ECONOMIC CRIMES IN INTERNATIONAL RELATIONS

Nataliia V. Nestor
Deputy Director for Research, Kyiv Scientific Research Institute of Forensic Expertise, Kyiv, Ukraine

Nataliia A. Lytvyn
Professor, Department of Administrative Law and Process and Customs Security, Faculty of the Tax Militia’s Training, Retraining and Professional Development, University of the State Fiscal Service of Ukraine, Irpin, Ukraine

Anna O. Yarosh
Associate Professor, Department of Administrative Law and Process and Customs Security, Faculty of the Tax Militia’s Training, Retraining and Professional Development, University of the State Fiscal Service of Ukraine, Irpin, Ukraine

Stanislav F. Denysyuk
Leading Researcher of the Department of Public Law, Scientific Institute of Public and Space Law, Kyiv, Ukraine

Lyudmila I. Rozhkova
Associate Professor, State and Legal Disciplines Department and Ukrainian Studies, Faculty of Law, Sumy National Agrarian University, State and Legal Disciplines Department and Ukrainian Studies, Sumy, Ukraine

ABSTRACT

The development and functioning of global economic international relations contributes to the increase of economic crime in the world, which is a problem both at the international level and for each state individually. The aim of the scientific article is to determine the dynamics of economic crime in the world, individual countries, the causal links of economic crimes and ways of solving these problems. The method of comparison, analysis, generalization and analogy was used in order to achieve the goal. The dynamics of economic crime in the world was identified. It is characterized by an increase in the commission of crimes of this category. The reasons for the growth of economic crimes in the world are also studied. It can be said about a low level of protection of organizations that do not meet modern challenges of economic crime.
insufficient tools to resist and combat these crimes, organizational imbalance of law enforcement, technological progress, informatization of public spheres, economic inequality, globalization, increasing number of Internet users, the diversity of social groups. The causal relationship between the level of the economy and the number of economic crimes at the national and international levels is proved. More economic crimes are committed in the countries with low GDPs than with higher ones. The main ways of resisting and combating economic crime at the national and international level are proposed (adoption of new conventions, their legalization at the national level, the law enforcement system and its reforming, increasing the income of the population, security of the companies and the improvement of this aspect).

**Keywords:** Economic crime, International economic crimes, Economic international relations, Investment Fraud, Misappropriation of property, Fraud, Fight against economic crime


http://www.iaeme.com/IJM/issues.asp?JType=IJM&VType=11&IType=6

1. **INTRODUCTION**

Global and meteoric technological progress gives a push to the emergence of new and the development of old spheres of social and economic relations at the national and international levels. Economic crime is no exception. Modernization of all spheres of human activity - technological progress, IP-technologies and their upgrading - facilitate and create favorable conditions for committing economic crimes (cybercrime, IP-theft of intellectual property, fraud with customers and many others).

The law enforcement system cannot keep up with the progress in the investigation of crimes, as technical progress, computerization of all areas, electronic transactions create ideal conditions for the difficulty of identification, detection, investigation of crimes, prosecution and compensation. So, the relevance of the problem of economic crimes in international relations is to establish the reasons for the increase in the commission of these crimes and ways of dealing and combating with them.

2. **LITERATURE REVIEW**

Analysis of the stated issues in the scientific literature proves that the problem of economic crime in international relations is one of the most studied.

In article [1] author studies international economic crimes and concludes that international criminal law is in the process of development that has its aim to catch up with a criminal practice because of the globalizatıon of economic market relations, technological progress and widespread payments by electronic transactions. All these contribute to the development of economic crime.

In article [2] authors study the list of economic crimes and believe that it cannot be comprehensive, as experts predict and statistics show that organized economic crime is in a negative trend. It is characterized by its growth. This practice has developed as a result of mass human rights violations, military conflicts at the national and international levels, the instability of international economic relations.

