

ROMANIAN ILLEGAL MARKETS IN THE CONTEXT OF THE CURRENT MACROECONOMIC EVOLUTION

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Abstract:

Illegal markets constitute the source of income for organized crime. In the context of contemporary illegal market conditions, it needs to be noted that with the restrictions of national borders declining and the increasing mobility of goods, money and services, transnational business opportunities have created new global markets.

The globalization of trade facilitated access of foreign markets and the advantages offered by technological innovations led many enterprises to expand their activities across international borders.

Key words: illegal markets, drug trafficking, trafficking in human beings, smuggling of persons, cigarette smuggling.

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INTRODUCTION

Analyzing the criminal sphere with certain methods for drawing the economic component from a series of activities such as drug trafficking, human trafficking, and so on, represent a particularly difficult scientific approach due to lack of knowledge of the phenomenon` real extent. The main causes of the emergence and expansion of organized crime have roots in economical nature, as the driving force is given, in this case, by the possibility of obtaining significant income in relatively short periods of time.

Currently, organized crime is considered by experts the economic branch having the fastest expansion in the world. According to calculations the annual profit made by these networks is estimated between 500 and 1500 billion dollars, the most profitable industries being related to illicit drugs or weapons trafficking [1] (Engvall, 2006, p. 827). Opening borders facilitated the movement of people and goods, driving the free market in Romania, but also crime.

Both the illicit activities composing the hard core structure of the underground economy and those carried out lawfully have some common features, among which may be mentioned:

- expansion into new markets;
- achieving / maximizing a profit from the sale of goods or services;
- diversification of investment in new technology or human resources to increase profits.

The article 1 of UN Convention against organized crime includes in the concept of organized crime the following issues: the activities of a three or more persons group, with hierarchical links that allow their leaders to achieve profits or control territories and domestic or foreign markets, using violence, intimidation or corruption, both to support the criminal activity and to infiltrate the legitimate economy, in particular, through:

- illicit trafficking in drugs or psychotropic substances and money laundering;
- human trafficking,
- illicit trafficking in weapons, nuclear materials;
- illicit trafficking in stolen vehicles;
- smuggling.

1. THE ILLICIT TRAFFICKING IN DRUGS OR PSYCHOTROPIC SUBSTANCES

International drug trafficking is one of the major illegal business, representing the main attribute of the cross-border organized crime networks. Globalization has led to an increase of the commercial activities carried on both on the legitimate and especially illegal markets, the dynamics of the latter being largely determined by the balance between profitability and the large risks involved. The illegal revenues are significant, an example in this matter concerning those obtained from the drug industry [2.] (Laegreid, 2004, p. 4.). In recent years, the illegal drug trafficking saw an unprecedented escalation in Romania, due to the particular context of the markets liberalization or the movement of people and as a result of extending the phenomenon on new areas, both among producers and consumers. From the assessments made results that our country is mainly a transit area and only a part of the quantity of these drugs remained in Romania for consumption. Meanwhile, Romania has become also a storage area, where the drug entered especially the southern border are stored in different periods and finally are directed to high-consuming countries in Western Europe [3.] (Guvernul Romaniei, 2005, p. 8).

Romania is an active segment of the Balkan route for trafficking drugs, route that includes Turkey, Bulgaria, Romania (by customs Negru Voda, Vama Veche, Giurgiu, Bechet., Nadlac, Bors or Petea), Austria, Holland and Great Britain. A second section crosses eastern Romania, drugs coming out of the country through Ukraine reaching the Poland-Germany or Slovakia-Czech Republic, finally being consumed on the western European markets [4.] (Alexandru, 2006). In recent years, the case law claims that it is predicted to develop routes for the synthetic drugs coming from West (Netherlands, Belgium, Germany) to the East (Romania), but also from the North (Baltics, Ukraine) for the synthetic drugs (amphetamines, MDMA, LSD and others), which would become active in Romania. Relatively stable nature of the routes does not exclude other options concerning the Romanian territory, their detection depending to a large extent of the involved institutions ability in combating illicit drug trafficking and consumption and, most importantly, how they cooperate with the similar institutions located in other states [5.] (Guvernul Romaniei, 2005, p. 8).

Heroin and cocaine are considered, overall, the most important drug in terms of involvement of organized criminal groups or local funding conflicts [6.] (United Nations Office for Drug Control and Crime Prevention, 2000, p. 33). In Romania, the most common drug is heroin, large quantities being brought by the Turkish and Iranian citizens by trucks, trains or buses. In Romania, the prices on these markets depend on the drug consumed, the purchased quantity and its quality [7.] (United Nations Office for Drug Control and Crime Prevention, 2000, p. 33) as shown in the table below:

Table no. 1. Prices on the drug markets in Romania

No.	Name	Retail Price (per gram) /US\$	Wholesale Price (per kilogram) / US\$
		2007	2007
1.	Cocaine	137	58.920.3
2.	Opium	22	4717.6
3	Heroin	50.3	20.553.6
4.	Cannabis (herbal)	8.9	1918.3
5.	Amphetamine	13.7	6849.3
6.	Ecstasy	16.4	5.032.1
7.	Marijuana	8.9	1.918.3

Source: UNODC, *World Drug Report 2009*: Section 3.4 Prices, pp. 215 - 234, June 2009.
http://www.unodc.org/documents/wdr/WDR_2009/WDR2009_Statistical_annex_prices.pdf.

