A Review of Analytical Approaches to Understanding the Drivers of Illicit Trade Agglomeration

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Abstract: Illicit trade hubs pose a significant challenge to global economies, undermining legitimate markets and fueling a range of criminal activities. Despite growing scholarly attention to illicit trade, limited research has examined the underlying conditions that enable illicit trade activities to agglomerate in particular hubs. This article reviews major analytical approaches relevant to understanding illicit trade agglomeration, drawing on insights from criminology, political economy, and economic geography. It argues that illicit trade agglomeration is driven by the interaction of three interconnected dimensions: political and institutional vulnerabilities, socioeconomic conditions, and infrastructure-related enabling environments. The interaction between these dimensions forms an ecosystem that facilitates illicit trade agglomeration and contributes to the emergence and persistence of illicit trade hubs. By conceptualizing illicit trade hubs as multidimensional ecosystems rather than isolated criminal hotspots, the review contributes to interdisciplinary debates on transnational crime, governance, and the spatial concentration of illicit economies.

Keywords: Illicit trade hub ecosystem, illicit trade agglomeration, trafficking, smuggling.

INTRODUCTION

The rapid expansion of illicit trade has become a major challenge for global governance, undermining legitimate markets, weakening state institutions, and facilitating a wide range of transnational criminal activities. While illicit trade has received substantial scholarly and policy attention, comparatively limited research has focused on the specific phenomenon of illicit trade agglomeration in particular cities, countries, and regions. Multiple studies examine sector- or commodity-specific illicit trades, such as drug trafficking, human trafficking, wildlife trafficking, or counterfeit goods, but the existing literature provides a fragmented understanding of how political, socioeconomic, and infrastructural conditions interact to enable illicit trade agglomeration at the hub level.

This gap is evident in a search of academic publications mentioning illicit or illegal trade hubs in their titles, abstracts, or keywords. A search conducted through the Web of Science and Scopus databases for the period 2000–2023 identified only 171 relevant sources matching these criteria. Although the inclusion of additional synonymous terms could increase this number, the findings nonetheless illustrate the relatively limited attention devoted to illicit trade hubs *per se* within the broader illicit trade literature. At the same time, the results indicate growing academic interest in this topic in recent years (Figure **1**), reflecting an increasing recognition of the importance of understanding how illicit trade activities become spatially concentrated and institutionally embedded within particular locales.

In this review, illicit trade agglomeration refers to the process through which illicit trade activities become spatially concentrated and institutionally embedded within particular locales. In this context, illicit trade hubs represent specific locales characterized by a significant concentration of illicit trade activities and enabling services. Illicit trade hubs take multiple forms and can be categorized according to their dominant illicit trades, including drug trafficking, human trafficking, or counterfeit trade, among many others. A common distinction within the literature differentiates between source or origin hubs, transit hubs, and market or consumption hubs (e.g., OECD 2016). In addition, some hubs specialize in enabling functions that facilitate illicit trade, such as logistics, money laundering, offshore financial services, and information technology infrastructure (Gilmour 2021; Krylova 2023). Hubs may also be geographically embedded in physical locations, such as ports, free trade zones, border regions, major cities, or countries, or operate through virtual and digital networks. Given these variations, illicit trade hubs are best understood as hierarchical and multidimensional systems that connect localized hotspots within broader national or subnational systems.

This review focuses primarily on country-level illicit trade hubs that host multiple illicit trades. It examines existing analytical approaches to studying the key

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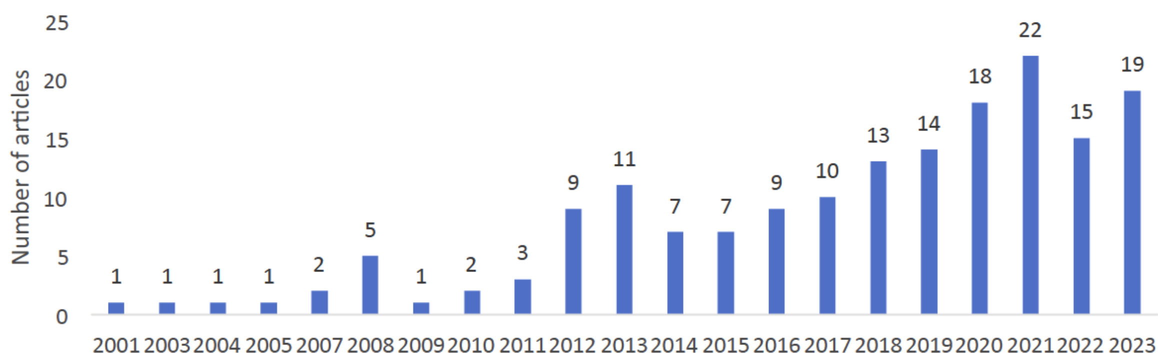

Figure 1: Number of scholarly articles, book chapters, and conference papers mentioning illicit or illegal trade hubs in their titles, abstracts, or keywords.

Source: Author based on a search conducted via the Web of Science and Scopus.

drivers behind the concentration and growth of illicit trade activities in particular hubs. Building on these approaches, the review proposes a comparative framework for assessing country-level risks within illicit trade hub ecosystems. By conceptualizing illicit trade hubs as multidimensional ecosystems rather than isolated criminal hotspots, the review contributes to interdisciplinary debates on transnational crime, governance, and the spatial concentration of illicit economies.

The review is organized into five sections. Following the introduction, the second section presents a review of the analytical approaches relevant to understanding illicit trade agglomeration. Based on these approaches, the third section analyzes key drivers contributing to the agglomeration of illicit trade at the hub level. The fourth section proposes a comparative framework for assessing country-level vulnerabilities within the illicit trade hub ecosystem. The final section summarizes the main findings, policy implications, and directions for future research.

