

# Impact of Actions of ex-Soviet Cross-Border Organized Crime Groups on Regional Economic Development

Marius Traistaru

University of Economic Studies, Bucharest, Romania

[marius\\_traistaru@yahoo.com](mailto:marius_traistaru@yahoo.com)

## Abstract

*In this paper, I will demonstrate that the actions of cross-border organized crime networks (especially in the former Soviet Union) influence, from an economic point of view, the development of policies to combat transnational terrorism. The research starts from the idea that extremist-terrorist organizations are criminal groups that have a specific organization, logistics, specific training and education systems that can function without material and financial resources. However, the impact of the actions taken by these entities is devastating on national/regional economic development. Consequently, one of the most effective ways to neutralize the actions of cross-border crime group /terrorist organizations is to combat the financing of these entities. Within the European Union (where Romania is a member), the main responsibility for combating the financing of terrorism lies with the member states.*

**Key words:** cross-border organized crime, Romania, economic development, regional development.

**J.E.L. classification:** F0, N4, O1 Economic

## 1. Introduction

Terrorism is the premeditated use or threat of use of violence by individuals or subnational groups to obtain a political or social objective through the intimidation of a large audience, beyond that of the immediate victim.

This research aims to find out the opinion of experts on the following objectives: establishing the way of "selection" of those suspected of involvement in cross-border organized crime, the institutional organization of our country to combat organized crime (smuggling, money laundering, tax evasion, etc.) and ways to achieve prevention in Romania. The experts also made proposals for institutional efficiency in the fight against cross-border organized crime.

The paper is structured in 3 parts. The first part aims to describe the characteristics of the phenomenon of cross-border organized crime in Romania, as well as how the "selection" of those suspected of involvement in such actions is made. The second part will present the institutional organization of our country to combat the phenomenon (smuggling, money laundering, tax evasion, etc.). The third part presents the views of experts on how to achieve prevention in Romania. The paper will continue with the presentation of some examples of "good practices" (from Europe, USA, etc.) that should be assimilated / implemented by the competent institutions of our country in the line of combating cross-border organized crime. In conclusion, proposals will be inserted on institutional efficiency in the fight against this phenomenon.

The research was conducted using a questionnaire distributed among experts and aimed to identify: "what is the opinion of experts on how to make the "selection" of those suspected of involvement in cross-border organized crime", "what is the opinion of experts with on the institutional organization of our country to combat this phenomenon", "what is the opinion of experts on how prevention is achieved in Romania".

The opinion of the experts converges to the fact that the allocation of resources for prevention activities and the non-eradication of the corruption that allowed the penetration of the structures are the main vulnerabilities of the Romanian state.

Most of the interviewees indicated that the "selection" of those suspected of involvement in cross-border organized crime acts targets all social sufferings, from the poor to the political environment.

Regarding the institutional organization of our country to combat cross-border organized crime, experts indicated as solutions: the need to adopt effective laws (Law No. 39 / 21.01.2003 on preventing and combating organized crime) and simplifying procedures to amend the legislation (implementation of the integrated border security system). The experts pointed out that they have been adapted to the specifics of Romania, starting from the socio-economic situation (quite poor population compared to the rest of the European Union, high unemployment, etc.) to Romania's geographical position (located east of the European Union border).

Although the fight against cross-border organized crime has become increasingly complex and difficult to counter, experts believe that Romania has specialized institutions in the fight against cross-border organized crime, cooperation works well between authorized services / structures, and the results can be quantified both nationally and European level.

Regarding the way in which prevention is carried out in Romania, the experts appreciated that the adoption of effective laws and a more determined mode of action of the institutions involved (including criminal prosecution bodies) would significantly contribute to increasing the degree of prevention against actions generated by this phenomenon.

Although the participants in the research consider that Romania has specialized institutions in combating cross-border organized crime and the cooperation works well between the authorized services / structures, there are still many things to do that have been improved in terms of preventing this phenomenon. In this regard, the experts made, in conclusion, a series of proposals for institutional efficiency in the fight against cross-border organized crime, starting from examples of "good practices" that should be assimilated / implemented by the competent institutions of our country on this line.

## 2. Literature review

Organized crime refers to transnational or local groups involved in various criminal activities, whose main purpose is financial benefits.

