

# Trends in prevention of economic offenses in Eastern European countries

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**Abstract** — The modern economy goes beyond individual countries and becomes global, which increases the scale of economic abuse and ensures their organization. Such trends require scientific and practical rethinking of both the system of economic offenses and the ways and methods of their detection and overcoming.

The article explains an alternative approach in the study of economic offenses, which focuses on the deep processes of emergence and development of these trends in any economic formations. Methods and ways to combat this phenomenon in different countries according to the level of economic development are outlined and it is indicated that the fight against such crime is conducted as its manifestation. It is noted that the modeling of this phenomenon is based on the position of sustainability and completeness of the evolutionary development of society in relation to the economic system, so such models do not reveal the full depth of economic and legal norms and are derived from the violations themselves. The necessity of allocating economic offenses into a separate legislative norm in the domestic legislation is proved, which is confirmed by the conclusions of researches of foreign experts of law. A comparative analysis of economic offenses in Eastern Europe is presented.

**Index Terms** — economic crimes, economic offenses, shadow economy, corruption index.

## I. INTRODUCTION

World changes in economic activity, changes in the vector of social development for sustainability and stability indicate the need to rethink all social relations. The legal basis in the perspective of the economic process is no exception. New transformed economies need new effective ways and methods to reduce economic crime, and for the economies of developed countries it is advisable to develop a legal framework in the direction of detailing the law in certain areas. However, there are gaps in economic scientific thought in explaining the nature and sources of economic crime. The purpose of the study is to explain the origin and development of economic offenses and to identify the factors that motivate the introduction of

economic offenses in the period of transformation of economic systems and continue to dominate after the conceptual reforms.

## II. RECENT RESEARCH AND PUBLICATION ANALYSIS

The analysis of economic offences is widely presented in European publications. Berghoff, Hartmut, Spiekermann, Uwe (2018) analyze six characteristics of economic crime, namely the predominant role of the upper and middle class in the organization and commission of these crimes, motivation for financial gain, nonviolence, systemic, breach of trust and diffuse victimization. Some authors (Choi, Thum, 2005; Buehn, Schneider, 2009; Borlea, Achim & Miron, 2017) investigate the impact of corruption and the shadow economy and economic offenses.

Grabosky Peter (2001) identifies the following types of economic offenses: insurance fraud, fraud against government, fraud against employers, fraud against consumers, fraud in the telemarketing market, fraud against shareholders and investors, pension fraud, bribery and corruption, corruption, fraud, credit card fraud, industrial espionage, intellectual property theft, counterfeiting, business fraud, electronic fraud with transfer of funds).

Achim et al. (2018) show that the most increased rates of illegal economic transactions are found in developing and transition countries, while developed states have decreased levels of corruption and shadow economy. On the other hand, the studies of Ali et al. (2019) found a positive relationship between high technology economies and the size of the economic and financial crime in terms of cybercrime.

The issue of economic offenses in Ukraine has been studied by many Ukrainian authors. In particular, Lavruk, Vitalii V. et al. (2018) based on the analysis of economic crime during Ukraine's independence proved the truth of the theory of depression-expansion, which assumes that crime increases during periods of economic ups and downs, and economic



stability affects crime in emollient method.

Olena Kofanova et al. (2019) found that during the period of Ukraine's independence the level of economic crimes increased by almost 300%. Yanovska, O., Vilhushynskyi, M et al. (2020) generalized approaches to understanding the nature and structure of economic crimes and analyzed effective ways to protect property in the investigation of economic crimes.

Oksana Kvasha et al. (2019) proposed amendments to the current criminal legislation of Ukraine on economic offenses in Ukraine.

Mozol, S. et al. (2020) identified the main trends in the field of economic crime: globalization, the creation of transnational criminal organizations and groups of "white-collar workers", whose coordinated actions affect certain economic and political processes of the country; the transition of economic crime from the point of view of financial markets and state power in the technological plane.

Thus, in scientific research there is no explanation of the essence of the origin of economic offenses and the dominant direction of explanation of such violations in market conditions for economically developed economies. At the same time, the economic model has been worked out and refined in its evolutionary improvement, and the institutional base has already been worked out by economic practice.

### III. RESEARCH METHODOLOGY AND METHODS

The study is based on observations of changes in socio-economic relations over the long historical development of society. The methodological basis of the study is a thematic (target) fundamental study of social processes in economic activities. The applied socio-economic method corresponds to the assessment of the nature of economic offenses. Hypothetical analysis and synthesis allowed to indicate those bases of economic offenses which are not traced by other authors. Qualimetric (quantitative) methods based on domestic statistics of such recorded offenses are used to explain and identify patterns in economic offenses. Monitoring data were used,

which traced the dynamics of changes in indicators characterizing the general state of the criminal situation in the country and its international rating. However, it should be noted that the basic research methods were analysis and modeling.

