of these chains. Drawing from a wide range of literature on illicit markets and illicit globalisation, this study strives to identify the ways in which a VNSA as the RSF has capitalised on the economic opportunities provided to them, and to examine the interplay between the licit and illicit global economy. An instrumental case study will allow for the development of a deep understanding of illicit markets by connecting the identified patterns in the single case study with a larger body of knowledge. The more we know about global illicit markets, the better governments and international organisations can focus their efforts in combating them. Previous research on illicit supply chains has mainly focused on specific elements, actors or commodities, rarely considering globalisation. This study will not only actively study the role of illicit globalisation, but also sketch a picture of a full illicit supply chain.

While this study has a clear relevance in the global fight against illicit activities and VNSAs, recent developments in Sudan have made this case study particularly current. Since April 2023, the RSF and the Sudanese Armed Forces (SAF) have been fighting in the streets of Khartoum and other parts of the country, consequently killing hundreds of civilians, forcing

many more to flee and potentially further destabilising an already unstable region (Fulton and Holmes, 2023). Even though this period is left out of the case study due to the absence of recent data, understanding the financial and economic means of the RSF does give us insights into the capabilities of the organisations, their resources and the strength of their position on the negotiating table for peace and stability in the country.

This dissertation will first give a broad overview of the existing literature on illicit globalisation, the functioning of illicit markets and supply chains, and illicit financial flows, in order to provide the reader with a good understanding of what has already been observed and what might be observed in the case study. This theoretical chapter will also function as a framework for conducting the case study. The methodology will be discussed in the following chapter, explaining how this instrumental case study was conducted. The fourth chapter will go into the analysis of the illicit gold supply chain. Afterwards, a discussion of the results will be given and lastly, a conclusion to this study will be provided.

2. Theoretical Background

2.1. Globalisation

Globalisation has become a widely used term to describe a whole variety of phenomena around the world. We can thank globalisation for everything and we can blame globalisation for everything. A precise definition of globalisation does not exist. Often it is explained by listing characteristics of the phenomenon, including increased international trade, diffusion of norms and values, liberalised movement of capital and goods, etc. (Bellinger, 2017). Globalisation is presented as a global force that influences the development and sharing of values, symbols and networks, globally interlinking economic, social and political aspects of daily life (Rifai, 2013). Generally, it is understood to be a process that leads to an increased interconnectedness within the world (Robertson and White, 2007). The world has become "smaller" as our perception of time and space has been altered as social interactions between peoples in vastly different places have been eased by the perceived disappearance of distant separation (Thompson, 2002).

Keohane and Nye (2000) refer to globalisation as "*the shrinkage of distance on a large scale" (Keohane and Nye, 2000, p. 106).* It s a form of interdependence and a set state of networks interconnecting countries and actors around the world on various continents creating relationships of reciprocity. Globalisation is commonly understood as a transformative process within which interactions at a systemic level involving multiple dimensions of the system, change the identity of the units and the customs and procedures of the system itself (Bartelson, 2000). The distinction between state units remains but the process of globalisation takes place beyond the state level. The responsibilities of states in the international arena have shifted from merely foreign policy formation to include other dimensions such as world trade and global environmental policy (Sassen, 1996). The global system and the state units have become interlinked in ways that cannot be detangled anymore. As especially economic activities became internationalised over time, the regulatory capabilities of the state became fragmented and state-based regulation became increasingly ineffective in the face of trans-border activities (Cerny, 1995). In essence, due to globalisation, the state has lost a certain degree of agency and control, while remaining a key actor within the international system.

Globalisation is a multidimensional process in which not just one side of life is affected but the changes can represent a transformation of all features of our life. The most common

division of dimensions through which to study globalisation is threefold, namely the economic, political and cultural or social dimensions. Some scholars also include a technological, military or environmental dimension in their understanding of globalisation (Ahmad, 2013; Fotopoulos, 2001; Keohane and Nye, 2000). Since this research project concerns itself with the economic opportunities of VNSA, it is needed to have a more in-depth understanding of the economic dimension of globalisation.

Economic globalisation is often equalised with globalisation itself in public discourse as people more consciously perceive the effects of it on their wallets (Ahmad, 2013). The version of globalisation we know today, with its global participation and speed of interconnectedness, started after World War II (Bellinger, 2017). Since then, modern information technologies have allowed national economies to become increasingly interlinked with each other and the global economy (Ahmad, 2013).

The process of economic globalisation is often categorised by the ease and speed of capital flows around the world, the creation of international institutions promoting free trade and enabling those capital flows, and the increasing number and influence of transnational companies (Bottery, 2003, as cited by Raifa, 2013, p. 88). Over time, the liberalisation and institutionalisation of the markets, pushed by the institutionalisation of neoliberal free market thinking, reduced the political and social controls over the market in favour of increasing profits and economic efficiency (Fotopoulos, 2001). States were encouraged to liberalise their domestic markets by opening them up for foreign direct investment, privatising state companies and letting their domestic market be ruled by the dynamics of the global market instead of government regulations. "*In the system of the internationalised market economy, the economic policies of national governments and the reproduction of the growth economy itself are conditioned by the movement of commodities and capital across frontiers"* and thus "*the role of the state is progressively reduced to that of securing a stable framework for the economically efficient functioning of the market (Fotopoulos, 2001, p. 4).* State-based regulation has become increasingly ineffective as globalised capital flows and offshore finance have allowed economic actors to circumvent unprofitable regulations in search of legal opacity and new economic opportunities (Cerny, 1995). Economic globalisation has allowed for increased mobility and flexibility in economic activity, letting national economic actors connect themselves to global supply chains and supply consumer demands across borders. The dominance of transnational markets and international financial markets have meant a reduction in state capabilities, though the increased interconnectedness of economic

markets has not necessarily meant that the process of economic globalisation is a negative process.

2.2. Peace through Economic Globalisation

According to liberal scholarship, globalisation will eventually bring peace and democracy to the whole world (Keen, 2005; Levy, 2003). The increasing interconnectedness and the following interdependence of states make it more and more costly to go to war, and thus the likelihood of war decreases.

The general idea is that peace is a logical consequence of international trade as states are always better off trading and producing goods with other states on the basis of an international division of labour in comparison to becoming autarkic (Doyle, 2005). It follows that free trade and reduced trade barriers would automatically lead to more peace. As McDonald (2004) explained: "*Free trade, and not just trade, promotes peace by removing an important foundation of domestic privilege—protective barriers to trade—that enhances the domestic power of societal groups likely to support war, reduces the capacity of free-trading interests to limit aggression in foreign policy, and creates a mechanism by which the state can build supportive coalitions for war." (McDonald, 2004, p. 549)*

The opportunity costs of going to war are raised to the point that they can no longer outweigh the potential profits of continued or increased trade and the losses generated by the loss of trade connections between warring states. Because domestic economic actors have a vested interest in the health of the global market and trade, and governments have a vested interest in facilitating economic prosperity for those actors and the general population, decision-makers are reluctant to use force against important trading partners out of fear for the possible domestic response (Schneider, 2013a). Those actors who benefit the most from international trade are also those who see their influence increase with their economic wealth and are thus most able to push governments for more trade-favourable regulations and disincentivise governments from using force (Levy, 2003). Additionally, with the international market as a spectator, specific policy choices of a state can be punished or rewarded by that same market. Depending on how integrated a state is into the global economy, the punishments and rewards encourage policies that facilitate peace (Blanton and Apodaca, 2007).

There are also scholars who argue that globalisation, in the form of increased transnational trade, reduces the likelihood of civil war, promoting peace on the national level (Barbieri and

Reuveny, 2005; Bussman and de Soysa, 2006; Martin, Thoenig and Mayer, 2008). Barbieri and Reuveny (2005) identified several ways through which the risk for intra-state wars is reduced by economic globalisation, including the reduction of income inequality, which, through the promotion of economic growth that raises the income and economic opportunities of the poorest, reduces those grievances that could lead to insurgency. Another suggested way is that, as economic globalisation reduces the role of the state, it *"reduces the state not only as a target but also as an instrument for change" (Snyder, 1999, p. 16)*. It simply stops being interesting to start an insurgency against the state. On top of that, economic growth and a wealthier tax base could potentially boost the defence budget and thus also the capabilities of the armed forces in maintaining national security (Martin and Schumann, 1998, as cited by Barbieri and Reuveny, 2005; Schneider, 2013a).

While the idea that free trade and economic globalisation automatically lead to peace sounds nice, there is much to comment on it. For example, globalisation has made armament cheaper and more accessible, reducing the cost of using violence and making conflict a more attractive option to marginalised states and groups (Schneider, 2013a). McDonald (2004) also points out that the peace-through-trade hypothesis based on opportunity costs put forward by commercial liberalism fails to properly account for the domestic political dimension. National elites or lobbyists might have vested interests in trade barriers or economic independence. Or they might have interests in continued trade despite hostilities. As Levy (2003) writes: *"If a substantial amount of trade is expected to continue during wartime, then the anticipated economic opportunity costs of war, and hence the economic incentives for avoiding war, will be much lower." (Levy, 2003, p. 134)* Additionally, the economic and developmental gains generated by economic globalisation are not necessarily fairly distributed. Inequality between states might give a wealthier and more capable state the opportunity to intervene in disadvantaged states (Schneider, Barbieri and Gleditsch, 2003) and inequality between communities or layers of society within a state could lead to the perception that certain groups are disproportionately negatively affected by globalisation while others reap all the benefits (Barbieri and Reuveny, 2005). The perception of being deprived and underprivileged can push groups to pick up arms and start conflicts.

2.3. Illicit Globalisation

Another criticism of economic globalisation and its supposed beneficial effects is that it has allowed for the creation of an illicit shadow economy; a globalised economy that functions outside of regulations and authorities. It involves cross-border clandestine transactions where illegal or illicit goods and services are being traded, regulations and laws are being evaded or circumvented, or illicit financial flows are being transferred (Andreas, 2011). In either the importing or exporting state, the economic activity is considered illegal and criminalised. It is thus a state that decides whether or not an activity is illegal and subject to criminal prosecution or not (Andreas, 2021). When a state decides to regulate certain activities or impose sanctions, it generates counter "non-compliant behaviour" to violate or circumvent the imposed rules and conceal these illicit activities (Basu, 2014, p. 210).

Explicit criminalisation of a good or activity is not always needed for economic activities to become part of the illicit global economy. According to Walker and Botero Restrepo (2022), "*'illicit markets' refer to those that are considered outside the law by the state, such as human trafficking, poaching, and wildlife smuggling, or where legal goods, such as gold or timber are produced through illegal means." (Walker and Botero Restrepo, 2022, p. 5)*, and also Balaam and Dillman (2018) describe the illicit global economy as consisting of "*economic transactions that states cannot easily regulate or tax"*, naming some common adjectives used for this economy such as "*informal", "shadow", "grey"* and "*offshore*" (Balaam and Dillman, 2018, p. 409). This can imply that a particular market or activity is outside of lawmakers' ability to regulate, simply because they have not yet imagined the existence of the economic flow or the possibility to prosecute it (Kelman, 2015), or the criminal activity is exported or offshored to a jurisdiction that does not consider the same activity a crime (Passas, 2000).

It is naturally assumed that illicit economies are connected to more violence. Since illicit economies operate outside of the law, actors involved cannot rely on state authorities to enforce contracts or punish fraudulent behaviour. Instead, actors have to rely on other forms of social control to keep the market in order and violence can be an effective form of self-help (Andreas and Wallman, 2009). Additionally, VNSAs are associated with illicit markets because they cannot easily enter the licit market due to their status as terrorists, criminals or insurgents. They have no choice but to turn to the illicit market to find sources of income or to acquire certain goods, such as arms.

Particularly in some markets, the association with violence can be strong. Terms such as ‘blood diamonds’ and ‘conflict minerals’ have already contributed to a stigmatisation of said markets and initiatives, such as the Kimberley Process, the Dodd-Frank Act and most notably the OECD Due Diligence Guidance, have been created to reduce the role of these gemstones and minerals in the financing of violent conflict, with some successes (Young, 2015). However, compliance to due diligence standards among producers and especially among smelters and refineries has not yet reached 100%, meaning that ‘dirty’ gold, tin, coltan, and other valued commodities can still enter global supply chains and thus finance violence (Young, Fernandes and Wood, 2019).

The phenomenon of illicit or shadow economies is nothing new. Activities such as smuggling, gambling or money laundering have been around for as long as criminal activities have taken place and state authorities have prohibited certain economic activities. Globalisation however has facilitated the growth and internationalisation of these markets (Kacowicz et al., 2021). Economic globalisation is presented as a double-edged sword where deregulation and privatisation enabled illicit activities (Balaam and Dillman, 2018). In a 2010 report, the UN Office on Drugs and Crime for the first time recognised the role of economic globalisation and global illicit markets in the internationalisation of criminal activity, writing that “*as unprecedented openness in trade, finance, travel and communication has created economic growth and well-being, it has also given rise to massive opportunities for criminals to make their business prosper” (UNODC, 2010, p. II)*. The reduced role of the state in regulating international markets and the increased interconnectedness of these markets have allowed armed non-state actors to increasingly act as transnational corporations (Hughes, 2001). Globalisation has made it easier to move goods, proceeds and activities across the world. This is not only the case for regular companies but also for violent non-state actors, who can try to exploit the gaps between different jurisdictions and make use of the globalised infrastructure networks created for licit activities (Kacowicz et al., 2021; Balaam and Dillman, 2018). Illicit goods often originate from one continent before being trafficked via another continent, to be sold on a third continent (UNODC, 2010). Globalisation has led to infrastructure networks around the world being developed with the idea of fast and efficient global trade in mind. The need for speed and the sheer volume of trade has made it so that it is impossible for border authorities to effectively monitor the trafficking of illicit goods (GIAOC, 2021). A telling example of this is the fact that around 90% of international trade makes use of maritime containers, but not even 2% of these containers are inspected

(UNODC, 2014). The risk of being caught or having their supply chain interfered with is relatively low for illicit actors. Globalisation has thus facilitated international trade, both licit and illicit movement of goods, and at the same time has created more vulnerabilities in the system that can be exploited by illicit actors for their economic activities.

