ORGANIZED CRIME ACTIVITIES ON THE ILLEGAL MARKET AND SECURITY IMPLICATION

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Abstract: This work is inspired by the current problems of confronting organized crime, which in part controls illegal markets. Thus, it is also aimed at highlighting the most significant aspects of the research into illegal markets, whose knowledge enables the creation of effective strategic preferences in the fight against organized crime, whose actions have a number of negative implications for state security. Modern criminal organizations are profitable and market-oriented, and the methods of acting used are combined with the criminal and method of the operation of contemporary business organizations. The knowledge of the organization's specifics and functioning of illegal markets enables the proper selection of methods to more efficiently counter the destructive actions of criminal organizations that control the illegal market. In fact, the destructive action of criminal organizations reflects directly on the state of security by increasing the level of corruption, the level of money laundering and the infiltration of organized crime into legal economic flows, the spread of illegal markets and the increase of the crime rate, but also the ability to generate criminal profits, increasing the economic power of criminal structures that is recursively used for influence on government holders.

Keywords: ORGANIZED CRIME, ILLEGAL MARKET, SECURITY, FUNCTIONED AND ANALYSIS OF ILLEGAL MARKETS

1. Introduction

In contemporary conditions, criminal structures are based on organizational models that allow them to grow professionalism and efficiency. These organizational models are most often fostered according to a functional and market principle, building criminal networks that are adapted to the needs of dealing with illegal markets and in legal economic flows. Namely, we can designate the market as a comprehension of the offer-and-demand relations that affect the sale of goods and distribution of services at a certain time, so the market is an arena where goods are regularly and voluntarily exchanged for money, under competition conditions (Beckert, Wehinger, 2013: 6). The illegal market most frequently covers the market: illegal goods, their production, trade and possession; illegal trafficking of legal goods and illegal service providers (Weenink, 2004: 32).

Accordingly, the illegal market encompasses, first, the goods and services market, which violate positive legal regulations, purchasing transactions of goods and services that are otherwise allowed under the procedure codes — grey market or economy (alcohol, oil, cigarettes and so on), the second market of goods and services that are strictly prohibited or restricted by legal regulations and regulated by the economy foreign state institutions (arms, drugs, people and so on.) That is, we can talk about four basic types of illegal markets — markets whose illegality stems from the production of specific goods or services outside the legal provisions and regulations; illicit market exchange of illicit products; illicit market exchange markets as a consequence of traffic in stolen and counterfeit products; markets whose illegality stems from breaches of regulatory market norms (Beckert, Wehinger, 2012: Four).

The illegal market from the geographic space standpoint may be: local, regional, national and international. However, from a point of view of offer and demand, the illegal market is imperfect, as prices in this market are often formed under pressure from the stronger factor on the side of offer or demand, which in this case is the influence of dominant criminal organizations that create a monopolized position. The illegal market can be divided into buyers and seller markets. In the customer market, the buyer is dominated by the buyer, which appears as the end user of services or consumer of certain goods and this situation is possible because we have a bigger offer on the market than demand. In the case of retailers' markets, the backdrop is in which vendors are dominated by higher demand. By forming the aforementioned relationship in the dominated market, it is able to dictate the terms of the exchange.

Criminal organizations can offer illegal services and goods, can use violence, intimidation and corruption, capable of hampering their competition by infiltrating significant funds into the legal economy. The large quantities of illegally acquired assets, owned by criminals and criminal organizations, pose a potential threat to corruption in the legal business and operation of state-run authorities. They also allow for the inclusion of criminal organizations in the legal business, which can be particularly dangerous if used to support criminal activity, which altogether affects the security situation negatively. In these cases, criminal organizations combine their power and seek to corrupt, blackmail, murder, use of political contacts and other ways to achieve their interests by undermining the foundations of state security.