METHODOLOGY

The review followed three stages: literature identification, supplementary reference searches, and qualitative synthesis (Webster & Watson 2002). First, relevant publications were identified through searches conducted in the Web of Science and Scopus databases. The search focused on sources published between 2000 and 2023 and included combinations of terms such as illicit trade hubs, illegal trade hubs, and agglomeration. Titles and abstracts were screened for relevance to the study of illicit trade agglomeration and its underlying drivers. Second, forward and backward reference searches were conducted to identify additional sources and capture relevant scholarship across criminology, economic geography, political economy, and transnational crime studies. The final dataset comprised scholarly articles, academic books and book chapters, conference papers, dissertations and theses, and policy and research reports.

Finally, the selected literature was analyzed through qualitative thematic synthesis using MAXQDA. The analysis focused on identifying theoretical and analytical perspectives relevant to explaining why illicit trade activities become spatially concentrated and institutionally embedded within particular locations. The literature was organized into three broad analytical approaches: hotspot policing, new economic geography, and political economy perspectives on state fragility and governance vulnerabilities. Insights from these approaches were subsequently synthesized to identify key drivers of illicit trade agglomeration and to develop the framework of the illicit trade hub ecosystem.

This review has several limitations. First, it focuses primarily on literature explicitly examining illicit trade hubs, agglomeration processes, or closely related concepts. While this approach enhances conceptual coherence, it may exclude relevant studies that examine similar phenomena using alternative terminology or analytical frameworks. Second, because the literature search was conducted in English, potentially relevant scholarship published in Spanish, French, Portuguese, Arabic, and other languages is likely underrepresented. Finally, the selection of the analytical approaches reviewed in this article is based on their disciplinary breadth and relevance to explaining illicit trade agglomeration. However, future reviews may benefit from examining additional theoretical perspectives that could further enrich understanding of the drivers and dynamics of illicit trade agglomeration.

Key Analytical Approaches Relevant to Understanding Illicit Trade Agglomeration

The emergence of illicit trade hubs at the country level is a complex multidimensional phenomenon that can be examined through several complementary analytical approaches across criminology, economics, political science, and economic geography. Although these approaches differ in their underlying assumptions and units of analysis, they collectively provide important insights into why illicit trade activities become spatially concentrated and institutionally embedded within particular countries. This section reviews three major analytical perspectives relevant to understanding illicit trade agglomeration: the hotspot policing approach, new economic geography, and political economy perspectives on state fragility and governance vulnerabilities (Figure **2**).

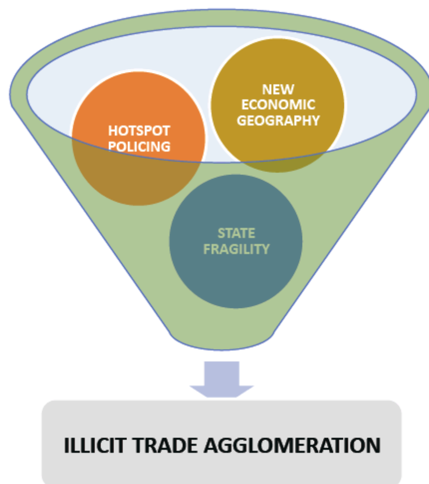

Figure 2: Analytical approaches to understanding the drivers of illicit trade agglomeration.

Source: Author.

Hotspot Policing

The hotspot policing approach emerged primarily from criminological research examining the spatial concentration of crime and the effectiveness of geographically targeted law enforcement interventions. Its central premise is that a relatively small number of locations, commonly referred to as "hotspots," account for a disproportionate share of criminal activity. One of the foundational studies within this stream was conducted by Sherman *et al*. (1989), who analyzed 323,979 police calls across approximately 115,000 addresses and intersections in Minneapolis over a one-year period. Their findings revealed that 50 percent of police calls originated from only 3 percent of locations, demonstrating the highly concentrated spatial nature of crime. Building on these findings, researchers developed hotspot policing strategies aimed at reducing crime through the targeted concentration of law enforcement resources in areas characterized by persistently high levels of criminal activity (Sherman *et al*. 1989; Sherman & Weisburd 1995).

In a subsequent randomized one-year experiment in Minneapolis, Sherman and Weisburd (1995) examined the effects of increased police patrols across 55 of 110 identified crime hotspots. Their study found that total police calls declined by between 6 percent and 13 percent in targeted areas, while observed disorder was approximately half as prevalent in experimental hotspots compared to other high-crime locations. Since then, a substantial body of empirical research has provided additional support for the effectiveness of hotspot policing approaches in reducing spatial concentrations of crime (Braga & Weisburd 2006; Braga *et al*. 2012; Weisburd *et al*. 2013; Weisburd & Amram 2014; Curman *et al*. 2015; Weisburd 2015; Smith *et al*. 2020).

Beyond policing effectiveness, this body of research is particularly relevant to understanding illicit trade agglomeration because it identifies the structural conditions that make certain locations persistently attractive to criminal activities. Studies within this stream distinguish between socioeconomic conditions, such as low income, residential instability, demographic heterogeneity, and weak social cohesion, and situational or physical characteristics, including land use patterns, transport infrastructure, accessibility, and the presence of risky facilities. Weisburd *et al*. (2013), for example, identify factors such as urbanization patterns, population heterogeneity, residential property values, proximity to formal guardianship institutions, and access to transport infrastructure as important characteristics distinguishing chronic crime hotspots from other locations.

From the perspective of illicit trade agglomeration, the hotspot policing approach provides important insights into how illicit trades become spatially concentrated within particular hubs characterized by high levels of opportunity and limited deterrence capacity. It also highlights the role of enabling environments in sustaining persistent concentrations of illicit economic activity. At the same time, the hotspot policing approach has several important limitations. One common criticism is that geographically concentrated enforcement efforts may displace criminal activities to nearby areas rather than eliminate them

entirely. This phenomenon is commonly referred to as displacement or the “balloon effect” (Reppetto 1976; Mora 1996; Guerette & Aziani 2022). In general, it refers to intensified enforcement pressure in one location contributing to the relocation of illicit activities to alternative routes or hubs. In the context of illicit trade, such displacement dynamics may facilitate the emergence of substitute trafficking corridors and new illicit trade hubs rather than reducing illicit flows overall.

