

OBSERVATORY OF ILLICIT ECONOMIES IN EASTERN AND SOUTHERN AFRICA

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Summary highlights



The evolution of the illicit economy in northern Mozambique.

The conflict in Cabo Delgado, northern Mozambique, has changed dramatically in the past year. The approach of the insurgents has shifted since they took control of the town of Mocímboa da Praia in August 2020, in sharp contrast to previous hit-and-run guerrilla tactics, while the Mozambican military response, supported by private military contractors and, lately, foreign support, has intensified. When the Islamist militants overran the small coastal town of Palma in March 2021, killing dozens of people, it marked a disturbing new escalation of an increasingly bloody conflict. A year ago, we warned that the insurgents may have been strategizing to take control of key trafficking routes and transport hubs so as to make money from the illicit economy. Our new fieldwork has found that this has not happened. Instead, trafficking networks have shifted to new and safer routes.



The abalone connection: Marine-mollusc smuggling continues to play a part in the South African meth industry.

The market in poached South African abalone has been closely connected to the trafficking of synthetic drugs since the 1990s, when South African gangs began to barter abalone with Chinese organized crime groups for the precursors to methaqualone and methamphetamine. This connection evolved over the subsequent decades, contributing to widespread meth production and consumption in South Africa. Although poaching has decimated abalone populations and domestic meth production is declining, the two illicit markets still remain joined today.



Why heroin capsules have transformed Durban's drug market.

South Africa's port city of Durban is almost the only known area in all of East and southern Africa where heroin is widely sold in capsule form. As a previous issue of this Bulletin explored, while such capsules are a relatively recent phenomenon, they have quickly become a major part of the heroin market in Durban.



Our new research explores the impact that heroin capsules have had in Durban in terms of violence, profitability and local demand for heroin.



Gold rush: How illicit gold from South Sudan and the Democratic Republic of Congo flows through Uganda.

Uganda is a regional hub for illicit gold intended for onward export to gold-trade centres such as the United

Arab Emirates. Discrepancies in import and export data, and monitoring gold prices at different locations in Uganda, shed light on the flows of gold through the country. New GI-TOC fieldwork has also revealed the dynamics of illicit gold trade at smuggling hubs and the political protection of the trade.

ABOUT THIS ISSUE

The attack by insurgents on the coastal town of Palma, Cabo Delgado, in March 2021 is a major escalation in the conflict in northern Mozambique that began in late 2017. Humanitarian agencies report that thousands of people, traumatized and without shelter, have arrived in neighbouring districts and that thousands more are on the move. By Easter, thousands more were still believed to be hiding in bush surrounding the town. As in other insurgencies, one of the most pressing questions is how the insurgents are funding and supplying themselves.

Illicit flows are a major part of the political and economic landscape of northern Mozambique. A year ago, the GI-TOC warned that Ahlu-Sunna Wa-Jama'a, the insurgent group, may have been trying to take control of key trafficking routes and profit from them. International observers continue to voice speculation as to whether this is the case.¹ Our new fieldwork has found that this has not happened. Instead, trafficking networks have shifted to new routes outside of the insurgent-controlled area, which is highly militarized.

In this issue we also report on other organized crime trends in the region. In South Africa, the trade in poached abalone (a type of marine mollusc, known locally in Afrikaans as 'perlemoen') has long been intertwined with the market for methamphetamines and

methaqualone, as South African gangs began bartering abalone with Chinese crime networks in return for precursor chemicals for these synthetic drugs. Today, the methamphetamines market in South Africa has diversified, with supplies coming from Nigeria and, recently, Afghanistan.² However, the link between meth precursors and abalone has remained strong.

In a previous issue of this Bulletin, we reported on how heroin is sold in the form of pharmaceutical-style capsules around the South African port city of Durban.³ In this issue, we return to Durban to investigate this phenomenon in more depth: what advantages does capsulized heroin offer drug networks and what impact has this had on Durban's violent and volatile drugs market?

We have previously reported on the impact of COVID-19 on illicit gold miners in South Africa,⁴ organized large-scale thefts at gold-processing facilities in South Africa,⁵ and violence related to gold mining in Zimbabwe.⁶ In this issue, we turn to Uganda: a long-standing, important livelihood for many communities in East and southern Africa, the gold trade is a draw for organized crime because of its high-return, low-risk nature, ease of movement and the anonymity offered in gold markets.

Notes

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The evolution of the illicit economy in northern Mozambique.

The conflict in Cabo Delgado, northern Mozambique, has changed dramatically in the past year. The sophistication and scale of attacks staged by the insurgent group known as Ahlu-Sunna Wa-Jama'a (ASWJ), which has been staging attacks in Cabo Delgado since late 2017, have increased significantly. The attack on the coastal town of Palma that began on 24 March 2021, in which dozens are reported to have been killed, is another sign that the insurgency is maintaining its momentum.¹

The ongoing fighting has had a knock-on effect on the illicit trafficking routes that have long been deeply entrenched in Cabo Delgado, but not in the ways that many observers expected.

Atrocities and a bloody escalation

UN refugee agencies have warned that the number of people displaced by the conflict in Mozambique is expected to reach 1 million by June 2021: currently almost 700 000 are displaced, a tenfold rise in the past year.² Data from the Armed Conflict and Location Data Project estimates that 2 600 people have been killed in the conflict between October 2017 and March 2021.³

Horrific human rights abuses, from kidnappings and sexual abuse to mass beheadings of civilians,⁴ including children,⁵ have been documented. Human rights organizations have accused all sides of the conflict of committing war crimes, including the Mozambican military and the Dyck Advisory Group (DAG), a private military contractor employed by the Mozambican government to provide an aerial response to the insurgency.⁶ DAG has disputed the claims.⁷ The Mozambican government has also been widely criticized for blocking media and humanitarian access to the conflict.⁸

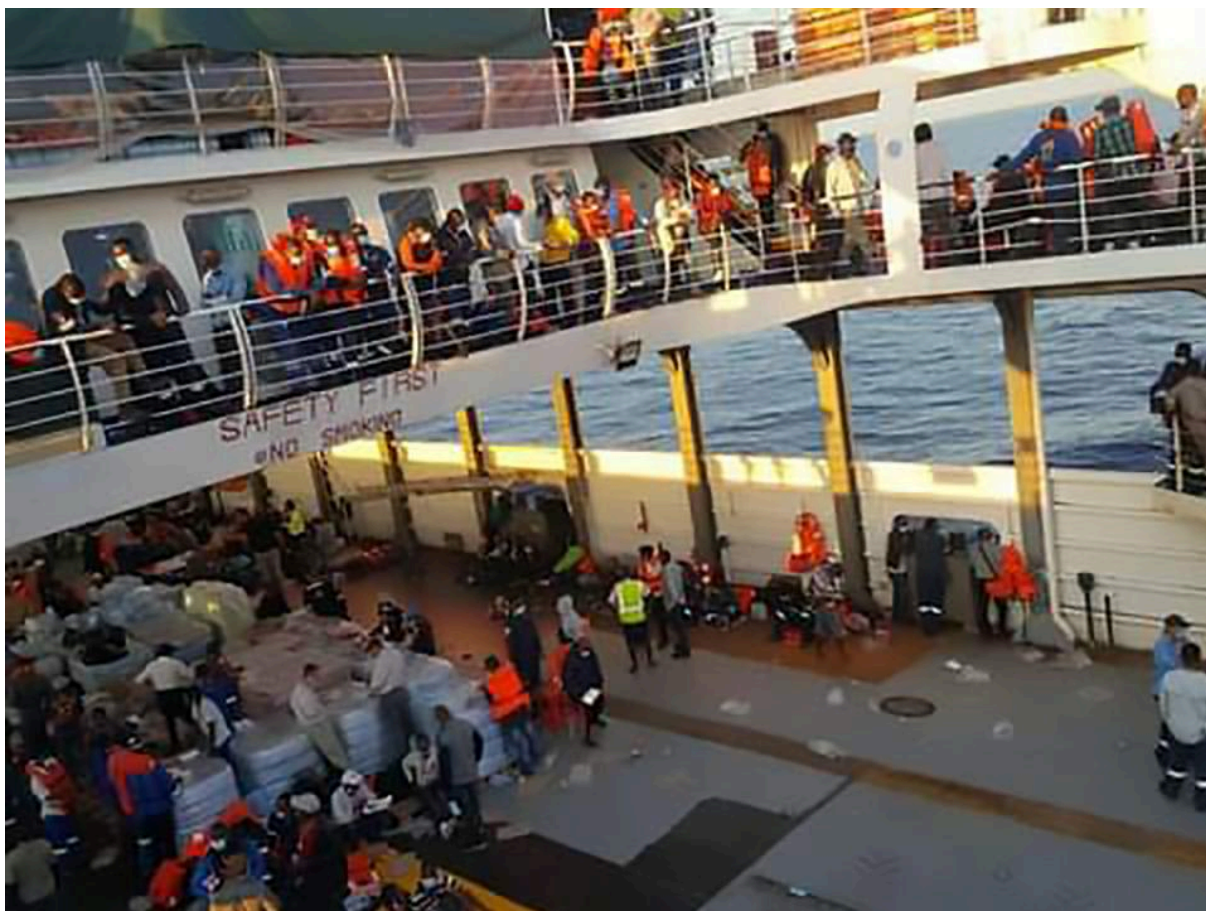
There was a sharp rise in the number of insurgent attacks until the rainy season started in late 2020, together with a shift in tactics adopted by the insurgents.⁹ ASWJ moved from conducting guerrilla raids on towns and villages – which included looting for supplies and money as well as terrorizing residents – to attacking ever-larger targets and taking control of the town of Mocímboa da Praia in late August.¹⁰

The security forces have allegedly been attempting to regain control of Mocímboa da Praia and drive the insurgents from key transportation routes. Helicopters operated by DAG with support from the Mozambican government have been deployed offshore from Mocímboa da Praia in order to cut off supply vessels reaching the insurgents by sea. As a result, local boat traffic along the northern Mozambique coast has fallen sharply.