2. Illegal market operating mechanisms

One of the first assumptions in examining the operation of illegal markets concerned the monopoly of criminal organizations against the illegal market (Chang, eds, 2005: 665) However, if we analyze the illegal market more closely, we will see that it represents a blend of opposing sides that seek to impose their own interests on others and control the illegal market. The illegal market connects one side of the criminal organization that is in rival relations (seeking to increase their share in the market) with, clients who create demand in the illegal market. On the other hand, new criminal organizations are trying to enter the market and generate criminal profits. Then, criminal organizations that are the biggest suppliers of the market tend to impose the conditions, businesses" that answer and monopolize the market's supply. Authorities in charge of suppressing organized crime are trying to prevent the activities of criminal organizations and effectively counter certain types of crime. The illegal market responds to the increased functioning of competent state authorities by increasing the price of goods, which is conditioned by the increased risk of criminal activity detection and reduced bids.

The general rule is that criminal groups that are more violent and more enforcing corruption are taking the lead role in the
illegal market. It was similar in the prohibition period in America. Its beginning allowed the release of a vast amount of violence that was a specialty of various gangs. Physical protection against criminal groups and armed robbers suddenly became more important than protection by the law, in this sense, the prohibition of a criminal gang turned into real small empires (Abadinsky, 2003: 67).

In the event that the illegal market is developing of criminal organizations are expanding their criminal activities and achieving higher criminal profit rates. Thus, the activities of state-run law enforcement authorities can influence relations in the illegal market between rival criminal organizations. For example, after police killed Ramon Arellan Felix, who headed the Tijuana Cartel in Mexico in 2002. In the year, his dealings are taken over by Ismael Zambada-Garcia Sinaloa, the leader of a rival criminal organization and boosts market share thanks to the increased volume of drug trafficking (Small & Taylor, 2006: 8).

For a better understanding of the relationship in the illegal market between the opposing parties, the study is also interesting about the illegal drug trade market in Italy, Germany and Russia (Paola, 2001: 31). The surveyed drug markets are open markets, the links between drug-dealing criminal organizations look more like rival relations than consensual activities. Actually, there's no limit to entering the illegal market. Although some suppliers (the Italian mafia and Dr.) occasionally create monopoly that they have over other local (usually smaller) markets, in most European countries and Russian cities, drug-dealing criminal organizations prefer to accept the price than they set it. This means that none of them are able to influence significantly the price value by changing the quantity of the offer. When there are many customers and suppliers in the market, no providers or customers can determine the price.

In trade, in little on the illegal market, demand and possibilities for achieving criminal profits are affecting market developments. In the illegal market, there are few criminal organizations that completely rule the market and maintain the monopoly; there are few criminals who enter the market on their own. Most criminals join in a network or hierarchy to strengthen their position among market competitors. Joining forces with other criminals increases the market share and creates an additional value that participants share (Perez, 2007: 123).

Another study that studied the Colombian drug trade market shows there are rival market sites (Kenney, 2007: 235). In fact, the association that sets the fixed price has never dominated the Colombian drug trade. And so in the cases when Medellin and Cali cartels were at their peak, the production and export of cocaine from Colombia were highly competitive. There were independent criminal organizations in more than 10 towns that smuggled large quantities of cocaine into US and European markets. However, most of these criminal organizations have been arranging their activities with Pablo Escobar, Orch brothers and other well-known drug traffickers in order to control prices and monopolize the market. Different criminal groups at times uniting their funds to complete major drug shipments. Despite the existence of contacts between criminal organizations, the majority has persistently sought to retain their own supply, financing and clientele.

Market mechanisms set a fixed price on the market based on both offer and demand. Suppliers are willing to sell more products if the price is higher and consumers will buy more if the price is lower. Thus, the price hike in products leads to an increase in demand, and a decline in demand. Wrong offers and demand will be changed due to changes in the price and amount of goods in the market. For example, if a criminal group is eliminated from the illegal market by competition, the amount of products decrease in the market and price increases is plunged. However, this situation is not held for long because new criminal organizations are entering the market attracted by extra-profit, and soon there is a stabilization of the offer through the availability of large quantities of products and falling prices. Demand in illegal markets determines the high number of factors. Consumers can depend on goods coming into the market as is the case with many intoxicating drugs, but consumers can be willing to look for what is the case with those seeking sexual favors.

