



THE 7TH EDITION OF THE INTERNATIONAL CONFERENCE
**EUROPEAN INTEGRATION
REALITIES AND PERSPECTIVES**

Globalization and Money Laundering

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Abstract: Twentieth century has been characterized by many structural changes on the planetary level. The changes were caused by social revolutions, the communist bloc collapse, huge technological advances, not least the significant increase of the international trade volume. The second part of the century brought the globalization as a major feature of our world. Globalization has manifested first in the Economical field and then gradually in other areas of the social life. This phenomenon brought undeniable benefits and a number of risks and negative effects for the countries of the world. The biggest threat in this respect is the extent of transnational organized crime. The originality of this paper is consisting in understanding of money laundering using the factors that define the formation and development of this crime, as well the favor factors. The added value of the paper comes from interdisciplinary presentation of this crime. This paper highlights the conditions and factors that cause serious consequences in this respect. Studying this crime and its features could be a key for solving many problems in the area of Economical crimes. This paper could contribute to the work of police officers, prosecutors or judges on daily bases fight against crime and its social consequences.

Keywords: globalization; money laundering; criminality; organized crime

We all have noted the proliferation of organized crime activity and accelerated growth of organized crime. These phenomena occur as a result of the "erasing" of the borders between the states of the world. Organized crime groups operate both on the nationally and internationally level. Among the most common offenses, today we meet the weapon traffic, drugs traffic, human trafficking, trafficking in luxury cars and not least the money laundering offenses. After December 1989, crime in Romania has grown and increased significantly the proceeds of these illegal activities.

There were massive embezzlement of state property assets and funds by embezzlement, theft and deception. Privatization of state assets after 1989 was marked by acts of corruption and deliberate undervaluation of privatized assets. All these funds from illegal activities required recycling operations, 'the laundering process' was necessary to give an apparent legality for the money. Fight against this scourge was a permanent priority for Romania authorities. In this respect, the Romanian authorities have adopted a successive series of laws and regulations and have created several institutions. Romania joined several international agreements in an effort to prevent and combat organized crime is ready to continue the fight against the money laundering phenomenon.

Globalization from the perspective of economical integration and financial crisis might be the general terms used to describe the worldwide situation. The actual globalization brought a plenty of benefits, has increased international trade and cultural exchanges, removing political and economic obstacles. Increasing interdependence in international relations, besides positive aspects undoubtedly brought some negative aspects related to economy and security and public order.

Globalization has led to a border removal, which favored the cross-border organized crime. Today, organized crime, in various forms (trafficking of weapons, human beings, drugs, illegal immigration, money laundering) and terrorism are global threats and the actual economic and financial crisis tends

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to increase those phenomena having new forms and engaging new players on the world stage. Organized crime and money laundering in particular are not new phenomena. The novelty is the way of expansion, the magnitude of these phenomena and the way more people are involved in this system of organized crime.

Organized criminal group means a structured group of three or more persons, existing for a period of time and acting in concert with the aim of committing one or more serious crimes or offences established in accordance with this Convention, in order to obtain, directly or indirectly, a financial or other material benefit.

On the other hand, an economic and financial crisis that occurs in a country directly affects not only this country but the entire geographic region and even the world economy as a whole. Globalization in the current economic crisis will always lead to economic recession, lower loan rates, low budget world countries, the general economic downturn, which favors the growth of the underground economy and crime especially the phenomena of money laundering. Money laundering offense is without any doubt part of trans-border international crime.

Legislation in Romania in this area has been adopted based on UN Convention to combat organized crime, ratified by Romania by Act 565/2002. Also, Act no. 39/2003 on preventing and combating organized crime is compatible with international law; any crime that is committed will be incriminated both in Romania and abroad. The countries of the world permanently prepared jointly series of protocols and international agreements that establish ways to fight against trans-border criminals and operators engaged in money laundering.

The starting point in terms of money laundering is the United Nations Convention against Illicit Traffic of the Narcotics and Psychotropic Substances which has been adopted by member states on December 19, 1988 in Vienna. All these acts and international conventions and agreements included Romania and have been transformed in domestic acts and emergency ordinances that allow prevention and countering the Romanian banking system to be used for money laundering and financing cross-border organized crime.