However, with only four helicopter gunships based at Pemba (the capital of Cabo Delgado province) and a large active conflict area, this blockade has been intermittent. Supplies and new recruits are understood to be reaching the insurgents in Mocímboa da Praia from Mtwara in southern Tanzania by dhows travelling mostly at night to avoid detection and possible helicopter fire.¹¹ According to a local source, there are rumours that a temporary logistics staging base for this supply route has been established among the islands of the Rovuma estuary.¹² Small amounts of supplies are also reportedly smuggled overland, both from southern Tanzania and across the front lines in northern Mozambique itself.¹³ The front lines have been described as very porous.¹⁴ However, the fighters were reportedly experiencing food shortages.¹⁵

Reports of renewed fighting have emerged in recent weeks.¹⁶ Insurgents began an assault on the coastal town of Palma on 24 March 2021, just hours after oil and gas giant Total announced that it considered the security situation to have improved enough to resume work on its gas plant on the Afungi Peninsula, very close to Palma.¹⁷ Dozens are estimated to have been killed in the fighting and thousands of residents have been forced to flee into neighbouring districts.¹⁸

Local residents and foreign gas workers were also evacuated from Palma by DAG helicopters and a collection of volunteer vessels including ferries to the port of Pemba to the south.¹⁹ The attack on Palma – which has been claimed by Islamic State (as have previous attacks by ASWJ) – has been seen as another major escalation in the conflict. At the time of writing, Mozambican security forces have announced that they regained control of Palma town after several days of insurgent occupation. Media reports have shown the widespread damage caused to the town.²⁰



Residents of Palma are evacuated following an insurgent attack in late March 2021 that claimed dozens of lives and has left many unaccounted for. Thousands of people were rescued from the area by vessels, in what some described as a mini-Dunkirk, including ferries such as this one.

Photo: Twitter

The growing scale of the conflict has brought with it international pressure on the Mozambican government to accept military support.²¹ On 10 March 2021, the US government designated ASWJ as a 'foreign terrorist organization', describing it as an affiliate of Islamic State.²² US special forces have also begun a training programme for the Mozambican military. Portugal is also finalizing a bilateral agreement with Mozambique to provide military training,²³ and French naval forces are patrolling the Mozambican Channel.²⁴

Predictions vs. Reality

These developments in the conflict have had impacts across the region, including a knock-on effect on the various trafficking routes – for heroin, rubies, gold, timber, wildlife – and migrant-smuggling routes – which have been entrenched in Cabo Delgado for decades. However, this has not taken the form that many analysts, including the GI-TOC, expected.

When the conflict first broke out in 2017 and in its early stages, many observers issued warnings about the potential for the insurgents to capitalize on trafficking routes.²⁵ A year ago, in a previous issue of this Bulletin, we published analysis that the insurgents' strategy may have been aimed at taking control of trafficking routes and transport hubs so as to make money from the illicit economy.

Our research at the time found that the insurgents' links to organized crime were largely ad hoc, and trafficking routes did not form a major part of the funding streams for the organization. The links between criminal markets and insurgency at the time were more reflective of the fact that illicit economies made up a large part of economic activity in Cabo Delgado.

For example, we found that there were possible overlaps between the insurgents and drug-trafficking networks (using the same dhows for local transport, and operating in the same vicinities), and that there were opportunities



A Dyck Advisory Group (DAG) helicopter conducts a rescue operation for people fleeing the insurgent attack on Palma. DAG is a private military company contracted by the Mozambican government to combat the insurgents, particularly through the use of helicopters.

Photo: DAG

for them to capitalize on other commodities such as the smuggling of rubies and gold.²⁶ The insurgents reportedly recruited from the gemstone and gold artisanal-mining communities in Cabo Delgado and Niassa provinces at the outset of the conflict.²⁷

The fact that the profits from both licit and illicit markets in Cabo Delgado were being channeled to a narrow political and military elite left people in the region impoverished and angry and contributed to the growing insurgency.²⁸ For example, some early recruits into the organization were reported to be drawn from the communities of artisanal miners operating in Montepuez.²⁹ Initial recruits from this area were attracted by ASWJ's rhetoric of rejecting a predatory government that they felt was excluding them from mineral resources on their land.³⁰

However, our assessment in 2020 also warned that insurgent control of trafficking routes was a risk: 'If territorial control were achieved – along the coast from Quissanga to Palma as well as on the key inland transport corridor along the N380 road and the town of Macomia – this could vastly change the dynamics of the insurgency. Control over key sea and land routes would allow the insurgents to “tax” licit and illicit economies in the region more systematically. While there may already

be some protection of heroin trafficking and involvement in the gold and ruby trade, this could expand to include human smuggling, timber trafficking and possibly a share of the illegal wildlife trade. The locations of recent attacks – which include coastal landing sites, transport hubs and the sites of natural resources – suggest that the insurgents may be targeting the illicit economy as a more substantial source of future revenue.³¹

Contrary to these perceptions and predictions, our research in northern Mozambique in January and February 2021 has found that there is little evidence to suggest that illicit economies have in fact become a major source of income for the insurgents. In fact, the insurgent-controlled area and the highly militarized surrounding region have become extremely logistically difficult for trafficking networks to move contraband through. Damage to road infrastructure,³² the risks of the violence and the presence of government forces have meant that trafficking routes in the region have dramatically changed from those mapped a year ago.

However, perceptions that the insurgents are profiting from trafficking still persist. On 11 March this year, John Godfrey, a US counterterrorism envoy, referred to 'a nexus between terrorism finance and narcotics trafficking in Mozambique that's particularly



FIGURE 1 Illicit flows through northern Mozambique as of February 2021.

NOTE: In comparison to our research findings from 2020, several key illicit flows have shifted so as to avoid the area of insurgent activity in Cabo Delgado. Several illicit flows marked on the 2020 map below – such as flows of drugs to Comoros and Mayotte, and some goods flows out of Zanzibar – are not marked on the 2021 map above. This is not to suggest that such flows are not ongoing, but that our latest research did not confirm their continued viability.



FIGURE 2 Illicit flows through northern Mozambique as of June 2020.

Source: Alastair Nelson, A triangle of vulnerability: changing patterns of illicit trafficking off the Swahili coast, GI-TOC, June 2020, <https://globalinitiative.net/analysis/triangle-vulnerability-swahili-coast/>.

problematic' in relation to the US designation of ASWJ as a foreign terrorist organization.³³

The evolution of criminal economies

Although the group may not have taken control of trafficking routes, ASWJ has still had a large impact on trafficking through Cabo Delgado. The impact has been larger than that caused by travel restrictions due to the COVID-19 pandemic, which has had a significant impact on trafficking routes around East and southern Africa and globally.³⁴

Drugs

Drug shipments into Cabo Delgado take place via three main methods. The best known is the trafficking of heroin and methamphetamine via dhows travelling from the Makran coast of Pakistan and Iran. Multiple law enforcement sources confirmed that dhows continued to travel to Mozambique during the pandemic.³⁵

From a dhow that can carry up to a tonne of heroin and meth, smaller shipments are offloaded onto smaller fishing boats to be brought into harbours and beaches. A system of numbers written on each shipment corresponding to the drop-off point reportedly helps the trafficking networks deliver each shipment to the right recipients.³⁶

In previous years, these drugs shipments were primarily heroin. Methamphetamine is a newer addition to this trafficking route, and has been detected since the beginning of 2020.³⁷ The incidence of methamphetamine on this route has increased to such an extent that more than 50% of these shipments are now made up of meth. As we have covered in previous issues of this Bulletin, a rise in meth production in Afghanistan has led to meth being trafficked alongside heroin to southern Africa. Law enforcement sources in Mozambique reported that laboratory analysis done on meth seized in Mozambique confirmed that this was meth produced in Afghanistan.³⁸

Drug shipments from dhows were previously offloaded onto beaches around Mocímboa da Praia, Quissanga and Pemba in Cabo Delgado. However, drop-offs are now made at points further south, including Pemba, but also Nacala and Angoche.³⁹ After extensive field research in early 2021, including interviews with law enforcement officers, local sources connected to the drugs trafficking routes, local drug couriers and local journalists, no evidence was found linking the ASWJ with the dhow-based drugs supply route. It appears that safety



A small fishing dhow on the shore of Pemba, Cabo Delgado, Mozambique, reportedly one of the local vessels used to land drugs shipments.

Photo: Supplied.

concerns over landing along the insurgent-held coastline, as well as the potential increased costs of having to move goods south through two front lines, have meant that these drugs trafficking networks have moved to the relatively safer coast of Nampula district (Nacala and Angoche).⁴⁰

One heroin trafficker known to the GI-TOC who had previously been based in Mocímboa da Praia had since moved south to Nacala, suggesting that their trafficking operation had also shifted.⁴⁸

Conversely, the ASWJ insurgency has seen drug networks move out of Zanzibar into northern Mozambique. Interviews with former and current drugs mules based in Zanzibar suggested that delivery of heroin by dhows into Zanzibar has slowed, due to increased military surveillance off the Tanzanian coast due to the insurgency.⁴⁹ There has also been active recruitment among the youth of Zanzibar, and some young people are known to have travelled to Mtwara to join ASWJ.⁵⁰ This may have increased general security surveillance on Zanzibar, negatively impacting the smaller drugs trafficking networks.

With the increased security surveillance in and around Zanzibar, some lower-level 'entrepreneurial' networks appear to have shifted operations out of Zanzibar to northern Mozambique, from where they are trafficking the drugs to South Africa, and possibly back up to Zanzibar for mules to carry to Europe via air.⁵¹

Several suspects arrested in Pemba in January 2021 in connection with drugs trafficking, likely in connection with the same dhow seized by the French navy, are known to be Zanzibari.⁵² The suspects named a Zanzibari woman as the trafficker they were working for. This woman had previously worked as a drugs mule

trafficking heroin, built up capital and now directs her own trafficking operation moving drugs from the coastal landing sites to South Africa.

The second means of trafficking drugs into northern Mozambique is inside containers that arrive on cargo ships from Pakistan carrying heroin or from Brazil carrying cocaine into the container port in Pemba. This route appears to have been unaffected by both the insurgency (as insurgent control has not stretched as

far south as Pemba) and the pandemic.⁵³ It is understood that the networks in control of heroin trafficking via container differ from those involved in the dhow trade, with these high-volume traffickers reputedly enjoying support from senior party and government officials.⁵⁴ While these networks used to receive heroin via dhows from the Makran coast, they have now transferred to the more controlled and secure system of trafficking via containers.⁵⁵

LARGE DRUGS SEIZURES, MADE UP OF HEROIN AND METHAMPHETAMINES, MADE IN MOZAMBIQUE IN 2021 SUPPORT THE CONCLUSION THAT TRAFFICKING NETWORKS HAVE MOVED FURTHER SOUTH.

- On **24 March**, 356 kilograms of crystal meth and heroin were seized by police on Numa beach in **Nacala** while being offloaded from a boat. The crew escaped arrest via sea.⁴¹
- On **19 March**, the Serviço Nacional de Investigação Criminal announced that they had seized 440 kilograms of heroin in **Quelimane**, a town on Mozambique's central coast.⁴² A well-connected local source has confirmed that this seizure was made up of heroin, cocaine and cannabis.⁴³
- On **7 March**, 95 kilograms of heroin and methamphetamines were seized in **Murrupula**, Nampula Province, at a checkpoint on the main road south to Maputo, hidden inside a trailer.⁴⁴
- In **February**, 6 kilograms of drugs were seized at the port of **Nacala** (shortly after these disappeared from the authorities' safe keeping).⁴⁵
- On **23 January**, 61 kilograms of heroin and 5 kilograms of methamphetamine were seized in **Nacala**. According to the person arrested with the drugs, they were due to be transported to South Africa by road.⁴⁶
- On **24 January**, a French navy frigate seized 417 kilograms of methamphetamines and 27 kilograms of heroin from a dhow in the **Mozambican Channel**.⁴⁷



Heroin seized in Nacala, Mozambique, in January 2021. The packaging has also been seen on other drugs shipped into Mozambique and Zanzibar. A Mozambican national was arrested in connection with the drugs.