In addition, hotspot policing approaches may insufficiently account for the broader political and socioeconomic embeddedness of illicit trades at the country level. In some contexts, particular forms of illicit trade, especially small-scale smuggling in border regions characterized by significant price and tax differentials in neighboring countries, may become socially tolerated or economically normalized within local communities (Krylova 2023). Consequently, enforcement-centered approaches alone may prove insufficient without addressing the broader structural conditions that sustain illicit trade ecosystems at the country level. These limitations underscore the importance of complementing hotspot policing perspectives with broader analytical approaches capable of explaining the political, economic, and infrastructural drivers of illicit trade agglomeration at the national and subnational levels.

New Economic Geography

Another important analytical perspective relevant to understanding illicit trade agglomeration derives from new economic geography, which examines the spatial distribution of economic activity across countries, regions, and cities. A central concern within this body of scholarship is explaining why economic activities become concentrated in particular locations and what mechanisms drive such spatial clustering. One of the foundational contributions to this literature is Paul Krugman’s Geography and Trade (1991), which developed the core-periphery model to explain how economic activity tends to concentrate in specific regions while others remain comparatively peripheral and less developed. According to this approach, the location of economic activity is shaped by factors such as economies of scale, transportation costs, market size, technological spillovers, and access to specialized inputs (Krugman 1991). In addition, historical events and path-dependent processes can reinforce initial locational advantages over time (Krugman 1991), allowing certain regions to maintain their dominance even after the original conditions that facilitated concentration have changed.

Although originally developed to explain licit economic activity, the principles of new economic geography are also highly relevant for understanding illicit trade agglomeration at the country level. Similar mechanisms of clustering, increasing returns, network effects, and path dependency help explain why illicit economic activities become concentrated in particular hubs. As Hall (2013: 276) notes, areas that appear marginal within the formal global economy often emerge as significant centers of criminal entrepreneurialism. In this context, economically peripheral regions may occupy strategic niches within global illicit markets by providing favorable conditions for smuggling, illicit production, and trafficking.

New economic geography is particularly useful for identifying the structural drivers that sustain illicit trade clustering over time. Similar to licit industries, illicit trade networks benefit from economies of scale, lower transaction costs, and the concentration of supporting services and infrastructure. Fujita and Krugman (2004) emphasize that increasing returns, transportation costs, and the mobility of productive factors are central to agglomeration processes, reflecting certain dynamics that can also be applied to illicit production and trade. Like legitimate businesses, illicit trade operations derive significant benefits from concentration and scale. Larger illicit networks can reduce operational costs through more efficient production, smuggling, transportation, and distribution systems. Agglomeration also facilitates access to specialized knowledge, logistical support, and established trafficking routes, thereby reducing risks and increasing profitability. Consequently, illicit trade hubs frequently emerge in countries with well-developed port and free trade zone infrastructure characterized by high connectivity and comparatively weak enforcement capacity (Krylova 2024b).

Furthermore, Brown and Hermann (2020) distinguish between “first nature” and “second nature” influences shaping illicit agglomeration. First nature influences include geographical characteristics such as border locations, coastlines, or traditional trade routes, whereas second nature influences refer to socially and institutionally constructed advantages, including transport infrastructure, market accessibility, business networks, corruption, and weak enforcement environments. According to Brown and Hermann (2020: 34), while natural geographic advantages may

initially catalyze clustering, second nature influences often become the more important self-reinforcing drivers sustaining illicit agglomeration over time.

In this context, transportation costs play a particularly important role in shaping the geography of illicit trade. However, unlike licit trade, transportation within illicit hubs involves substantial concealment, security, and risk-management costs associated with avoiding detection and interception. As Basu (2013) argues, international smuggling is an inherently transport-intensive activity, and the value added through illicit transportation can be extremely high. For example, the illegal transportation of cocaine across international borders may generate markups exceeding 6,000 percent between production and destination markets (Basu 2013: 320).

The geography of illicit trade is also shaped by the relationship between production, transit, and consumption hubs. In some cases, high transportation and enforcement costs encourage illicit production to cluster near major consumer markets. Mexico, for example, functions simultaneously as a major production hub for methamphetamine, heroin, and marijuana, and as a key transit country for narcotics entering the United States through extensive cross-border smuggling networks (Brouwer *et al*. 2006). Proximity to large consumer markets can therefore facilitate the efficient distribution of illicit goods while reducing transportation risks and costs.

In many illicit sectors, however, production and consumption hubs remain geographically separated, particularly when production depends on immobile factors such as agricultural land, mineral deposits, or specialized labor. As Brown and Hermann (2020) observe, production hubs for illicit natural resources and narcotics are frequently concentrated in the Global South, whereas major consumer markets are predominantly located in the Global North. Dávila *et al*. (2021), for example, demonstrate how cocaine supply chains linking producer regions in Latin America to consumer markets in North America and Europe generate extensive transit networks and significant price differentials across the supply chain. The illicit status of traded commodities fundamentally alters their spatial organization by increasing transportation, concealment, and enforcement-related costs (Basu 2014).

Recent criminological applications of new economic geography demonstrate that crime patterns are strongly associated with population density, migration flows, and uneven socio-economic development across regions (Bakharev 2014). Drawing on core–periphery dynamics, these studies show that economically peripheral and demographically unstable regions tend to exhibit higher crime rates, while more developed and densely populated regions often display more stable patterns of criminality.