For example, [3] has explored that the complexity of economic crimes and their growth at the global level requires a response from the world community. A problematic issue in the fight against economic crime is its national character. We also have to admit the fact that the methods
and organization of fighting against crime in each country are different. However, organized economic crime requires the coordinated work of law enforcement agencies of different countries and it is especially important at the international level. Therefore, it is necessary to continue working on the development of tools that will help effectively fight against global economic crime.

In article [4] author notes that organized economic crime is especially dangerous at a time when it is reaching the international level. This situation has a negative effect on international market relations, destabilizes the economy, increases social tensions, freezes the formation of economic stability and does not give the country to develop.

For example, [5] conclude that economic crimes, unlike others, can show negative dynamics and their growth will negatively affect international and national security, as well as the economy. A feature of organized crime in the economic sphere is its transnational nature, which creates a problem and it is very difficult to locate financial and material resources [5].

In article [6] author notes that the globalization of the economy has created the conditions for the development of economic crimes and their emergence at the international level. Now such crimes are a big international problem that the world is struggling with. The concept of "economic crime" is actively studied by scientists around the world, but a clear and complete understanding of its nature, features, classifications of the phenomenon, the scientific community has not found. This way of things creates obstacles to fight qualitative against economic crime.

In article [7] authors conclude that the expansion of the boundaries and types of economic crimes require updating the legislation that establishes rules for fighting against economic crimes in the world of economic globalization. Legislative regimes are determined by political, economic and cultural spheres. The influence of the global economy creates many difficulties. One of them is characterized by information technology. These technologies have their influence on the legislative regimes of sovereign states and the definition of the structure of the criminal code and especially in terms of economic crimes. Scholars believe that legislative regimes of economic crimes are evolving in the direction of modernization.

It is necessary to determine what is meant by economic crime and which crimes are included in their list if we want to disclose the issue of economic crimes in international relations. So, economic crime is an illegal act committed by an individual or a group of people for financial gain [8]. Europol determines the list of economic crimes which the investigative teams pay the most attention to: MTIC (Missed Trader Intra Fraud), excise fraud, money laundering. Organized crime groups that commit economic crimes at the international level are more organized and dangerous than those which are operating only in one country [8].

The main feature of economic crimes in international relations is the involvement of the interests of more than one country, legal entities or individuals [9].

3. MATERIALS AND METHODS

A method of comparison was used for comparing the level of economic crime in the world with high economic development and underdeveloped countries in this scientific work. The statistical data of economic crimes in the period from 2009 to 2020 were studied by the method of analysis.

The main types and features of economic crime in international relations are identified due to the method of analysis. The study analyzes scientific works and researches from 1995 to 2020. These works focus on transnational economic crime, economic crime in international relations, their concepts, characteristics, types and statistics that reflect the level of economic crime during 2011-2020, the number of crimes for their types, as well as their level in some individual states. The method of generalization and analogy establishes the reasons for the
growth of economic crimes in the world and the correlation between the number of committed economic crimes and the level of economic development of the countries.

The work analyzes the rates:

- The World Bank – GDP per capita (current US$) - Somalia, Denmark 2018;
- Statista – Types of economic crime reported worldwide 2016;
- PricewaterhouseCoopers –Global Economic Crime and Fraud Survey 2018;
- Fighting fraud: A never-ending battle PwC’s Global Economic Crime and Fraud Survey 2020; Fraud hits record high levels;
- Social development and the formation of a democratic civil society.

4. RESULTS AND DISCUSSION

Legal regulation is an important link in the fight against economic crime. The international legal acts in this sphere include the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988, the United Nations Convention against Transnational Organized Crime of 2000, the United Nations Convention against Corruption of 2003 and the International Convention for Suppression of the Financing of Terrorism of 1999. These Conventions set out the main directions of fighting against economic crime. Such efforts include international cooperation, development, implementation and strengthening of measures which help to fight against economic crime.

