

## **TRANSNATIONAL CRIME - A THREAT TO REGIONAL ECONOMIC SECURITY**

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**Abstract:**

*Transnational organized crime has become a key issue in international affairs and, unfortunately, one of the most important aspects of the global economy. Experts highlight the fact that organized crime - with all its undesirable consequences on competitiveness, or such other negative effects like counterfeiting or environmental damage - has the capability to undermine the rule of law and good governance. In this regard it is absolutely necessary to find ways of fighting against organized crime at international level. In order to respond effectively against the threats of organized crime, a series of regional and thematic transnational assessment is required. This is all the more beneficial since these assessments can contribute to economic security in the region. Although progress has been made in this area by international bodies and the European institutions, the present article proposes an analysis at regional level, based on current threats of organized crime in South-eastern and Central Europe.*

**Keywords:** organized crime; economic security; international strategies.

### **1. Introduction**

It is a known fact that the European community favours economic stability and the growth of trade ties through increased confidence based on collective security. Economic globalization implies an unprecedented opening of specific markets in commerce, IT and finance. Unfortunately, economic growth has created unexpected opportunities in business for organized crime, which tends to become a threat to economic security, especially for poor countries that are ravaged by conflict. It has new values, it is more diversified, it can even be said that it has reached macroeconomic proportions, intercontinental.

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Studies of international institutions and relatively recent reports authored by public institutions argue that the extent of this phenomenon undermines governance<sup>2</sup> and prevent development. Organized crime is often the source for financing systemic corruption or even terrorist actions.<sup>3</sup> Drug cartels feed corruption, cyber terrorism threatens state security and very often identity or personal data are stolen and all sorts of frauds, especially of a banking nature, are committed. Fake products threaten jobs and social security, whereas illegal trade of such products is life-threatening.

United Nations Security Council has decided to get involved in the case of specific threats and when organized crime has reached alarming levels, but unfortunately these threats still persist. Organized crime has wide sweeping effects creating great difficulties for public government at both national and regional levels and negatively affecting many countries. The impact is all the more felt in countries situated at geo-strategic confluence and that are under armed conflict, one of the most unfortunate consequences being the lack of economic security.

The present article has as starting point the geopolitical context of Central and South Eastern and Baltic countries, dominated by the conflict between Russia and Ukraine, as well as the political instability in Moldova, a context that is analysed in close connection with the consequences of the activities of transnational criminal groups that undermine good governance in the region. In this sense, a wide range of statistical data from public sources has been consulted, such as: "International Statistics on Crime and Justice" developed by the European Institute for United Nations, Office on Drugs and Crime (UNODOC), affiliated with the United Nations (HEUNI) and OECD Statistics Brief, June 2014 No.18, but the main documents studied are "The globalization of crime a transnational organized crime threat assessment" developed by the United Nations Office on Drugs and Crime, Vienna, ISBN: 978-92-1-130295-0; Frontier Economics, *Estimating the*

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<sup>2</sup> Heribert Dieterab, Changing patterns of regional governance: from security to political economy? *The Pacific Review*, Volume 22, Issue 1, 2009, pages 73-90; Helen E. S. Nesaduraira, Introduction: economic security, globalization and governance, *The Pacific Review*, Volume 17, Issue 4, 20014 pages 459-484.

<sup>3</sup> See, Asian fuel terrorism, looting of natural resources.

*global economic and social impacts of counterfeiting and piracy*, February, 2011;  
*Eastern European Outlook, Economic Research*, March 2015.

## **2. The impact of the conflict in Ukraine and EU's economic sanctions against Russia**

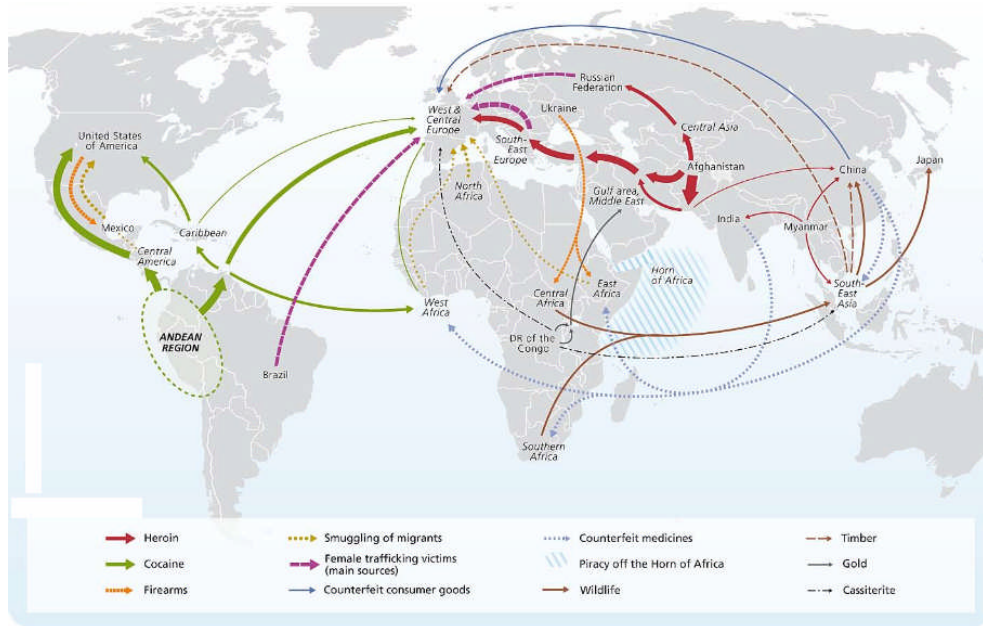
According to data published on March 25 in the publication 'Eastern European Outlook', the Baltic and Central Europe have identified measures to counteract the drop in trade in the area due to the conflict in Ukraine, although as a trend for the coming years, the growth rates overall will be relatively modest for the relationship Russia. The regional conflict is likely to decrease Russian investments in the area even if Germany provides considerable support, especially for the Baltic countries.