Photo: SERNIC

Third, heroin destined for local consumption is imported to Mozambique overland from Tanzania. In 2020 we reported how heroin was packaged into trucks in Dar es Salaam inside foodstuffs for export to shops in northern Mozambique, then being trucked across the Mozambique border at the Unity Bridge, in the far north-west of Cabo Delgado province.⁵⁶ Now, however, the route has shifted much further west, crossing into the north-west of Niassa Province, then heading south to Lichinga and along the poor road linking Niassa and Cabo Delgado provinces. This avoids the conflict zone and still allows for heroin to be delivered to users in towns such as Montepuez and Pemba.⁵⁷

Human smuggling

For years, the Swahili coast has been part of a human-smuggling route for migrants moving from the Horn of Africa to South Africa. People moving from Ethiopia and Somalia travelled south to Zanzibar, from where many would take a coastal route via dhow, which would make landing at Mocímboa da Praia and on the beaches near Pemba, typically on moonlit nights. These same dhows have also been used to transport other illicit products, including ivory and heroin, and very likely were also used by the spreaders of extremist ideologies from the Kenyan coast.⁵⁸

However, this coastal movement of people has ceased, due to a combination of the insurgency, increased surveillance of the coasts and COVID-19. Thanks to COVID-19 restrictions, fewer migrants have arrived to Zanzibar in the past year, and arrivals by sea have remained low.

Instead, the passage of Ethiopian migrants via Malawi and then into Mozambique's southern Tete province has increased. The horrific deaths of 64 migrants found dead in a cargo truck in Tete province in March 2020 turned the spotlight onto this emerging smuggling route.⁵⁹ Reports of the arrest of smuggling facilitators in the region further suggests that this is an established route for movement of migrants and not an ad hoc crossing point.

As investigations in the Mozambican media have also reported, migrants are also smuggled by air from Nairobi into Pemba airport.⁶⁰ Initial GI-TOC investigations into this route have found this to be a sophisticated arrangement whereby migrants are boarded in Nairobi using tickets that are issued to them only once the number of free seats on the flight is known, and without being registered on Mozambique Airlines's (LAM) booking

system. On arrival in Pemba, the migrants are held on the plane until after the crew has disembarked, whereupon all of their passports are taken to a 'trusted' immigration official by a facilitator. The migrants are then accommodated in houses of known smuggling facilitators in Pemba until they begin their onward journeys – some by air to Maputo and then overland to South Africa, and some overland all the way from Pemba. Our research suggested that this is a long-standing smuggling route that has only recently come to light.⁶¹

Gems

There are two major regions for sourcing gemstones in northern Mozambique. First among these are the mining sites near Montepuez in Cabo Delgado. Our research looked for evidence directly linking gemstone trafficking from the illicit mining operations with ASWJ, but no direct relationship was found. However, we heard from multiple sources that some artisanal miners sympathetic to ASWJ, or just to family members who had joined, may be supporting ASWJ financially, although none of our interviews directly confirmed this link. Thus, there is little evidence to suggest a systemic link of either gems or large-scale financial support flowing to the insurgents.

The second major area for gemstone mining is from the Msawise site within Niassa Special Reserve. Currently, our research suggests that gemstones mined in this region are primarily smuggled to Malawi, where traders are able to obtain official paperwork claiming the gems to be Malawian-mined, before being exported to Asia. Reports also suggest that this gem smuggling route is connected to the illicit wildlife trade, primarily in carnivore body parts such as lion teeth and claws, and also live pangolins from Niassa Reserve. We found no evidence of ivory trafficking in northern Mozambique, either out of Pemba or into Malawi.

The role of the insurgency

Contrary to expectation, it seems that ASWJ does not currently play a major role in any illicit flows through northern Mozambique. Instead, their presence has reshaped the criminal landscape of Cabo Delgado and caused trafficking routes to reconfigure.

This is not to definitively say that the insurgents are not benefiting from the criminal economy. It is possible, for example, that they may be benefiting from small amounts of artisanal gold mining that occur within the no man's land south-west of Mocímboa da Praia. While helicopter and naval surveillance along the coast

precludes the trafficking of bulky goods such as timber, small amounts of gold smuggled to the gold market in Dar es Salaam could provide a form of income. However, it is not currently possible to say definitively whether the insurgents are involved in this low-level gold trade.

What seems more certain is that the Palma attack has benefited the insurgents financially. They reportedly targeted banks and humanitarian supplies, which suggests that this is the current mechanism they are using to fund and supply themselves. The date of the Palma attack – just before many workers would be due

to receive monthly salaries – further suggests that the insurgents' strategy was aimed at financial gain.

Much remains unknown, and the dynamics of the conflict remain highly volatile, as the recent fierce fighting around Palma has shown. As countless other conflicts have shown in the past, armed groups can quickly adapt to engage in criminal activity and play a role in trafficking routes. As such, the relationships between ASWJ and trafficking networks may also be expected to shift in future.

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The abalone connection: Marine-mollusc smuggling continues to play a part in the South African meth industry.

It is one of the stranger quirks of crime history that a marine snail became one of the key drivers in the development of the South African synthetic drugs market from the 1990s onwards, as well as forming a lucrative illicit market in its own right. Over two decades, the illegal market for South African abalone (*Haliotis midae*, also known as perlemoen) has grown to the point where over 2 000 tonnes are being poached from South African waters annually, according to 2018 estimates from wildlife monitoring group TRAFFIC.¹

The growth of this poached abalone market helped fuel the rise in trafficking of synthetic drugs and their precursors to South Africa. Although much has changed since the 1990s, according to interviews with abalone poachers and middlemen, many of the same dynamics that established the abalone-synthetics connection still remain in place today.

The emergence of abalone poaching and the politics of fishing quotas

Large-scale abalone poaching is a relatively recent phenomenon in South Africa. Quotas restricting the maximum catch of species, including abalone, were introduced in South Africa in the late 1960s, but poaching remained at low levels for decades.²

This began to change during South Africa's democratic transition in the early 1990s.³ In an effort to transform the coastal fishing industry, the new post-apartheid government tried to create a more equitable licensing and catch quota scheme. As a result, enforcement efforts against poaching were significantly expanded, penalties were increased and special environmental courts were established to prosecute offenders.⁴



Abalone is prepared for cooking at Hangberg, a poaching hotspot on the Western Cape coast.

Photo: Shaun Swingler

The new policies had unintended consequences, favouring newcomer commercial fishing operators and further marginalizing local operators who had relied of small-scale fishing for their livelihoods.⁵ As a result, poaching increased.

The changes also delegitimized the efforts of state authorities in the eyes of coastal Cape communities.⁶ Illicit catches of abalone and crayfish grew as fishers undertook to operate outside the confines of a system that they saw as being both corrupt and prejudiced.⁷

Access to marine resources (including abalone) as dictated by the fishing quotas remains a deeply political issue today. Those who poach and transport abalone often point to the limitations on the legal market as the reason they feel forced into the illegal trade.

‘The quotas forced people to go and dive for perlemoen and it’s unfair, because it makes an honest man trying to provide for his family into a criminal who is now smokkeling [illegally trafficking] with perlemoen’, said Junaid, a 53-year-old transporter of abalone in the Cape Agulhas area in the Western

Cape, who is also a former diver for abalone.⁸ (Names of interviewees have been changed).

Granwil, a fisherman and gang member in Hawston, on the Western Cape coast, agreed. ‘The government is forcing the fishermen and the communities into illegal trade ... they sell our shores to China and to other fishing countries and as a result they reduced our quotas ... obviously then, we are forced to mine for abalone illegally at night or any time.’⁹

The development of the meth-abalone connection

In the space of a few years in the 1990s, the poaching of abalone became a lucrative, organized criminal enterprise, with Cape gangs moving in to dominate what had become a multi-million-dollar illicit trade.¹⁰ Gang control of the trade continues today. Ernie ‘Lastig’ Solomon, the late leader of the Terrible Josters street gang, was a prominent figure in the Western Cape abalone trade in recent years, monopolizing the abalone trade along a large swathe of coastline until his assassination in November 2020.¹¹ This has reportedly left a power vacuum in the market and led to competition between different underworld figures for Solomon’s position.



A diver returns to the surface with a haul of poached abalone, and the shucking tool used to prise the abalone from their shells.

Photo: Shaun Swingler

Darryl, an abalone smuggler in Hawston, which was Solomon's territory, said 'Ernie Lastig played a big part in the fishing industry, because he regulated it in a way that the government didn't'. Darryl viewed Solomon's thuggery almost as a necessary evil. 'Ernie Lastig was like a warm beer, in that it doesn't taste that good, but at least it's still a beer ... Ernie taxed us on perlemoen and crayfish, but he also protected the community from other unscrupulous gangsters that would have caused a lot of havoc here for us.'¹²

Chinese syndicates, which had been embedded in the country since at least the early 1970s, became the dominant buyers for illegally harvested abalone from Cape gangs.¹³ The abalone, so easily harvested and acquired by the Cape gangs, was a high-priced Asian delicacy that could be smuggled out along existing routes in neighbouring countries and sold by the Chinese syndicates at a significant profit in Hong Kong.¹⁴

A barter economy arose between the gangs and their Chinese buyers, eliminating the need for exchanges of large amounts of cash. Chinese syndicates traded the precursor chemicals necessary to produce methaqualone in return for abalone from the Cape gangs. Commonly



A sample of crystal meth on sale in Cape Town. This is the type of meth known in South Africa as 'Pakistani meth', imported from Afghanistan via Pakistan.