As for the states detached from the former Soviet Union, the vast majority of them, organized crime has penetrated all levels of government. With such pervasiveness and with such infiltration into the society it ceases to be a crime problem but a phenomenon that will help determine the future course of development of the Soviet successor states. Moreover, as an international as well as a domestic phenomenon, its consequences are already being felt not only in Eastern Europe but also in Western Europe, the United States and parts of Asia (Makarenko T., 2004).

The existence and pervasiveness of organized crime may preclude the transition to democracy, may limit personal freedom, legitimate foreign investment and open market economies. Since organized crime has already partially supplanted many of the weak governments of the successor states, the citizens may be trading one form of control for another. Domination by the Communist Party, may be replaced by the controls of organized crime. As in other societies, organized crime will limit free elections and freedom of the press and media'. Labor markets once controlled by state planning and submissive trade unions will instead be subject to the intimidation of organized crime which is already a major employer. State ownership of the economy will be exchanged for control of the economy by organized crime groups with a monopoly on existing capital.

*The history of cross-border organized crime networks from ex-Soviet sources*

The current phenomenon of organized crime in the former Soviet republics has not appeared on a barren terrain, as it is the result of a time evolution of the activity of the smuggling groups, thieves and robbers who have dominated the interloping world of the previous regimes in Russia.

The founders of the Soviet state not only admired the ethos of the criminal gangs mentioned, but they also used the members of some of them in their revolutionary actions, being involved in blackmail, kidnapping, robbery and other criminal acts/acts, for the purpose of fundraising.

The centralized planned economy from the ex-Soviet republics, through the shortcomings created in the supply of goods of strict necessity for the population, favored the development of the phenomenon of the "black market" and implicitly of the criminal gangs. In turn, the "perestroika" initiated by former President Mikhail Gorbachev not only did not disrupt the activity of criminal networks but, on the contrary, by destroying the mechanisms of political, economic and social control, it facilitated the association of the exponents of the interlocking world of the Soviet states. The collapse of the Communist Party, together with the Soviet states, also affected the criminal justice system. At the same time, the end of the cold war has made it possible for criminal organizations in the former Soviet republics to engage in specific transnational activities of large scale.

Former Soviet authorities officially recognized the existence of organized crime during the communist regime only at the end of 1988, when they mentioned its three stages, namely: primitive, middle-level and mafia-type.

Criminal groups, located mainly in Russia, are present in most of the former Soviet republics, their proliferation and expansion rate being quite impressive. Thus, according to experts, in 1994, there were 5,691 criminal groups in Russia, their number reaching 9,500 in 2000, compared to 750 in 1990. Russian criminal organizations have a true "army", with over 150,000 members for which about 3 million people work. Also known as the "criminal revolution", the organized crime phenomenon, considered as the most explosive force resulting from the collapse of the communist system, a by-product of the current settlements and prefaces, acts practically in all young democracies, in every class, blanket or social category, as well as at the level of the entire central and local administration of the former Soviet republics in the process of restructuring.

Relevant, regarding the power accumulated by the criminal groups at the level of the Russian Federation, are the data and information from official sources, according to which 40% of the private companies and 60% of the state companies are under their control (over 2,000 economic units with capital state, 4,000 joint stock companies, 7,000 small businesses, 7,700 markets and fairs), half of the number of commercial banks and stock exchanges, 50-80% of shops, hotels, restaurants, casinos, warehouses and public services in Moscow and the whole commercial network from St. Petersburg. Russian criminal organizations have reached 30-40% of Russia's GDP, controlling, almost entirely, the market of this country and expanding its operations in the rest of Europe, especially in the eastern and central area, as well as on other continents, especially in North and South America.

After the fall of the Soviet Union, criminal-political formations expanded drastically in the newly emerging Balkan democracies (including Romania). The weak government structures, the deteriorating domestic economy and the vulnerable government institutions made the Balkan region a safe haven for war profiteers, career criminals and fundamental Islamists (Arsovska and Basha, 2012).

#### *The particularities of ex-Soviet crime and the financing of terrorist actions*

The origin of resources that allow terrorist groups to act does not come exclusively from money laundering. In the matter of terrorism, money laundering is considered a directly related crime. By common sense, money laundering is understood as masking and concealing the origin of the values and assets obtained with illicit activities introduced into the financial economic system with an appearance of legality. This perception is somewhat consensual in the academic field.