The pivotal organizations involved in resisting and fighting against organized crime, including economic crime, are the Center for International Crime Prevention; the United Nations Asia and the Far East Institute for the Prevention of Crime and the Treatment of Offenders; United Nations Interregional Crime and Justice Research Institute; the International Criminal Court; the Financial Action Task Force (FATF) and others.

Economic crimes are one of the categories of crimes that have the greatest impact on international relations in the world.

Having studied the statistics of economic crimes for 11 years, which is conducted by the international company PricewaterhouseCoopers every 2 years by surveying organizations around the world, we can see that there has been an increase in this category of crimes for the entire period, except in 2016. So, the rate of economic crimes decreased slightly after 2014, however, in 2018 its indicators increased sharply from 36% to 49% (Figure 1).

The international company PricewaterhouseCoopers (PwC) has been studying economic crime over 20 years and it has identified a number of types of global economic crime and fraud. This is accounting and reporting fraud, antitrust fraud, asset misappropriation, bribery and corruption, customer/client fraud, consumer fraud, cyber fraud, trade fraud, staff fraud, insider (unauthorized trade), IP-theft of intellectual property, money laundering, procurement fraud, tax fraud [10].
We may conclude that a lot of surveyed organizations became victims of economic crimes. However, their number became less again in 2020, this rate fell to 47% (Figure 2).

The statistics of economic crimes for the period 2020 shows that 5,000 surveyed respondents in 99 countries of the world, 47% of which became victims of economic crimes during 24 months, losses 42 billion US dollars as a result of this crime [12] (Table 1).
Table 1 Crimes: frequency of overall experience [12-14]

<table>
<thead>
<tr>
<th>Country</th>
<th>2016</th>
<th>2018</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Fraud</td>
<td>-</td>
<td>29%</td>
<td>35%</td>
</tr>
<tr>
<td>Cybercrime</td>
<td>32%</td>
<td>31%</td>
<td>34%</td>
</tr>
<tr>
<td>Asset Misappropriation</td>
<td>64%</td>
<td>45%</td>
<td>31%</td>
</tr>
<tr>
<td>Bribery and Corruption</td>
<td>24%</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td>Accounting/Financial Statement Fraud</td>
<td>18%</td>
<td>20%</td>
<td>28%</td>
</tr>
<tr>
<td>Procurement Fraud</td>
<td>23%</td>
<td>22%</td>
<td>19%</td>
</tr>
<tr>
<td>Human Resources Fraud</td>
<td>12%</td>
<td>12%</td>
<td>17%</td>
</tr>
<tr>
<td>Anti-Competition/Anti-Trust Law Infringement</td>
<td>4%</td>
<td>7%</td>
<td>13%</td>
</tr>
<tr>
<td>Money Laundering and Sanctions</td>
<td>11%</td>
<td>9%</td>
<td>11%</td>
</tr>
<tr>
<td>Intellectual Property (IP) Theft IP</td>
<td>7%</td>
<td>7%</td>
<td>11%</td>
</tr>
<tr>
<td>Insider/Unauthorised Trading</td>
<td>7%</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Tax Fraud</td>
<td>6%</td>
<td>5%</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>11%</td>
<td>5%</td>
<td>4%</td>
</tr>
</tbody>
</table>

A study that was published by Statista Research Department on February 25, 2016, demonstrates slightly different indicators of economic crime. We can see that the most common economic crime in 2016 was the misappropriation of property or depositing money into a fictitious account, which ranks third in 2020, according to statistics provided by PwC [11].

Analyzing the statistics, we see that since 2016 the top four includes such economic crimes as cybercrime, misappropriation of property, bribery and corruption.

It is important to note that crimes have acquired more specific forms, which tend to those types of crimes that are more common in the world. Those crimes that increase compared to 2016 include: customer fraud, bribery and corruption, accounting and financial reporting fraud, staff fraud, antitrust violations, IP-theft of intellectual property, insider (unauthorized) trade.

Misappropriations of property and procurement fraud are the economic crimes committed in a smaller number in the world compared to 2016 (Figure 3).