The economic growth in Eastern Europe was actually a good way to resist to the crisis in Ukraine, Russian demand was weak, both on the component regarding the export as well as the import, the transactions being relatively small. The increase in capital expenditure decreased being hampered by geopolitical approaches.

It is anticipated that the conflict in the region will go on and the international sanctions will be hardened. The labour market will be affected and migration will become even more visible in this part of the world. The inflation shock, a large GDP decline in Russia and the decrease of the oil market will entail major structural problems. Ukraine is ruined by an unprecedented economic crisis, bank reserves are limited and as a forecast says the GDP will decline in 2016.

On one hand, a huge rise in trade volume is taking place against this background, with Russia becoming a route used only partially. On the other hand, this phenomenon reflects the extent to which organized crime has become indissolubly linked to global economy, and vice versa, through illicit trade of products. Even worse is that the map of traffic routes emphasizes illicit flows which move to and/or from great economic powers.

Table no.1: Main global transnational organized crime flows



Source: „*The globalization of crime a transnational organized crime threat assessment*“ developed by the United Nations Office on Drugs and Crime, Vienna, ISBN: 978-92-1-130295-0, p.2

The bottom line is that there should be a different approach of the ways of combating transnational organized crime, as long as it has a global dimension. Perhaps the answers should be found at a regional and international level, the national ones being totally inappropriate in the given context.

### 3. Economic security a regional and international priority

In terms of public international law, states are responsible for injuries and damage to other states or individuals. But the reaction of national states through their representatives is regulated and limited by their national jurisdiction. Thus, bilateral and regional cooperation is possible and recommended but within the limits of the legal framework

ruled by the United Nations because transnational organized crime issues are of international level and the strategies are required to be uniform and comprehensive.

To protect their own sovereignty, states must analyse objectively the situation beyond their borders. In other words, cross-border cooperation in law enforcement (especially in criminal matters) and a more effective exchange of information are two binding goals to be considered in the regional plan.

Another aspect to be taken into consideration is that transnational crime is largely caused by the strength of markets where they operate. In countries with insecure borders and with minimal resistance, corroded by corruption and a lack of predictability in financial, tax and criminal matters, the activities of traffickers can be carried on with much more ease. Regional conflicts bring about the growth of the organized crime and effective strategies should be conceived and applied in order to fight against it. Among the most efficient measures to be taken, we consider the following: strengthening the rule of law and taking measures to combat all the aspects of economic security including halting unofficial money transfers; further risk analysis to allow the traceability of financial flows that make possible money laundering; reducing the incentives granted in free zones to encourage the production of goods and commercial operations; elimination of risks of counterfeiting<sup>4</sup>.

The statistics indicate that the scourge of counterfeiting has lately reached values that are extremely hard to believe from the perspective of two decades ago. Counterfeit products are found in almost all sectors of the global economy. An assessment of the level of counterfeiting varies from year to year, but all forecasts indicate that counterfeiting is an integral part

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<sup>4</sup> For details, see, S. Glaz'ev, *The Basis for Economic Security: An Alternative Reform Policy*, Problems of Economic Transition Journal, Volume 40, Issue 3, 1997, pages 54-79; Alexandra Homolar, *The political economy of national security*, Review of International Political Economy, Volume 17, Issue 2, 2010, pages 410-423; A Illarionov, *The Criteria of Economic Security*, Problems of Economic Transition Journal, Volume 41, Issue 12, 1999; Brück Tilman, *Defence and Peace Economics*, An Economic Analysis of Security Policies Journal, Volume 16, Issue 5, 2005, pages 375-389

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of transnational organized crime with an underground economy of several hundred billion dollars annually. According to OECD figures, the extent of counterfeiting is up to 650 billion dollars each year.

Table no.2 . The Complete Picture. Estimate of the total value of counterfeit and pirated products in 2008 and 2015, and impacts on the broader economy and employment

OECD Category	Estimate in \$ billions (2008)	Estimate in \$ billions (2015)
Internationally traded counterfeit and pirated products	285 - 360	770 - 960
Domestically produced and consumed counterfeit and pirated products	140 - 215	370 - 570
Digitally pirated products	30 - 75	80 - 240
sub total	455 - 650	1220 - 1770
Broader economy wide effects	125	125 +
Employment losses	2.5 million	2.5 million +

Source: Frontier Economics

### Conclusions

The perspective proposed by this article is intended to encourage reflection on new regional strategies to combat transnational organized crime. The threats to economic security are embodied by factors that break rules, norms and institutions<sup>5</sup> meant to ensure this security. As long as crime has reached global proportions, in order to be legitimate, the international decisions should be included in official documents of the United Nations.

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<sup>5</sup> For details, see, Mirela Atanasiu, *Vulnerabilities, global, regional and national risks and threats. Preventing and mitigating them in a globalized world*, Strategic Colloquium No. 10, October 2007, Centre of Defense and Security Strategic Studies, National Defense University "Carol I"

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