Economic globalisation has intensified global demand and supply dynamics which has been matched in the illicit economy as the wealth generated in certain parts of the world has increased the demand for certain illicit goods (Findlay, 1999; Jesperson, 2015). At the same time, wealth disparities created by globalisation have incentivised those left out to participate in illicit markets and have created gaps that allow illicit actors to step into governing spaces by providing security and opportunities to the 'victims' of globalisation (Hughes, 2001; Mittelman and Johnston, 1999).

The ease of moving goods and services around the world in our globalised economy is matched with the largely free movement of capital to pay for those goods and services. Money can be moved between jurisdictions with relative ease and not just to facilitate legal international trade. Illicit financial flows allow violent non-state actors to receive funds, launder money, acquire necessities and capitalise on their activities (Vittori, 2018). They make illicit activities pay off. If a drug trafficker could not receive and spend the profits of his trades, then they would likely not be interested in trafficking drugs. As globalisation has opened up capital markets, it has enabled the flow of illicit money around the world (Balaam and Dillman, 2018).

In 2021, the Global Initiative Against Transnational Organised Crime identified eight enablers of illicit market growth since the turn of the century. The first one is the fourth industrial revolution, which has among other things decreased the barriers for market entry, expanded markets, provided new methods of recruitment and provided new and adaptable tools for circumventing law enforcement. For example, online marketplaces allow actors to advertise goods to a bigger audience while enjoying greater anonymity. The second enabler is climate change: resource scarcity and environmental regulations can promote the emergence of illicit markets. The third one is international infrastructure and trade. As discussed above, the increased transnational trade has aided the transport of illicit goods around the world. The reduction of governments' ability to regulate and control economic flows, including because of privacy jurisdictions and Free Trade Zones, has allowed for "*the blending of illicit goods into licit supply chains*" *(GIATOC, 2021, p. 27)*. At the same time, overregulation, bureaucracy and taxation can incentivise illicit economies. And the development of infrastructure to meet the demands of international trading networks provides opportunities

for extortion and corruption. The fourth enabler has also already been shortly mentioned above, namely the international banking system and illicit financial flows. Opacity within the global banking system, created by for example banking secrecy and shell companies, has allowed a whole range of actors to hide wealth and move capital around the world. Not only criminals but also businesses, governments and wealthy individuals reap the benefits of a global financial system that lacks transparency. Global inequality, as the fifth enabler, has created an environment in which many work in the informal economy, allowing illicit economies to grow and *"[t]hose who control such markets grow in power and influence (and cross over into legal spaces), while those at the lowest levels face greater risks and hardship" (GIATOC, 2021, p. 36).* Illicit actors can further secure their position in global supply chains due to the lack of transparency and the demand for goods. Instability and conflict are considered the sixth enabler. Areas of institutional weakness or absence of central governance provide opportunities to profit from illicit markets and for criminal and conflict actors to merge in their control over illicit markets and the pursuit of illicit proceeds. The seventh enabler is demographic mobility; here the reduction of legal pathways of migration has increased the demand for migrant smugglers and rapid urbanisation has increased the role of criminal actors and illicit economies where the legal economy and government could not keep up with the growth. The last enabler identified by the Global Initiative is corruption. It reduces the risks of illicit activities, creates points of entry for illicit actors, facilitates illicit economic transactions and ultimately undermines the authority of the government. The fight against corruption is therefore a commonly accepted priority in tackling issues related to illicit economies.

The enablers or drivers of market growth in the illicit economy identified by the Global Initiative acknowledge the fact that our increasing interconnectedness and interdependence have enabled illicit economic activity. The way the global economic system functions thanks to globalisation has allowed for certain vulnerabilities to exist, which in turn can and have been exploited by illicit actors. That being said, globalisation should not be written off as evil simply because there is an illicit side to it, and this illicit side should not be exaggerated or dramatised. The state is not only a victim of illicit globalisation but also a creator, through its ability to criminalise certain activities and thus shaping what constitutes the illicit economy, and an active participant in various cases (Zeidler, 2011; Andreas, 2011). This can include sanction evasions, illicit technology and intellectual property trade, such as Pakistan's illicit acquisition of nuclear technology, provision of banking secrecy or the use of illicit finance to

fund their own covert activities, and exploitation of illicit arms trafficking networks, where state actors are known to be closely linked to the illicit arms economy (Andreas, 2011; Passas, 1997; Palan, 2002).

On top of the role of the state within the illicit economy, some also argue that there is an overemphasis on the connection between the illicit economy and violence. While illicit markets do have more potential for violence, due to the absence of law enforcement, violence is a tool and not always needed (Andreas and Wallman, 2009). In some cases, it can even be almost fully absent from local illicit markets (Walker and Botero Restrepo, 2022). Violence can draw unwanted attention from state agencies and it can destabilise the market. According to Brownstein, Crimmins, and Spunt (2000, as cited by Schneider, 2013b, p. 137), stable markets are better for business as it allows actors to focus on their economic activities instead of protecting and enlarging their market territory. Market instability is often accompanied by more violence (Schneider, 2013b). Actors within the illicit global economy prefer it when they and their activities stay hidden, and then violence can be counterproductive. In situations of violent conflict, illicit market hubs might even move away from the conflict zones (Andreas, 2011; Walker and Botero Restrepo, 2022).

2.4. The Functioning of Illicit Markets

It now becomes important to understand how these illicit markets actually function in order to analyse the use of them by VNSAs. Like any other legal market, illicit markets are created by the forces of demand and supply (Kassab and Rosen, 2019). If there is demand for a good, no matter its origin or legality, there will be suppliers willing to circumvent law enforcement in order to supply the good and make large profits. Either a market is under-regulated due to the near-absence of the state or the market is over-regulated through prohibition or high taxation, so that money can be made by the trading of goods outside of the licit market (Koivu, 2015). For example, the prohibition of a good, such as drugs or organs, reduces the supply and in turn pushes the price up, generating incentives for suppliers and making the trade in said goods profitable (Kassab and Rosen, 2019b).

However, the illegality of the good or service is not a necessity for an illicit market to exist. The legality of a market is fluid, depending on jurisdiction, state presence, point in the supply chain or nature of the transaction, and societal or culturally determined legitimacy of economic activities (Felbab-Brown, 2018, as referenced by Brombacher et al., 2022, p. 17). A supply chain can fluctuate between being licit and illicit. Regardless of its degree of legality

or legitimacy, the market consists of suppliers and consumers interacting with one another through mainly voluntary economic transactions (Mayntz, 2017). Depending on the degree of legality, Beckert and Wehinger (2011), makes a distinction between 5 types of illicit markets:

1. Markets of goods or services which are prohibited so that production, trade and consumption are illegal. The legal status enjoys broad public support based on popular morals. Because of the illegality of the whole market, it usually operates without many links to the legal economy, beyond a need to launder proceeds (Dewey, 2019). Examples of this type of market are markets for certain drugs or child pornography.
2. Markets involving goods of which the procurement was illegal, usually relating to violations of property rights. The good itself is legal but, because the method through which it was acquired was illegal, the trading and consumption of it has become illegal or illicit. Goods are either "laundered" into the legal market or stay within a marketplace for stolen goods. Examples range from markets in stolen bikes to looted antiquities.
3. Markets of counterfeit goods in which the trade of the goods is often illegal but the act of producing them often lacks any juridical prohibition. This market is illicit because trademark laws are violated (Dewey, 2019). The trade of counterfeit goods presents the largest illicit market, with an estimated annual value between $923 billion - $1.13 trillion (Global Financial Integrity, 2017). Any product can and will be counterfeit if a profit can be made. This can include the trade in fake luxury handbags, adulterated olive oil and pharmaceuticals.
4. Markets of goods or services which are legal but the trade of which might be prohibited. Economic transactions for these goods are often seen as immoral and lead to social and moral debates. Examples of these markets are the trade in human organs, surrogacy or adoption.
5. Markets of goods that are usually fully legal to produce and trade, but involved actors violated laws or norms in the production or exchange of the goods. A whole variety of rules can be broken, making this a complex but common type of illicit market. It can consist of trading gemstones without proper paperwork, smuggling cigarettes to avoid taxation, or simply trading goods without having the licences to do so.

Legality and legitimacy are not static but can fluctuate across time and space, creating ambiguity and making rigid categorisation undesirable (Dewey, 2019). While some illicit markets can largely exist within their own spheres, the majority have close links with the

legal economy (Brombacher et al., 2022). These links can consist of the use of licit economic infrastructure, but also the laundering of illicit products.

Illicit markets are made up of networks of actors, usually spread across borders, connecting producers with consumers. These networks are mobile, resilient and adaptable. As stated by Keefe (2013), "*they can tailor their logistical footprints to the supply of raw goods and labour, the demands of the global market, the shifting regulatory atmosphere in any given region, and pressures both from competition and from law enforcement" (Keefe, 2013, p. 98).* Networks need to be able to move as new economic opportunities arise and demand for goods changes. They face similar problems as licit networks; both have to identify and coordinate the value of the goods, execute successful and trustworthy transactions, and establish stable markets (Engwicht, 2016). Except, the illicit nature of the network or the supply chain changes the relationship of the economic transactions with the state. Involved actors cannot rely on the state to enforce contracts or product standards (Engwicht, 2016). Instead, since the law is being broken or circumvented, confidence in the supply chain is needed for it to last (Kassab and Rosen, 2019a).

Additionally, illicit actors face added transaction costs of keeping the market hidden from law enforcement, which are the cost of concealment, the cost of corruption and the cost of evasion (Basu, 2014). Concealment costs are the additional costs incurred in getting a good from A to B without being detected by law enforcement or competitors. Evasion costs refer to those costs related to tax evasion, avoiding prosecution, costs of legal assistance, etc.. Lastly, corruption costs are the most crucial costs of doing illicit business and are also part of the aforementioned costs (Basu, 2014; Kasaab and Rosen, 2019a). To ensure that their business operations run smoothly, "*[illicit] actors will want to neutralise or co-opt those state functions which might impact their business through well-placed bribes" (Keefe, 2013, p. 104).* Corruption helps protect the illicit supply chain from law enforcement and functions like the motor oil keeping the illicit market's engine running.

Similarly to Beckert and Wehinger (2011), Mackenzie (2002) differentiates four types of illicit supply chains based on their legal status in the various stages a product goes through in the chain. Namely, 1) commodities that remain illicit throughout the chain, such as narcotics or certain wildlife spoils which are procured illicitly, trafficked illicitly and then sold on underground markets; 2) goods, such as certain gemstones or minerals, that have been illicitly sourced and trafficked, but turn into licit goods at their destination, where they often cannot be differentiated from goods with licit origin or at some point in the supply chain they have

obtained documentation that it concerns licitly sourced commodities; 3) goods that come from a licit source but get transported illicitly and sold illicitly at the final destination, including certain arms and ammunition or human smuggling; 4) and lastly, goods for which only the trafficking is considered illicit.

If an illicit supply chain is defined as "*a group of multiple organisations and actors engaging in one or more illegitimate activities pertaining to the sourcing, procurement, production, logistics, or distribution of illegal or prohibited goods and services" (Basu, 2013, p. 319),* then the specific type of supply chain identified by Mackenzie is only an arbitrary distinction for academic purposes. As long as the supply chain consists of actors involved in facilitating the flow of goods, services, capital, or information with illicit intent, the structure or the fluidity of the legal status does not matter in identifying the illicit supply chain.