Recent estimates of the international institutions (such as United Nations International Drug Control), claim between 300 and 500 billion of dollars come annually from drug transactions worldwide.

In Romania, the supply of drugs is influenced by a number of *risk factors*, among which may be mentioned [8.] (Guvernul Romaniei, 2005, p. 9):

- geographic location at the intersection of the main traditional routes used by the international drug traffickers and also, since 2007, our country is the eastern border of the European Union;
- increasing the flow of immigrants to Romania and other European Union member states,
- the development of trade through the border points, with consequences on decreasing the time control;
- increasing the drug use and, in particular, the synthetic drugs use;
- involvement in corruption of public officials who have direct responsibilities for border control activities;
- the proliferation of terrorist networks interested in obtaining funds from the illicit drug trafficking;
- the insufficient cooperation between the responsible institutions in reducing the drug supply.

In this context, the main trend concerning the local phenomenon of the drug crime refers to: continuous change of used routes and the types of trafficked drugs, according to the illicit market demands, the diversification of the money laundering methods, (revenues resulting from the illicit drug operations), increasing the number of drug users and in particular, of those who prefer the amphetamines and cannabis [9.] (Guvernul Romaniei, 2005, p. 9).

Currently in our country, the institutional system of drug supply reduction occurs in a competitive way and not in a complementary one and requires an effective coordination, along with the reshaping the staff involved, taking into account the operational situation, the professionalization of staff, improving the institutional cooperation, allowing an adequate response to changing drug-related organized crime and the management in partnership of the information resources.

2. TRAFFICKING IN HUMAN BEINGS

The phenomenon has recorded positive dynamics especially in the last ten years and is considering setting up networks in several countries for the exploitation of women, children and immigrants through prostitution, begging, theft, forced labor, and so on.

After the December 1989 events, the literature highlights even in Romania an increase in activities of human trafficking, illicit operations facilitated primarily by the persons mobility, the developing of transport routes and induced by factors such as globalization and scientific or technical progress. These illegal markets developed, especially in areas affected by economic crisis, characterized by high vacancy stressed workforce, as shown in Table 2.

Table no. 2. Regions in which there were recorded cases of trafficked victims

No	Historical regions	Number of Cases - 2005 -	Percentage
1	R1 N-E	197	14.8%
2	R 2 S-E	288	21.7%
3	R 3 South Muntenia	194	14.6%
4	R 4 S-V Oltenia	168	12.7%
5	R 5 Banat	36	2.7%
6	R 6 N-V	146	11.0%
7	R 7 Centre	159	12.0%
8	R 8 Bucharest	139	10.5%
	TOTAL	1327	100%

Source: UNICEF, *Raport Evaluarea Politicilor privind Traficul de Fiinte Umane in Romania*, p. 63, <http://www.unicef.ro/&files/evaluarea-politicilor-privind-traficul-fiinteleor-umane-din-romania.pdf>

Analyzing the existing data in this table, we observe that the numerous cases of trafficked victims were recorded in the S-E region (Constanta, Tulcea, Braila, Galati, Buzau, Vrancea), in Moldavia and the South of Muntenia (Prahova, Dambovita, Giurgiu, Ialomita, Teleorman, Arges. They are followed closely by Oltenia (Mehedinti, Olt, Dolj, Gorj and Valcea) and center zone (Mures, Alba, Harghita, Covasna, Brasov, Sibiu). According to the competent authorities reports, victims come mainly from the rural areas or poor families, being involved in this system by the means of attractive job offers, such as dancers, models, maids and so on.

In Romania, the dynamics of human being trafficking is influenced by several factors of risk exposure, which is closely related either to social institutions (family) or legal institutions, among which may be mentioned [10.] (UNICEF, 2006, p. 80):

- family and communication among its members;
- local community affairs, particularly the youth employment problem, but also, the general problem of the unemployment;
- low social capital, low trust in state institutions as an educational deficit consequence;
- willingness to violate certain rules in the case of immigration or the risk emigration apperception.

Those persons who acted illegally to the Romanian border (on both input and output) were mainly originating from: India, Bangladesh, Iraq, Pakistan, Turkey, Georgia, Moldova, Liberia, Morocco, Algeria, Cote d Ivoire, Russian Federation, China, Sudan, Congo, Nigeria, Chechnya, Venezuela, Serbia and so on. Thus, foreigners coming from countries with trend of migration (Indians, Iraqis, Afghans, etc..) use the following routes to reach the West [11.] (Guvernul Romaniei, 2006, p. 23):

- Afghanistan - Iran - Iraq - Turkey - Bulgaria - Romania
- Afghanistan - Iran - Iraq - Turkey - Bulgaria - Serbia - Croatia, at the same time remaining active the eastern routes.