This systematic review of statistical data is conducted in order to study the following research issues. Here we are talking about the dynamics of economic crime, the countries in which the largest number of economic crimes is indicated, the causes and consequences of these crimes.

Africa has been the world leader in economic crime for the past decade. According to the survey, South Africans have a low percentage of trust in law enforcement, which is 70% of organizations that believe that law enforcement is not able to fully ensure the identification and fight against crime [15].

For the first time in 2009 in Africa, the level of economic crime at the international level exceeded the level of economic crime at the national level (46% external cases against 45% of domestic ones) [16].
Economic Crimes in International Relations

**Figure 3** The rate of economic crime in different regions of the world in 2016 and 2018 [15]

These statistics exist in such numbers due to the low level of protection of organizations that do not meet the modern challenges of economic crime, insufficient tools that help to resist and fight against these crimes, unsatisfactory work in the detection and investigation of economic crimes by law enforcement agencies, high levels of bribery and others.

Corruption and bribery are economic crimes that are consistently among the top five of economic crimes in the world. At the same time, the countries in which they are committed are stable in their negative statistics (Figure 4).

**Figure 4** Corruption Perception Index, 2012 to 2018. Transparency International Corruption Perceptions Index. Scores on a scale of 0-100, where 0 means that the country is perceived as very corrupt [17]

A study [17] concerning the level of corruption in the world demonstrates the dynamics of this phenomenon from 2012 to 2018 in the countries with the highest, average and lowest rates. So, Somalia has been the undisputed leader in corruption for six years in a row, while Denmark has shown the opposite rate of corruption.
It has been proven that a high level of economic crime prevails in undeveloped countries, where the number of poor people predominates. For example, citizens of poor developed or developing countries spend 6.4% - 12.6% of their income on bribes [18].

There was a survey in Nigeria in 2017 and it was found that 95% of the population in this country was involved in bribery [19].

So, in 2018, the level of GDP in Somalia was 314.5 USD per capita, the level of GDP in Denmark - 61390.7 USD per capita [20], meanwhile, has the highest number of corruption crimes can be seen in Somalia and the lowest - in Denmark.

The leader among the types of economic crime in the world is the misappropriation of property, which also negatively affects market relations at the international level.

International investment agreements is one of the important spheres of international economic relations that correlates the economies of the countries. However, investors weigh the risks and threats of being deceived by fraudsters before starting any international economic relations. So, countries with a high level of economic crime, citizens and legal entities located in these territories are less likely to be a part of international economic agreements.

Varieties of economic crimes arise as a result of disputes between states-investor. Here we are talking about bank accounts fraud and securities fraud, bribery, tax fraud and others [21].

Money laundering is the result of the deliberate sale of counterfeit assets, the deliberate product overpricing and fraud connected to compensation for losses, counterfeiting and the sale of shares.

Europol notes that the most common schemes for investment fraud in the EU are:

- “Boiler room” schemes, where criminals seek out investors who invest by using real capital to buy non-existent or cheap shares. Fraudsters use fictitious documents proving the legitimacy of the organization or shares;
- “Ponzi” scheme, which is characterized by attracting the first investors on terms of high returns in a relatively short time. In order to attract more investors, criminals fulfil the initial terms of the agreement with investors, paying the stipulated funds through savings from additional investors. As a result, investors remain deceived, as fraudsters launder money through a large number of bank accounts that are located in different countries. Then they just disappear;
- “Pyramid” schemes, which somewhat reflect “Ponzi” schemes, include the active participation of investors, initiating the attraction of new investors to make a profit [8].

One of the largest economic crimes in the history of international relations, investigated in Russia's largest oil companies at the time, is the example of investing 50 USD billion in “Yukos” in Russia, which included fraud, tax fraud, misappropriation of property [22].

The main causes of global economic crime are technological progress, informatization of public spheres, organizational imbalance of law enforcement, economic inequality, globalization of market relations, increasing number of Internet users, diversity of social groups [23].