New economic geography also highlights the importance of knowledge spillovers and network externalities in sustaining illicit trade agglomeration. Illicit actors operating within the same hub frequently share logistical infrastructure, corrupt intermediaries, trafficking routes, technological expertise, and communication systems. The growing use of encrypted communications, digital financial tools, and dark web marketplaces further strengthens the ability of geographically dispersed illicit networks to coordinate operations efficiently (Shelley 2018). Over time, these accumulated advantages can create path-dependent dynamics in which regions with established smuggling traditions, corruption networks, or weak enforcement institutions continue to attract and sustain illicit economic activity. As a result, illicit trade hubs often become self-reinforcing ecosystems whose persistence extends beyond the original conditions that facilitated their emergence.

Political Economy Perspectives on State Fragility and Governance Vulnerabilities

Illicit trade is deeply intertwined with political authority, governance capacity, conflict dynamics, and institutional performance. Understanding these interactions is essential for explaining why illicit trades become concentrated and sustained within particular countries. Since the end of the Cold War, a substantial body of political economy scholarship has focused on the concepts of state weakness, fragility, and failure as frameworks for analyzing governance deficiencies and their implications for security, development, and transnational crime.

Broadly speaking, state failure refers to the erosion of a state's capacity to exercise effective authority, maintain territorial control, provide public goods, and enforce the rule of law. Within this stream, researchers employ a range of overlapping concepts, including weak states, fragile states, failed states, and collapsed states, to describe different degrees of institutional erosion and governance dysfunction. Although the boundaries between these categories remain

contested, many scholars conceptualize them as part of a continuum of declining state capacity and legitimacy (Rotberg 2003; Wyler 2008). At the extreme end of this continuum are collapsed states, characterized by the near-total breakdown of sovereign authority and the absence of effective governance institutions.

A defining feature of fragile or failed states is their limited ability to perform core sovereign functions, particularly the maintenance of security, the enforcement of laws, and the provision of basic public services (Rotberg 2003; Wyler 2008). Compared to relatively weak states, failed states exhibit more severe governance deficiencies, including diminished territorial control, weakened institutional legitimacy, and reduced capacity to regulate economic and social activity. Such conditions create permissive environments in which illicit actors can operate with comparatively low risks of detection and punishment. Weak law enforcement, ineffective border controls, corruption, and limited judicial capacity collectively facilitate the expansion and territorial entrenchment of illicit economies.

Political economy scholarship further emphasizes that illicit trade does not merely exploit governance weaknesses but may also become structurally embedded within state institutions themselves. In some contexts, criminal organizations, political elites, security actors, and economic interests develop mutually beneficial relationships that blur the boundaries between licit and illicit authority structures. Hellman *et al*. (2000), for example, describe this phenomenon as “state capture,” whereby private or criminal interests exert significant influence over state institutions, policymaking, and regulatory systems. Under such conditions, illicit trade networks may benefit from political protection, selective enforcement, and institutionalized corruption, reinforcing the resilience and persistence of illicit trade hubs over time.

Contemporary international development institutions increasingly employ the broader concept of “fragile and conflict-affected states” (FCS) to capture varying forms of institutional weakness and governance vulnerability (World Bank 2020; IMF 2022). Unlike the more binary notion of state failure, the fragility framework recognizes that states experience different degrees and dimensions of institutional weakness. Although no universally accepted definition of fragility exists (IMF 2022), fragile states are generally characterized by limited governance capacity, reduced political legitimacy, weak rule of law, conflict exposure, and difficulties in delivering essential public goods and maintaining territorial authority.

To facilitate comparative analysis of governance vulnerabilities, several international organizations have developed cross-country fragility indicators. One of the most widely used measures is the Fragile States Index, developed by the Fund for Peace. The Fragile States Index evaluates countries across four broad dimensions of fragility: social pressures, political and institutional performance, cohesion-related vulnerabilities, and economic conditions. These dimensions include indicators such as demographic pressures, displacement, public services, human rights and rule of law, security apparatus effectiveness, factionalized elites, economic decline, and uneven development (FFP n.d.). Although the index has methodological limitations, it provides a useful framework for comparative assessments of governance fragility and institutional vulnerability across countries.

From the perspective of illicit trade agglomeration, political economy approaches highlight how governance deficiencies, institutional fragility, corruption, conflict, and weak territorial control create enabling environments for illicit economic activity. Fragile institutional environments may facilitate the emergence of illicit trade hubs by lowering enforcement risks, increasing opportunities for corruption and regulatory evasion, and weakening the state’s ability to disrupt illicit networks. In conflict-affected settings, illicit trade may also become intertwined with survival economies, armed groups, and informal governance structures, further embedding illicit economic activity within local political and social systems.

Fragility and conflict are also widely recognized as major impediments to economic development, poverty reduction, humanitarian assistance, and international security (World Bank 2020; IMF 2022). As of 2025, 37 countries and one territory (West Bank and Gaza) are classified as fragile or conflict-affected, although institutional vulnerabilities extend beyond officially designated cases (World Bank 2025). Importantly, fragility is not a fixed condition but a dynamic process, and countries not formally categorized as fragile may nonetheless exhibit governance weaknesses that increase their vulnerability to illicit trade agglomeration. Consequently, political economy perspectives on state fragility provide an important macro-level framework for understanding how institutional vulnerabilities contribute to the emergence, persistence, and expansion of illicit trade hubs.

Key Drivers of Illicit Trade Agglomeration at the Country Level

The analytical approaches discussed above provide important insights into the drivers of illicit trade concentration within particular hubs. Drawing on these approaches, the drivers of illicit trade agglomeration can be grouped into three broad and interconnected dimensions: political and institutional vulnerabilities, socioeconomic conditions, and infrastructure-related enabling environments. This section reviews key drivers associated with each dimension and examines how their interaction contributes to the agglomeration of illicit trade activities within particular national contexts.