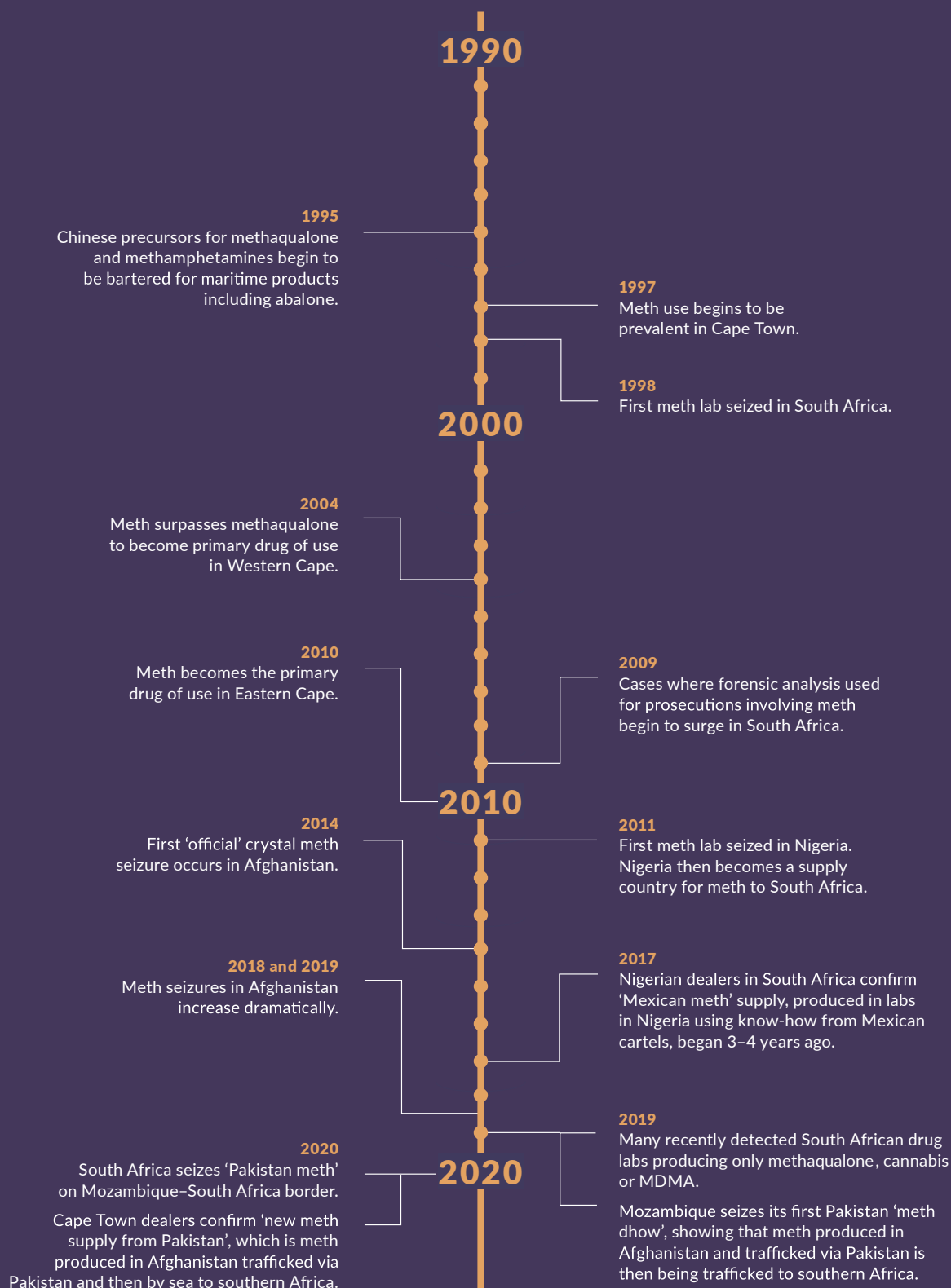
known as 'Mandrax' in South Africa, or Quaalude or 'ludes' in North America and Europe, methaqualone has a long history of use in South Africa. Subsequently, the Chinese networks also bartered with precursors for crystal methamphetamine, which is commonly known as 'tik'. These chemicals – difficult and expensive to obtain in South Africa – were unregulated in China, and easily and cheaply obtained by the Chinese gangs.



Today, meth is the most commonly used drug in the Eastern and Western Cape provinces in South Africa

Photo: Shaun Swingler

EVOLUTION OF THE METHAMPHETAMINE AND ABALONE TRADES IN SOUTH AFRICA



Source: Jason Eligh, A Synthetic Age: The Evolution of Methamphetamine Markets in Eastern and Southern Africa, Global Initiative Against Transnational Organized Crime, March 2021, <https://globalinitiative.net/analysis/meth-africa/>.

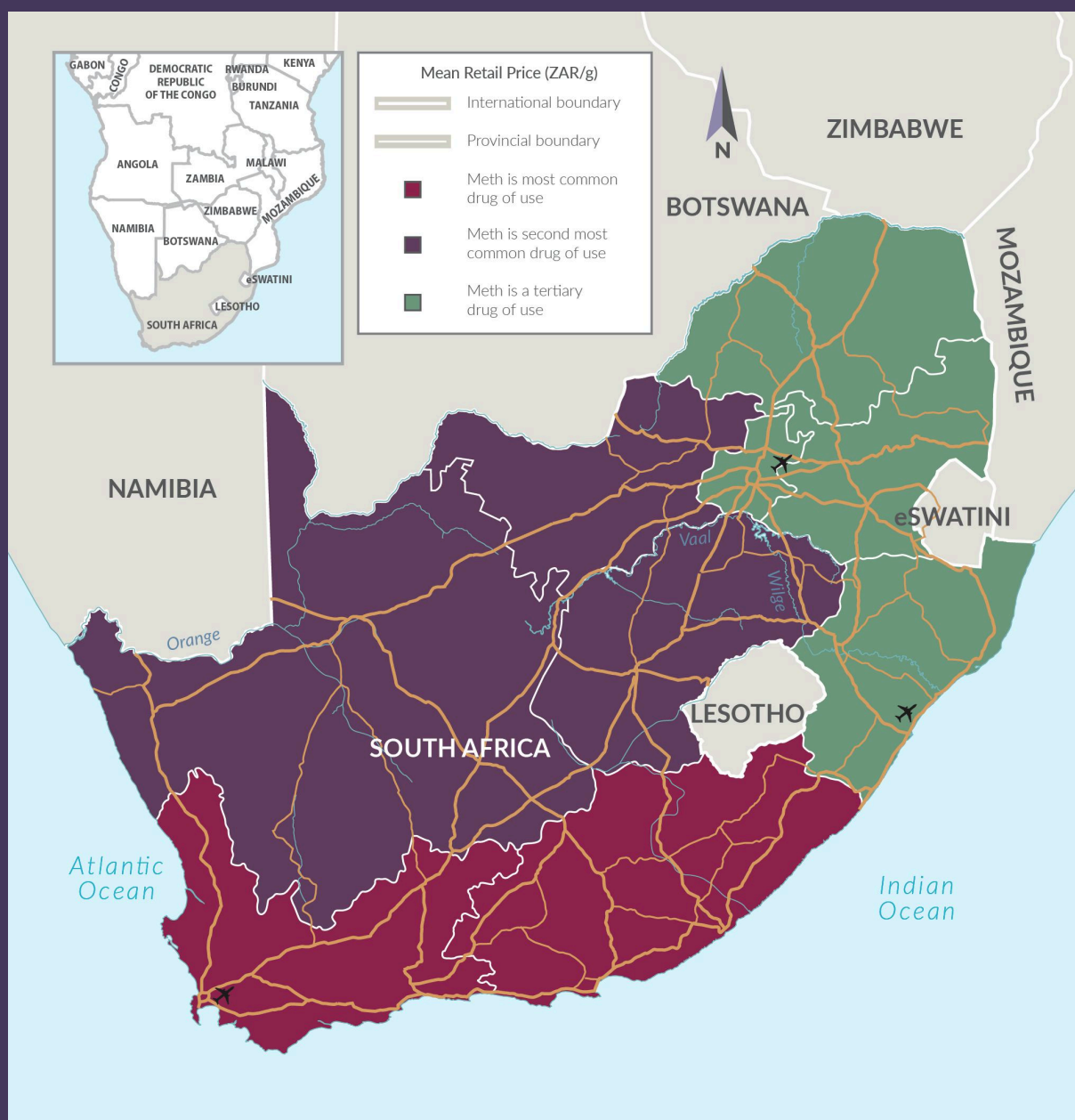


FIGURE 3 Dominance of methamphetamine use in South Africa by province, 2019.

Source: Data derived from SACENDU regional reports for July to December 2018 and 2019. Most recent figure available was used for each province.

It was a mutually beneficial arrangement that contributed both to the expansion of methaqualone in – South Africa as well as the introduction of domestic methamphetamine production, which was first documented in South Africa in the late 1990s.¹⁵ Domestic production and use quickly expanded alongside the growth in the illicit trade in abalone and precursors between South African gangs and Chinese organized criminal groups.¹⁶ In March 1998, a Chinese shipment containing 20 tons of ephedrine (a meth precursor) bound for South Africa was seized by Chinese law enforcement authorities.¹⁷ In the previous year the total amount of ephedrine seized globally was only 8 tonnes. This seizure was significant – 20 tons of ephedrine could have produced a staggering 13 tons of methamphetamine – and showed that industrial production of South African meth had begun.

By 2005, meth had become the primary substance of use among all people who use drugs in the Western Cape province, surpassing methaqualone, cannabis and even alcohol.¹⁸ Today meth is the primary substance of use in the Western and Eastern Cape provinces, the secondary substance of use in the Northern Cape, North

West and Free State provinces, and the third most commonly used substance in the rest of the country.¹⁹

The meth and abalone market today

The South African methamphetamine market of today is very different to its early years. Domestic production now appears to be in decline, and much is sourced from Nigerian syndicates producing methamphetamines in Nigeria, with assistance from Mexican cartels.²⁰ As we have covered in previous issues of this Bulletin, a new supply chain has also now emerged transporting Afghan-produced methamphetamine via routes used for many years to traffic heroin to East and southern Africa.²¹ However, the barter system whereby abalone are traded for drugs or their precursors still persists. Several poachers and smugglers interviewed confirmed the trade is ongoing. Junaid, the abalone transporter, put it this way: 'They [the Chinese networks] have the gold that the gangsters want and that gold is drugs ... in that type of exchange, it's onetrading gold for another's gold, perlemoen is gold to Chinese and drugs is gold to gangsters who have drying facilities.'²²

Other abalone smugglers said that today the Chinese do not only offer drugs and precursors in this barter system.



Police raid an abalone-drying facility in Soshanguve, north of Pretoria, on 20 January 2018.

