

ESTIMATION OF DRUG TRAFFICKING AND ABUSE IN ROMANIA IN THE CONTEXT OF SUSTAINABLE DEVELOPMENT BY ANALYSING THE CAUSES WHICH LEAD TO THE EXISTENCE AND SIZE OF UNDERGROUND ECONOMY

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Abstract

Drugs have always been a vast global issue involving numerous risks, exercising its effects over all areas of social life. The fact that the drug trafficking and abuse have serious roles in the creation and development of the underground economy does no longer represent a novelty or a question lacking importance. The drug trafficking and abuse lead to money laundering, the development of the underground economy, corruption which spreads to the highest levels of power or to other forms of tax evasion. The drug trafficking and abuse and the underground economy have effects on any society, thus resulting in criminal profits. Romania is not considered a country where drugs are produced, but rather a place of consumption and transit, where the profits gained by the illegal organizations produce a social, economic and even a political impact, such criminal groups being the only one to benefit from their illegal activities, their contribution to the economic and social development of the country being void.

Keywords: trafficking, abuse, drugs, underground economy.

1. Introduction

The issue of drugs, meaning the whole set of difficulties involving the production, the distribution and the drug abuse, represents a real social problem for the entire contemporary society. Numerous researches and studies concerning the connection between the phenomenon of drugs and economy in its general meaning have been conducted and written, among which several took the form of articles and reports offering a general picture of the impact held by the drug trafficking and abuse on the economy of a region, a country or of the entire world.

It is common knowledge that drugs bring about illegal operations which are difficult to fight against by the specialized international institutions, largely affecting the economic area. The drug trafficking and abuse lead to money laundering, the development of the underground economy, corruption which spreads to the highest levels of power or to other forms of tax evasion. At a national level, the drug trafficking and abuse produce a large number of damages to the economy. Although important captures of money resulting in from illegal activities connected to the drug trafficking are always made and in spite of the fact that the criminal organizations are destroyed, the individuals and/or groups involved in illegal activities will find ways of disobeying the law.

The impact of the drug trafficking and abuse on the economy is major, several ways of avoiding the legal status appearing and activities which enrich the area of the underground economy being developed. The underground economy has a negative implication on the tax collections, on the gross domestic

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product and on the economic growth. Among the important factors which lead to the happening and development of the underground economy, one can identify: the pressure imposed by taxation and the social security contributions, the pressure of the regulations established by the government and the services of the public sector. Generally speaking, the underground economy from Romania is characterised by tax evasion, illegal distribution of the force labour, the connections and deeds of the criminal organizations, especially their involvement in almost any domain linked to economic crime.

2. The Drug Trafficking and Abuse in Romania

Drugs certainly represent a major issue that the world has to cope with, although individuals are completely unfit to deal with such a problem. Therefore the assault of the drug dealers on the areas frequented by young people, considered the most vulnerable category, on the places of entertainment and on those places which are under limited law protection becomes very hard to control.

In Romania, the drug abuse phenomenon cannot be perceived and analysed from the innocent and idealistic perspective of the nineties, when the public opinion was debating the problems concerning the illegal substances consumption as a „western theme”, as an isolated reality of the consumer, of the individual involved, a vision too far for a society undergoing a process of political, social and economic reorganization. Romania is a country where drugs are produced and consumed, a country facing the complex reality of the drug trafficking, a great part of the Romanians being convinced that the drug abuse is a social problem, a serious issue affecting everyone, especially the young generations².

The drug abuse has determination and social impact, the fact of being a social, very significant problem being unanimously accepted, resulting from a certain type of society influence, an influence of the social media: the family, the school, the group of friends, the neighbourhood, the society as a unit. The alcohol, tobacco and drug abuse is considered as a deviation from the norms of society, a deviant behaviour, the manner in which the consumers diverge from the social behaviour thought as acceptable and the sources of their deficient socialization (according to the majority of the people) being extremely interesting to observe and analyse.³

As for the drug abuse, one must point out that it leads to dependence, becoming a source of suffering, sickness, unemployment, poverty and social exclusion. Such an abuse is closely linked to crimes such as murder and prostitution as a dependent consumer will be capable of anything to obtain the daily dose. The abuse can be an exception when one is trying the drug without letting it become a practice, being done occasionally, without leading to physical or mental dependence. It can be either episodic, tried in a given circumstance, or symptomatic, when dependence appears. From the consumers's accounts, one can deduce that there are several ways of administering the drug: injection, inhalation, smoking or through oral ways, taking the shape of pills, liquids and powders.