Political and Institutional Drivers

In fragile states, political instability, armed conflict, insecurity, and internal violence undermine state legitimacy and weaken institutional capacity, creating permissive environments in which illicit trade can emerge, expand, and become institutionalized at the country level. Fragility, conflict, and violence are closely intertwined with illicit trafficking and smuggling, influencing and reinforcing one another (World Bank 2020). On the one hand, criminal networks, insurgent movements, and extremist groups may contribute to the perpetuation of instability and violence through corruption, coercion, and illicit financing activities. On the other hand, illicit trade networks benefit from weak governance structures, limited law enforcement capacity, and institutional fragmentation characteristic of fragile states, while often exploiting vulnerable populations, including the poor, refugees, internally displaced persons, and other marginalized groups. In such contexts, governance systems may become increasingly susceptible to elite capture and corruption, resulting in ineffective regulation, selective enforcement, and permissive institutional environments that facilitate the growth of illicit economies. Fragile states also frequently lack the administrative, financial, and security capacities necessary to monitor and control illicit activities effectively.

Williams and Godson (2002) identify several patterns illustrating how weak state structures facilitate the expansion of illicit activities. The first pattern involves states in which political elites and organized criminal groups develop collusive or symbiotic relationships, as illustrated by cases in which public officials cooperate with criminal actors for political or economic gain. A second pattern concerns states undergoing political and economic transitions, particularly transitions from authoritarian governance, where institutional instability and regulatory restructuring may create opportunities for illicit markets to expand, as observed in several post-Soviet countries. A third pattern characterizes states affected by ethnic conflict and social fragmentation, conditions that may provide fertile ground for illicit trade networks, as observed in the former Yugoslavia. Finally, Williams and Godson (2002: 320) identify states in which unresolved demands for self-government among minority populations generate terrorist or insurgent campaigns that become intertwined with illicit economic activities. In such contexts, armed groups may engage in weapons trafficking, drug trafficking, human trafficking, money laundering, tax evasion, and smuggling to finance their operations and sustain organizational activities.

Underlying all of these patterns are broader governance deficiencies associated with weak rule of law, corruption, and limited state accountability. Corruption, in particular, plays a critical role in facilitating illicit trade by reducing enforcement effectiveness, weakening border controls, and enabling the protection of smuggling networks (Basu 2014; Giommoni *et al*. 2017; Shelley 2018; Anzoom *et al*. 2022; Idler 2022). For example, Giommoni *et al*. (2017: 230), in their analysis of heroin trafficking into European countries, found that higher levels of corruption were associated with a larger number of trafficking connections through which drugs entered national markets. Weak accountability mechanisms further increase opportunities for corruption across state institutions, including customs authorities, border agencies, law enforcement bodies, and political institutions (Idler 2022).

In some cases, illicit trade is not merely tolerated by weak states but actively facilitated or organized by state actors themselves. State-sponsored smuggling refers to situations in which government officials, security services, military actors, or state-affiliated networks directly participate in or protect illicit trade activities for political, economic, or strategic purposes (Andreas 2005; Shelley 2018; Idler 2022). Such activities may include sanctions evasion, trafficking of natural resources, weapons smuggling, illicit fuel trade, or the large-scale smuggling of consumer goods. In these contexts, illicit trade becomes embedded within state structures and may serve as an important source of revenue generation, political patronage, or geopolitical leverage (Williams & Godson 2002; Shelley

2018). One illustration of direct state involvement in illicit trade is the so-called “diplomatic smuggling,” which refers to the illegal transportation of goods, money, or contraband through the misuse of diplomatic privileges and immunities (Krylova 2024a; 2024c). In such cases, diplomatic protections are exploited to facilitate illicit trade operations while simultaneously complicating investigation and prosecution efforts.

Socioeconomic Drivers

As studies within the hotspot policing literature demonstrate, socioeconomic conditions such as poverty, low income, unemployment, inequality, and uneven economic development facilitate illicit trade agglomeration in particular countries. In fragile and conflict-affected states, these conditions play an especially important role in facilitating the expansion and entrenchment of illicit trade networks. According to World Bank estimates, approximately 324 million extremely poor people live in countries classified as fragile and conflict-affected, while severe food insecurity is nearly twice as prevalent in such states compared to more stable countries (World Bank 2024). Socioeconomic vulnerabilities in such countries create environments in which participation in informal and illicit economic activities may become one of the few available livelihood strategies.

Within this context, researchers have developed the concept of “survival smuggling” to describe the illicit transportation of basic commodities and essential goods across borders by individuals or communities facing extreme hardship resulting from conflict, violence, economic collapse, or humanitarian crises (Reitano & Shaw 2015; United Nations & World Bank 2018). Survival smuggling refers to situations in which illicit trade is driven less by organized criminal profit-seeking and more by immediate survival needs. Reitano and Shaw (2015: 7), for example, note that many commodities smuggled across the Sahel consist primarily of essential goods necessary for daily survival, suggesting that local populations in some regions depend on informal and illicit trade networks to secure access to food, fuel, medicine, and other necessities. Although survival smuggling may temporarily alleviate acute economic hardship, it also reflects broader structural problems associated with poverty, uneven development, weak governance, conflict, and insecurity. Persistent socioeconomic marginalization and limited access to legal economic opportunities can increase the social embeddedness of illicit trade within local communities.

Another important socioeconomic factor associated with illicit trade agglomeration is population heterogeneity and the presence of transnational social networks. Specifically, empirical studies highlight the role of demographic factors, including migration flows, urbanization, and population density, in shaping crime distribution. For example, research applying new economic geography to criminology demonstrates that regions experiencing demographic decline or socio-economic deterioration often face higher levels of criminal activity, while more stable population structures are associated with more favorable crime trends (Bakharev, 2014).