Maia (2004) defines the expression "the complex of operations integrated through the stages of transformation, dissimulation and integration of goods, rights and values in order to make legitimate goods derived from criminal offenses."

In Welter's lesson (2001), it is a process by which the illicit origin of certain goods is hidden for their introduction into the legal market. "

The value of the damages caused by the crimes against the environment is between 91 USD and 258 billion USD annually, and the growth rate of these crimes is 2-3 times higher than the growth rate of the world economy. They rank fourth in the world in importance, after drug trafficking, counterfeiting and human trafficking. Experts believe that the sources of the fabulous financial

funds currently available to Russian criminal organizations are generally the same as those of traditional Mafia gangs, being involved in the whole spectrum of acts and facts specific to organized crime, from pimping, extortion, blackmail, robberies and attacks by "rackets", up to drug trafficking, illegal trade in weapons, explosives, ammunition, radioactive substances, falsification of various documents and means of payment, sale of counterfeit goods, trafficking in persons abroad and operations money laundering.

Following the consolidation of the position on the illicit market of the Russian Federation, the Russian Mafia organizations gradually expanded the scope of influence, initially in the Baltic republics and the countries of Central and Eastern Europe (whose economic, social, political and legislative structural reforms provide favorable conditions. organized crime), and subsequently in the southern, western and northern states of the continent, where there were already indigenous groups or networks of the Italian and Chinese mafia with which, during the course, they concluded a series of secret agreements and agreements.

The following characteristics regarding the presence and activity of Russian criminal groups in Europe are derived from the reading of the specialized literature:

- the use, to a greater extent, by the Russian mafia organizations, of the territory of Poland, Czech Republic, Slovakia, Hungary, Bulgaria, Romania and Albania as storage points for drugs destined for the West;
- transforming the cities of Prague and Warsaw into bases of operations of both the Russian and Italian mafias for the introduction of drugs in the western European countries;
- the use by the networks of drug traffickers, under the control of the Russian mafia organizations, of the airports in Prague, Bucharest and Sofia, from where the "cargo" is then transported by land to Western Europe;
- the control exerted by the Russian mafia organizations, in cooperation with the Ukrainian, Belarussian, Armenian, Georgian and Azeri, on the trafficking of weapons and radioactive substances, the trade in counterfeit consumer goods, as well as the trafficking in counterfeit means, practiced in the countries from eastern and central Europe;
- the Russian Mafia's exercise of the monopoly on trafficking stolen cars from the West, towards the Eastern European countries and the Middle East area;
- taking over the control of the Russian mobsters of the majority of the prostitution networks operating underground in Hungary, Poland, Czech Republic, Slovakia, Romania and Bulgaria;
- a phenomenon that causes increasing anxiety is the extension of the influence and operations of the Russian mafia organizations in the western states, in the USA and in the countries of the third world.

All these illegal methods, whose main purpose is to finance organized crime activities, constitute a threat to the national security of Romania, the organizations of ex-Soviet origin also aiming to obtain funds by carrying out activities, licenses (trade, import-export) or illicit (drug, arms trafficking, illegal migration, smuggling, etc.) in our country.

The next step of the offensive of the Russian mafia organizations will be the investment of illegally obtained money in state and private companies in the West, in actions and areas belonging mainly and traditionally to the international mafia, such as the construction of houses, offices and hotels, recycling of residues and toxic substances of any kind nature, purchasing restaurants, casinos, tolerance houses and shops.

### **3. Research methodology**

This research involved consulting experts in fields related to the phenomenon studied. The experts were recruited from the representative institutions responsible for preventing and combating organized crime. Thus, an e-mail was sent to 50 selected persons from a database with which SRI collaborates institutionally, with the invitation to participate in a discussion on the involvement of organized crime and cross-border crime, requesting them, at the same time, to complete a questionnaire entitled "Cross-border organized crime. Forms, evolution and its impact on regional economic development ", which aimed to obtain the opinion of experts on the following objectives: establishing the way in which the "selection" of those suspected of involvement in cross-border organized crime is carried out, the institutional organization of our

country to combat the phenomenon and what is prevention / how can it be achieved in Romania. Experts were also asked for proposals on institutional efficiency in the fight against cross-border organized crime. 21 out of 50 experts responded to the request (shown in Table no. 1). The research started in August 2020 (with the invitation by e-mail to participate in the study) and ended in November 2020, when the final questionnaire was received.