How illicit supply chains are structured and how they function is influenced by the characteristics of the goods being traded and the licit/illicit dimension of the market (Magliocca et al., 2021), but general commonalities can be identified across different supply chains. Supply chains will move goods from producers through various intermediaries and supply chain hubs to consumers. As products move down the supply chain, they pass through various stages of the chain. There is no agreed-upon number of stages compared to licit supply chains, for which stages are divided based on actors: *"supplier, manufacturer, distributor, retailer and consumer" (Chopra and Meindl, 2019, as referenced by Anzoom, Nagi and Vogiatzis, 2021, p. 138)*. Illicit supply chains can be divided into "*production, (internal) trade, distribution, and consumption"* according to Maihold (2022, p. 67), though Anzoom, Nagi and Vogiatzis (2021), basing themselves on the licit model, identify six different stages based on actors, namely supplier, manufacturer, smuggler, distributor, retailer, and customer. Basu presents two different variations of illicit supply chain stages based on the cocaine trade (2013) and wildlife trafficking (2014). In the cocaine trade, the supply chain starts with the sourcing and procurement of raw materials, the production and refinement of the drugs, then the import and export logistics or smuggling logistics, both wholesale and retail distribution, and finally the consumer (Basu, 2013). When it concerns the supply chain of endangered wildlife, Basu (2014) separates the chain into three phases and six stages. In the first phase, "*upstream supply stage activities"* including the acquisition, procurement and sourcing, take place by poachers and source wildlife dealers, who poach the endangered animals and conduct concealment activities "*in order to mitigate transaction risk for the downstream supply chain and coordination of the transport of the illicit items via smugglers (Basu, 2014, pp. 213-214)*. The second phase covers the transport stage of the supply chain in

which the goods get transported from the source country to the demand country. Lastly, in the third phase, the stages of the trader, retailer and consumer come together. With respect to the illicit trade in antiquities, Campbell (2013) identifies four different stages with increasing profit margins and the need for specialised knowledge as antiquities move along the supply chain. The first stage concerns the looting, followed by an early stage intermediary who takes over the transportation of antiquity. In the third stage, a late-stage intermediary launders the product so it appears of legal origin and then lastly, the antiquity is sold to a collector. The division provided by Basu (2014) in three phases can be the basis of a workable understanding of all illicit supply chains. The number of stages can differ slightly based on the needs of a specific commodity, but considering all upstream supply chain stages as one phase, thus the procurement and manufacturing of the product, the trafficking and smuggling as the second midstream supply chain phase, and the distribution, retail and consumption as the downstream supply chain phase, allows for a structured model of an illicit supply chain.

Between the supply and the demand side, an illicit supply chain depends on various intermediaries and facilitators (Farah, 2013; Kassab and Rosen, 2019a). Phelps, Biggs and Webb (2016) identified 7 types of intermediaries which are involved in the illicit supply chain of wildlife trafficking, but these roles can also be observed in other illicit markets (Maihold, 2022):

1. Logistician: involved in the ordering, collecting and transportation of commodities, including the financing and planning of the trade;
2. Specialised smuggler: involved in the transporting activities that require specialised expertise to evade law enforcement or obtain access;
3. Government colluder: any government official using their official position to facilitate the trafficking and trading of illicit commodities;
4. Third-party: any external service provider, including those who are unknowingly involved in illicit trafficking, that is supporting the trade through for example air transportation;
5. Processor: involved in the transformation of the product, such as skinning or the preparation of medicine;
6. Launderer: involved in laundering the illicit commodity into legal supply chains;
7. Vendor: involved in retail and distribution to other intermediaries or consumers.

An actor can take on multiple intermediary roles at the same time within a chain (Phelps, Biggs and Webb, 2016). One organisation or actor is rarely able to control the whole supply chain, so they need to involve intermediaries, subcontractors or fixers with more expertise on

certain aspects of the chain to successfully trade in a commodity (Campbell, 2013; Farah, 2013). Actors in the supply chain might not even be aware that they are trafficking illicit commodities, for example, container transporters often lack accurate knowledge of what a container contains, or intermediaries are only aware of the small transaction they are involved in without having knowledge of the full chain and its actors (Duensing, Schleper and Busse, 2023; Maihold, 2022).

Farah (2013) calls these crucial intermediaries 'fixers', 'shadow facilitators' and 'super fixers'. These are the individuals that are the crucial links on which an illicit supply chain relies to move commodities along the chain. In conflict areas, local 'fixers' can provide producers, often controlled by armed actors, the linkages to the markets and financial systems to extract and move the commodity towards external markets, but they tend to only have limited knowledge about international networks. This is where 'super fixers' take over; actors with extensive knowledge about international trading networks and linkages to traders and elites around the world. 'Shadow facilitators' are the crucial actors involved in setting up logistical arrangements, obtaining the right paperwork, such as end-user certificates, and setting up bank accounts to facilitate the laundering of money (Farah, 2013). This last category of illicit service providers can include individuals who facilitate the connection with the licit world, such as lawyers, bankers, and financial professionals (Williams, 2001).

The illicit supply chains commonly structure themselves like networks instead of formal hierarchies (Keefe, 2013; Williams, 2001). Law enforcement and government agencies have seen that not only criminal organisations but also other actors who make use of these supply chains, including terrorist organisations and militias, have been organising themselves as "*sprawling, loose, 'leaderless' networks"* increasing the fluidity of the activities and making them less isolated and less dependent on a great leader figure (Arquilla and Ronfeldt, 2001, p. 4). These networks consist of nodes and links. Each node represents an actor involved in the chain and at the same time, these nodes also represent locations where transactions take place. Links refer to the connections made between different nodes (Keefe, 2013; Magliocca et al., 2021; Williams, 2001). Nodes can best be seen as a "*part of a series of recombinant chains with links that can merge and decouple as necessary" (Farah, 2013, p. 76).* Links can be broken or strengthened for various, usually security-related reasons. Disruptions caused by increasing pressures from law enforcement, rivalry between competitors, trust deficit between intermediaries or other destabilising developments, can lead to changes in the structure of the

network; trafficking locations might be displaced or intermediaries might be excluded from the supply chain (Anzoom, Nagi and Vogiatzis, 2021; Maihold, 2022).

Common structures of networks also depend on the commodity being traded. Magliocca et al. (2021) write about the influence of the parcelisation and concealment potential of illicit commodities, stating that commodities which can be easily divided into smaller quantities, and thus more easily concealed during transportation, might share similar structures. Easily exportable products might increase the number of nodes in a chain, while for example, the illicit sand supply chain requires fewer actors since it is transported in large volumes and cannot be distinguished from licitly sourced sand (Magliocca et al., 2021). The trafficking of various different illicit commodities also does not necessarily happen along separate supply chains. Once a smuggling network is established, it might be used to traffick multiple commodities, especially when commodities come from the same geographical sources or require similar expertise. Various researchers and law enforcement agencies have observed that networks used for drug trafficking have provided the infrastructure and expertise to expand activities into wildlife and timber trafficking (Hübschle, 2016; Van Uhm, South and Wyatt, 2021).

Illicit supply chains tend to make use of hubs, which overlap with the geographical dimension of network nodes. According to Basu (2014), hubs have a preference for locations with low transaction costs, though also existing infrastructure and supply and demand forces play a role. Several factors can play a role in the attractiveness of a location as a hub for illicit market activities, including the presence of corruption, porous borders, contested territory, facilitating jurisdictions (such as offshore tax havens and free trade zones), and governmental weaknesses (Keefe, 2013; OECD, 2022; Stewart, 2011). The preferred location does differ depending on the type of non-state actor. As Keefe (2013) writes: "*The ideal locale for a transnational criminal organisation is one which boasts many of the advantages of a strong, functioning state, such as modern infrastructure and communications, a banking system, and enough rule of law to make life generally predictable." (Keefe, 2013, p. 102)* Many illicit hubs thus coincide with hubs in the licit economy. In contrast to criminal organisations, which rely on a basic level of stability and state functioning, insurgents' and terrorist groups' political motivation tend to imply the subversion and replacement of the state and thus they tend to benefit more from state fragility and state failure. So-called 'black holes' or 'safe havens' in which there is an absence of the state can create advantages for non-state actors including benefits generated by illicit economic activities in the area, however, the

relationship between state fragility and the attractiveness of a location for illicit economic activities remains irregular (Keefe, 2013; Korteweg, 2008; Stewart, 2011).

2.5. The Financial Flows

Flows of illicit goods and services do not stand on their own. Whenever there is a good, such as narcotics or timber, being traded from one location to another, it automatically follows that there is also a flow of bartered goods or money in the opposite direction. These flows can be cash or online transactions, but when the destination is a conflict zone, these returning flows often consist of arms, ammunition and other necessities (Wittig, 2011). Without these opposite flows, presenting the proceeds of illicit economic activities, market participation would not be interesting for VNSA. The UN refers to these flows as illicit financial flows (IFFs) and has included them in the Sustainable Development Goal 16.4 to "*significantly reduce illicit financial and arms flows"* by 2030 (UN, n.d.). The UNODC and the UNCTAD define IFFs as: *"financial flows that are illicit in origin, transfer or use, that reflect an exchange of value and that cross country borders". (UNODC and UNCTAD, 2020, p. 12)*

There is no agreed-upon definition of IFFs, with there being a debate between a narrow legalistic approach and a broader normative one (Cobham, 2014; Musselli and Bürgi Bonanomi, 2020; Reuter, 2017). The legalistic approach would only cover those flows which are against the law and thus exclude most flows generated by aggressive tax planning and those generated by illicit activities not explicitly criminalised, creating ambiguity in various situations despite promising clear distinctions between what is legal and what is not (Musselli and Bürgi Bonanomi, 2020). The normative approach allows one to include activities that are commonly seen as immoral or undesirable, which is a preferred approach by those including tax avoidance in IFFs (Forstater, 2018). Similarly to illicit markets, in many cases taking it beyond the illegal to the illicit can be more beneficial as this covers a wider spectrum of illegitimate behaviour and can account for differences between jurisdictions and areas with absent rule of law.

The UNODC and the UNCTAD (2020) distinguish four different categories of IFFs: 1) tax-related and commercial IFFs, including market manipulation, shadow economies and aggressive tax avoidance; 2) IFFs generated by illegal markets; 3) IFFs generated by corruption; and 4) IFFs generated by "*exploitation-type activities and financing of crime and terrorism" (UNODC and UNCTAD, 2020, p. 14)*. These categories might not all seem relevant for this dissertation, but it is important to note that the mechanisms used by IFFs

show significant overlap and one cannot confidently distinguish between the different motivations of an IFF merely based on the used mechanisms (Cobham, 2014). This means that the methods used by criminal organisations to move money around the world can be the same mechanisms used by multinational companies to evade taxation or by terrorists to obtain financial resources.

The illicitness of the IFF, thus comes from illegitimate activities at some point in the chain of transactions. In the generation phase, financial flows become IFFs through the illicit generation of proceeds out of for example crime, illicit mining or corruption practices. Tax abuse, transfer mispricing or other regulatory abuses of transnational transactions can create IFFs in the transfers phase. And lastly, IFFs can be generated through their final use of the financial flow, which can be the financing of terrorist or insurgent activities or reinvestment in criminal ones (Aziani, 2018). Regardless of the type of underlying activity, IFFs rely on being hidden. Information asymmetries between actors involved in the transactions and law enforcement can vary between IFFs, depending on whether the origin, money, or final beneficiary needs to be hidden; the overall goal of the transaction chain, similar to illicit supply chains, is to remain underneath the radar of authorities (Seabrooke and Wigan, 2017). This way the gains of illicit economic activities can be enjoyed by involved actors.

2.6. Moving the Money

Money laundering will not take place in every phase and for every type of IFF, but research into money laundering practices does provide us with a broad understanding of how illicit money moves around the world without being detected. Money laundering is "*the conversion or transfer of property, knowing that such property is derived from any offence(s), for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in such offence(s) to evade the legal consequences of his actions."(UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1988, Art. 3.1)* The precise definition of money laundering is contested and depends on jurisdictions, but for the purpose of this dissertation, the definition provided by the UN suffices.

Money laundering is generally divided into 3 stages, with the purpose to hide the connection between the money, the origin and the owner, and to prevent confiscation by law enforcement (Thony, 2005):

1. Placement: the proceeds, usually cash, are placed into the regular financial system to disconnect them from their origin. This has to happen without attracting attention from authorities despite anti-money laundering regulations. It can happen through, among others, using cash in casinos, smurfing (breaking up larger sums of money into smaller ones to avoid reporting requirements) or transfer mispricing. (Aldaas et al., 2022; Berg and McCarthy, 2018)
2. Layering: at this stage, the money goes through a series of transactions with the purpose of obscuring the trail and making the funds seem to have been legally generated. This can be done through interbank transfers, shell companies and other often offshore laundering mechanisms. (Kassab and Rosen, 2019a; Thony, 2005)
3. Integration: the funds get integrated into the licit economy through for example the purchasing of luxury goods, investments into assets or other economic entities, loans, or credit letters. At this stage, the money appears fully 'clean' and can be used in the legal economy. (Kassab and Rosen, 2019a; Thony, 2005)

These stages are not necessarily a linear process but can be skipped or returned to at any given time. A differentiation can be made between regular money laundering and terrorist financing, in that the latter more often consists of a linear process instead of a circular, as the ultimate beneficiary tends to be someone other than the generator, and can originate from legitimate sources such as charities and private businesses (UNODC, n.d.). However, as the funds themselves are channelled through the same financial system using the same mechanisms, making a distinction between the two types of actors is arbitrary when looking at how the money is moving (Thony, 2005).

If an illicit actor were to trade their goods through a global illicit supply chain, the money that they would obtain in return could be moved transnationally through various ways, including cash smuggling, false invoices, currency exchanges, offshore bank accounts, shell companies, trusts, alternative banking systems, decentralised financial platforms, front companies, wire transfers, and other ways, moving through various jurisdictions and likely jurisdictions with financial secrecy laws (Reuter, 2017). Moving money around can be done by the individuals involved themselves or they make use of the before-mentioned facilitators or professional money launderers. These professionals can range from lawyers, setting up shell companies, to whole banks, of which many have been charged with money laundering in the past (McCarthy, 2018).