A growing body of research identifies migration flows, ethnic diasporas, and long-standing cultural and historical ties as important facilitators of illicit trade between particular countries and regions (Akyeampong 2005; Paoli & Reuter 2008; Giommoni *et al*. 2017; Aziani *et al*. 2021). These networks often facilitate trust-building, information exchange, logistical coordination, and access to cross-border distribution channels, thereby lowering transaction costs and reducing operational risks for illicit actors. Akyeampong (2005) demonstrates how African diaspora communities and international migration networks contributed to the expansion of drug trafficking routes connecting Ghana, West Africa, Europe, and the Americas. Similarly, Paoli and Reuter (2008) identify the important role of Turkish and Albanian ethnic networks in heroin trafficking across Europe. Examining cocaine trafficking, Aziani *et al*. (2021) find that migration linkages increase the likelihood of illicit trade connections between countries. Giommoni *et al*. (2017), in their analysis of heroin trafficking across 61 countries, further conclude that social and cultural relationships often play a more important role than purely market-driven factors in shaping trafficking routes. Diaspora-based networks may facilitate illicit trade by enhancing communication, strengthening trust, accelerating transactions, and reducing the risks of fraud and law enforcement detection.

More broadly, informality and entrenched criminality also contribute significantly to illicit trade agglomeration. In contexts characterized by widespread poverty, weak labor markets, and limited state presence, informal and illicit economies may become deeply integrated into local socioeconomic structures. Criminal networks frequently rely on established family, ethnic, and diasporic ties, which can contribute to the spatial concentration of illicit activities within particular regions and communities. For

example, Giommoni *et al*. (2017) suggest that the migration of large Nigerian diaspora communities to Southeast Asia, Europe, Latin America, and North America may help explain Nigeria's emergence as a significant cocaine transit hub despite its geographical distance from major production and consumption centers. Cultural norms and historical trading practices may further reinforce the social acceptability of particular forms of illicit trade.

Infrastructure-Related Drivers

As studies within new economic geography demonstrate, both licit and illicit trade hubs tend to emerge in regions characterized by strategic transportation advantages, high levels of connectivity, and well-developed trade and logistics infrastructure. Contemporary research on illicit trade increasingly highlights the importance of various forms of infrastructure in facilitating the concentration and expansion of illicit economic activities. In particular, they include ports (e.g., Diang *et al*. 2022; Gilmour 2021), free trade zones (e.g., OECD & EUIPO 2018; Economist Intelligence Unit 2018; Moiseienko *et al*. 2020), financial infrastructure (e.g., Teichmann & Falker 2020), and cyberspace infrastructure (e.g., Brown & Hermann 2020; Persi Paoli *et al*. 2017).

Given that more than 80 percent of global merchandise trade is transported through maritime cargo containers (UNCTAD n.d.), port infrastructure plays a particularly important role in both licit and illicit trade networks. The rapid growth of containerized trade has transformed many port cities into highly interconnected global logistics hubs dependent on multilayered transport, communication, and financial infrastructures. Rimmer (1999), for example, identifies a hierarchy of trade and communication corridors in the Asia-Pacific region, distinguishing between first-level global cities characterized by intensive container shipping, air cargo, passenger flows, and telecommunications; second-level cities specializing in selected transport functions; and third-level "true" port cities focused primarily on cargo throughput. Within this hierarchy, first-level cities function as globally integrated trade and logistics hubs with extensive influence over international commercial flows.

Expanding on these dynamics, Wang and Cheng (2015) conceptualize contemporary global trading hubs as "knowledge-based global supply chain management centers" supported by four interrelated infrastructure systems: maritime transport, land transport, air transport, and non-physical logistics and coordination systems. The latter component plays an increasingly important role in transforming traditional transit hubs into globally integrated trade and financial centers. Dubai represents one of the clearest examples of this transformation, evolving from a small entrepôt port into a major transshipment center and subsequently into a global logistics, trade, and financial hub (Figure **3**).

Dubai's evolution illustrates how infrastructure agglomeration can simultaneously facilitate both licit

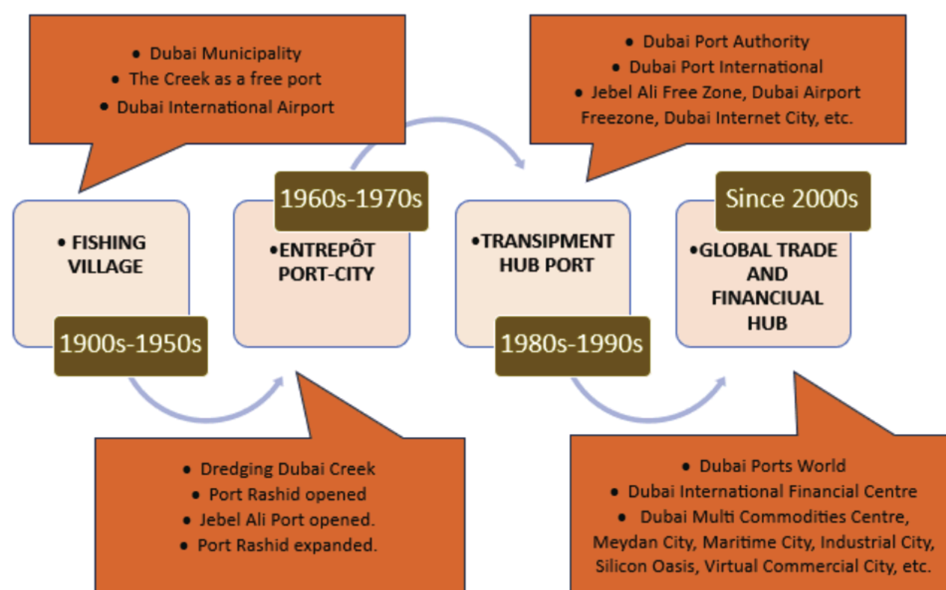

Figure 3: Stages of Dubai's evolution into a multi-layer global trade and financial hub.