### IV. MAIN RESEARCH RESULTS

The development of society is in the direction of scientific and practical progress and increase the socio-cultural development of mankind. Labor productivity increases, the market is saturated with highly science-intensive goods, production becomes software - robotic, and information flows are quite controlled. At the same time, various abuses are intensifying, which are not only local but also international, including economic ones. Economic offenses have become an integral part of any business system. Their economic basis is the desire to obtain a profit that is achieved both without economic activity and through it. In the legal approach, economic offenses are the infliction of material damage to an economic entity through violation of the relevant legislation, as an absolute guarantor of economic security. Surprisingly, such abuses do not decrease with the development of democratization, and with social change tend to increase and expand. Accordingly, the category of cybercrime and the means of combating it have appeared and are widely analyzed.

In practical terms, the implementation of international law is often impossible without additional legal measures taken by subjects of international law at the international, national level or consistently in both. This means that the country is forced to ensure the implementation of international law at the domestic level by all available and legal means for states. That is, there will be no reverse mechanism for returning to the priority of national legislation.

In terms of crime and security, Ukraine ranked first among all European countries. If for the period of 2015 the crime rate was 49.36, and the security rate - 50.64, then in recent years this figure has only increased (Table 1).

TABLE 1. DYNAMICS OF ECONOMIC OFFENSES IN UKRAINE THROUGH THE CRITERION OF CRIME AND SECURITY

Country	2015		2016		2017		2018		2019		2020	
	I <sub>c</sub> *	I <sub>s</sub> **	I <sub>c</sub>	I <sub>s</sub>	I <sub>c</sub>	I <sub>s</sub>	I <sub>c</sub>	I <sub>s</sub>	I <sub>c</sub>	I <sub>s</sub>	I <sub>c</sub>	I <sub>s</sub>
Ukraine	49,36	50,64	48,62	51,38	51,27	48,73	49,39	50,61	48,88	51,12	48,85	51,15
Moldova	49,7	50,3	48,16	51,84	45,35	54,65	45,66	54,34	45,45	54,55	44,98	55,02
Russia	51,33	48,67	47,31	52,69	46,05	53,95	45,2	54,8	41,93	58,07	41,12	58,88
Poland	32,99	67,01	31,41	68,59	31,53	68,47	36,23	63,77	30,09	69,91	28,5	71,5
Slovakia	28,71	71,29	26,27	73,73	30,18	69,82	30,15	69,85	29,54	70,46	29,22	70,78
Romania	29,72	70,28	29,72	70,28	27,95	72,05	29,04	70,96	27,84	72,16	27,64	72,36
Belarus	30,5	69,5	27,57	72,43	24,99	75,01	26,55	73,45	23,53	76,47	24,99	75,01
Hungary	41,76	58,24	41,93	58,07	38,39	61,61	36,51	63,49	35,17	64,83	35,08	64,92

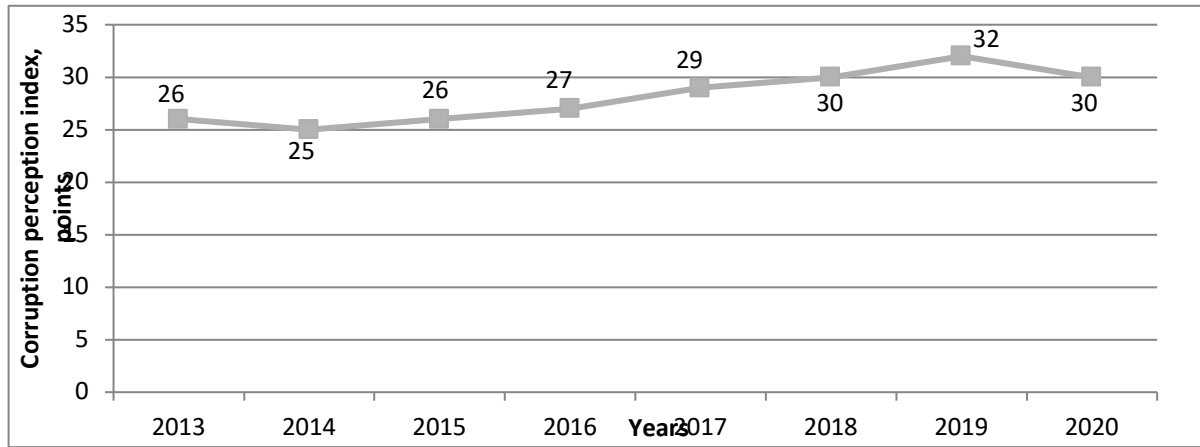
I<sub>c</sub>\* - crime index; I<sub>s</sub>\*\* - security index

Source: Compiled by authors by official data of NUMBEO (2020)

Abuse in the economy measures the index of perception of corruption in points, with 0 points indicating a complete loss of effective governance. In 2020, this figure was 30 points, the lowest was in 25 points in 2013, which indicates the impact on

the economy of public authorities less than a third, and it was noted that in 2017 the suspension of anti-corruption reforms was suspended (Figure1).