Money laundering is essential to make use of illicit proceeds and the mechanisms of it allow money to move from a licit origin to an illicit destination. Globalisation has arguably only

made it easier to transfer funds to different jurisdictions and hide them from authorities; and this, despite the fact that securitisation of illicit financial flows as criminal and terrorist threats has spurred on waves of legislation and regulation around the world to make hiding money harder (Van Duyne, Harvey and Gelemerova, 2018). According to Naím (2005), four financial reforms made in line with globalisation in the 1990s have significantly reduced the barriers for launderers. The first one is the abandonment of exchange controls, which meant that governments had little control over foreign exchanges and launderers could easily obtain foreign currency. The second one is the opening up of local markets, allowing for cross-border investments and for money to be more easily moved into a licit economy in another jurisdiction. The constant competition for capital, as a third change to the financial system, meant that launderers could always find someone willing to accept their money without asking too much about where it came from or where it is going. Lastly, the adaptation of new technologies, which quickly became the key infrastructure of banks, allowed for instantaneous transactions across the globe. The reduction of barriers and the increased mobility of capital flows have made it so that money can more easily be hidden in places with corporate anonymity, banking confidentiality or other places where 'follow the money' criminal investigations cannot follow the money. Capital mobility, stimulated by globalisation for economic development benefits, has thus not only pushed economic development around the world but has also facilitated the move of illicit financial flows around the world (Alldridge, 2008).

Based on the above-described theoretical framework, one can argue that the entry barriers to the global economic market for VNSAs have been reduced over time by globalisation. Economic globalisation has enabled and facilitated illicit networks of economic actors to circumvent law enforcement and obtain large profits. Nodes within networks can more easily connect and goods and money can more easily be transferred up and down supply chains through multiple jurisdictions. Reduced trade barriers and the infrastructures supporting illicit globalised trade are being used and abused by VNSAs. Through legal ambiguity in supply chains and money laundering mechanisms, illicit actors can connect themselves to the licit economy and exploit new economic opportunities. At various stages of a supply chain, VNSAs can become part of a global illicit network. Proceeds of these activities can once again be turned into resources to sustain violent combat or other illicit activities.

3. Methodology

In order to gain a deep understanding of how VNSAs use or abuse the global economic system, this dissertation will conduct an in-depth qualitative case study. This will allow for the identification of economic opportunities and how these have been exploited by the illicit actor in the case study. At the same time, one can map the network of economic transactions, connecting the illicit actor in one geographical location to the global market. As this dissertation concerns itself with illicit activities, quantitative methods would be unable to cover the full research aims to answer the main research question. Additionally, quantitative data about illicit markets is at all times based on broad estimates due to the inherited hidden nature of the market. This is exemplified by the range of estimates on the size of the global illicit market, ranging from 8% to 30% of the global GDP (Chittooran and Helfstein, 2016). While the lack of strong quantifiable data presents a significant gap in our understanding of the global illicit economy, establishing the size of the market or the value generated throughout the supply chain in the case study falls outside the scope of this study.

For the purpose of reaching the aims of this study, that is to identify and analyse the economic opportunities of VNSAs, examine the fluidity in legality and licitness within a market and critically evaluate the role of economic globalisation within illicit markets, a single instrumental case study will be conducted. The main purpose of an instrumental case study is to obtain a deep understanding of an issue or a problem by studying a specific case (Creswell and Poth, 2018). *"Instrumental case study does not permit generalisation in a statistical sense; however, it does attempt to identify patterns and themes"(Grandy, 2010, p. 475)*. Thus in line with the writing of Yin (2013), by placing the case within a theoretical framework, it can be used to explore and explain phenomena. Case studies usually explore, describe and/or explain a phenomenon that is being studied in the case. This exploration allows one to examine the case thoroughly, while descriptive and explanatory forms of case studies help identify patterns and test or generate theories (Patkhe, 1993, as referenced by Adewole, 2021, p. 18197). A case study is an appropriate tool in order to study the phenomenon of the illicit market, enabling a deeper understanding of the specific case while at the same time contributing to our general understanding of these markets.

In the field of illicit trade studies, most studies take on specific cases in which they analyse a particular market, product or other elements of the illicit economies (Anzoom, Nagi and

Vogiatzis, 2021). The study of illicit economic activities tends to have pragmatic, practical and inductive approaches to research. Much research is focused on the role of specific organisations within an illicit market, especially within the field of drug markets where specific criminal organisations might play dominant roles. They look at local or national demand markets or specifically at sourcing markets (Sánchez-Pérez et al., 2023). Much research in the past decades has focused on illicit drug markets, particularly the trade in South America and the US, leading to a wider knowledge base about this product market compared to other illicit markets where knowledge might be more limited or show gaps (Magliocca et al., 2021). As one can observe in the literature, our common understanding of illicit markets is generated through generalisations of observations in the field.

In general, there are two ways in which illicit activities are represented in literature, namely as a supply chain and as a network (Anzoom, Nagi and Vogiatzis, 2021). Though how these approaches are operationalised differs per researcher as there is no standardised approach being applied across various markets or products. Both approaches can draw elements from each other. For example, Bradshaw (2016) incorporated a network approach in his effort to model the illicit trafficking of nuclear and radiological material from the former Soviet Union as this helped him recognise both the local and global dimensions of the market and *"[the network model] recognizes that nodes and regions are not independent of each other, but rather, are reactive to changes in one another." (Bradshaw, 2016, p. 585*) Adopting the network approach terminology of key hubs and nodes helps with analysing the connection between geographical aspects and the flow of the illicit supply chain.

For the purpose of answering the research question of this dissertation, the supply chain approach will be the dominant one. The network approach will be used to supplement in order to better analyse and understand the locations through which the supply chain goes within the framework of illicit globalisation. Numerous scholars, including Basu (2014), Keefe (2013) and Maihold (2022) have pointed towards geographical locations as a critical element for understanding the functioning of illicit supply chains. Thus one needs to draw from literature using a network approach in order to analyse these illicit chains, though the network approach on its own cannot provide answers to the research problem due to its focus on individual actors, their detailed interactions, and centrality and density of the network (Bradshaw, 2016; Anzoom, Nagi and Vogiatzis, 2021).

Instead, a supply chain approach is preferred in this case study. One of the main tasks of supply chain analysis is modelling the process of the supply chain by tracing the flow of goods and money in chronological order. That order is from the place of procurement until the final product eventually reaches the consumer (Sürie and Wagner, 2005). While there is some variation in supply chain analyses, *"[t]he usual norm is the forward flow of products and the reverse flow of funds" (Anzoom, Nagi and Vogiatzis, 2021, p. 139)*. Thus providing a complete picture of the illicit economic activities. The various aspects of economic globalisation can be seen as enabling performance drivers, pushing the illicit supply chain to a higher performance. These aspects are the variables being studied to see if and how the actors in the case have made use of globalisation in structuring their supply chain and executing their illicit economic activities. The supply chain approach allows for a structured analysis of the stages and the accompanying economic activities that take place within a supply chain. Also the different roles of actors within the chain can be structurally analysed using this approach, as various academics have already shown such as Phelps, Biggs and Webb (2016), Maihold (2022), and Campbell (2013).

The case that will be studied here is the illicit gold supply chain where gold is sourced in Sudan under the control of the Rapid Support Forces, before being exported towards Dubai and entering the licit global gold market. This case can function as an instrumental case study because there is sufficient data available to map out large parts of the illicit supply chain. This will allow for an analysis of a whole illicit supply chain within the theoretical framework provided in the previous chapter. The economic activities being analysed in this case study took place in the period starting in 2016 when the RSF took over the Jebel Amar mines, making them one of the major actors in the Sudanese gold industry, up to 2020. More recent data on the illicit economic activities of the RSF is not available, though there are no indications that their gold trade has stopped. Recent changes in the gold sector regulations of the United Arab Emirates are thus not affecting the gold supply chain in the time frame of this study and their impact on the illicit gold market must be evaluated in future research.
This case study is fully based on open-source data. This means acknowledging that the study works with incomplete information as the majority of the illicit economic activities that might have taken place are not public knowledge. Therefore, this study draws heavily from the data generated by earlier investigations done by organisations such as SWISSAID, Global Witness, the UN, and the Center for Advanced Defence Studies. Previous research has been executed by academics, investigative journalists and organisations such as the ones

mentioned before, on specific elements, actors or hubs within the supply chain. Through the gathering of data from these various sources, one can connect previously disconnected information within the framework of the illicit supply chain. The data is then structured in the order of how the gold flows along the chain, from sourcing to final distribution. Information on the financial flows of the RSF is analysed separately from the illicit gold supply chain due to the lack of hard evidence that funds related to the gold trade passed through described elements. It is still included because to obtain a complete understanding of the illicit economic activities of VNSAs, one needs to analyse their means of accessing generated funds and capitalising on their economic opportunities.

In contrast to many of the reports published about illicit markets and this case study in particular, this study does not aim to uncover or expose illicit activities. It merely aims to analyse and interlink earlier exposed information in order to further develop our understanding of the functioning of illicit supply chains and to critically examine the potentially enabling role economic globalisation might have played in these chains.

One of the main limitations of this study comes from the data-sourcing possibilities and the hidden nature of the topic being studied. As Magliocca et al., (2021) write, *"the illicit nature of [illicit supply chain] activities translates into incomplete, fragmented, and/or unreliable data about [illicit supply chain] structure or operations" (Magliocca et al., 2021, p. 55),* which complicates the development of a unified and comparable body of illicit market knowledge. It means that our overall knowledge will always be limited to those aspects of the market that have been revealed, keeping other activities and dynamics in the dark. A good example of this is that much of our knowledge of gang dynamics and local drug markets is derived from criminal court cases, leaving out activities that have not yet been under criminal investigation (Sánchez-Pérez et al., 2023). In this case study, there is little information available about quantities being traded and the values of transactions. This case study strives to provide a complete analysis of all available information within the case but must at the same time acknowledge that information gaps continue to exist.

While specific contexts of the case study, including elements such as the jurisdictions or actors, cannot be generalised, those observations confirming or disproving the commonly accepted theories might be observed in other cases. As Yin (2013) argues, the generalisation of a case study should be analytical instead of numerical. By placing the case within existing literature and connecting it to theory, "*the generalisations from a single case study can be interpreted with greater meaning and lead to a desired cumulative knowledge." (Yin, 2013, p.*

327) This case study will analyse illicit economic activities within a context-specific environment, but the observations made about how illicit economies might function and how globalisation might have enabled illicit economic activities are grounded in literature. By using the provided theoretical framework, the results of this study might contribute to our wider understanding of illicit markets and illicit globalisation.

4. The Rapid Support Forces and Their Gold Trading

This case study will discuss the economic activities of the Sudanese Rapid Support Forces in relation to their connections with the global gold market and this chapter will try to shine a light on their financial network. The RSF is a paramilitary group from Sudan that was created by the former president of Sudan, Omar Al-Bashir, as a way to maintain control over large parts of the country without making the Sudanese Armed Forces too powerful and a threat to his position (Tubiana, 2017). For Al-Bashir, the restructuring of the security sector through the creation of paramilitaries was key to his political power (Tchie and Ali, 2021). Arab militias or the Janjaweed had already previously been armed and used by the central state to establish control over its peripheries during the civil war in Darfur in 2003 (Tchie and Ali, 2021, p. 46). Many of the RSF's fighters had been formerly part of one of these militias before becoming part of the RSF. In 2013 the RSF became a formal part of the Sudanese security structure through its integration into the intelligence service, putting it under the direct command of the president. Several years later, the organisation was restructured and officially put under the control of the Sudan Armed Forces (SAF) (Mahé, 2019; UNAMID and OHCHR, 2019).

The RSF however continued acting as an independent actor of the state with a high degree of autonomy. As written in a UN report, "d*ue to their influence and determination to exist as an autonomous security entity, the RSF have generally remained outside the command responsibility of SAF, except during military operations in Darfur and the Two Areas [Kordofan and Blue Nile]" (UNAMID and OHCHR, 2019, p. 9)*. The RSF's strength has grown over the years it has been active, having obtained fighting experience as mercenaries abroad and having significantly grown in size. In 2016, the RSF was estimated to possess 10,000 - 20,000 troops, but by 2021, this number is reported to have grown to 75,000 - 100,000 (Tubiana, 2017; Tubiana, 2022). As they are seen as more effective than the SAF (Tubiana, 2022), they are capable of acting autonomously of the SAF and have occasionally clashed with them even during Al-Bashir's reign (Human Rights Watch, 2015). Their independence can be further argued by two elements in the story of the RSF. Firstly, the RSF turned against their former patron by removing Al-Bashir from power and later successfully carrying out a coup in 2021 (Stigant, 2023). The RSF thus had the agency and the power to undertake actions outside of the state's control. And secondly, the RSF was financially independent of the Al-Bashir regime, as the following analysis will also show. The RSF even

had the financial means to support the Central Bank of Sudan in times of need (Ahmed, 2023).

While the RSF's gold trade will enjoy the most attention in this case study, the RSF itself is mainly known for its violations of human rights and international humanitarian law. In 2015, Human Rights Watch published a report laying out the details of the many systematic abuses committed by RSF troops in Darfur. These included "*killings, mass rape and torture of civilians; the forced displacement of entire communities; the destruction of the physical infrastructure necessary for sustaining life in the harsh desert environment including wells, food stores, shelter, and farming implements; and the plunder of the collective wealth of families, mainly livestock." (Human Rights Watch, 2015, p. 34)* Similar violations of human rights have more recently been recorded by the UN, including continued forced displacement of civilians, the killing of civilians and systematic sexual violence (UNAMID and OHCHR, 2019). Human Rights Watch (2015) calling the RSF "Men with no mercy" seems an appropriate description of their military activities. Their economic activities have enabled them to sustain these military practices.