Photo: Julian Rademeyer

Darryl, the abalone smuggler in Hawston, said property can become part of the deal. 'I know of a couple times that rich Chinese customers would buy a house and put it in your name just so they can get abalone from you for five years without any trouble' he said.²³

Denver, a 56-year-old boss in the Terrible Josters gang, agreed that properties sometimes formed part of abalone deals with Chinese groups. He also claimed that abalone is sometimes exchanged for the service of hitmen in the Chinese groups' employ. However, it was not possible to verify this claim from other sources.²⁴

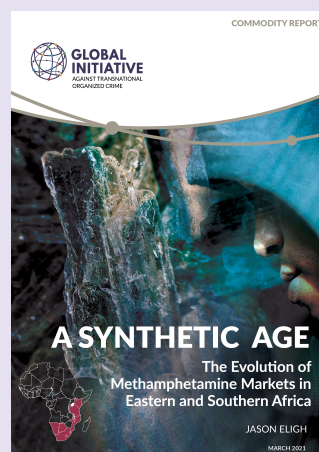
Samantha, a 60-year-old drug dealer and abalone smuggler, described how Chinese buyers can become involved at different stages of the abalone trade. Some approached the divers to source abalone directly in exchange for tik and precursors (which the divers in turn sell to gangs) and set up their own facilities to dry the

abalone before exporting. Others, she said, source abalone from gang-controlled drying facilities.²⁵

All poachers and smugglers interviewed agreed that the wheels of the trade are greased by widespread corruption. Franklin, a senior member of the 28s gang, said that 'we must pay a lot of people so that the shipment reaches its destination and that will include wildlife people, obviously police and sometimes politicians as well that can clear the way for our shipment to get where it's going ... corruption works good here in the Western Cape.'²⁶

The South African meth market has gone through many changes since the 1990s: new international streams of supply have emerged, use has become widespread across the country and domestic meth production has declined. Despite these changes, the illicit markets in abalone and meth have continued their unlikely symbiotic relationship.

This article draws on research from 'A Synthetic Age: The Evolution of Methamphetamine Markets in Eastern and Southern Africa', a new report by Jason Eligh for the GI-TOC's East and Southern Africa Observatory. The report presents groundbreaking new research into the extent of the regional meth market. Available at: <https://globalinitiative.net/analysis/meth-africa/>.



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Why heroin capsules have transformed Durban's drug market.

In early 2020, a police operation targeting a drugs processing facility in Pinetown, a suburb of Durban, yielded a significant find: a machine for filling and processing pharmaceutical-style capsules. According to police, the machine was capable of processing up to 25 000 capsules per hour.¹

This was yet another sign of the trend for capsulized heroin that has been sweeping Durban in recent years,

as explored in a previous issue of this Bulletin.²

However, despite the advantages capsulization brings in terms of more efficient production and distribution, Durban (and its surrounding area) remains unique as the only region in South Africa where drug networks regularly distribute heroin using this method.

New GI-TOC fieldwork in and around the city has found that this step forward in the sophistication of the heroin

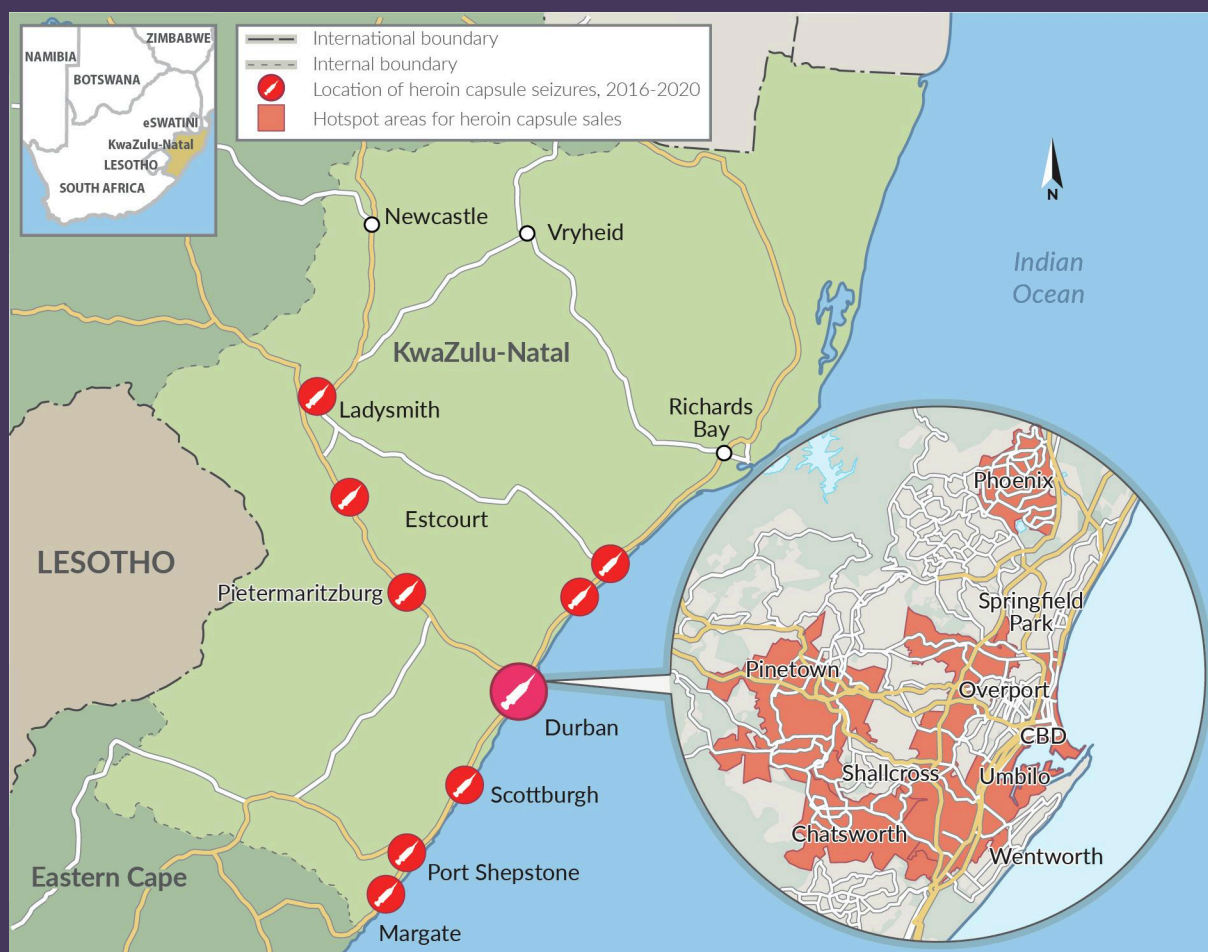


FIGURE 4 Heroin capsules are a unique feature of the drugs market in Durban. This map shows where significant heroin capsule seizures have been made in KwaZulu-Natal between 2017 and 2020. The inset map of Durban highlights which suburbs of the city are known as areas where capsules are sold.

Source: SAPS for heroin seizure data. Information on Durban collected during GI-TOC research in February and March 2021.



A machine used for processing heroin into capsules, seized in Pinetown, Durban, in early 2020.

Photo: Durban Metro Police

market has had knock-on effects in terms of its profitability, local demand for heroin and on violence.

Buying capsules and machinery

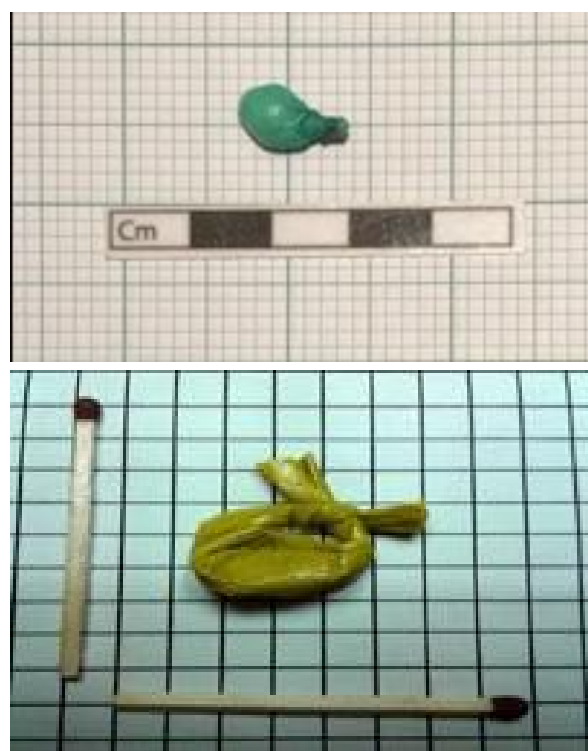
According to police sources in Durban, empty capsules are generally imported from China and India to Durban. An officer with the Hawks, the South African Police Service (SAPS) Directorate for Priority Crime, said that 'Type 4' (14 millimetre) pharmaceutical capsules are generally used, although more recently other sizes have been seized, including Type 5 (11 millimetre) capsules.³ Attempts by SAPS and Durban Metro Police to monitor imports of empty capsules have been unsuccessful, because capsules could be destined for a range of legitimate products.

Both capsules and machinery are readily available to buy, and the capsules are cheap; a supplier in India quoted the GI-TOC a price of just US\$1.30 for 1 000 Type 4 capsules. The machinery required to fill the capsules does present something of a barrier to entry for drug networks in terms of cost, but it is not exorbitantly priced. A machinery supplier in India told the GI-TOC a semi-automated capsule-filling unit costs around US\$15 000, and could be operated by one person.⁴ However, the machine requires a three-phase electricity supply (415 volts),⁵ which may mean that drug networks would have to base their operations in industrial areas where such connections are available.

Once capsulized, the heroin can be easily distributed to users. Drug users do not ingest the capsule. The capsules pull apart easily and the heroin is generally smoked or injected.

The advantages of heroin capsules

The GI-TOC spoke to four Durban-based SAPS narcotics specialists, and all said heroin capsules were unique to Durban. GI-TOC research that has surveyed heroin markets across South Africa and the wider region found



These two samples show different ways of packaging heroin that are found in South Africa. The top image shows a sample photographed in Cape Town; the sample on the bottom, in Port Elizabeth. Heroin capsules are unique to Durban, and across the country simpler plastic packaging like these are more common.

Photos: Jason Eligh

that capsules are an isolated phenomenon in the Durban area of KwaZulu-Natal.

Criminologist Monique Marks, a research professor at the Durban University of Technology who has a deep knowledge of drug use in the city, said that heroin-filled capsules first appeared in Durban in about 2017. The new method quickly became common: the GI-TOC's analysis of heroin capsule seizures in Durban and KwaZulu-Natal show a significant rise in the number of capsules seized from 2019. Before capsules, brown heroin (mixed with bulking agents) was mainly sold in 'straws'. 'The shift to capsules is most likely due to these being easier to produce and to disguise it as conventional medication', said Marks.⁶

Police sources agreed with Marks's theory about efficient production. Manufacturing capsules is considerably more efficient than making heroin loops or 'twisters' (with the drug bound in small plastic strips) or straws, which are manually filled and heat sealed. The amount contained in a capsule is the same as that of a straw or a loop, a Metro Police officer told the GI-TOC.