The questions have been interpreted using "paper & pencil" methods (Björk&Kauppinen-Räsänen, 2012), as the answers were rather short and the number of responses was not too large.

*Table no. 1 Experts participating in the research*

<b>Institution</b>	<b>Function</b>	<b>Number of experts</b>
SRI (Romanian Secret Service)	officer	6
DIICOT (Directorate for the Investigation of Organized Crime and Terrorism)	officer	3
STS (Special Telecommunications Service)	officer	2
IGPR-DCCO (The General Inspectorate of Romanian Police-Directorate for Combating Organized Crime)	officer	3
University "Carol I"	professor	2
ULIM (Free International University of Moldova)	professor	1
Baroul Olt	lawyer	2
Court Slatina	judge	1
Court Râmnicu Vâlcea	judge	1

*Source: own research (panel of experts)*

The questions that substantiated this research was structured on 3 themes: 1. the characteristics of the phenomenon of cross-border organized crime in Romania, as well as how the "selection" of those suspected of involvement in such actions is made; 2. the institutional organization of our country to combat the actions specific to the phenomenon (smuggling, money laundering, tax evasion, etc.); 3. what is prevention / how can it be achieved in Romania. Moreover, the topics presented also show the objectives (as presented in Table no. 2):

*Table no. 2 Research themes and objectives*

<b>THEMS</b>	<b>OBJECTIVES</b>
1. The characteristics of the phenomenon of cross-border organized crime in Romania, as well as how the "selection" of those suspected of involvement in such actions is made.	What is the opinion of experts on how to make the "selection" of those suspected of involvement in cross-border organized crime.
2. The institutional organization of our country to combat the actions specific to the phenomenon.	What is the opinion of the experts regarding the institutional organization of our country to combat this phenomenon.
3. What is prevention / how can it be achieved in Romania.	Identifying the views of experts on how prevention is achieved in Romania.

*Source: own research (panel of experts)*

#### **4. Findings**

The first theme ("The characteristics of the phenomenon of organized crime and cross-border crime in Romania, as well as how the "selection" of those suspected of involvement in such actions is made") included the following question: "How is the "selection" of those suspected of involvement in such actions?".

To this question, most experts believe that selection is made from all walks of life (from the poorest to politicians). 7 of 21 considers that the selection is made according to the mode of operation / methods of money laundering obtained from criminal activities, 6 out of 21 considers that the selection is made according to the severity of the consequences produced / the value of the damage and 4 out of 21 consider that the selection is made according to the degree of threat / imminence of the crime. There were also opinions (2 for each statement) according to which the selection is made with the help of all institutions with responsibilities in combating the phenomenon (especially with criminal prosecution bodies), but also depending on the personal and organizational interests of decision makers.

The second theme ("The institutional organization of our country to combat the actions specific to the phenomenon") was the following question: „*How do you see the institutional organization of our country to fight organized crime (smuggling, money laundering, tax evasion, etc.)?*”.

The answers given by the experts who participated in the research were the following: “it is efficient, the systems are structured according to the branch of organized crime (for each scourge there are units responsible for gathering information / preventing / combating / prosecuting)” (8 of 21) , "It is important to have cooperation between institutions with responsibilities in combating the phenomenon, and existing relationships must be maintained and developed" (6 of 21), "it is necessary to specialize staff in combating cross-border organized crime in each institution with responsibilities along these lines" ( 3 of 21), while the answers "need to be improved because the actions specific to organized crime (tax evasion, smuggling, money laundering) are detected late and the recovery of damages is negligible in relation to the damage and" although there is an institutional organization at European level , there are also incompetent and bad "elements" intended (proven in decision-making functions through relationships without principles), each had 2 mentions.

Regarding the third topic ("What is prevention / how can it be achieved in Romania"), it consisted of 2 sequences in a single question: “*From your point of view, what is prevention / how can it be achieved in Romania?*”.

For a start, I found out the opinion of the experts on what prevention means, later they expressed their opinion on how to improve this process in Romania. The experts also provided examples of "good practices" from more developed countries, which could be implemented in our country.

Thus, regarding what prevention means in Romania, the experts mainly offered the following answers: ” it is closely related to the process of documenting, making a decision” (8 of 21), ”starts from the information and is applied according to several criteria (including relevance and / or opportunity)” (6 of 21), ” the impossibility of reaching the bodies / institutions empowered to fight this phenomenon by the exponents of cross-border organized crime” (4 of 21) and ” increased attention from state institutions and signaling any clues to the competent organisms” (3 of 21).