Romanian Code of Criminal Procedure lays down rules and principles regarding the rogatory letters, the recognition of criminal judgments issued by other states and the possibility of trial in absence of criminals in the penal cases involving extradition. There are a significant number of other acts, adopted according to EU legislation, "in the area of protection of economy, society and environment adopted in order to fight against trans-border criminality." (Brasoveanu & Alexandru, 2010)

In the world of finance and banking, money laundering can be approached and understood only by analyzing it in close correlation with increased global financial transactions and with huge capital investments taking place today in the world economy. Daily world market transactions involve hundreds of billions of Euros, of which, paradoxically, only a small fraction (10%) are directly related to world trade. Most of the transactions taking place on the world market today are the result of financial speculation and short-term investments often under cover of anonymity.

Rapid growth of this kind of speculative capital has been particularly favored in recent years by the process of internationalization of banks and banking consortiums, the unprecedented development of stock markets and commodity markets, removal of restrictions and controls on foreign investment and the giant impact had on the world banking system, modern technology of transmitting of information.

All these processes have led to dramatic changes in the organization and functioning of international financial markets, banks and the relationships between banks both domestically and internationally. These changes occurred in global banking system had of course a lot of positive consequences in the structure and value of contemporary global market, but unfortunately had some undesired consequences.

This "internationalization" emphasized national banking and financial systems led to the emergence of phenomena such as tax evasion, illegal export of capital, the emergence of illicit goods and capital markets, underground economies, financial and bank fraud, etc. Strong evidence of the fact that

economic transactions show the world circuit of abnormalities is that the global balance of payments is not zero as theoretically should be. On the other hand, the total amount of goods and services exported worldwide is equal to the total amount of goods and services imported. But studies carried out by specialized institutions reveals that since 1970, appeared and then continuously increased discrepancy between the value of global imports and exports overall value.

Thus, in 1997 the gap between imports and exports reached about 250 billion dollars and has remained relatively constant at this value until present days. Of course, the idea is plausible that the methods of analysis and registration of international trade are far from perfect, but more certain is that much of the global transactions take place outside the legal framework, which “determine their possibility to avoid registration and evaluation, including in Romania” – (Brasoveanu & Lisievici Brezeanu, 20110). The I.M.F. has repeatedly drawn attention to the fact that worldwide there are phenomena that have an upward trend: the movement of illegal capital flows, double invoicing of exports and payments (and the partner), tax evasion etc.

The same international institutions said that according to recent studies, the net benefits obtained from the various illegal economic and financial activities of banks are about 600 billion dollars (approximately 2% of gross domestic product of countries of the world). According to these studies, the total stock of the “black” capital “washed” is permanently increasing, which demonstrates that this phenomenon is directly proportional to increasing of criminal activity in these countries. In today's world, globalization of financial markets led to an extraordinary mobility of the money, which has facilitated the free flow of funds from organized crime activities. Following this process of globalization and development and integration of world markets today, there is a spectacular mass of speculative capital.

Also, this development and integration of national markets has favored the development of illicit markets. The development of illegal markets, especially in the last two decades, has also led to an unprecedented increase of transnational delinquency and determined the establishment of the links with financial and banking institutions dealing with “homeless” capital.

For this reason, the organized crime activities and the “laundered” money resulting from these activities are likely to significantly influence the economies of some countries, especially the economically weak countries.

Another phenomenon that contributes directly to intensifying of the money laundering is the specific activities of “underground” economy. Clandestine economy should not be confused with organized crime, is relatively different, because, clandestine economy includes all production and financial transactions and banking and commercial laws, which are not highlighted in any way in official documents.

In majority of the cases there are hidden financial and accounting institutions, used “in order to avoid taxes and tax records” (Turcu & Stan, 2008). Recent studies reveal that, global “underground” represent approximately 10-15% of production of developed countries. In these conditions it is obviously that the “underground” economy of the world has an important role in forming the total volume of speculative capital. The “underground” economy affected all economical, social and educational national systems of the countries affecting “especially the financial rules and regulation, including the copyright law” (Grigoruț & Anechitoae, 2011)

These funds from “underground” activities should be recycled using different methods of money laundering phenomenon. Finally, another source of speculative capital is the capital exodus from third world countries.

Capital exodus began in the early 70's when there was a time when lack of raw materials and the prices “explosion” has led to very large inflow of funds from developing countries to developed countries.

Then, in the '80s, in the world, there was a tendency when major financial and banking institutions had as priority, not the maximization of the profits, but providing a larger volume of loans, in their effort to conquer the international banking market. Amid these trends an important part of the third world started not to invest and to spend locally, but to return these capitals by the ruling political class of these countries, as capital illegally exported to the banking systems of developed countries, in order to obtain personal profit.

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