FIGURE 1. DYNAMICS OF CHANGE IN THE INDEX OF PERCEPTION OF CORRUPTION IN UKRAINE IN 2013-2020



Source: Compiled by authors by official data of Transparency International

Regarding the strengthening of the fight against crime, the Government of Ukraine was given recommendations on:

1. ensuring the effective operation of the register of beneficiaries,
2. strengthening control over the financing of political parties,

3. restoration of trust in the Specialized Anti-Corruption Prosecutor's Office,
4. deprivation of the National Police of powers in the field of combating economic crime.

Punishment of those guilty of organizing attacks on anti-corruption activists.

TABLE 2 CORRUPTION PERCEPTIONS INDEX IN UKRAINE'S NEIGHBORING COUNTRIES IN 2020.

Country	Corruption Perceptions Index, points	Deviation from 2019
Ukraine	30	-2
Moldova	32	-1
Russia	28	0
Poland	58-	-2
Slovakia	50	0
Romania	44	-3
Belarus	45	+1
Hungary	44	-2

Source: Compiled by authors by official data of NUMBEO (2020)

Regarding specific economic offenses committed in Ukraine, there are no separate statistics. This situation is due to the lack of a law that would clearly and unambiguously state the criteria for economic offenses and the specific composition of criminal offenses classified as exclusively economic.

However, it should be noted that such offenses are accounted for under separate articles of the Criminal Code of Ukraine (Criminal Code OF Ukraine, 2001) (Table 3).

In general, the number of offenses compared to 2018 is declining. However, legalization (laundering) of proceeds from crime clearly has a tendency to increase cases by 17%. Fraud with financial resources, illegal privatization of state communal property, misuse of budget funds, reflects a V-shaped trend and the number of such abuses has increased by an average of 30%. It is necessary to point out violation of Art. 205 of the Criminal

Code of Ukraine, which decreased by 65%. Such a reduction is quite understandable in the context of reduced business activity, reorganization of OTGs and local elections, which change the entire administrative system of regional public administration (there was a elimination of inoperable businesses, and new schemes have not yet been developed).

However, such static reports do not take into account large-scale abuses in tender schemes in the military-industrial complex and in repairs and construction of roads, when information is leaked to journalists about the theft of budget funds. The main economic factor of economic crimes is the low level of income and rising unemployment, primarily hidden, and this determines the selfish motivation.

TABLE 3 DYNAMICS OF ECONOMIC OFFENSES OF UKRAINE IN 2018-2020

Types of economic offenses	Article of the Criminal Code of Ukraine	2018	2019	Deviation	Absolute deviation , %	2020	Deviation	Absolute deviation %
fictitious entrepreneurship	205	784	715	69	91,2	248	-467	-65,3
legalization (laundering) of proceeds from crime,	209	243	242	1	99,6	283	41	16,9
illegal privatization of state communal property	223	26	17	9	65,4	22	5	29,4
fraud with financial resources	222	61	58	3	95,1	76	18	31,0
misuse of budget funds	210	21	18	3	85,7	23	5	27,8
tax and fee evasion	212	1936	1099	837	56,8	852	-247	-22,5

Source: Compiled by authors by official data of Prosecutor General's Office of Ukraine (2020)

## V. CONCLUSION

The study of economic offenses notes their full connection with the current economic system in the country and these violations are recognized as contradictions in the economic relations of the implemented economic model. With the improvement of the economic system, some contradictions are resolved peacefully by changing economic conditions, while others are emerging and exacerbated, and they are the product of this system.

In general, the main factor in the conceptual model of economic offenses is the international environment, which provides an imbalance in the development of the domestic economy. Unfortunately, domestic legal opinion has failed to provide legal protection for the vast majority of Ukrainians against the onslaught of international law. Economic laws apply, but their results are used by a small number of oligarchs who are legally covered by international and domestic legal systems. For Ukrainians, there is an unshakable understanding of law as a system of regulation of social relations, which is determined by the nature of man and society and expresses the level of individual freedom. Therefore, there is a developed system of economic offenses, and methods and means of counteracting it remain ineffective. The problem of harmonization of economic and legal laws in economic activity remains unsolved in the scientific field. In most cases, the legal framework is adopted without taking into account economic patterns, which exacerbates economic crime.

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