Illegal markets are becoming global in contemporary environments that create opportunities to increase the rate of criminal profit. Free trade of goods and services, people, money, modern technology, the demolition of traditional borders between states affects the expansion and globalization of illegal markets (Boskovic, Marinkovic, Laic, 2015: 25) Price elasticity, offer and demand will vary from market to market. For example, in the narcotics market where consulates are completely dependent on the daily dose; elasticity can be very low, whatever the cost is not reduced in demand to meet market needs. Drug addicts are not selecting funds to obtain daily drugs and are willing to pay high prices as well. Of course, the height of the drug price may affect the expansion of the market and availability of new consulates, but also the increased interest of new criminal organizations in participating in the illegal market attracted by high levels of criminal profit.

Although the traditional purchase, which means direct customer contact and seller, remains a key form of illegal traffic, virtual markets have formed an alternative source of supply to illegal goods and services, allowing users worldwide to appear in the market in one click on the keyboard. In fact, individuals or groups dealing with the trafficking of illicit goods can be accommodated at any geographic location, while at the same time being directly connected to users around the world thanks to the Internet. In this way, the importance of the traditional physical intermediary in trade affairs was relatively established and replaced by a virtual mediator. For example, drug users no longer have to go out on the street and contact a drug dealer instead, drugs can order on the internet and wait for their delivery to their home address.

3. Illegal market analysis

In order to better understand what's going on in the illegal market, some areas that are important for its functioning should be analyzed. Market analyzes comprise the most frequently found areas of consumer analysis, market analyzes, market competition and market share, namely, a model of market analysis that is installed can be applied to illegal markets (Beckert, Wehinger, 2013: 5-30. During the organizational analysis, weak points of the criminalist processing facility are identified, so that relevant state authorities could take adequate measures to prevent the damaging consequences of the organization's analyzed activities.

The consumer analysis focus is on developing a segment scheme, dividing the market into various composition areas composed of different consumer groups (drug addicts, sex services beneficiaries...). Analysis of market actors addresses questions of recognition of modalities for optimal and rational use of the criminal organization's resources in achieving the goals. Competition analysis covers compiling detailed profiles of each competitor on the illegal market, focusing especially on their weaknesses and strengths. Depending on the specific needs, assessments of the criminal organization's goals, power distribution within the organization, human and technical resources, decision-making processes and others can be conducted. The market share is either a percentage or part of the overall available market or part of it supplied by a criminal organization. We can express it as revenue from the sale of a criminal organization divided by the net income of sales available on this illegal market. We can also express it as a single amount of the single sale of a criminal organization divided by the total amount of units sold on the criminal market. In cases when the overall market quantity is expected to decline, some may increase
their market share, maintaining their volume of sales. For example, if we look at the sexual service market as long as "sex trafficking" is illegal, organizers and clients are breaking the law. Criminal organizations dealing with the trafficking of women in order to engage in sexual exploitation on the illegal market share their interest zones with each other. In the event that police eliminate one of the criminal organizations from the criminal market with their activities, it allows others to increase their share of the market. Increasing the market share is one of the most important goals used in the legal business, but it also serves as a priority goal for the activities of criminal organizations.

The survey, which studied the illegal cigarette market in the Netherlands, found out that the market there is relatively open to the possibility of entering the market (van Duijck, 2007: 165). According to the survey, the market's market share of untaxed tobacco was estimated in 2003 year to be 3% in 2005 in the year 5%, while total tobacco consumption in the Netherlands has been falling. Illegal cigarette trade in Holland relies on limited networks consisting of one or two suppliers and about a dozen wholesale buyers. In these conditions, the rate of criminal profits in the market is high, and the risk is relatively low.

Also interesting is the study, the black cigarette markets in Estonia (Marquina, 2007: 204). The share of the untaxed tobacco market in Estonia is estimated to be much higher than it is in the Netherlands. This is due to neighboring states, such as Russia, which have cheaper tobacco and therefore tobacco prices are rising faster in Estonia than in the Netherlands. In order to join the EU, Estonia had to apply tax on cigarettes and other tobacco goods very quickly. For an ordinary smoker, it meant an incredible increase in the price of cigarettes for a relatively short time. As a result, many smokers have sought alternative supply sources and found them on the black market. A survey in Estonia found that about 60% of respondents are ready to buy illegal cigarettes and due to high price of cigarettes in the illegal market. While the box of legal cigarettes cost 2.05 euros in 2007. In the year, the boxing of illegal cigarettes cost 0.57 euros. The places where illegal cigarettes were sold are well-known to Estonia's public. Customers illegally bought cigarettes either directly from street vendors (53%) or from vendor’s home (35%). The majority of illegal cigarettes are trafficked.