This chapter will map out an illicit supply chain of Sudanese gold. It aims to analyse the position the RSF has within the Sudanese gold sector and to show how it connects to the global gold market through Dubai gold refiners and traders. It will also discuss the organisation's financial network. As the chapter provides an overview of an illicit supply chain, it must be noted that the status of legality is not absolute and can change throughout the chain. The actors mentioned might not be aware of possible connections to a paramilitary group such as the RSF when purchasing or processing gold. Once gold is refined it is also untraceable to its original source. A visual representation of the following analysis is given in Figure 1 at the end of this chapter.

4.1. The Jebel Amer Mines

When South Sudan became independent in 2011, Karthoum lost access to its oil resources and needed to look for new sources of income (Chevrillon-Guibert, Ille and Salah, 2020). Right around this time, significant gold reserves were found by artisanal miners in Northern Darfur, the Jebel Amer mines (Ismail and Kumar, 2013). What followed was a proper gold rush. In 2010, gold exports represented only 8.93% of the total exports of Sudan, but by the end of 2012, this percentage of export trades had risen to 66.21%. In the same time, oil

exports went from more than 80% to 0%, after losing access to South Sudan's oil fields (Central Bank of Sudan, 2012). Until at least 2018, the legal gold mining sector continued growing, becoming the third-largest producer of gold on the continent (Mirghani, 2020). Especially the Jebel Amer region saw changes after its population grew to 70,000 to support the local mining activities (Collins, 2019). In less than a year, the gold sourced from the Jebel Amer mines represented 17% of Sudan's total gold production and the economic opportunities of Jebel Amer even incentivised children and refugees from refugee camps in nearby Chad to come look for gold (Patey, 2023; Ismail and Kumar, 2013). Gold mining in Sudan is almost solely done by artisanal miners. It is estimated that between 800,000 - 2,000,000 individuals are employed in the artisanal mining sector, which represents 90% of the country's production (Hruschka, 2018; Hoex, 2020).

However, the influx of artisanal miners and the historical tensions in the region soon led to eruptions of violence (Taha, 2013). The local Arab Beni Hussein tribe controlled the process of obtaining mining permits in the region, but in January 2013 a conflict broke out between the tribe and Abbala Rizeigat militias (Elhashmi, 2015). Both tribes had been used in past conflicts by the government as militias, fighting for the interests of Khartoum. Here it must be noted that the central Sudanese government has historically used paramilitary groups and militias to secure control over its periphery for various reasons, including deniability of human rights abuses and lack of trust in both the loyalty and actual abilities of the Sudanese Armed Forces (Tubiana, 2017). The events led to the displacement of tens of thousands of people and Rizeigat militias, under the command of Musa Hilal, took control of the area (Ismail and Kumar, 2013). Despite being a former adviser to Sudan's dictator al-Bashir, Hilal cut off government access to the Jebel Amer mines (Elhashmi, 2015). According to the SAF themselves, they retreated from the region to avoid confrontation with the local militias (2013, as cited by Ismail and Kumar, 2013, p. 14). In a 2016 report, the UN estimated that the annual yield of the Jebel Amer mine equals $422 million USD. Through taxation and own trade, Hilal and his militia were estimated to make at least $54 million USD each year by controlling Jebel Amer (United Nations Security Council, 2016).

Al-Bashir had become distrustful of the Arab militias active in Darfur, who were perceived as increasingly disloyal to Karthoum, and thus there was a need to create a new paramilitary force (Tubiana, 2017). In 2013, the Rapid Support Forces were established under the command of Mohammed Hamdan Daglo, better known as Hemedti (De Waal, 2019). The RSF was under the direct control of Al-Bashir, who worried that strengthening the SAF instead would eventually lead to a military coup against him. Tensions between Hilal, the

central government and also Hemedti continued to grow over the years with occasional violent clashes. When Al-Bashir wanted to establish stronger control over the Darfur region through a disarmament campaign, Hilal and his troops refused to cooperate (BBC, 2017). RSF troops were deployed, completely defeating Hilal's forces, arresting Hilal himself and taking over control of the gold mines, including Jebel Amer (Sudan Tribune, 2017; Micallef et al., 2019). As the trusted militia of Al-Bashir, the Hemedti and the RSF could now start exploiting the mines for their own benefit.

From one day to the next, RSF and Hemedti became the controllers of a significant portion of the Sudanese gold mining sector. According to Adel Abdel Ghafar, "*as he rose to prominence, Hemedti's own business interests grew with help from Bashir, and his family expanded holdings in gold mining, livestock and infrastructure." (as cited by Al Jazeera, 2023)* Hemedti quickly became one of the richest men in Sudan (Michaelson, 2020). Though the Jebel Amir mines are the most profitable, the RSF also controls mines in other regions of the country such as mines in Kalogi and Talodi in South Kordofan (Rift Valley Institute, 2019). All these mines for the source and starting point of the illicit gold supply chain in which the RSF is an actor. Additionally, Hemedti's business activities, especially within the gold sector have allowed the RSF to become financially independent of the SAF, allowing it to develop its own power position and largely act on its own (Dalaa, 2023).

4.2. Sudanese Gold

Despite gold being a great potential source of wealth for Sudan, much of it leaves the country illegally. It is estimated that between 50% - 80% of the total gold production is smuggled out of the country each year (Hoex, 2020). The discrepancy between production and exportation in 2015 was expected to be around 75% (Patey, 2023). Based on the reported export value and the reported importing value of trading partners, Global Financial Integrity (2020) concluded that the value gap equals $4.1 billion USD or 47.7% of the reported exports in the period 2012-2018. Much of Sudan's gold thus leaves its territory without the government benefiting from it. The revenue loss due to gold smuggling of $575.2 million USD could have funded education or health care efforts the people of the country need (Global Financial Integrity, 2020).

Many scholars have pointed towards the monopolisation of Sudanese gold exports by the Central Bank as the reason for the prevalence of gold smuggling (Chevrillon-Guibert, 2016; Chevrillon-Guibert, Ille and Salah, 2020; Elbadawi and Suliman, 2018). Between 2012 -

2018, only the Central Bank of Sudan was authorised to export gold from artisanal mines. Artisanal miners can sell their gold for fixed prices to the bank in Khartoum or the bank's regional offices. Because there was no market competition, the price lay far below the international price of gold (Chevrillon-Guibert, 2016). Incentives to trade gold on the black market remained due to various factors facilitating smuggling, including porous borders, weak government oversight and corruption, and the significantly higher prices on the black market (Grynberg, Singogo and Nyambe, 2019; Mirghani and Abdelaziz, 2020). Gold, that was bought by the government, was refined in the state-owned refinery in Khartoum or directly sold to foreign actors. Almost all of the legally exported gold went to the United Arab Emirates, with the UAE representing the destination for over 99% of all licit Sudanese gold in 2018 (Michaelson, 2020). This often happened at prices 10% - 25% below the international market prices because the regime was in desperate need for foreign currency and few private companies wanted to trade with a sanctioned regime (Ummel, 2020, p. 29). The US had instituted a sanction regime active between 1997-2017, which prohibited financial and commercial transactions with entities or individuals connected to the Sudanese government (Exec. Order No. 13067, 1997).

Gold might leave the country through old trade routes, also used for migrant smuggling, towards Libya or Egypt, but much of the gold leaves the country via air transport (Grynberg, Singogo and Nyambe, 2019; Collins, 2019). According to Omar Ismail, advisor for the Enough Project NGO, over 400 airstrips around Sudan are used for the illicit trafficking of gold. "*They put the gold in a Land Cruiser and smuggle the gold outside the city of Khartoum. Then one of the smaller companies who have licences to fly out of Sudan will set up a local flight. They will put the gold in the belly of the plane. The gold will then come back through Khartoum airport and onwards to its final destination." (Ismail, 2019, as cited by Collins, 2019).* That final destination is usually the UAE.

4.3. RSF Gold Mining Exploitation and Al Gunade

Also in the case of the RSF, much gold gets transported to the UAE. As mentioned before, the RSF is in control of several gold mining areas in Sudan where it can generate revenue to fund its activities. Commonly, this is done through the illegal taxation or extortion of miners and intermediaries (INTERPOL, 2021). In 2016, a UN Panel of Experts estimated that Hilal and his forces, the militia in control of Jebel Amer before the RSF, made $28 million USD from levies supporting businesses, $17 million USD from levies on local miners and another

$9 million USD from levies on exports of gold (United Nations Security Council, 2016). While there are no estimates available for the revenues made by extortion of people in the mining area by the RSF, it can be assumed that this provides a substantial source of income.

Part of the mining activities are organised through one of the companies connected to the RSF and Hemedti personally. Al Gunade is a holding company incorporated in 2009 in Sudan and active in various industries, including the construction of roads, transportation, waste treatment and gold mining (Baldo, 2021). According to a report by C4ADS, "*the RSF has built an enclave economy"*, which, protected from the political volatility of the state and through hidden company structures, has allowed the group "*to operate freely in the global financial system"* (Cartier, Kahan and Zukin, 2022, p. 22). Al Gunade is one of the companies named in connection to RSF's economic network.

The beneficial owners of Al Gunade, according to corporate documents (as referenced by Global Witness, 2019), are members of Hemedti's family, namely Abdul Rahim Hamdan Daglo and his two sons. Abdul Daglo is the second in command of the RSF and one of Hemedti's younger brothers. He is also suspected to carry some responsibility for the 3rd of June Massacre during the 2019 anti-government protests in Khartoum and during the International Criminal Court trial against Bashir, it was testified that Abdul Daglo received around €5 million EUR from Bashir personally as the RSF's second in command in the presence of his brother Hemedti (BBC, 2019; Abdelaziz, 2019). Both the representatives of Hemedti and Al Gunade have denied the existence of any connections between the two (Abdelaziz, Georgy and El Dahan, 2019; Global Witness, 2019). The general manager of Al Gunade, Abdel Rahman Al-Bakri told Reuters that: "*Al Gunade is as far as can be from the RSF"* (as cited by Abdelaziz, Georgy and El Dahan, 2019). The company did not deny the possibility of commercial ties with the RSF, but any transaction would have been related to commercial activities, and thus not the sponsoring of the activities of the RSF (Global Witness, 2019). A payment overview of RSF, seen by Global Witness (2019), shows payments being made by the group referencing Al Gunade, including one to pay off debts that Al Gunade was struggling with at that time.

Additionally, Al Gunade's activities in the gold mining sector give more indications that the company is an important node in RSF's economic network. In 2019, a protest took place in Talodi, South Kordofan, against the use of mercury in mining practices by several mining companies. Al Gunade continued their activities despite the governor's orders to stop any mining activities (Dabanga, 2019a). Several Individuals got injured during initial clashes between the protestors and Al Gunade and RSF personnel (Dabanga, 2019b). A few days

later RSF troops came to some mining towns on 27 trucks, detaining 6 local residents and intimidating the population (Dabanga, 2019c). This incident has shown how the RSF actively protected their economic interests, in the form of Al Gunade by resorting to violence.

Another relevant connection between Al Gunade and the RSF is the fact that Al Gunade is the only registered company with a large gold mining concession in Darfur (Global Witness, 2019). The concession is located near Jebel Amer, which is, as mentioned before, fully under RSF control (Micallef et al., 2019). The transitional military council did make moves to implement changes in the gold industry, but Al Gunade has remained largely untouched by any changes. It is suggested that Hemedti's leading position in the council had protected Al Gunade's business activities (Michaelson, 2020). The intertwinedness of Al Gunade and the RSF has become widely acknowledged by Sudanese society (Michaelson, 2020; Dabanga, 2019a). One can assume with great certainty that Al Gunade plays a role in the RSF's financial activities, providing a legitimately appearing front for the gold mining activities which provide them crucial financial means.

The RSF has never denied being involved in gold mining. Back in 2019, Hemedti himself said: "*I'm not the first man to have gold mines. It's true, we have gold mines, and there's nothing preventing us from working in gold." (as cited by Abdelaziz, Georgy and El Dahan, 2019).* Gold is arguably one of the main sources of income for the RSF (Ahmed, 2019a). However, mining itself through companies like Al Gunade is not enough to secure a steady revenue stream. The gold needs to be traded on the international gold market for Hemedti and his men to make an actual profit from it.

As mentioned before, the government of Sudan had tight control over the gold exports of the country with most of the gold first being sold to the central bank before it gets exported by the bank to the UAE. The RSF would either need to smuggle the gold out of Sudan themselves or work with the central bank in order to access the global market. Government complicity, with either individual officials or state institutions as illicit trade facilitators, is a necessary element of these operations. A striking example of this was uncovered by Reuters in 2019 (Abdelaziz, Georgy and El Dahan, 2019). At the end of 2018, Al Gunade conducted several transactions with a UAE-based company called Rozella. The transactions amounted to around $30 million USD worth of gold being exported to the UAE outside of central bank controls. The general manager of Al Gunade explained that the trades, and thus also the central bank oversight evasion, took place at the request of President Al-Bashir, and some of the proceeds were used to buy essential goods, such as fuel and wheat, for the government.