Capping heroin makes for more time-efficient packaging and provides for easier and more precise dose allocation, with the capping machine ensuring that the same measure of heroin is inserted in every capsule, which makes counting of doses and distribution to dealers easier. Suppliers or wholesalers can service dealers who have different size customer bases, effectively removing layers of middlemen from the distribution pyramid

Capping machines means that fewer people are involved in heroin processing and the potential for information leaks is reduced, making production more secure, a SAPS member told the GI-TOC. Police busts, especially in the case of Teddy Mafia, suggest drug kingpins stored capsules in houses in their turf or 'gullies', occupied by people on their payroll.⁷ Capsules may make it easier for drug kingpins to stash drugs with associates and keep track of merchandise.

The colour and markings of the capsules is also significant. A host of different coloured heroin capsules with a variety of markings and logos have been seized in Durban busts. An identifiable capsule brand allows networks to build up a kind of 'brand recognition'.⁸ This helps networks reinforce control over drug sales on their turf and become associated with the quality of the heroin – an important distinguishing quality in an



Heroin capsules seized in Wentworth, Durban, one of the suburbs of the city where heroin capsules are widely sold. The colours suggest they are a particular type of capsule sold in the city, known as 'Metro', because they recall the colours of Durban metropolitan police cars.

Photo: Durban Metro Police

expanding market characterized by fierce competition. SAPS members said that some drug lords sourced heroin from the same wholesalers at times, but increasingly they sought to differentiate themselves from rivals.⁹

The case of the 'Metro' capsule – so called because the blue and white capsules matched Durban Metro Police vans – highlights the importance of product brand, quality and consistency in capturing, retaining and growing a market. 'The addicts went wild for the blue and white cap when it first hit the streets,' a SAPS officer told GI-TOC. SAPS members said the capsules were sought after until either the producer's quality dropped or poorer-quality copies emerged.¹⁰ The SAPS officer said police noticed a marked response to the quality of the heroin capsules. 'If the users don't get a good hit they will drop a dealer.'

While it is difficult to definitively link specific capsule designs to individual suppliers, police interviewed for this story argued that the colour and appearance of capsules was a branding tactic used by competing drug kingpins.¹¹

The changing economies of the Durban heroin market

Marks said the emergence of heroin-based capsules in Durban had coincided with an increase in the availability of the drug. Like any other commodity, the greater the supply, the more the market adjusted in terms of price. Today, a heroin capsule retails in Durban for about R15 (US\$1), whereas in 2015 the same quantity of heroin in a straw cost R35 (US\$2.35).

'There has been an increase in the demand for heroin because of the deepening social crisis,' Marks said. 'Brown heroin is a fairly cheap drug for a group that is increasing in size because of social and political drivers. Year on year there has been a decrease in the cost of heroin and an increase in usage.'

Capsules have made supplying this booming market easier. A 37-year-old heroin user in downtown Durban told the GI-TOC the capsules he used were mostly sold around Durban station or Albert Park, both in the central business district. 'You pay R18 for a capsule on the street, but if you get to a wholesaler you can get that cap [one hit] for R7.'¹² He said he tried to get at least three hits a day which, according to Marks, is typical: she said most users needed about three to five hits a day.

SAPS officers told the GI-TOC that 1 kilogram of heroin is generally cut with 3 kilograms of additional substances that have a similar molecular weight, from baby powder to methamphetamines and even, recently in Durban, methaqualone. SAPS officers said that variation in the cut and content of the Durban capsules influenced profits dramatically.

A group of police members (SAPS and Metro Police) told the GI-TOC that 1 kilogram of heroin cut made about 25 000 Type 4 capsules, with a street value of about R300 000–R375 000 (US\$20 000–US\$25 000), but information from from the Hawks officer differed:

'We are seeing more Type 5 capsules now,' he told the GI-TOC. 'They are smaller, containing between 0.03 milligram of heroin and 0.04 milligram of heroin. It is not always an accurate science. An importer buys 1 kilogram of heroin for around R120 000 to R150 000 [US\$8 000–US\$10 000]. He adds a number of bulking agents. Phenacetin [a pain medicine] is common. If your 1 kilogram makes approximately 40 000 capsules, each will sell at R12, or a total of R540 000 [US\$36 000]. If he paid R150 000 for the heroin his profit is R390 000 [US\$26 000], less other expenses.'

A Metro Police officer told the GI-TOC that one relatively low-level dealer in Wentworth arrested in March 2021 reported selling 2 000 capsules a day, seven days a week. Police say drug runners are paid R1 (US\$0.67) for each capsule moved.

Volatility and violence

Three Durban Metro Police officers with specialist drug experience told the GI-TOC that more drugs were coming into Durban, fuelling violent competition. One said: 'There are more importers now ... It means more volume and more violence, especially since heroin capsules arrived on the scene.'¹³

A Metro Police officer said that heroin dealers in Wentworth, in south Durban, are engaged in a 'race to the bottom' price war, with capsules selling for as low as R8 (US\$0.53).¹⁴ These prices brought more customers, but also more violence: 'You see people lining up here every day,' the officer said. 'People come from all over because it is cheaper. In Wentworth the competing dealers live across the road from one another. Violence is high because of turf and they are



Tattoos such as these are common among gangsters in Wentworth. As Durban's heroin market has grown, violence between rival gangs for control of the drug turf has also increased.

Photo: Jon Ivins

easily caught up in feuds and revenge attacks.’ Ultimately, the officer said, ‘the guys in Wentworth are killing each other over price’.¹⁵

Since 2018 there have been several high-profile drug-related murders in Durban, including in Wentworth,¹⁶ Overport¹⁷ and Umhlanga.¹⁸ The January 2021 killing of the notorious underworld figure Yaganathan Pillay, otherwise known as ‘Teddy Mafia’, made headlines after his killers were beheaded and their bodies set on fire by a mob, as reported in issue 15 of this Bulletin.¹⁹ In the year preceding Teddy Mafia’s murder there were a string of hits targeting his family and suspected members of his network.²⁰ While some police members said Teddy Mafia was the original producer of heroin capsules in Durban and had manufacturing labs, others maintain he was, in fact, a tier below a producer. ‘There are at least 20 Teddys in town [in a similar league in terms of trade volume]’, a SAPS officer said.²¹

The violent competition continues. On 8 March 2021, a 52-year-old man was shot dead on Taurus Street, where

Teddy Mafia lived.²² A SAPS officer told the GI-TOC: ‘Whoever has taken over from Teddy whacked that guy because he was trying to trade on their turf.’ The shooting took place after the 23 February arrest of Teddy Mafia’s nephew, Govin Govender, in a house less than 500 metres from Mafia’s home, during which police seized 10 700 heroin capsules in two colour designs (orange and white, and pink and clear), according to an internal police report received by the GI-TOC.

While the efficient production of heroin capsules may have increased profits for drugs networks, the signs of market volatility paint a more complicated picture. It appears that while the drug trade in Durban may have found a more streamlined way of selling heroin, such gains have been counterbalanced by violent competition as more actors seek to take advantage of the growing market for heroin. It remains to be seen whether the innovation of Durban’s heroin- capsule trade is adopted elsewhere in South Africa, and whether such adoption will bring similar levels of criminal disruption.

Notes

- 1 A police video seen by the GI-TOC showed the capsule machine in situ. Interview, Durban, March 2021.
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- 4 Correspondence with Indian machine supplier Vitro Industries, March 2021.
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- 7 Jolene Marriah-Maharaj, Hawks seize heroin from Teddy Mafia’s storage facility, IOL, 26 February 2021, [https://www.iol.co.za/news/south-africa/kwazulu-natal/hawks-seize-heroin-from-teddy-mafias-storage-facility-74650aff-0920-4f67-b549-e8ed68911c56#:~:text=Durban%20%E2%80%93%20Over%20R200k%20worth%20of,full%20view%20of%20the%20community](https://www.iol.co.za/news/south-africa/kwazulu-natal/hawks-seize-heroin-from-teddy-mafias-storage-facility-74650aff-0920-4f67-b549-e8ed68911c56#:~:text=Durban%20%E2%80%93%20Over%20R200k%20worth%20of,full%20view%20of%20the%20community.).
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- 9 Interview, Durban, March 2021.
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- 11 Interview, Durban, March 2021.
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- 13 Interview, Durban, February 2021.
- 14 Interview, Wentworth, February 2021.
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- 17 Siboniso Mngadi and Kwandokuhle Njoli, Ridge Road hit on tow truck owners linked to industry tensions, IOL, October 2018, <https://www.iol.co.za/sunday-tribune/news/ridge-road-hit-on-tow-truck-owners-linked-to-industry-tensions-17572985>. Three sources in Durban reported that the killing was connected to drug networks (field interviews, March 2021).
- 18 Bongani Mthethwa, Anger, tears as ‘gang boss’ gunned down after gym session at Umhlanga mall, Timeslive, 6 June 2019, <https://www.timeslive.co.za/news/south-africa/2019-06-06-anger-tears-as-gang-boss-gunned-down-after-gym-session-at-umhlanga-mall/>.
- 19 Civil Society Observatory of Illicit Economies in Eastern and Southern Africa, Risk Bulletin 15, Global Initiative Against Transnational Organized Crime, January–February 2021, <https://globalinitiative.net/analysis/esaobs-risk-bulletin-15/>.
- 20 Orrin Singh, More than R100k in drugs found at flat near Teddy Mafia’s home, Hawks confirm, Timeslive, 13 January 2021, https://www.timeslive.co.za/news/south-africa/2021-01-13-more-than-r100k-in-drugs-discovered-at-premises-near-teddy-mafias-home-hawks-confirm/?device=feature_phone.
- 21 Interview, Durban, March 2021.
- 22 Orrin Singh, Man shot dead, execution style, near Teddy Mafia’s home, Timeslive, 8 March, 2021 <https://www.timeslive.co.za/news/south-africa/2021-03-08-man-shot-dead-execution-style-near-teddy-mafias-home/>.

Gold rush: How illicit gold from South Sudan and the Democratic Republic of Congo flows through Uganda.

Uganda is a regional hub for illicit gold smuggled from elsewhere in East Africa, for onward export to gold trade hubs such as the United Arab Emirates (UAE). Kampala and Entebbe attract significant volumes of gold from the Democratic Republic of Congo (DRC) and South Sudan, and smaller flows from Kenya.

As a result of this gold smuggling, Uganda's gold exports have grown exponentially since the 1990s and are now the highest in the region. Recent GI-TOC research into illicit gold in Uganda has used a variety of measures, from price monitoring, import and export data and field interviews, to help shed light on the hidden world of the illicit gold trade.