Illegal markets are expanding beyond state borders, because demand is present in several countries and the offer is unsatisfactory. Thus, for instance, illicit trade is underway from the region of Southeastern Europe, given the highly taxed products especially in and outside Nordic countries; Southwest Europe is linked to illegal immigration, cocaine, cannabis trade which is further distributed to the European Union; In particular, Southeast Europe is linked to drug trafficking, illegal immigration and human trafficking, and these activities are transferred to the entire European Union. How profitable the production and traffic of drugs is the business is that the data that a kilo of cocaine in the jungles of Colombia can be purchased for $2200, $5500-7000 in Colombia's ports is the best thing to do in the U.S. Market, reaching $2400-205 to Europe $3000, $55000. In Australia, his price is $220000$ dizzy. Prices per gram of cocaine are between $200000$ and $550000$.

The market share has the potential to increase profits given the positive or no market change. An increase in the market share implies a decrease in the influence of competitive crime organizations, clients, suppliers and new criminal organizations. In economic terms, increasing the market share is part of market management, which focuses business discipline on the practical application of market techniques and management of funds and activities of a market organization. Structures by criminal organizations are often aimed at analyzing the impact of levels, times and the makeup of customer demand in a way that will meet the organization's goals. In a market competition against a criminal organization besides legal business methods, they also use criminal methods (threats, blackmail, violence, corruption and dr.) to increase their share in the illegal market. Criminal organizations develop a market strategy based on objective understanding of their own, business and analyzing the markets they operate on.

4. Conclusion

Criminal organizations, profit generated in the illegal market, are often used as an economic lever of power for infiltration of the political system by funding political structures and thus by gaining the political power recursively used to increase the economic power of criminal organizations, undermining the foundations of state security. Large quantities of illegally acquired funds that are owned by criminal organizations pose a potential threat to corruption in legal business and state authorities, undermining the integrity of financial institutions and money laundering enable inclusion in legal business, which has direct implications for the economic security of the state.

The efficiency in the realization of criminal intentions, organized crime achieves by using expert knowledge, criminal and legal methods and adapting the structures of criminal organizations to the specialties of global and local illegal markets. In contemporary conditions, criminal structures are based on organizational models that allow them to grow professionalism and efficiency. These organizational models are most often fostered according to a functional and market principle, building criminal networks on an international agenda that are adapted to the needs of dealing with illegal markets and in legal economic flows, which have direct implications for international security.

The suppression of illegal markets, or discovering and proving illegal activities on them, has hampered the very nature of such markets. As in the legal market, there are two complementary activities in the illegal market — offers and demand, or two co-noble subjects — seller and buyer. The participatory relationship, including the middleman, defines the fact that they are addressed to each other, making themselves a symbiosis of their own. After all, it's a feature of every market, whether it's legal or not. In the sphere of illegal goods or services, the presence of the seller of illegal goods or services in the market is motivated by profits, while in the case of the buyer the motive is inherent in the effort to obtain goods or services, which, as a rule, cannot be found on the legal market or require special permission. The mutual interest of purchasing participants has resulted in mutual preservation from the organs of state repression — neither the seller nor the buyer will give up their partner, they act by consent, without coercion. That is why activities in illegal markets fall into the category of consensual crime, including victimized crimes. It is the acts of a necessary acquittal, in which, unlike property crime, reports of illegal activities on law enforcement are missing, and are characterized by a high dark number.

Contemporary criminal organizations are spreading spheres of influence on all areas of social life and becoming a danger to national and international security. Research into the illegal market creates the basis for better understanding the nature of contemporary organized crime that controls illegal markets. The knowledge of the organization's specificity and the functioning of illegal markets enable the proper selection of methods to more efficiently counter the destructive actions of criminal organizations, which is the basis for developing preferences in creating security strategies for effectively countering this phenomenon.
5. Literature


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