Insiders talking to Reuters (Abdelaziz, Georgy and El Dahan, 2019), contradicted these statements, explaining that no government records show Al Gunade transferring money to the state, instead the proceeds were likely used to procure arms for the president and the RSF itself. Several sources explained that Hemedti and Al Gunade received preferential treatment from the government and the central bank, allowing it to circumvent restrictions on gold exports and sell gold at a preferential rate to the central bank. "*The former president [Al-Bashir] let Al Gunade sell gold as it liked (...) because Hemedti's RSF militia was a useful counterweight to generals in the regular military whom Bashir perceived as a threat to his rule"* (Abdelaziz, Georgy and El Dahan, 2019).

Through their violent actions, RSF secured access to a source of income, namely gold, and ensured the facilitation of its economic activities by the state. Whether as middlemen, taking or taxing the gold of artisanal miners, or as legitimate traders and miners of gold themselves, RSF has taken up a significant position within both the licit and illicit gold market of Sudan. Its connections with the government enabled them to get possibly illicitly sourced gold on the licit market. RSF's ability to get the gold out of Sudan and to the UAE, a main gold hub for especially African gold, has meant that the militia could tap into the financial resources that the global gold market provides.

4.4. United Arab Emirates and Their Gold Market

To further illustrate how their illicitly sourced gold gives them access to global financial resources, it is necessary to analyse what happens with illicit gold once it gets imported into the UAE. The UAE and in particular Dubai is known for being a global financial centre, an internationally well-connected trading hub and a destination for investments (Vittori, 2020). Not only does it have a liberal economic environment, but it is also a politically stable state which can attract capital in an unstable region (ElYacoubi, 2020). It attracts foreign investors through its many free trade zones, where the state aims to create a favourable business climate through a separate regulatory regime. These free trade zone regimes allow for complete foreign ownership of companies, the absence of certain taxes, including corporate and custom taxes, and high levels of corporate anonymity can be provided through offshore financial institutions (Teichmann, Falker and Sergi, 2020; Kumar, 2020). In 2018, 41% of all Dubai's trade went through its Free Trade Zones, accounting for 31.9% of the GDP (Townsend, 2018). Dubai's facilitation of doing licit business has also made it an attractive location for illicit economic activities. In the 2022 Financial Secrecy Index, UAE was ranked

8th in the world and since June 2022, the UAE is under increased monitoring by the Financial Action Task Force (FATF) for its weak Anti-Money Laundering/Combating the Financing of Terrorism regulatory framework (Tax Justice Network, 2022; FATF, 2022). According to Afzali (as cited by Shedrofsky, 2018), Dubai would not have become the economic hub that it is today if it had not allowed illicit capital to flow through. In comparison to other jurisdictions, authorities ask fewer questions about ones economic and financial activities and the questions they do ask are more performative (Vittori, 2020). Additionally, *"institutional weaknesses, especially a lack of standardisation among various free trade zones, facilitate regulatory arbitrage for those seeking to exploit anti-money laundering loopholes." (Vittori, 2020, p. 3)* Law enforcement authorities seem to have little focus on investigating and prosecuting crimes related to foreign illicit activities within their territory, preferring to focus capabilities on domestic public order. Since Dubai's economy is based on commodity trades and financial services, there is little incentive to take active measures to reduce money laundering or increase sectoral integrity (Greenway, 2020). Dubai has thus become a facilitating hub for illicit economic activities where illicit capital and goods can relatively easily be laundered or traded without much concern for law enforcement and facilitated by a lax regulatory framework.

The global gold sector has particularly made use of Dubai's business environment. In 2021, the UAE was the second-largest exporter of gold in the world and the fourth-largest importer (OEC, 2021b). It is estimated that 20-40% of all gold passes through Dubai each year (Euronews, 2021). The intensive gold trade, combined with factors such as a cash-intensive society, lax regulations and lack of political incentives to counter possible abuses, have created a heightened risk for the sector to be misused for money laundering or terrorist financing purposes (FATF, 2020).

Dubai is the only major gold hub that sources its gold from a wide variety of countries, including those known for operating mainly artisanal mines with poor government oversight and potential connections to human rights abuses and conflicts (Blore and Hunter, 2020). Gold sourced in conflict-affected or high-risk countries can rarely, if ever, meet due diligence requirements set forth by the OECD or the London Bullion Market Association (LBMA). The LBMA is the main authority in the gold sector. Its Responsible Sourcing Guidance sets the standard for due diligence procedures for gold and silver refiners around the world. It creates a minimum standard of supply chain due diligence for the production of certified Good Delivery Gold bars, so that responsible sourcing of gold can be guaranteed (LBMA, 2021).

LBMA standards, as a private-sector version for the gold industry, can be compared to the Kimberley Process, with both initiatives aiming to eliminate the trade in 'dirty' minerals. Reputable gold refiners tend to avoid sourcing gold from conflict-affected and high-risk areas, despite it not even being discouraged by the LBMA (2021), because it is not worth the complex effort of establishing a clean supply chain (Blore and Hunter, 2020).

Sudan is widely considered a high-risk country to source gold from, due to the known connections between the gold sector and armed actors in the country. In spite of this, Sudanese gold is widely available in Dubai. In 2021, the UAE was the destination of 99% of all licitly exported Sudanese gold, with a value of 2.85 billion USD (OEC, 2021a). Almost double the amount of gold is officially imported by the UAE from Sudan (Global Financial Integrity, 2020). The value gap consists of illegally smuggled gold which is reported to customs when entering the UAE.

Transporting gold into the UAE is relatively easy as a *"consequence of the loopholes in the United Arab Emirates control system and legislation for hand-carry gold" (United Nations Security Council, 2017, p. 27)*. Gold either comes in through cargo transports or in the hand luggage of an intermediary (Ummel, 2020). Smuggled gold mainly comes in through the last method. Individual couriers commonly carry between 2 to 20 kilos in their hand luggage (Blore and Hunter, 2020). On arrival to Dubai, the gold is often declared to customs, since there is no incentive to hide the gold when there is no import duty (United Nations Security Council, 2016). All one needs to import gold in one's hand luggage is a passport, an address, information about the exporter and the name of the consignee, or according to individuals in the industry, a passport, a certificate of origin and an original invoice (Ummel, 2020). Back in 2015, a UN Panel of Experts observed that in practice customs officials did not ask passengers with hand-carried gold for any legal documentation to guarantee the legality of the gold transport and only checked if the country of origin matched the country on the boarding pass (United Nations Security Council, 2016). By paying a fine it is possible to enter the country without showing a certificate of origin. Additionally, false certificates are widely available, so passing through Dubai customs with illicit gold is rarely a problem (Ummel, 2020). As the FATF also notes: *"the value of seizures is likely lower than would be expected in the UAE, which is one of the major transit points for gold internationally. While open sources report that gold is being smuggled from West Africa to the UAE, there were no seizures or confiscations in this regard" (FATF, 2020, p. 82)*. Dubai customs are thus significantly lacking in their efforts to counter the smuggling of illicit gold, enabling the trade and laundering of the gold itself.

Lezhnev and Swamy (2020) identify two ways in which gold from high-risk geographies is brought to the UAE. The first method is to export gold doré, often via lower-risk neighbouring countries, and bringing it to the Dubai Gold Souk for selling. Depending on the quantity of the gold, it might be directly sold to a refinery; more than a few kilos normally goes to the refiners (United Nations Security Council, 2016). The second method is unique to Sudan, which, because it has its own refinery, is able to export refined gold bars to UAE refiners. The RSF will likely have used both methods. They could sell their gold to the Sudanese Central Bank at a preferential rate, which would refine it and directly sell it to refiners in Dubai, thus allowing a legitimate flow of money from the central bank into the reserves of the RSF; Or they could circumvent central bank involvement by either smuggling the gold out of the country in individual's hand luggage or by using their legitimate business fronts. In this case, it too would likely end up on the Dubai Gold Souk.

Most gold with unclear legal origins eventually finds its way to the Dubai Gold Souk (Resimić, 2021). UAE gold souks, and in particular the Dubai Gold Souk, are marketplaces where gold is traded. Many smaller retailers have offices here, together with the larger refiners, to buy gold and sell it to others or make jewellery out of it. Artisanal gold that is brought in via hand luggage is sold to traders at the Souk, who register it as scrap gold. This is to not draw attention to where the gold has been sourced originally (United Nations Security Council, 2016).

To launder the gold, it needs to become certified or accepted and used by respectable refiners. Once gold is refined, it cannot be traced back to its source and thus can more easily be traded on the international gold market. As mentioned before, internationally LBMA-certified gold is seen as safe or clean gold. The Dubai Multi Commodities Centre (DMCC), one of the main free trading zones in Dubai, has its own due diligence certification procedure, namely the Dubai Good Delivery (DGD). While the DMCC DGD is based on the OECD Due Diligence guidance and requires external audits, the accreditation was not required, with only 2 Dubai-based refiners actually being DGD certified in 2021 (Martin and Taylor, 2014; DMCC, 2021). Since 1 January 2023, refiners are required to submit a third-party review of their due diligence procedures, but it is still unclear what the impact of this measure will be on the illicit gold trade flowing through Dubai (UAE Ministry of Economy, n.d.).

The DMCC DGD certification has been criticised for being insufficient in its scrutiny of refineries, exemplified by the case of Dijlah Group DGD certification in 2018 despite instances of non-compliance being reported the year before (Ummel, 2020). Many refiners chose not to become DGD members or stopped being members for unknown reasons

(Ummel, 2020). DGD-certified refiners face various difficulties executing their due diligence, caused by the circulation of fraudulent certificates of origin, newly mined gold being mixed with scrap gold and sold as such on the Souk, and trade between Dubai refineries further blurring the traces of gold's origin (Ummel, 2020; Blore and Hunter, 2020; Martin and Taylor, 2014). Most non-certified refiners do say not to work with newly mined artisanal gold and to only use scrap gold or gold acquired within Dubai. However, this highly likely means that they source their gold from the Souk, where one cannot be certain about the origin of it, thus allowing global gold supply chains to be tainted by the illicit gold being processed in their refineries (Blore and Hunter, 2020).

The DMCC is tasked with both promoting Dubai as a gold trade hub and regulating the trading that takes place there, creating a conflict of interests and a lack of functioning oversight (Blore and Hunter, 2020). Gold trading companies within the DMCC free zone only have to acknowledge having received DMCC rules on due diligence and committing to implement a responsible sourcing policy, however, the actual execution of this is never checked or enforced by the DMCC (Ummel, 2020). The High Court in London (2020) confirmed the conflict of interest in a court case between the consulting company EY and a former employee, Amjad Rihan. He had leaked an EY auditing report of Kaloti Group, a then LBMA associate member and DGD-certified gold refiner, which revealed that almost half of its transactions were executed in cash, many transactions took place without any due diligence, and newly mined gold was classified as recycled gold. It indicated that Kaloti's gold transactions had an unacceptably high risk of money laundering and the financing of conflicts in Sudan and the DRC. Additionally, gold bars exported from Morocco to Kaloti in Dubai were disguised as silver to circumvent Moroccan export limits (Verity and Robinson, 2019). The damning report was adjusted by EY with the complicity of the DMCC, so Kaloti was considered compliant, despite there being serious indications of high-risk gold processing within the refinery (Rihan v. Ernst & Young Global Ltd and others, [2020]). Kaloti colluded with its regulator, the DMCC, and its auditor, EY, to continue trading certified gold. The case made clear that the DMCC has for long had an interest in maintaining Dubai's gold trading status, even if that means facilitating the illicit trade of gold; or as the High Court put it: "*The DMCC was trying to manipulate the process and to manipulate EY Dubai for the purpose of promoting Dubai's gold refining industry and cloaking its darker sides." (Rihan v. Ernst & Young Global Ltd and others, [2020], p. 109)*

Considering that Kaloti was one of the largest gold refining companies in Dubai, holding about 50% of the market in 2019, and it actively sourced gold in Sudan, it is highly likely that

illicit gold from the RSF ended up being refined by Kaloti. They thus benefited from the refiner's collusion with the oversight actors and the lacking implementation of due diligence procedures.

4.5. The Gold Refineries

Investigations executed by SWISSAID in 2020 into the operations of Kaloti exposed the company's questionable due diligence practices, in particular in relation to Sudan. Kaloti obtains its gold through purchases on the gold souk or by direct deliveries to one of its refineries (Grant Thorton, 2014, as referenced by Ummel, 2020, p. 25). The company even has a purchasing office located within the Dubai Gold Souk (Rihan v. Ernst & Young Global Ltd and others, [2020]). Through its purchasing practises, the company exposes itself to a high risk of acquiring conflict gold. In order to be competitive and maintain its dominant market position, Kaloti has allowed gold purchases from countries despite those countries being on internal lists where Kaloti does not source their gold (Ummel, 2020).