The traffic developed for sexual exploitation is the most common form of trafficking, where the victims are sold both within and outside the country in order to maximize profits, exploring new markets and avoiding controls exercised by the authorities. Human being trafficking generates substantial profits for the organized crime networks, profits that can be invested in both the traffickers origin or destination country [12] (Europol, 2009, p. 10) as shown in the below table.

Table no. 3. The costs of human smuggling and trafficking charged by the European networks

	Routes	The average costs s US\$
1.	Europe-Asia	16,462
2.	Asia-Europe	9,374
3.	Europe - Australasia	7,400
4.	Africa - Europe	6,533
5.	Europe – America	6,389
6.	America - Europe	4,528
7.	Europe - Europe	2,708

Source: Melanie Petros, *The costs of human smuggling and trafficking*, Global Migration Perspectives, No. 31, April 2005, p. 4, <http://www.gcim.org/attachements/GMP%20No%2031.pdf>.

Analyzing the existing data it appears in this table that the most expensive route concerning the human being trafficking and the illegal migration is Europe - Asia, with an average cost of US \$ 16,462.

We consider that in order to make more visible the phenomenon of trafficking in persons and also to dismantle the existing stereotypes regarding the trafficked victims, it is necessary to intensify the awareness campaigns, especially by presenting more case studies. Moreover, according to the scholars, the presentation of case studies is the only technique that can change the existing perceptions and social attitudes regarding the human being trafficking.

3. CIGARETTE SMUGGLING

With the European Union integration, Romania has become both a transit country and a destination for smuggled cigarettes, carried out with great intensity on the eastern, northern and southwestern country borders.

Specialists in the field claim that high taxes imposed by the authorities in this industry have created a black market redirecting billions of dollars in the organized crime or extremist networks accounts [13] (Fleenor, 2003, p. 13).

Organized crime groups traditionally involved in illegal drug trafficking have realized the potential of cigarette smuggling, in that it can be achieved equally high income and, in addition, it isn't so strongly anti-social, the illegal activity undertaken in this context.

Studies based on the government documents and interviews with the experts from the responsible institutions showing an inextricable link between smuggling and the criminal groups, a voluntary connection, not infrequently consented by even the producing cigarette companies.

The cigarette smuggling profitability is based on a simple operating mechanism, but very difficult to refute by the competent authorities as the sale of these products is absolutely legal.

Modus operandi is to acquire a considerable amount of cigarettes in the countries with low taxes and then selling them with discount in other regions avoiding the high duties applied to such products [14] (Horwitz, 2004, p. A1). The most common method of smuggling used in Romania is buying cigarettes from neighboring countries, especially from Ukraine and Moldova, where these goods are cheaper, and their subsequent placement in Romania, hidden in specially designed places. According to the Customs Police, cigarette traffickers are organized in real criminal groups with ties within the country and abroad and even at the border area, each of them having clear and specific responsibilities.

We appreciate that an important element in having a real image of the phenomenon scale is given by the manufacturing companies reported losses in this industry.

Generally, in this industry, the opportunity to obtain significant illegal revenues is marked both by the tendency in saling the counterfeit cigarettes, and the increase of saling these products on the Internet.

According to officials of the European Commission Anti - Fraud Office, the cigarette smuggling is widespread in many EU Member States, Britain and Germany being the largest markets of contraband cigarettes as shown in Table 4.

Table no. 4. Contraband cigarettes markets in the European Union

	Markets	Contraband cigarettes consumed (million sticks)	% of fees paid by market
1.	Great Britain	18,672.0	36.6
2.	Germany	15,555.3	16.5
3.	Greece	12,447.0	37.0
4.	Poland	11,735.3	16.2
5.	France	6,915.7	12.4

6.	Cech Repub	5,000.0	21.3
7.	Romania	4,761.0	16.7
8.	Austria	2,700.0	19.9

Source: Euromonitor International, *Illicit Trade*. In: Global Report: Tobacco – World, 2008.

In Romania, the actions undertaken by the authorities has considerably increased in the recent years, multiplying the cases of contraband cigarettes seizures, while, in the early 2010, the manufacturers of tobacco industry appreciated the one billion euro losses because of the cigarette smuggling. The criminal groups involved in the tobacco industry obtain significant amounts of money they use to corrupt and intimidate, which is generating destabilizing consequences on the flows of money and exchange markets.

CONCLUSION

Continuing to gather information on the financial sources of the organized crime groups can serve both as a operational support to responsible institutions and in analyzing the long-term evolution of this phenomenon. We consider that in the current context, it became necessary to establish a complete image of the illicit activities composing the hard core of the underground economy in Romania, and achieving a better understanding of these networks evolution.

Also, cooperation between states and, in parallel, establishing a severe legislation in this area are also, viable solutions to prevent and combat the illegal markets.

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