Source: Author based on compilation of various sources.

and illicit trade activities. The city's extensive transportation infrastructure, including Jebel Ali Port, Port Rashid, Dubai International Airport, and Al Maktoum International Airport, combined with multiple free trade zones, has significantly enhanced its integration into global supply chains. Key free zones such as the Jebel Ali Free Zone, Dubai Airport Freezone, Dubai Multi Commodities Centre, Dubai International Financial Centre, and Dubai World Trade Centre have played a central role in strengthening Dubai's position as a global logistics and financial hub. Akhavan (2017) identifies two interrelated processes underlying this transformation: first, the expansion of port traffic and transshipment activities, and second, the development of advanced production, logistics, and service sectors associated with free trade zones and the knowledge economy.

From the perspective of illicit trade agglomeration, free trade zones are particularly important because they provide logistical, regulatory, and financial advantages that may be exploited by illicit trade networks. Such zones frequently facilitate the storage, repackaging, relabeling, processing, and transshipment of goods with relatively limited customs oversight. The high volume of commercial activity and the presence of numerous intermediaries within free trade zones can further reduce the visibility of illicit operations. In addition, the combination of favorable tax regimes, streamlined customs procedures, and weak regulatory oversight may increase the attractiveness of such zones to both licit and illicit businesses.

Financial infrastructure also constitutes a critical enabling component of illicit trade ecosystems. Since illicit trade generates substantial illicit proceeds, money laundering mechanisms are essential for integrating these funds into the formal economy. In countries characterized by weak financial regulation, limited transparency, and ineffective anti-money laundering controls, both financial institutions and non-financial businesses may become vulnerable to exploitation by illicit actors. Brown and Hermann (2020) distinguish between banking-based, non-banking, and geographically oriented money laundering systems, including offshore financial centers and free trade zones. In the case of Dubai, for example, the Financial Action Task Force (FATF 2020) identifies banks, money and value transfer services such as hawala systems, and dealers in precious metals and stones as sectors associated with elevated money laundering risks.

Technological developments in cyberspace have further expanded the infrastructure available to illicit trade networks. Cryptocurrencies, encrypted communications, social media platforms, online marketplaces, and dark web cryptomarkets increasingly facilitate illicit transactions by providing greater anonymity, security, and cross-border accessibility (Anzoom *et al*. 2020; Persi Paoli *et al*. 2017). Digital trade infrastructure allows illicit actors to coordinate globally dispersed operations, market illicit goods, transfer funds, and evade traditional regulatory mechanisms. Weak or underdeveloped regulatory frameworks in cyberspace create additional vulnerabilities that may contribute to the expansion and diversification of illicit trade hubs globally.

Illicit Trade Hub Ecosystem

The analytical approaches relevant to understanding drivers of illicit trade agglomeration demonstrate that the latter is driven by the interaction of political and institutional vulnerabilities, socioeconomic conditions, and infrastructure-related enabling environments. Together, these interconnected dimensions form what can be described as an illicit trade hub ecosystem at the country level. The emergence and persistence of illicit trade hubs therefore depend on the extent to which these conditions create favorable environments for the production, transit, concealment, financing, and distribution of illicit goods and services.

As noted in the previous section, political and institutional vulnerabilities create permissive governance environments in which illicit trade actors can operate with reduced risks of detection and punishment. At the same time, socioeconomic conditions influence both the supply of and demand for illicit trade activities. In some countries, historical trading practices and the social normalization of smuggling activities may further reinforce the persistence of illicit economies. Finally, infrastructure-related enabling environments provide the logistical, financial, technological, and commercial foundations necessary for the operation and expansion of illicit trade networks.

Importantly, these dimensions interact in mutually reinforcing ways rather than functioning independently. Weak governance may facilitate corruption within shipping, customs, and financial systems, while socioeconomic marginalization may increase reliance on informal and illicit economic activities. Similarly,

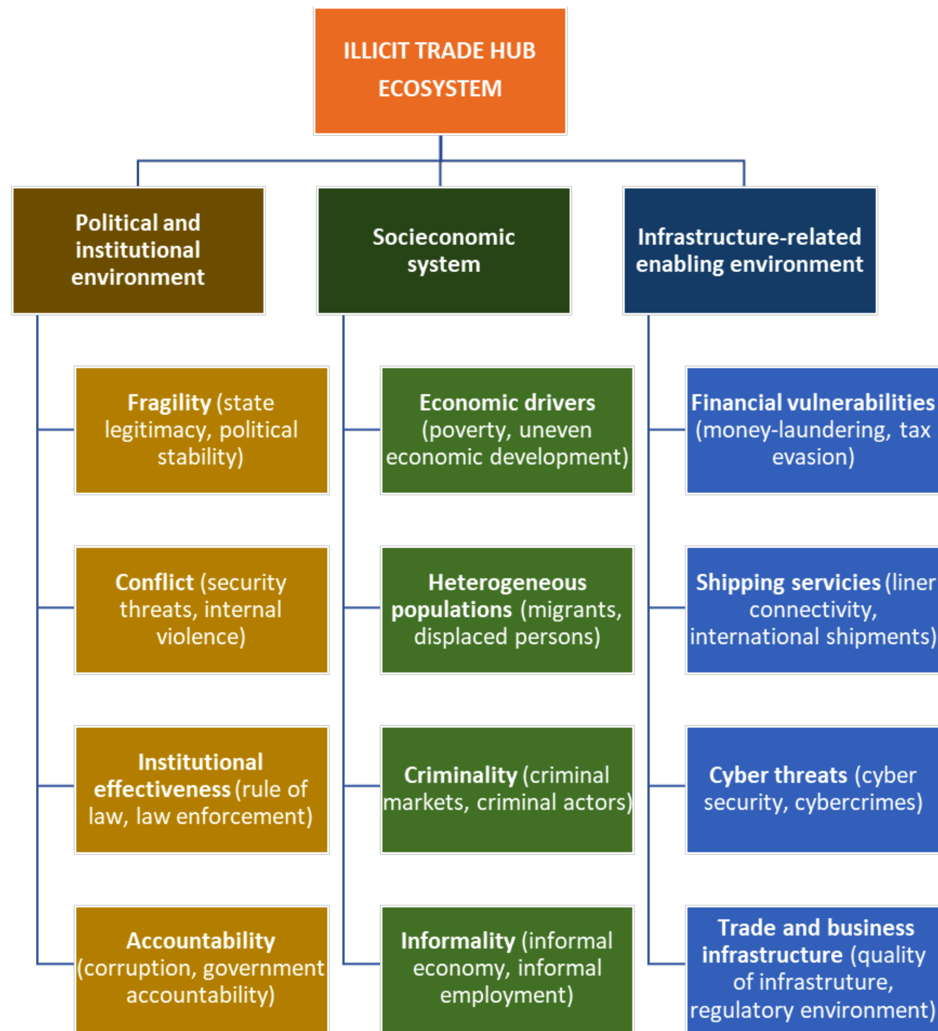

Figure 4: Illicit trade hub ecosystem.