There are several reasons which determine the drug abuse:

- Curiosity- in certain cases trying does not mean immediate dependence, only systematic use leads to dependence. However, the first dose can prove to be fatal (heroin, cocaine, LSD, Ecstasy, amphetamine, Phencyclidine).
- Extravagant behaviour-drug abuse can be seen as both exciting and challenging. Some are tempted to face the risks involved, not being hindered by society advice and support.
- Peer pressure imposed by the group.
- Personal problems (taking place inside the family, at school, problems with friends)-some young people use drugs to cover the existing problems (parents' divorce, parents or friends' abuse or neglect). The use of drugs only apparently and temporarily solves the problem.
- Absence of integration within the group and the society-the drug abuse can be an answer to loneliness, to certain problems concerning the integration in a group or the low self- esteem.⁴

² Degi L. Csaba, „Evoluția consumului de droguri între 1995 și 2002 în România”, în Revista Calitatea vieții, Anul XV, nr.1-2, București, 2004, p. 14.

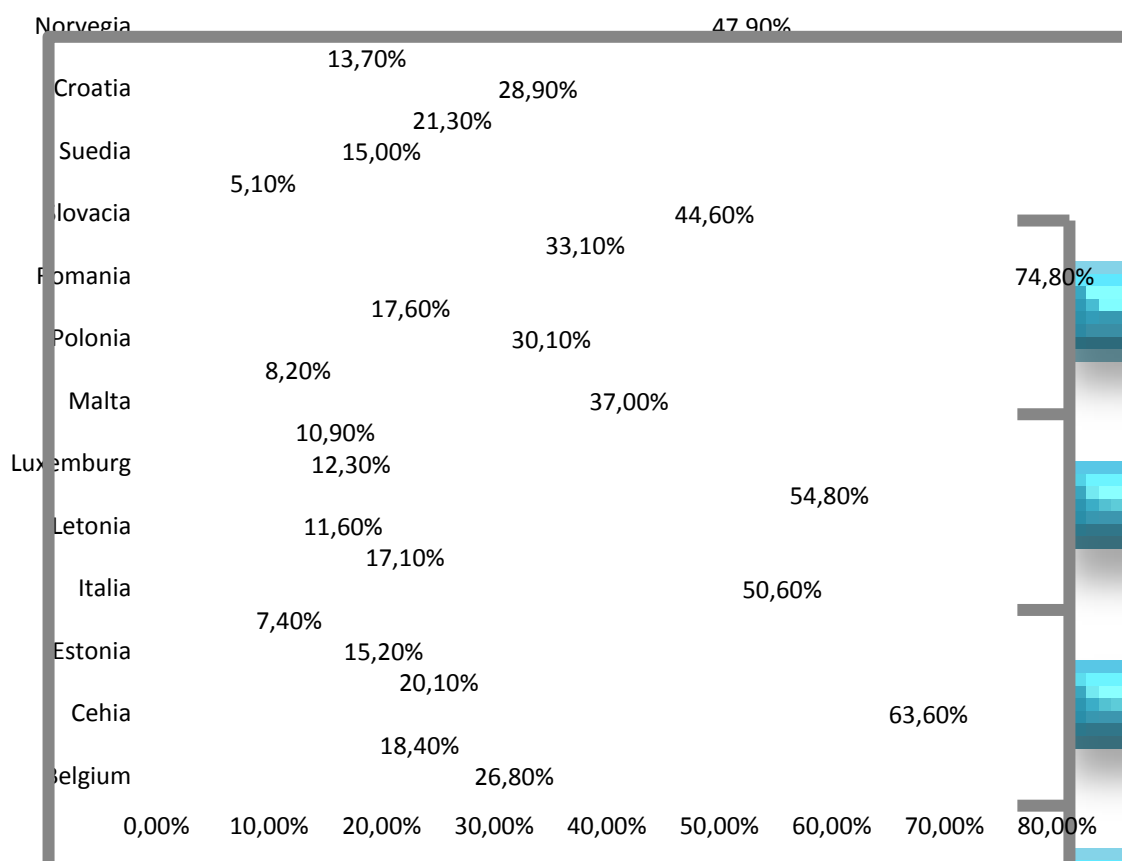
³ Raportul de cercetare – *Consumul de droguri în rândul tinerilor din România*, coordonatori: Gabriela Alexandrescu, Simona Zamfir, Editura Fundației Salvați Copiii, București, 2007, p. 99.