Uganda: a regional hub

Gold mining in Uganda is predominantly informal.¹ An estimated 190 000 Ugandans employed by the artisanal and small-scale mining sector in Uganda produce about 90% of all minerals, including gold.² Before a large-scale eviction in 2017, it was estimated that about 40 000 people were mining for gold in Mubende (in the south-west of the country) alone.³

But Uganda's domestic production is dwarfed by the amount of gold smuggled into the country from its neighbours, primarily the DRC and South Sudan. As

one gold dealer explained, 'Most of the gold we get here [in Uganda] is in transit', and almost 95% of it is illicit.⁴ Once the smuggled gold arrives in Uganda, dealers claim it is of Ugandan origin, supported by fraudulent documentation which the authorities find difficult to disprove.

Uganda provides an attractive market environment for illicit gold due to the ease with which gold can be moved and traded, and because of the presence of many well-resourced buyers purchasing gold at competitive prices. Low export royalties also contribute to a larger profit margin. Insecurity in both eastern DRC and in South Sudan also makes Uganda an attractive destination for smuggled gold from those countries.

The recent growth in these regional smuggling flows is reflected in the soaring value of Uganda's gold exports, most of which are sent to Dubai in the UAE, with some going to Mumbai and Antwerp.⁵ In 2019, Uganda exported gold worth US\$1.25 billion, more than double what it had been the year before, and up from less than US\$10 million a decade ago.⁶ And official export data is likely to understate actual gold exports because of smuggling and the under-declaration of gold exports, as highlighted by the

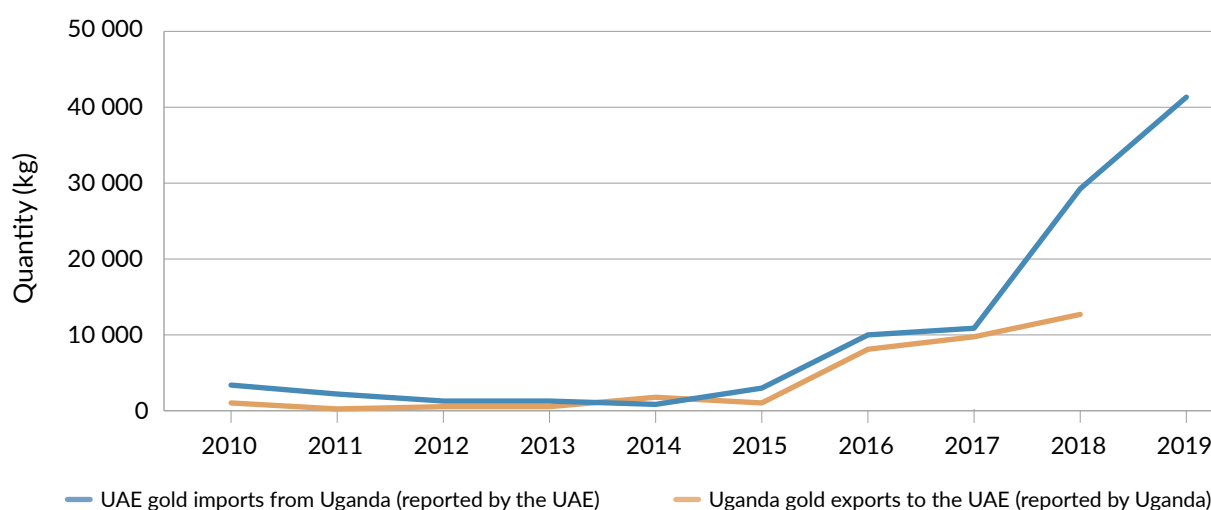


FIGURE 5 Ugandan gold export and import discrepancies to the UAE, 2010–2019.

Source: Marcena Hunter, *Illicit gold markets in East and southern Africa*, GI-TOC, forthcoming.

discrepancy between Uganda's declared gold export figures and the UAE's reported import figures.⁷

The rise in Ugandan exports has been partly attributed to the recent increase in Uganda's refining capacity.⁸ The country now has seven registered gold refineries, which critics have pointed out far exceeds Uganda's actual production needs and raises questions about the provenance of gold being refined in the country.⁹ Kampala's refineries in particular are thought to be key nodes in regional illicit gold supply chains, connecting mines to international transit and destination hubs. Gold dealers in Kampala also reported that almost all the gold shops and companies in the city have agents with direct links to the large gold producers in eastern DRC.¹⁰

Price monitoring in Uganda reflects gold smuggling routes

The GI-TOC conducted pricing surveys of gold markets across East and southern Africa between January and December 2020. The surveys found a wide variation in gold prices across Uganda. In Arua, a gold smuggling hub located in north-west Uganda, prices reflect what buyers have paid at mine sites or local towns in the DRC and

South Sudan before the gold is smuggled into Uganda. Significantly higher prices were found in Kampala and Entebbe, reflecting the status of these two cities as regional export hubs.

Gold prices are not just a product of legitimate market forces but also are influenced by corruption, criminality and violence. Lower gold prices are more common in areas controlled by violent or corrupt actors – the presence of armed groups in eastern DRC, for example, is reported to significantly depress gold prices in that area.¹¹

The coronavirus pandemic and subsequent lockdowns had varied impacts on Uganda's gold trade. In smuggling hubs such as Arua, buyers continued to buy Congolese gold, but sold it locally rather than making the trip to Kampala. However, lockdown appeared to have had little impact on the gold trade through the airport at Entebbe, where gold is often smuggled in bulk, carried by hand or made it into jewellery to be worn by passengers on flights to the UAE and India. Indeed, the pandemic helped create new smuggling methods, with cargo planes delivering COVID-19 aid and other essential supplies to Uganda becoming a popular way to smuggle



Gold is traded at Bunia market in eastern DRC. Most of this gold is thought to be smuggled to Uganda, where it is then exported to international gold trade hubs, in particular the UAE.

Photo: Eric Feferberg/AFP via Getty Images

gold to Dubai and other overseas markets. Overall, despite the pandemic, Uganda earned more than US\$120 million from gold exports in March and April 2020, according to the country's central bank.¹²

Border towns

Our fieldwork in Arua in February 2020 provided an insight into the on-the-ground workings of the gold trade. Officially, there is no gold trade in Arua,¹³ yet large amounts of gold are known to flow through the town daily, and at least 10 shops – including vehicle and hardware shops – are widely known to be fronts for buyers trading in illicit gold.¹⁴ There are also reported to be two small, low-level gold refineries in Arua where the metal is processed for export.¹⁵

Ituri and Haut-Uélé provinces in eastern DRC are the main sources of the gold flowing through Arua. Gold



Miners at the entrance to a gold mining tunnel at Narkabart mining site, Uganda. When GI-TOC field researchers visited the site in January 2020, the tunnel was dug about 120 metres into the rock.

Photo: Julius Kaka

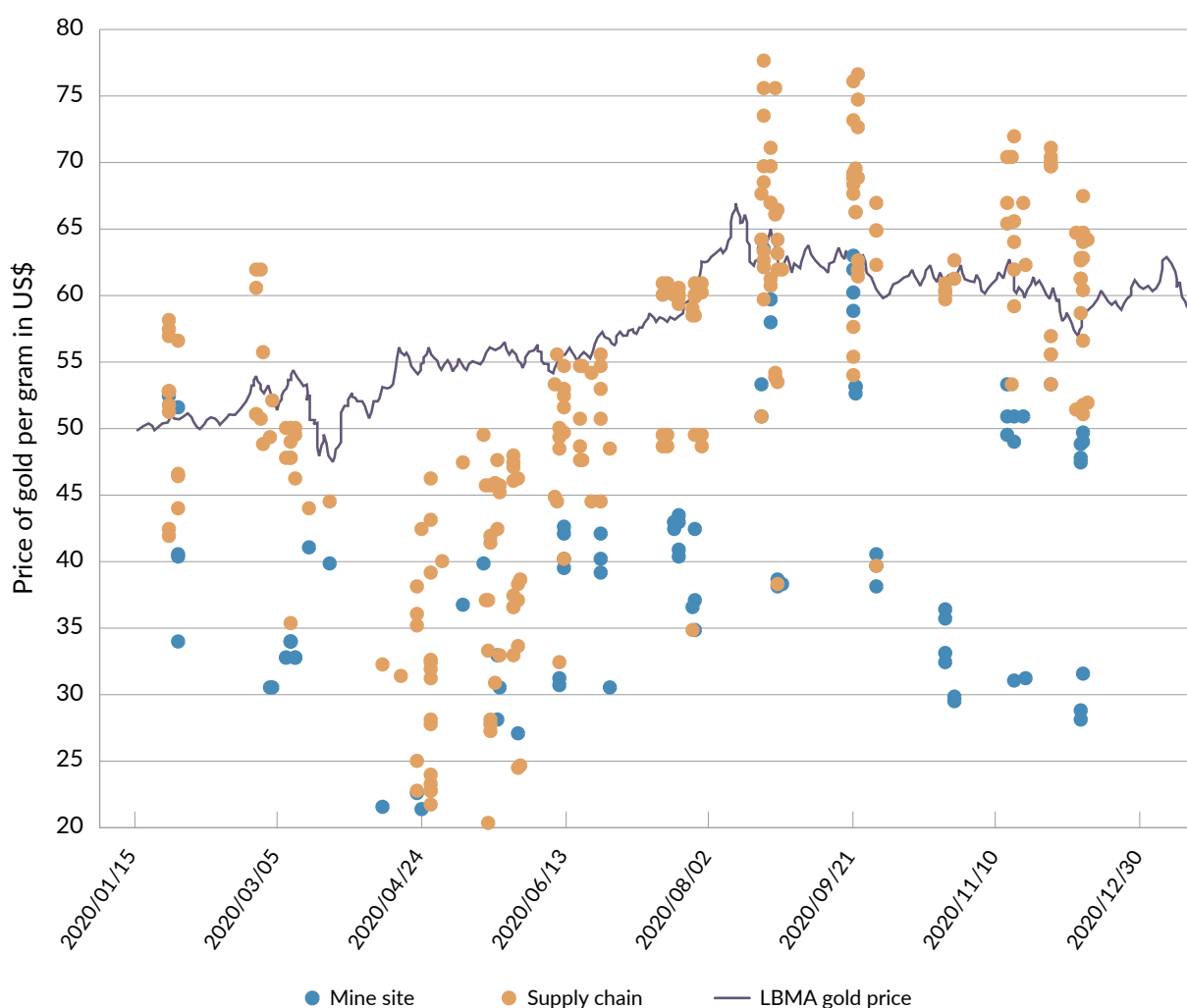


FIGURE 6 Gold prices in Uganda.

NOTE: Prices collected at mine sites and in supply chain during GI-TOC fieldwork compared to the London Bullion Market Association price, a commonly used benchmark in the gold industry.