Source: Author.

advanced infrastructure combined with weak regulatory oversight may transform strategically located countries into major transit, financial, or distribution hubs for illicit trade. Empirical evidence from economic geography-based criminological studies further confirms that spatial-economic dynamics, including demographic concentration and regional development patterns, play a critical role in shaping the distribution and intensity of illicit activity, reinforcing the importance of integrating spatial and institutional perspectives in analyzing illicit trade hubs. As a result, illicit trade hubs should not be understood as isolated criminal hotspots but rather as complex ecosystems shaped by the interaction of governance conditions, socioeconomic structures, and infrastructural connectivity, as shown in Figure **4**.

Although the specific configuration of these factors varies across countries, the ecosystem approach provides a useful framework for understanding why illicit trade activities become spatially concentrated and institutionally embedded in particular locations. By integrating insights from hotspot policing, the new economic geography, and political economy, a more comprehensive understanding emerges of the factors driving the spatial concentration of illicit trade activities. Combining these analytical perspectives helps explain how crime opportunities, economic agglomeration forces, institutional environments, and political dynamics interact to shape the emergence, persistence, and expansion of regional and global illicit trade hubs.

The illicit trade hub ecosystem framework also has important policy implications. Existing responses to illicit trade often focus on individual drivers in isolation, such as strengthening border controls, increasing enforcement activity, or targeting specific criminal groups. While such measures may disrupt particular

illicit activities, they may be insufficient to address the broader conditions that enable illicit trade agglomeration and may contribute to the displacement of illicit activities to alternative locations. The ecosystem framework provides a more comprehensive assessment of the conditions that sustain illicit trade hubs. This framework can support the design of interventions tailored to the specific risk profile of individual countries, regions, or cities, rather than relying on standardized enforcement responses. In this sense, the framework provides a basis for integrating prevention, governance, and enforcement measures within a broader strategy aimed at reducing the overall attractiveness of locations to illicit trade actors.

The framework may also provide a foundation for comparative risk assessment. Many of the factors associated with illicit trade agglomeration can be measured through existing indicators related to governance quality, corruption, state fragility, conflict exposure, socioeconomic development, trade connectivity, logistics infrastructure, financial secrecy, and digitalization. By combining such indicators, it may be possible to identify countries, regions, or cities where multiple vulnerabilities converge and create favorable conditions for illicit trade agglomeration. Such assessments could help law-enforcement agencies, customs authorities, and policymakers prioritize monitoring, prevention, and enforcement efforts, allocate resources more effectively, and identify locations that warrant closer attention before illicit trade activities become deeply embedded. In this sense, the illicit trade hub ecosystem framework can serve not only as an analytical tool for understanding illicit trade agglomeration but also as a practical framework for identifying and assessing locations that may be at elevated risk of developing into significant illicit trade hubs.

CONCLUSION

Understanding the emergence of illicit trade hubs requires an interdisciplinary perspective that integrates insights from criminology, political economy, and economic geography to explain how interacting drivers give rise to illicit trade ecosystems at the country level. In this context, the hotspot policing approach contributes to understanding the structural and environmental factors that drive the spatial concentration of illicit trade activities and facilitate the emergence and persistence of illicit trade hubs. Furthermore, new economic geography highlights the importance of transportation networks, infrastructure connectivity, economies of scale, and path dependency in shaping illicit trade hubs. Finally, political economy perspectives on state fragility and governance vulnerabilities further demonstrate how corruption, weak institutions, conflict, and limited state capacity create permissive environments for illicit economic activities.

Taken together, these approaches suggest that illicit trade hubs should not be understood as isolated concentrations of criminal activity, but rather as multidimensional ecosystems sustained by mutually reinforcing structural conditions. Political instability and weak governance may facilitate corruption and regulatory evasion, while socioeconomic marginalization and informality may increase reliance on illicit economic activities. At the same time, advanced transportation, financial, and digital infrastructures can provide illicit actors with the logistical and technological capabilities necessary to expand and coordinate transnational illicit trade networks. The interaction of these dimensions helps explain why certain countries evolve into regional or global illicit trade hubs.

Understanding the drivers of illicit trade agglomeration is essential for designing more effective prevention and enforcement strategies. While the harmful consequences of illicit trade are well documented, further research is needed to better understand the mechanisms through which illicit actors select, develop, and sustain operations within specific locations. In particular, limited research has examined the dynamic interactions between governance vulnerabilities, socioeconomic pressures, and infrastructure-related advantages within broader illicit trade literature. A more comprehensive understanding of these interactions could contribute to more targeted policy interventions, improved risk assessment, and more effective allocation of enforcement resources.

Future research should also address persistent empirical and methodological limitations associated with the study of illicit trade agglomeration. The clandestine nature of illicit trade continues to create significant data challenges, limiting comparative analysis across countries and regions. Emerging data sources, including social media activity, trade transaction records, satellite imagery, financial intelligence, and digital platform data, combined with methods such as geospatial analysis, network analysis, and machine learning may provide new opportunities for advancing research in this field.

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DECLARATION OF CONFLICT OF INTEREST

There is no conflict of interest to declare.

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