In Sudan, Kaloti was willing to build stable business relationships with various actors in the gold sector, even though the regime had been sanctioned by the US and it was known that much gold was mined under circumstances that cannot comply with OECD guidelines on responsible sourcing (Global Witness, 2020). According to internal audit reports from 2013 and 2014 (as cited by Ummel, 2020, p. 28), "*Sudan Gold Refinery is one of the major suppliers of Kaloti"*, referring to the Khartoum refinery managed and owned for 70% by the Central Bank of Sudan. Also the Sudanese government confirmed in 2015 that Kaloti was the main business partner of the Central Bank (as cited by Ummel, 2020, p. 28). When justifying why the Central Bank sold below the international market price, missing out on an estimated 1 billion USD in 6 years, the Ministry of Finance blamed the sanctions regime the country was under and Kaloti's monopolistic position in the Sudanese gold export trade (as cited by Ummel, 2020, p. 29). In illicit markets, these losses are simply part of doing business. Various sources confirmed to Global Witness (2020) that Kaloti was still sourcing gold from the Sudanese Central Bank in 2018 and 2019. Kaloti denied having sourced conflict gold through the Central Bank, but a UN Panel of Experts concluded that the Central Bank most certainly sourced gold from conflict-affected areas in Sudan (Global Witness, 2020; United Nations Security Council, 2016). Claims of Kaloti that it had only sourced Sudanese gold with the proper certification, have not been supplemented with the corresponding documentation when SWISSAID requested clarification from Kaloti for its Sudanese

dealings (Ummel, 2020). Considering the position of the RSF within the Sudanese gold sector and their dealings with the Central Bank, it is highly likely that RSF-mined gold passed through the bank to Kaloti in Dubai, allowing RSF to take a piece of the wealthy gold cake. Had Kaloti adequately implemented Due Diligence procedures and the OECD Guidance on responsible sourcing they proclaim to follow, Kaloti should have halted its trading operations with Sudan (Ummel, 2020). Instead, it facilitated the laundering of illicit gold by refining it and selling it on the international gold market.

This is exemplified by Kaloti's trade with Valcambi refineries in Switzerland. Valcambi is an LBMA certified gold trader and refiner. Its customers trust the LBMA status of Valcambi's gold bars to guarantee that no illicit gold ends up in their supply chains (Global Witness, 2020). Valcambi, however, did source gold from Kaloti, an unreliable partner when it concerns supply chain due diligence (Ummel, 2020). In 2018 and 2019, Kaloti Jewellery International Group and Trust One Financial Service, a company set up by Kaloti's owners in the UK to gain proximity and credibility to the London gold market, were the two main sources of gold imports for Valcambi (Ummel, 2020). The Swiss gold company relies on Kaloti's reassurance that "clean" gold does not get mixed with gold from unclear origins, but this reassurance seems unreliable considering Kaloti's past practices and the fact that it is not subject to external audits (Ummel, 2020). Valcambi itself has blacklisted Sudan as a source of gold (Global Witness, 2020). In correspondence with SWISSAID, the CEO of Valcambi, Micheal Mesaric, declared that "*in 85-90% of cases, we know where gold has been sourced" (as cited by Ummel, 2020, p. 44)*. Based on this statement one can conclude that also illicitly sourced gold gets traded by Valcambi with LBMA certification. Some major technology companies have acquired gold from Valcambi, including Samsung and Philips. ASUS, Nokia and Panasonic also directly buy gold from Kaloti (Ummel, 2020). Only 28 out of 270 companies that reported to the US Securities and Exchange Commission in 2018 see Kaloti as a supply chain due diligence risk (Global Witness, 2020), though it cannot be said that all these companies use Kaloti gold in their supply chain. Kaloti thus maintains business relationships with reputable partners around the world, leading to questionable gold ending up in the global market, despite there being significant indications that responsible sourcing guidelines are not being followed by the Dubai refiner.

Once refined in Dubai and traded with certified or reputable partners around the world, the gold that was originally owned and traded by the RSF cannot be distinguished anymore from licit gold. Facilitated by various actors, including the Central Bank of Sudan, the Dubai Gold Souk and UAE regulators and refiners, the RSF can connect to the resources and financial

flows of the global gold market. The money that a UAE refiner, like Kaloti, receives for its refined gold, gets reinvested in the acquisition of new gold from for example the Souk or the Sudanese Central Bank, where the money might end up eventually in the reserves of the RSF.

4.6. RSF's Financial Network

How much money the RSF has made over the years through its gold trade and its other business activities remains unclear. It was sufficient to promise over 1 billion USD to the Central Bank of Sudan in order to stabilise it after the economic crisis and the end of President Al-Bashir's reign (Ahmed, 2023). As to the origin of the money, Hemedti himself declared: "*People ask where do we [the RSF] bring this money from. We have the salaries of our troops fighting outside [abroad] and gold investments, money from gold, and other investments." (Hemedti, 2019, as cited by Ahmed, 2023)* Other known sources of income for the RSF include hiring out troops as mercenaries, trading weapons with militias in the Central African Republic and migrant smuggling (Ahmed, 2019a; Ahmed, 2019b; Tubiana, Warin and Saeneen, 2018). RSF troops have fought in Yemen on the side of the Saudi-led coalition and have been sent to Libya in order to support the Libyan National Army of General Haftar. According to documents published in the US, Hemedti received 6 million USD as part of a deal with the Canadian lobbying firm Dickens & Madson (Ahmed, 2019b). The RSF was said to have sent around 15,000 troops to fight in Yemen, though Hemedti himself claimed this number to be double so high (Collins, 2019; Ahmed, 2019a). It is speculated that he receives around 2,000-3,000 USD per person as monthly compensation (Collins, 2019).

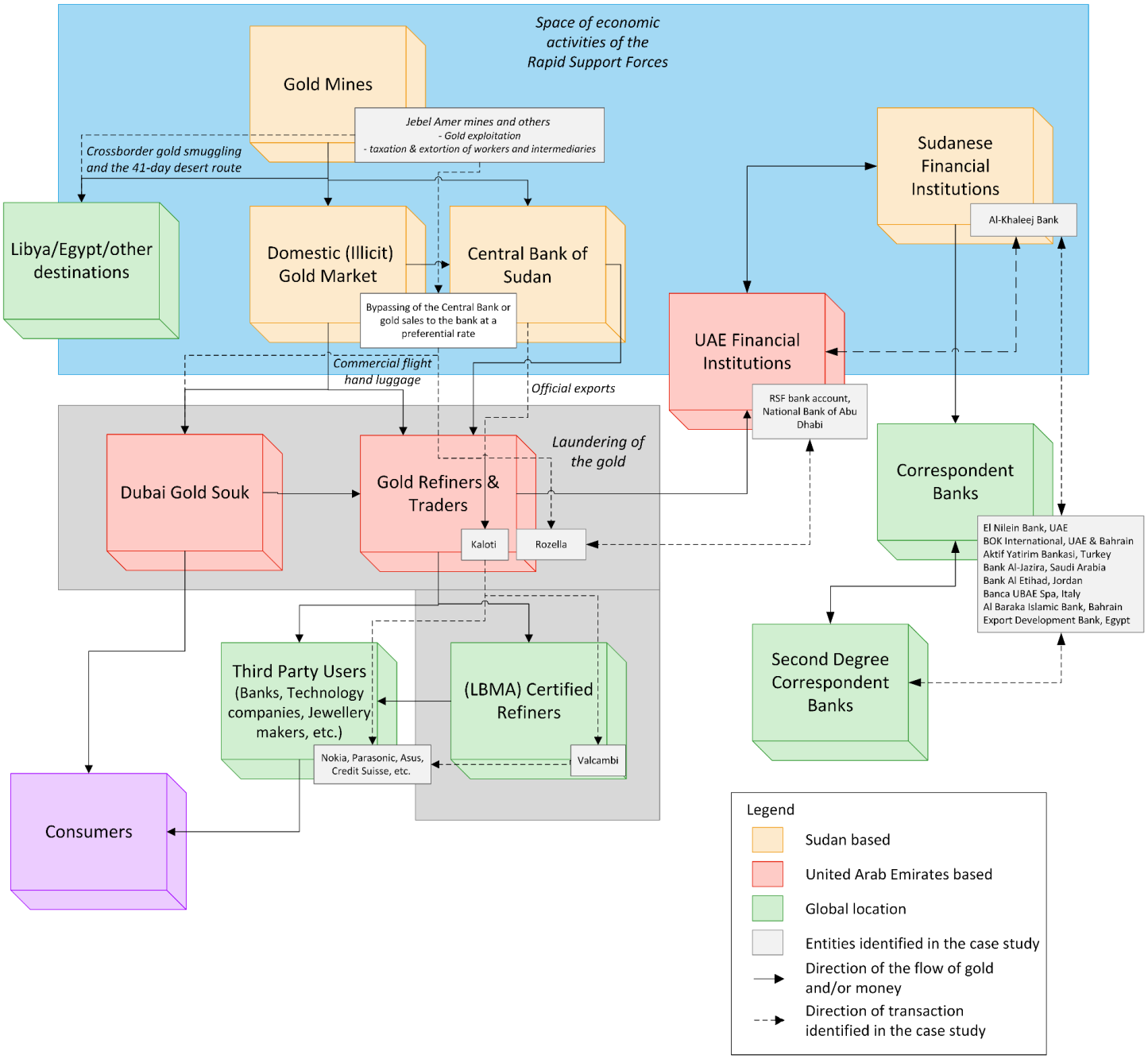
To organise their finances and make use of their profits, the RSF needs to have access to the financial system and thus the global banking system. Investigations of Global Witness (2019) revealed that the RSF has a bank account with the National Bank of Abu Dhabi, which merged with the First Gulf Bank into the First Abu Dhabi Bank, under their own name. The First Abu Dhabi Bank has in the past been accused of market manipulation by the Regulatory Authority of the Qatar Financial Center and its US branch has been fined by US authorities for the inadequate implementation of its compliance program, leading to among other things, ineffective internal control, inadequate customer due diligence and absence of effective due diligence for correspondent banking accounts (Reuters, 2019; Office of the Comptroller of the Currency, 2020). The UAE and its financial institutions have been under scrutiny in the past years after the FATF (2020) published a report on systemic weaknesses in implementing

due diligence measures and tackling money-laundering and terrorist financing, allowing dubious money to enter or pass through the jurisdiction.

RSF's funds were transferred to and from the National Bank of Abu Dhabi account to another account of Tradive General Trading LLC at the Abu Dhabi-based El Nilein bank; one transfer calling it a "*transfer to sister company"* (Global Witness, 2019). Transfers amounted to around 11 million USD. The counterparty has as its ultimate beneficial owner a brother of Hemedti, Algoney Hamdan Daglo, making it likely that Tradice is used as a front company to facilitate illicit financial flows to and from the RSF (Global Witness, 2019).

Additionally, in an analysis by C4ADS on the hold of both the SAF and the RSF on the Sudanese economy, Cartier, Kahan and Zukin (2022) found that Hemedti and his family have notable influence over the Al-Khaleej Bank. 28.35% of this bank is in the hands of companies where family members are either part of the board of directors or hold a significant amount of shares. Another 29.93% is held by companies with alleged ties to Hemedti, making it so that over 50% of the Al-Khaleej Bank might be under the control of Hemedti (Cartier, Kahan and Zukin, 2022). The bank maintains relations with correspondent banks in Italy, Turkey, Saudi Arabia, Egypt, Jordan, Bahrain and the UAE (Al-Khaleej, n.d.). Correspondent banks are used to facilitate cross-border payments, helping clients access the global online payment system and make pay counterparties in various currencies and in various countries. However, these banks can also help obscure the origins of funds being transferred (Neal and Sharife, 2022). The absence of adequate checks on the compliance practices of the other bank, allows money to be transferred without being sufficiently checked for potential risks and at the same time spreading out the accountability among several financial institutions (Neal and Sharife, 2022). Correspondent banking allows illicit actors to move money and create layers between the illicit origin and its present location. In this case, these correspondent banks would have allowed the RSF to move money across the world to reputable banks and other actors, giving them access to the global financial system. It is known that money in RSF bank accounts has been used to execute transactions with third parties around the world and has helped them buy necessary equipment for their operations such as 4x4 vehicles and communications devices (Global Witness, 2019).

Figure 1. Illicit Gold Supply Chain of the Rapid Support Forces
Visual representation of the gold supply chain in which the RSF is involved and the financial network.



5. The Globalisation of Illicit Markets and the RSF

The above analysis of the activities of the RSF within the gold mining sector in Sudan shows how the Sudanese gold mining industry is connected to the global gold market and its supply chains. As a militia that has been accused of numerous human rights abuses (Matfess, 2019; UNAMID and OHCHR, 2019), and one from a country that has been under a strict sanction regime for years (Cartier, Kahan and Zukin, 2022), the RSF could not access the international gold market in full compliance with the regulations and legislations affecting the gold trade. Like other VNSA they had to find other ways and methods to capitalise on their gains, in this case, the gold mines that are under their control. As the analysis also shows, several elements of economic globalisation and the globalisation of illicit markets have facilitated RSF's economic activities and enabled them to obtain access to the vast resources of the global market.

5.1. The Illicitness of the Supply Chain

The gold supply chain of which the RSF has made itself a node, is one in which the legal status of the product changes as it moves along the chain. The legality and legitimacy of the gold fluctuate depending on the location, intermediary and consumer. This fluidity of legality is a common feature of illicit supply chains (Felbab-Brown, 2018, as referenced by Brombacher et al., 2022) and can also be observed in the analysed supply chain. The easing of cross-border trading, partially because of globalised infrastructure, has facilitated the movement of goods towards jurisdictions with a beneficial environment for economic activities and thus led to fluctuations in the legal statuses and illicitness of the activities within a market.