The world scientific community is actively exploring the ways of overcoming the causes of economic crime in the world and in international relations.

Analyzing the reasons for the growth of economic crime in the world, we believe that it can be reduced by balancing two systems - international and national. Only in the case of coordinated cooperation of all countries in the fight against economic crime is it possible to achieve this goal.

At the international level we have next acts and regulations: existing UN conventions containing provisions how to deal with money laundering, the Convention against Illicit Traffic of Addicted Drugs and Psychotropic Substances, the Convention against Transnational
Economic Crimes in International Relations

Organized Crime, the Convention against Corruption and the Convention for the Suppression of the Financing of Terrorism [24]. All of them do not fully ensure the implementation of the task of fighting against economic crime. They do not cover the fight against economic crimes that have been escalating in recent years (customer fraud, bribery and corruption, accounting and financial reporting fraud, staff fraud, antitrust violations, IP-theft of intellectual property, insider trading).

It is necessary to adopt a Convention that would contain norms that would effectively regulate the fight against economic crime and meet its current challenges. An important factor in the international fight against economic crime is the legalization of international legal acts at the national level, which would be part of national law, so all countries would follow a common strategy in order to reduce these crimes in the world. In this case it would be possible to balance two systems in order to effectively fight against economic crime at the international level.

At the national level should be done the next steps. It is necessary to increase incomes, as statistics show that these crimes are more prevalent in undeveloped countries, where the poor people predominate. The security of companies should also be improved. It would provide protection against cybercrime and fraud, provide modern tools that would help law enforcement to fight against economic crime. It is necessary to carry out reforms in the law enforcement system in order to “reset” them.

An important factor in the fight against economic crime is the balance in the organization of law enforcement agencies. Such a requirement concerns a pay rise for the employees of these government agencies, the establishment of an effective legal systems [25], the provision of modern technologies that will help to identify and investigate economic crimes.

Based on research it is established that economic crime in the world has increased compared to the period of 2018. Economic crime prevails in undeveloped countries or poor parts of the world, so the main reason for these crimes is the economic factor. The commission of economic crimes at the international level has a greater danger, in terms of the organization of criminal groups, territorial vastness and economic consequences. International economic crime causes much greater damage than at the national level.

In addition, this phenomenon has a negative impact on the international market relations. It has been proven that countries with a high number of economic crimes are at risk, which are formed by investors who decide their investing in a particular country, as each of them does not want to be deceived and have large financial losses. So, countries with a high level of economic crime, their citizens and legal entities are less likely to enter into international economic relations, and therefore, such countries are not able to achieve high economic development and a stable economy.

A serious analysis of statistics and causes of economic crime in international relations allows us to identify ways of resisting and fighting against economic crime. Concerted resistance of all states in the international arena should be created. In order to do this, international law have to be improved. Strategically determined fight should also be taken into consideration at the national level by reforming some areas that contribute to economic crime.

5. CONCLUSION

So, in the context of the study of economic crimes in international relations, it is established that the consequences of these crimes are large economic losses for victims and disbalance of the normal functioning of relations in the international economic market. This situation destabilizes international relations and the countries with a high level of economic crime are less likely to attract investors.

The causal relationship between weak economic development and high levels of economic crime has been studied. Thus, in the territory of undeveloped countries there is a large number
of economic crimes, which is an obstacle to the normal development and functioning of the economy of such state. As statistics show, this is Africa in recent years. We make a conclusion, that the level of economic crime is both a consequence and a cause of a weak state economy and unstable international relations.

It is established that the application of current international legal acts is not able to counteract the modern challenges of economic crime, and therefore it is important to update the legal regulation so that it could be effective and would help to reduce the level of economic crime in the world.

REFERENCES

Economic Crimes in International Relations


[26] Dr. Fatma Mohamed Abdullah, Using Big Data Analytics to Predict and Reduce Cyber Crimes, International Journal of Mechanical Engineering and Technology 10(1), 2019, pp. 1540–1546