Regarding how this process can be improved in Romania, the experts provided the following answers (inserted in Table no. 3):

*Table no. 3 How prevention can be achieved in Romania*

through a more determined action of justice	14 experts out of 21
placing a special emphasis on the specialization of services	11 experts out of 21
by increasing the penalties arising from the commission of crimes related to cross-border organized crime	
by intensifying the means of controlling banking transactions	10 experts out of 21
by increasing the role of the informative element	
by reconsidering the information by the decision makers	
through better monitoring and analysis of statistics on the evolution of cross-border organized crime in Romania	9 experts out of 21

by logistical support of the state apparatus with powers of control and prevention of cross-border organized crime	7 experts out of 21
by increasing the qualification of the staff	7 experts out of 21
by carrying out propaganda measures through the media / media in order to make the population aware of the negative effects that organized crime produces	5 experts out of 21

*Source:* own research (panel of experts)

The experts also offered some examples of "good practices" (implemented in other states facing this phenomenon) that could be assimilated by the Romanian state to increase the effectiveness of measures to combat cross-border organized crime. Thus, the most relevant were the following: adoption of anti-mafia laws (as in Italy), granting extended powers to the "tax" (as in Western European countries), adopt legislation to simplify the procedure for prosecuting and prosecuting criminals (as in the USA), implement "extended confiscation" to leave organized crime without financial support, Establishment of institutions such as Eurojust, the European Judicial Network or Europol, with very good results in the fight against cross-border organized crime and Creation of an entity to fight cross-border organized crime (separate from DIICOT), integrating all data and information collected by all institutions involved in this process of combating the phenomenon.

At the end of the questionnaire, the experts provided a series of proposals for institutional efficiency in the fight against cross-border organized crime. The most relevant proposals, which should be considered in the future, were: simplification / improvement of legislation, promoting active cooperation and developing an exchange of information between administrative services, private entities and authorities, including at transnational level, attracting funds and allocating resources (financial, human and logistical), adapted to the dynamics of the phenomenon, in the intelligence services, police and justice, improving the internal protection departments of the institutions empowered to fight corruption in institutions, reducing bureaucracy in terms of cooperation between competent institutions, developing the investigative capacity of the competent institutions, facilitating the exchange of good practice with the competent authorities of other Member States of the European Union, strengthening the capacity to identify suspicious transactions, in order to improve the procedures for confiscating funds resulting from crimes, ongoing risk assessment in relation to existing possibilities, formulating medium and long-term objectives.

## 5. Conclusions

The main conclusions of this study on cross-border organized crime are:

1. is a large phenomenon, with a very high degree of risk, which requires, from the competent institutions, a permanent adaptation in order to discover the best means and methods to combat it;
2. affects, in particular, the fields of activity in which large sums of money are circulated (economic-financial, tourism and / or real estate), but also the foreign policy of Romania and the states in the region;
3. the intensification of this phenomenon influences the decision-making capacity of the Romanian state institutions (and of those who face such actions);
4. the perpetuation of cross-border organized crime in Romania and in the region affects the image and credibility of our country and neighboring states at the level of international organisms.

Regarding the opinion of experts on how to "select" those suspected of involvement in cross-border organized crime most experts consider that the selection is made according to the mode of operation / methods of money laundering obtained from criminal activities and according to the severity of the consequences produced / the value of the damage.

Regarding the institutional organization of our country to combat the specific actions of the phenomenon, most of the interviewees indicated that it is effective and the systems are structured according to the branch of organized crime (for each scourge there are units responsible for collecting information / preventing / combating / prosecution). However, there have also been

opinions that it needs to be improved because actions specific to organized crime (tax evasion, smuggling, money laundering) are detected late and the recovery of damages is negligible in relation to the damage.

Regarding the opinion of the experts on prevention and how this can be done in Romania, the majority opinions expressed were that prevention is closely linked to the process of documenting / making a decision and that in order to be effective in Romania a more determined intervention of justice.

In addition to the conclusions reached, it should be noted that in the absence of strong political will at all levels, the spread of organized crime, corruption and money laundering will divert the legal cycle of activity through the accumulation of illicit funds and financial acquisitions.

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