The illicitness of the gold spawns from a number of reasons within the RSF's gold industry activities. Firstly, the mining and procurement of gold take place under dubious circumstances. The majority of Sudanese gold is mined by artisanal miners, and also in Jebel Amer the mining is done artisanally. The presence of armed groups in mining regions, among which the RSF, and the circumstances in which the gold is mined, make it so that there is a significantly high risk of purchasing conflict gold when buying Sudanese gold. Due Diligence procedures and guidelines on responsible sourcing of precious metals should lead any company to conclude that sourcing gold from Sudan is a high-risk endeavour that should be avoided if it wants to be compliant with these procedures. The legal obligation to implement due diligence procedures and their reach depends on national legislation, but the

illegitimacy of non-compliance to internationally accepted sourcing standards allows one to identify the Sudanese gold supply chains, and especially the one in which the RSF is involved, as illicit gold supply chains in accordance with the types of illicit supply chains and illicit markets identified by Mackenzie (2002) and Beckert and Wehinger (2011).

Secondly, the illicitness of the gold is further confirmed by the manner of trading and trafficking the gold. Licit gold would be traded through official channels with the proper and legitimate paperwork to confirm its sources. Much of Sudanese gold, however, ends up on the black market and is smuggled out of the country. Either the gold gets smuggled across the border, potentially moving up north through the desert, or it gets transported in the hand luggage of a smuggler or logistician to Dubai. While the gold can legally enter the UAE in this manner, it is unlikely it left its place of departure legally. At this point, the smuggler might have already obtained false documentation to present to customs agents or they might simply choose to pay the fine. If not, much of the Sudanese gold that leaves Sudan in a suitcase will be laundered on the Dubai Gold Souk, where false certificates of origin are available to buy and local gold traders are willing to purchase illicitly sourced gold and launder it. The process of hiding the origins and obtaining false documentation is a common feature of supply chains where the sourcing is illicit but the product is eventually traded on the licit market (Wehinger, 2011). The services offered in Dubai and on the Gold Souk have simply facilitated the process through which an illicit supply chain could link up with a licit supply chain.

The illicitness of RSF's gold trading is also reflected in the way they either bypassed the Sudanese Central Bank or sold to them at preferential rates. Forms of corruption and circumvention of laws are necessarily implied when the law requires Sudanese miners to sell their gold to the Central Bank at a fixed rate. Government agents, including then-President Al-Bashir himself, acted as colluders and facilitators to RSF's illicit gold trading, allowing them to circumvent national regulations and to consolidate and strengthen their position in the domestic gold market.

Thirdly, typical to any illicit transaction and illicit markets in general (Basu, 2014), additional costs were incurred at various stages of the illicit gold supply chain. This includes the cost of concealing the origin by the acquisition of false documentation and accepting the sale of gold at prices below international market rates. The Central Bank of Sudan itself has mentioned how sanctions have negatively affected the demand for Sudanese gold, pushing down the price, and gold traders buy dubious gold at lower prices as they themselves incurred additional costs when laundering the gold or selling it as scrap gold. While there is no

concrete evidence of monetary bribes having been paid, it is not unlikely that this does happen at any point in the chain. Government complicity is key to the RSF's position in the Sudanese economy. In return for preferential treatment from the government, allowing the RSF among other things to evade gold exporting regulations, the RSF has provided the regime of Al-Bashir with security services. At the upstream phase of the supply chain, local miners, intermediaries and fixers might face additional costs in the form of extortion by the RSF and the payment of bribes.

5.2. The Laundering

Through moving along the gold supply chain, RSF's gold changed from dubious and noncompliant with global standards to licit gold that might even be LBMA certified. The laundering process is relatively simple and facilitated by the market and supply chain itself. The standard laundering process involving the three stages of placement, layering and integration (Thony, 2005), could also be observed in this illicit gold supply chain. The selling of the gold to the Sudanese Central Bank, on the Gold Souk, or directly to the gold refiners, allowed the RSF to place the illicit gold into the regular gold market, where it could then be layered by refining it and/or selling it to other intermediaries. This way the gold became disconnected from its illicit origins. The sale of processed gold as jewellery on the souk, gold incorporated into tech products, or refined gold from certified refiners is the last stage in which the originally illicit gold becomes fully integrated into the legal gold market. In the end, the gold with illicit origins has become indistinguishable from licitly sourced and processed gold.

The illicit financial flows generated by the gold trade also had to be laundered. Cash-intensive societies, like Dubai, are highly vulnerable to money laundering as there are sufficient possibilities to use the money without going through official financial institutions. There is little scrutiny when making high-value transactions; it is for example known that expensive real estate can be acquired by corrupt officials and high-level criminals from around the world without needing to disclose how the money was obtained (Transparency International, 2020). The UAE has become an attractive location for money laundering purposes and a centre for all types of IFFs. Its rules and regulations, meant to make it a global financial and economic hub in a globalised world, have by and large facilitated these illicit economic activities (Kumar, 2020; Transparency International, 2020; Vittori, 2020). The RSF

has simply made use of these regulatory weaknesses by running parts of its financial activities through UAE financial institutions.

Additionally, like other actors within the Sudanese security environment, the RSF has built up experience with sanction evasion and hiding the ultimate beneficial owners of funds, companies and transactions (Cartier, Kahan and Zukin, 2022). Allegedly having control over front companies and even a bank, has allowed them to execute financial transactions with third parties around the world, while hiding their ownership. They have been able to integrate their funds into the global financial system, and at the same time build a degree of legitimacy for their money so it might be used without scrutiny. While only a small part of their financial activities are publicly known, it can still be said that the IFFs generated by the RSF have profited from the global financial infrastructure set up to facilitate global trade and the movement of capital. When considering the ease of cross-border capital flows a key element of economic globalisation (Bottery, 2003, as cited by Raifa, 2013, p. 88), it is only appropriate to say that the RSF has likely benefited from these reduced barriers and increased interconnectedness of financial markets to link themselves to the global economic system. They have been able to not only launder their gold but also their revenues by using the means available to them to make illicit products and proceeds appear legitimate.

5.3. Globalisation as a Facilitator

In Sudan, a certain level of state fragility has enabled the upstream supply chain activities controlled by the RSF. The absence of the central government in certain regions has meant that the RSF could take control of valuable resources and exploit them as they see fit. Internal instability within the government apparatus, in the form of Al-Bashir's distrust of the Sudanese armed forces, has meant that the state itself could act as a facilitator and colluder. The Central Bank itself could be considered not only a colluder but also a fixer and facilitator of the trade, becoming a key node linking the domestic gold market to the international one. When needed, the RSF could decouple its gold chain from this node and directly interact with actors abroad. Sudan's inability to control its territory, and domestic gold market, and to prevent government collusion and corruption, partly because of vested interests in this collusion, has led to Sudan becoming a sourcing hub and the starting point of an illicit supply chain for gold. The RSF has taken a dominant position in this gold supply chain, benefiting from the state and its weaknesses.

The ease by which people can move across borders, especially by air in this case, has made it easy to get the gold from its procurement to the mid-stream phase of the supply chain, where it gets traded on domestic and international markets. However, at this new node and hub in the supply chain, actors can be involved in activities connected to multiple supply chain phases. The traders on the Dubai Gold Souk function as facilitators, processors, launderers, fixers, and vendors. In addition to these functions, the gold refineries might be considered super-fixers as well, since they not only process, launder and trade gold of dubious origins, but they also have an international network and linkages to key legitimate actors around the world. Kaloti had connections with certified refiners and gold users that allowed it to integrate the illicit supply chain into the licit one.

International competition, increased mobility of goods and people, and interconnectedness of markets have played a significant role in the making of Kaloti as a node in the supply chain and Dubai as a key illicit gold trading hub. Kaloti has been accused of consciously disregarding international due diligence practices which allowed it to accept larger quantities of gold and increase its revenue. In correspondence with what Keefe (2013, p. 102) already wrote, Dubai is a hub for the illicit market for similar reasons as it is a hub for licit economic activities. The UAE Emirate has reduced its economic barriers of entry and made it an attractive location for economic activities through its free trade zones, with reduced tax burdens and easy importing and exporting facilities. It has modern infrastructure, a functioning state with predictable regulations and a stable banking system connected to the world. This has also made it attractive to illicit economic actors who might enjoy such stability. In addition to the before-mentioned factors, its borders could be considered porous because of the ease of importing gold in hand luggage, oversight over the gold industry is lacking according to international standards and its laws and regulations might facilitate illicit economic activity. Overall, Dubai has become a central global hub for both licit and illicit economic activity. The key role it plays in the international gold market makes it seem only natural that this key role is also reflected in the illicit gold market. Through this hub and its actors, the RSF could link its gold supply with the rest of the global gold market, allowing it to reach the final consumers in the downstream phase of the supply chain as legitimate gold.

It must be emphasised again that gold once refined cannot be traced back to its original source. It can therefore not be said with absolute certainty where dubious gold from the RSF has ended up. It is however probable that companies like ASUS or Samsung have had their supply chains tainted with dubious gold. There is no evidence that this has been a conscious decision made by these companies.

While certain elements of globalisation that are expected to have contributed to the globalisation of illicit markets have not been identified in this case study, other elements have. These include the overlapping of licit economic hubs, such as Dubai, with hubs for illicit markets, the role of trade-facilitating regulatory regimes in facilitating both licit and illicit economic activities, and the increased mobility of goods and people as an aid for illicit trafficking, as seen by the ease of taking a plane to bring gold from one location to the next. Considering the eight enablers of illicit market growth identified by the Global Initiative (2021), one can observe most enablers affecting the illicit gold supply chain. Even though climate change, global inequality and demographic mobility did not come forward in this study as enabling factors, and there is no strong evidence of corruption playing a significant role in this specific chain, the case study presented here did reflect our existing understanding of how drivers of economic globalisation have also enabled the functioning of illicit supply chains.

6. Conclusion

Having analysed the illicit gold supply chain involving the Rapid Support Forces and through this the functioning of the illicit gold market, one can conclude that the current economic system provides ample opportunities for violent non-state actors to capitalise on their gains and find resources to continue their efforts. In similar ways to how the RSF might have used the proceeds of their gold trafficking to acquire tucks for their operations, other VNSAs might link their economic activities to global supply chains and the international economic system to obtain the necessities for their operations.

As globalisation has reduced the role of the state and has made us ever more interconnected and interlinked, potential barriers to the movement of both licit and illicit goods and capital have been lowered. Activities that might be illegal or illegitimate in one jurisdiction, might be possible in others and the transferring of an activity or good has become easier as a consequence of globalisation. This has enabled the fluctuation of the legal status of the goods being traded in the supply chain, allowing them to eventually be laundered and become disconnected from their illicit origin. Global infrastructure, both physical such as increased availability of flights and financial infrastructure including correspondent banking networks, have brought many benefits to the world, but have at the same time created opportunities to conduct and hide illicit economic opportunities at a global scale. Additionally, the competition between states to attract capital and become economic hubs has even stimulated the creation of facilitating jurisdictions where the establishment of an attractive environment for economic activities, including international trade, contributed to weaknesses abused by illicit economies. As could be observed in Dubai where the aim to play a key role in the global gold market made it vulnerable to the laundering of illicit gold. With the help of numerous fixers, facilitators and launderers, including actors within the state apparatus, the RSF was able to let its illicit gold enter the licit global supply chain. Middlemen have been willing to engage in illicit economic activities or failed in their due diligence to prevent their supply chains from being tainted by illicit products. Though it is unclear how much money the RSF has made over the years through their gold trade, one can be confident that it was a significant amount, allowing the paramilitary group to become stronger. The economic environment created as a consequence of globalisation can be said to have been an enabling factor.

More research is needed to further identify other pathways of capitalising on illicit economic opportunities, as this study was limited to one illicit supply chain and thus potential other methods were not present in the case. Additionally, as discussions continue on how we might want to reconfigure the globalised economic system, we need to have a better understanding of the resilience of these illicit supply chains. This can for example include further research into the effectiveness and circumvention of private due diligence standards, like the LBMA, and government regulations, which was not discussed in this dissertation. The adaptability of illicit supply chains to regulatory changes will impact the effectiveness of countries' efforts to address the weak points being used by the illicit economy. If we want to reduce the capabilities of VNSAs and succeed in reaching the Sustainable Development Goal of reducing illicit flows around the world, understanding of VNSAs' means of financing and the way they conduct economic activities becomes key to reaching these goals. While this study has aimed to make a contribution to the growing body of literature on illicit markets, continuous research is needed to stay up-to-date with new developments in the field.

Though economic globalisation, international trade and international finance are not inherently corrupt or immoral, elements of it might have had unintended negative side-effects. The adverse offshoot of globalisation in the form of illicit globalisation has seen new opportunities for illicit actors to grow their economic activities to a global scale. In the same way licit supply chains have become more globalised, illicit ones have connected to a global network and have tapped into the structures created for licit supply chains to bolster the performance of their own. Law enforcement and state regulators will have to play catch up in order to identify transnational illicit flows and combat them. So long as there is money to be made and actors need resources to reach their end goals, illicit economies will continue to exist and evolve, seeking out new opportunities for illicit actors to make money.

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