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⁴ www.ana.gov.to/

Table 1

Drug law offences related to drug supply 2012 in Europe (percentage)



Source: www.emcdda.europa.eu/data/2014#displayTable:DLO-5-1

An appropriate and thorough analysis of the drug phenomenon during the last years allows the observation of the complex and dynamic character of such an issue and also its expansion in the entire world. Based on the analysis of the general international context and taking into account the knowledge of the evolution and expansion internal causes for this phenomenon, one can point out that the global approach represents the only manner of efficient tackling of the theme. This presupposes the creation of an integrated monitoring, control and restraining system, developed through close cooperation of countries.⁵

3. The Underground Economy in Romania

The underground economy is important for every country, especially for Romania because of its major effects on the entire economic and social system. Measuring the underground economy proves to be quite difficult, as the concept covers several activities pursuing as a main purpose the target of being avoided and not detected. Currently, the underground economy has become a difficult to ignore reality, one which is hard to detect and control, in spite of the numerous efforts of the authorities to limit and eliminate the effects of such a domain by enforcing the legal punishments to those individuals and groups

⁵ Pavel Abraham, *Capcana drogurilor*, Detectiv, Bucuresti, 2005, p. 13.

which are part of the sector or by taking measures with the purpose of economic growth or by informing and educating the people.

In the case of drug trafficking and abuse, the underground economy is significantly visible because drugs bring about all illegal activities and aspects, leading to a vicious circle which does nothing but to block and hinder tax collection and economic growth, especially if one does not intervene by means of certain mechanisms which can remove and destroy criminal organizations whose area of interest is represented by the drug trafficking. There is a close connection between the drug trafficking and abuse and the underground economy as the latter can be defined as “*the sum of economic activities which are not declared to the institutions whose mission is the collection of taxes and social contributions, thus escaping the statistic recordings and the national accountancy*”⁶, while at the same time all profits derived from the drug trafficking and abuse being undeclared by the possessors as the activities are illegal.

Among the specific mechanisms which can limit and eliminate the negative effects of the underground economy one can enumerate: stimulation of the development of certain business areas with perspectives for the market and competitiveness, support through limited or conditioned tax facilities of the development of the business environment, creation or modernization of control mechanisms which would allow the reduction of the tendency of certain activities to enter the underground economy, activities which during the boom period would belong to the real economy.⁷

In specialized literature, underground economy is variously described in its different forms as follows:

- Illegal Activities:

- Monetary transactions: trade of stolen goods, drug production and trade, prostitution, smuggling, fraud, gambling, so on and so forth.

- Unmonetary transactions: drug barter, stolen goods, smuggling, drug production and stealing for personal use.

- Legal Activities:

- Monetary transactions: Tax Fraud (unreported income resulted from labour, salaries and capitals obtained through unreported labour connected to legal services and goods), Tax Evasion (employees' discounts, supplementary perks).

- Unmonetary transactions: Tax Fraud (legal services and goods barter), Tax Evasion (personal labour, neighbour's help).

Among the several types of underground economy, one may come across: illegal economy, unreported economy, unrecorded economy, informal economy. The illegal economy, which encompasses “*the sum of incomes generated by economic activities occurring by violating the legal statutes which define the purpose of legitimate trade forms*”, is closely connected to the drug trafficking and abuse. In such a category, one may identify activities regarding the drug production and distribution, the black market for currency exchanges and others which derive from them.

As any other phenomenon taking place in a society, the underground economy produces multiple effects too, in most cases the effects being negative, although it has been demonstrated in time that the effects may be also positive, among which one can enumerate:

- prices represent an indicator of poverty;

- promotion of the labour division;

- enhancing competitiveness;

- usage of limited resources;

- increase of the innovational potential;

- creation of incomes and demand;

In the case of our country, there are numerous negative effects produced by underground economy at every activity level, such as:

- loss of economic resources;

- reduced intensity for the capital;

- distortion of competition caused by tax evasion;

- appearance of difficulties in financing the public goods.

⁶ *Dicționar de economie*, coordonator Niță Dobrotă, Editura Economică, București, 1999.

⁷ Irina Rădulescu, *Provocări și tendințe ale economiei subterane în condițiile crizei economice și financiare actuale: imperative al stabilității macroeconomice și financiare*, Institutul Național de Cercetări Economice “Costin C. Kirițescu”, 2013, p. 13.

⁸ Idem, p. 20.

All these effects arise as a consequence of factors which generate the happening and manifestation of activities which are typical for the underground economy, in the case of our country these factors being:

