

Organized crime and transnational corporate crime



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Crime is taken to mean a criminal offence and transnational organized crimes therefore refer to criminal deeds planned and implemented by a group of people emanating in 2 or more countries (Edwards & Gill 2006). A different form of transnational crime is known as the transnational corporate crime which is legally attributed to a corporate entity or persons acting on its behalf. The contrast between organized crime and corporate crime is not well defined; however the two are still quite different. Transnational corporate crime majorly takes place within the context of renowned multinational organizations (Viano & Bridel, 2003). Corporate lawbreaking covers quite a wide range of misbehavior, such as accounting malpractices like false statement of assets, unjust labor treatment, and production of hazardous products, misleading advertisements, environmental violations, illegal domestic political involvement and corrupt foreign deals. In the last two decades or so transnational corporations have largely expanded operations into developing world (Berdal, 2002).

On the other hand transnational organized crimes involve undertaking of illicit business activities by people working in several countries, such as gangs execute crimes such as drug smuggling, human trafficking, trading of illegal goods such as wildlife products and money laundering (Madsen, 2009). These groups of people tend to be so systematic in their operations, making the crime a complicated dilemma for the security and governmental policies to catch up with them. Transnational criminal rings keep becoming more and more powerful and universal, and their mobility growing each day. This is a clear indication that resources of any state are not enough to seriously harm

them including the rich countries-those with supposedly “ good governance.”(Reichel, 2004)

As much as both transnational organized crime and transnational corporate crime accomplish fraud across the international boundaries, a critical view shows that corporate crime has been largely perpetuated by inefficient policies while organized crime is purely cartels based (Scherer, 2009). For instance United Nations has attempted to redefine corporate crime by coming up with codes of conduct for international business but United States efforts to resist this codes is an example of inconsistency of policies on the matter (United Nations, 2010). One can therefore rightfully argue that the study of organizational transgression by transnational corporate can legitimately encourage violations of international codes and other illicit actions that form a significant source of violations of the codes stated.

“ Mafia” is a term meant to describe a criminal organization; however some of these organizations are so well structured across the world to be placed under the term “ mafia” (Jones, 2004). These organizations involve themselves in criminal activities known as “ racketeering”, in other words “ the work of the mob.” (Mueller & Edward, 2011) This is the basic functioning of the drug cartels in México and therefore it’s a clear indication of how the fight against drugs remains a mission *impromptu*. For quite some time, the transnational organized crime (TOC) has been appreciated in two perspectives by people around the world. Some view organized crime in terms of large hierarchical groups with a structure close to transnational corporation while others see organized crime groups as less structured but highly flexible and adaptable (Leong, 2007). However critical perspective

indicates the transnational organized criminals have an “ us-versus-them” mentality from the fact that a small section of citizens from different countries collude to threaten welfare of legitimate citizens.

Crime can be categorized into three classes namely ordinary/conventional, occupational and organizational. Conventional crimes are mostly done by the lower class and mainly involve property crimes. Occupational crimes involve people of middle class n the crimes are mainly centered in breaking laws in legitimate missions. However, organizational crime is committed by large entities in the aim of gaining financial benefits (Mishra & Shanty, 2007). The latter is the class where transnational criminality falls and involves a chain of people from CEOs to supervisors; the big question now arises on how these well established criminal activities prevail while the former two classes are well catered for. Security organizations have found the diversity in the issue a big challenge especially on the structure of the two forms of transnational crimes. For instance, organized crimes could involve top officials like it happened in Peru where till today Vladimiro Montesinos, former head of Peru National Intelligence and Anti-Narcotics is still imprisoned for running a huge international drug and money laundering gang. On the other hand, transnational corporate crimes may not be directly connected to an individual but they are owned by influential persons especially from the rich countries making them just as complicated as the organized crimes for security organizations.

Both transnational organized criminals and transnational corporate could execute fraudulent activities of the same magnitude. A case study on the operations and manner of execution brings out some striking contrasts that

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may not be well understood on a general view. For instance, money laundering has been a consistent crime for decades across Europe and seems to be on the rise rather than to diminish. Money laundering takes three sequential phases namely, placement, layering and integration- according to a report by Board of Governors of the Federal Reserve System. Placement is the conversion or movement of money from illegal deals to a form or place less suspicious to law enforcement authorities. Then follows layering where the money is alienated from the illegal sources through a series of complex transactions (e. g. wire transfers and monetary instruments) in the aim of breaking the audit trail. Finally the integration comes in where the illegal proceeds are made into legitimate business profits by ordinary financial operations (Siegel & Nelen, 2008).

However not all international money laundering transactions involve all three phases, the described stages of money laundering process are just but conventional, they differ among the two forms of transnational crime; transnational organized and transnational corporate (van Duyne, 2003). Transnational corporate may require fewer steps in money laundering as compared to transnational organized criminals; this is because of their legal existence (Mahncke, & Thompson, 2004). A transnational Corporate may not require placement step since they already handle some sums of money during their transactions and any illegal proceeds may not be easily identified from the legal financial assets. Many people may feel that organized criminals such as terrorist and drug cartel are the most dangerous but critically, transnational corporate crime posses more danger since their size and legality comfortably hides lots of information (Rush & Ryan, 1997).

Transnational crime is evidently a social and legal challenge worth of attention; many have tried to document it in the aim of dismissing it as a journalistic sensationalism (Andreas & Friman, 1999). It is however not clear who is most affected by this forms of criminality; is it the poor countries who have less established legal systems or the rich nations where most transnational corporate seem to be based? The answer lies on either, the form of criminal activity in question or the form of transnational crime. Transnational corporate crime affects any country where a branch of the corporate exists whereas the effects of transnational organized crime are highly felt in countries with rich market and opportunities of their line of operation (Athanasopoulou, 2005). For instance, international drug cartels aim countries such as the USA and UK where they have a broad ready market for their product. The above contrast on transnational organized crimes and transnational corporate crimes indicates that transnational corporate crimes are in a way an advancement of the transnational organized crimes.