Source: Marcena Hunter, Illicit gold markets in East and southern Africa, GI-TOC, forthcoming.

dealers easily move gold from these provinces through Ariwara and Arua, two border towns in Ituri province in the DRC that flank Arua to the north and south, respectively. In these towns, the gold trade is a key livelihood, with the product openly hawked in both licensed and unlicensed shops.¹⁶ Influential businessmen and senior members of the Congolese military are said to facilitate and contribute to a free and open environment for illicit trade. However, the growth of the licit trade in these towns is constrained by insecurity, making Arua an attractive onward destination for smuggled gold.

Arua is also connected to the town of Yei, South Sudan, about two hours' drive north along the Kaya highway. A local taxi driver reported taking his clients to South Sudan to acquire gold and timber and the DRC for gold and other contraband.¹⁷ Gold coming from Yei, although smaller by volume, is reported to be purer than that from the DRC, increasing its value.¹⁸

From Arua, agents and middlemen transport most of the gold to dealers in Kampala, while a small amount is smuggled to Nairobi.¹⁹ Estimates of how much gold flows through Arua vary, but even the lowest figures are quite substantial. One local gold broker, for example, estimated that between 50 and 100 kilograms of gold transits through the town every day. One of the biggest buyers, an Indian national based in Kampala who owns an outlet in Arua, is thought to regularly buy about 10 kilograms of gold.²⁰ Other buyers reported only buying a few hundred grams a month, although these figures could be lower because of the pandemic.

Political involvement in the illegal gold trade

Ugandan political elites, including members of the Ugandan People's Defence Force (UPDF), are allegedly involved in the illicit gold trade.²¹ At higher levels, the illicit gold trade is thought to be facilitated by collusion with government officials in an arrangement described by some as a 'mafia-like business'.²² Dealers in Kampala say that almost all gold operations in Kampala have connections with the police and the military, who provide protection and security for smugglers.²³

This makes the gold trade a risky business to enter without the right political connections and deep pockets.²⁴ There have been reports of traders being targeted, and even killed, by police or military officers for their gold.²⁵ Elements of the UPDF also reportedly use regular security missions into the DRC and South Sudan

to hunt down rebels in order to buy and move gold into Uganda.²⁶ They allegedly also connect gold traders with buyers in Kampala and help to smuggle gold out of the country through Entebbe.²⁷ Gold smuggling out of Entebbe Airport is also reportedly facilitated by high-ranking people in the government.²⁸

It is also suspected there are business links, including in gold trade, between South Sudanese and Ugandan military officials.²⁹ South Sudanese generals own real estate in Arua and Kampala and have connections with Ugandan military officials, and it is suspected they cooperate with Ugandan counterparts and probably move freely through border checkpoints because of their official status.³⁰

The high-level political protection of the illicit gold trade in Uganda makes it a difficult form of crime to monitor and investigate. However, as this piece has shown, by using a number of different metrics – including price monitoring and export data, as well as interviews – it is possible to see the role of Uganda as a regional hub and trace the trajectories of this rising illicit flow.

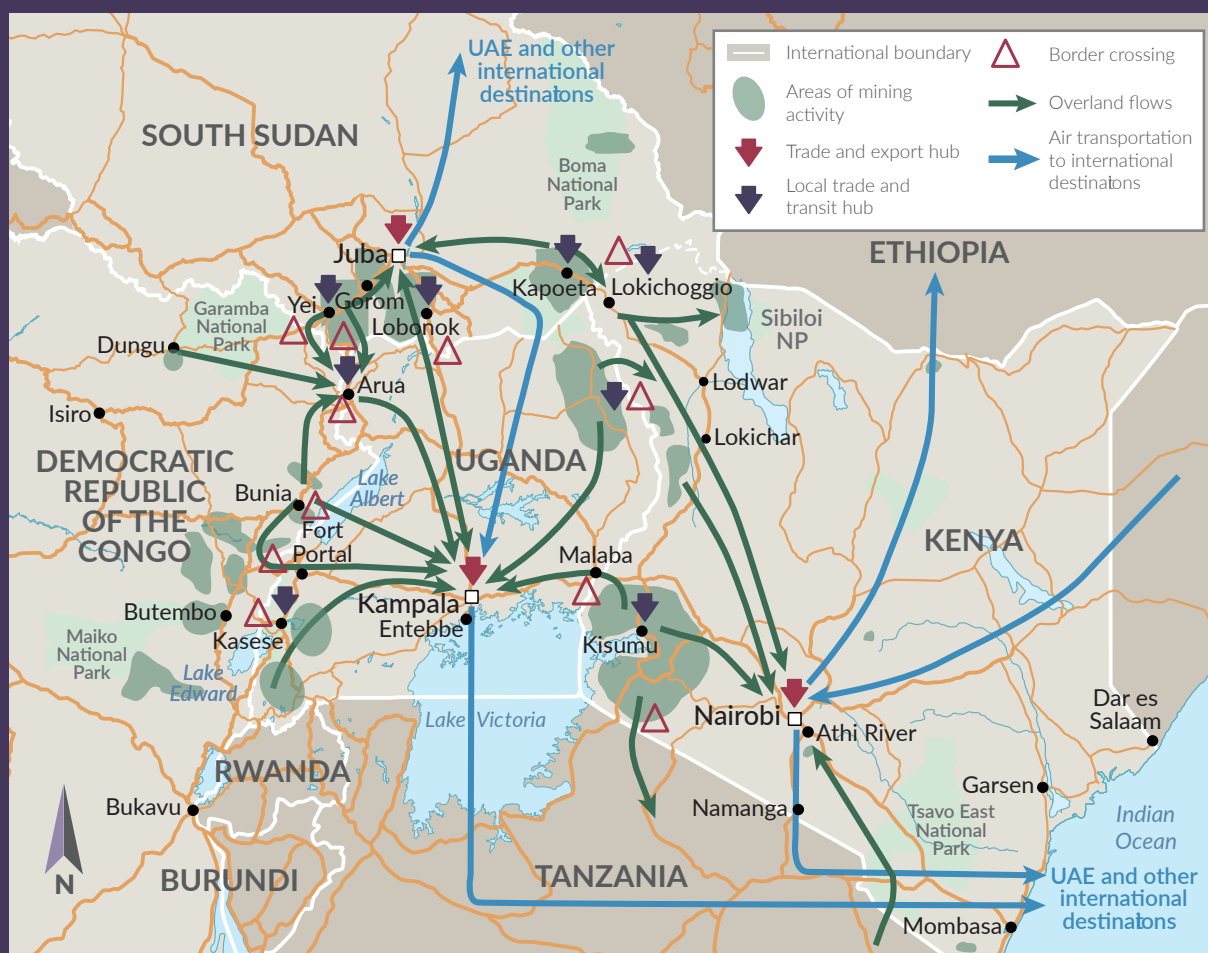
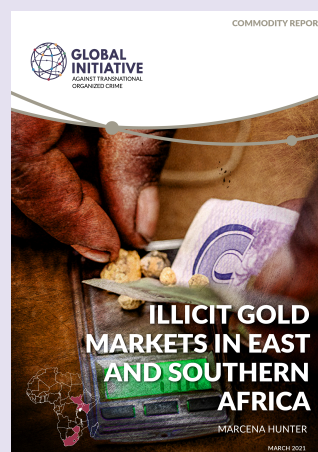


FIGURE 7 Gold flows in eastern Africa. As the overland flows show, Uganda, particularly Kampala and Entebbe, is a hub for gold from South Sudan and the DRC.

NOTE: Areas of mining activity are not exhaustive.

Source: Marcena Hunter, *Illicit gold markets in East and southern Africa*, Global Initiative Against Transnational Organized Crime, forthcoming.

This article draws on 'Illicit gold markets in East and southern Africa', a new report by Marcena Hunter for the GI-TOC's Observatory of Illicit Economies in East and Southern Africa, forthcoming. The report investigates the illicit gold trade in South Sudan, Uganda, Kenya, Zimbabwe and South Africa.



Notes

- 1 Uganda's domestic ASM gold activity is mainly in the centre and north-east of the country. In the Karamoja region, the towns of Moroto, Amudat and Nakapiripirit are local hubs for mining activity. Some sites in Karamoja reportedly produce up to 200 grams to 500 grams per day of high-quality gold, with a purity of 97.8% to 99%.
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- 6 Elias Biryabarema, Uganda gold exports more than doubled to \$1.2 bln last year, Reuters, 11 March 2020, <https://www.reuters.com/article/ozabs-uk-uganda-goldidAFKBN20Y1WA-OZABS>.
- 7 Uganda's gold export more than doubled, Daily Monitor, March 2020, <https://www.monitor.co.ug/Business/Markets/Gold-exports-more-than-double/688606-5490296-vspi6wz>.
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- 9 Interview, industry leader, Kampala, June 2020.
- 10 Interview, gold dealers, Kampala, June 2020.
- 11 Ugandan buyers report paying low prices in eastern DRC before the gold is smuggled into Uganda.
- 12 Nicholas Bariyo and Joe Parkinson, Under cover of coronavirus lockdown, a booming trade in conflict gold, The Wall Street Journal, 9 July 2020, <https://www.wsj.com/articles/under-cover-of-coronavirus-lockdown-a-boomingtrade-in-conflict-gold-11594285200>
- 13 As affirmed by the local branch of Uganda's Chamber of Commerce and the lack of premises for licensed gold trading. Interview, industry representative, February 2020.
- 14 This is an open secret, with government officials pointing to vehicle and hardware shops as particularly common fronts for the illicit gold business. Interview, local government official, Arua, February 2020; interview, senior government official, Arua, February 2020.
- 15 Interview, gold broker/middleman, Arua, February 2020; interview, taxi driver, Arua, February 2020; interview, businessman, Arua, February 2020.
- 16 Interview, journalist, Arua, February 2020; interview, senior member of the Sustainable Natural Resources Management Project, Koboko Town, February 2020.
- 17 Interview, taxi driver, Arua, February 2020.
- 18 Interview, gold broker/middleman, Arua, February 2020. 134 Interview, civil society advocate, Arua, March 2020.
- 19 Interview, civil society advocate, Arua, March 2020.
- 20 Interview, gold broker/middleman, Arua, February 2020. 136 Researchers' conclusion based on fieldwork in Uganda between December 2019 and March 2020.
- 21 Researchers' conclusion based on fieldwork in Uganda between December 2019 and March 2020.
- 22 Interview, Arua, February 2021.
- 23 Interview, gold dealers, Kampala, June 2020.
- 24 Interview, gold dealer/middleman, Arua, February 2020; interview, independent source based in Arua, February 2020.
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- 26 Interview, Arua, March 2020.
- 27 Interview, journalist, Kampala, June 2020.
- 28 Interview, independent source, Entebbe, 19 June 2020. 144 Interviews, Arua, February 27, 2020.
- 29 Interviews, Arua, February 27, 2020.
- 30 Interview, journalist, Kampala, June 2020.

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