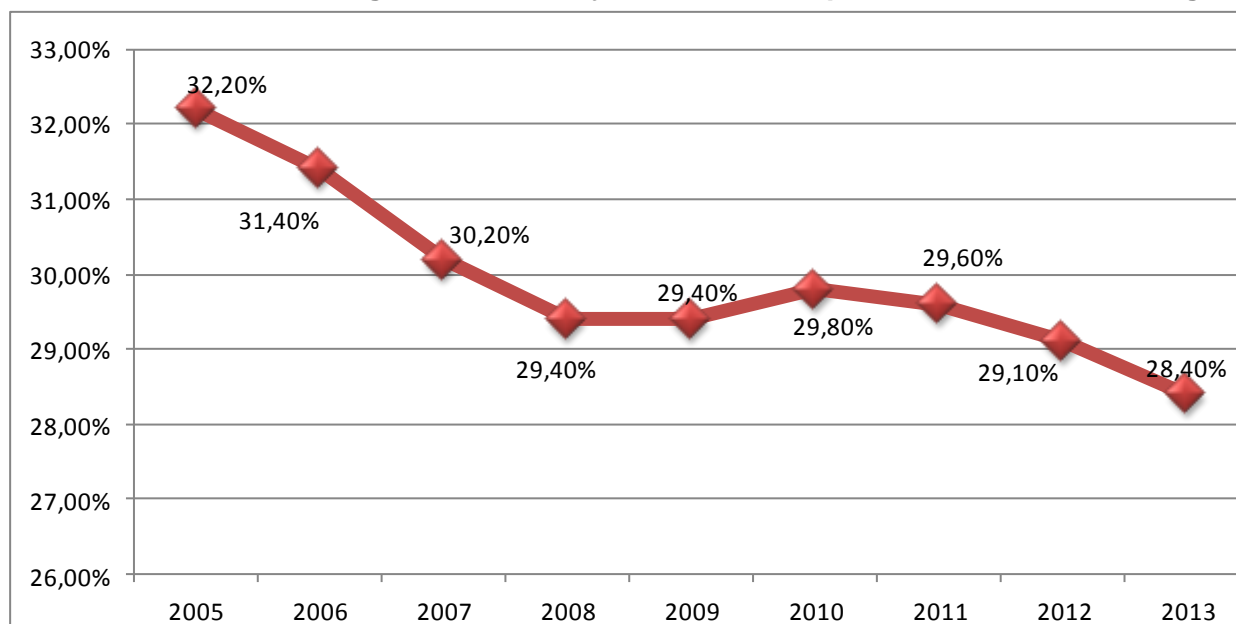
- division of power by means of sharing responsibility which implicitly leads to an increase in the number of corrupt individuals.
- existence of an uncertain legislative framework;
- the founding of private firms with a purely speculative purpose;
- tolerance of authorities when rules are broken;
- establishing connections to the underground economy international networks.⁹

When studying the underground economy, the MIMIC method (multiple indicators-multiple causes) is used, referring to the causes which determine both the existence and size of the underground economy and the effects which occur in time. According to the MIMIC method, the underground economy is defined by means of a latent variable which is not part of certain functional relations, where the other variables are measurable.

In order to estimate the underground economy, one must travel through several steps, as it follows: first of all, the phase of statistically checking the relations established between the latent variable-causal variables and indicators-latent variable. Secondly, the calculation of the MIMIC index is necessary, being based on the results given by this model. The entire analysis does not lead to an absolute estimation of the size of the underground economy, offering only a relative estimation.¹⁰

Table 2

Evolution of Underground Economy in Romania, Expressed as GDP Percentage



[Source: *The Shadow Economy in Europe 2013*, *The Shadow Economy in Europe 2013*, Friedrich Schneider, A. T. Kearney]

⁹ Irina Rădulescu, *Provocări și tendințe ale economiei subterane în condițiile crizei economice și financiare actuale: imperative al stabilității macroeconomice și financiare*, Institutul Național de Cercetări Economice "Costin C. Kirițescu", 2013, p. 42.

¹⁰ Sorin-Daniel Manole, *Impactul economiei subterane asupra economiei României*, București, 2012.

4. Conclusions

The serious problem of illegal substances represents a real danger which is threatening mankind more and more through a variety of specific forms, starting with the negative influence it has when it comes to the young generation and with the damaging of interhuman relations, continuing with the destruction of health, the unjustifiable (morally or legally economic) enrichment of criminals, the appearance of powerful criminal organizations, which in many cases compete with the power of certain governments, ending up with the breaking out of real local wars, whose direct consequence is the loss of human lives.

The size of the underground economy from Romania cannot be precisely determined, the attempt to achieve such a purpose being hindered by multiple obstacles which occur when considerable efforts are being made to obtain an estimation that can be close to reality. The drug trafficking and abuse have huge implications in the size of the national underground economy because Romania is a transit country especially for most drug dealers, numerous transactions and drug exchanges taking place here, which implicitly means the existence of trafficking of large amounts of money. These sums can never be proved and changed into the real economy.

The national underground economy is characterised by the tendency of rapid growth, fact which is also due to the effects produced by the economic crisis and to the weak measures that are not applied to the economic agents operating on the Romanian market. When faced with the mechanisms of elimination, the organized crime reacts by means of creating forms of corruption and by intimidating the legal powers.. The occult reservoirs available for the drug dealers allow them not to be punished, escape legal responsibility, finance a luxurious lifestyle or finance certain political and military adventures for unscrupulous politicians. Drug trafficking is often connected to weapons trafficking and violence. Reinvesting in drug trafficking is often accompanied by money laundering permitting the development of more legal fortunes, such as reinvestments in the financial markets, in the estate markets.

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