PHEHOMENON OF CORRUPTION IN ALBANIA: TOWARDS CIGARRETE SMUGLING

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ABSTRACT

The phenomenon of cigarette smuggling and corruption has become a very sensitive topic for responsible law enforcement authorities and reporting entities. The issue needs to be addressed effectively and systematically regardless of the overall economic, financial and fiscal situation in the country. Preventing and mitigating the constant threat posed by criminal activities is of particular importance. In this context, financial institutions and non-financial professions are required to comply with applicable legal and regulatory requirements. The article deals with the extent of corruption prevalence and reasons for prosperity in Albania, as a Western Balkans country, which has been little studied in the scientific literature. Albania is characterized by very high levels of perceived corruption, which manifests itself at all levels of government. Both petty and grand forms of corruption are prevalent in the country, while political corruption affects the quality of the democratic processes. The health sector, customs and tax officials are often referred to as the most corrupt institutions, followed by the police and the judiciary. Other problem faced by Albania is the illegal trade of tobacco considered as one of the major issues for Albanian law enforcement; it poses a multitude of challenges and issues beyond the ones discussed for legal tobacco consumption. The method of a representative quantitative survey was chosen for the empirical research, interviewing 1000 respondents from the age of 18 and more. The main findings and results of the research have been found: the scales of cigarette smuggling as well as the links between cigarette smuggling and corruption, money laundering and organized crime have not been evaluated, but macroeconomical analysis has shown that these phenomena are closely linked and feed each other. In Albania the public are beginning to realize that namely they tolerate the illegal phenomenon and, as a result, suffer from poorer economic well-being of their families.

Keywords: cigarette smuggling, corruption, shadow economy, tax evasion, Albania.

JEL classification: H26, D73, J18, F65

Paper type: Case Study

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INTRODUCTION

Corruption remains an issue for countries all over the world. Socio-economic development, the institutional and political setting or the prevailing social and cultural norms are all elements that can shape it in very different manners, but corruption is still a scourge from which no country is truly exempt and it is often reported to be an area of vulnerability for the countries of the western Balkans, including Albania (European Commission, 2011). In addition, as other researchers examine (Remeikiene, et. al., 2021), corruption always goes hand in hand with other negative phenomena, such as cigarette smuggling, money laundering and organized crime.

In order to reveal the impact of corruption on other crimes of the article, such as cigarette smuggling, the public's

attitude to the phenomenon of corruption will be identified and the main forms, areas and channels of corruption in Albania.

First of all, the article analyzes the possible concepts of corruption, the second part presents the methodology of the survey investigation. The third part presents the results of the respondents' surveys. The article ends with conclusions.

The methods: comparative and systematic literature review, survey.

LITERATURE REVIEW: CORRUPTION SOURCES

Subject to the points of focus on corruption, the definitions of this phenomenon found in different literature sources can be categorised as follows:

1. Interpretation of corruption as a betrayal of public trust (or so-called public interest definitions).
2. Interpretation of corruption as a criminal offence (or definitions of corruption derived minding its criminal origin).
3. Interpretation of corruption as a dimension of low public morale (or definitions of corruption related to the issues of the common public conduct, i.e. morality and immorality).

Public interest definitions highlight that corruption is a phenomenon through which representatives of public authorities betray the public trust regardless of whether or not the conduct of these representatives violates officially established legal regulations of a country. In the latter case, the conduct (actions) of public officials or officers conflicts with their public duties, and this way the public interest entrusted in a particular office is breached (Milovanovic, 2002). Some of the examples indicating that corruption can be defined in terms of the breach of public interest, first or all, include the definition promoted by the World Bank (1997, p. 8), which stipulates that corruption is "the abuse of public office for private gain", and the definition provided by Transparency International (2018) in their main website, which proposes that corruption is "the abuse of entrusted power for private benefits or gains". The definition provided by Lithuanian economist Rūta Vainienė in the Dictionary of Economic Terms (2005) referring to corruption as to the abuse of the public interest and/or public office in pursuance of personal gain, and the definition derived by Rose-Ackerman (1999, p. 9) indicating that corruption is "an illegal payment to a public agent to obtain a benefit that may or may not be deserved in the absence of payoffs" may serve as the other examples of the definition of corruption in terms of the breach of public interest.

Despite the fact that the attempts to define corruption in terms of the above-discussed breach of public interest reflect extremely relevant problems in a country's governing structure as well as a low degree of public welfare and protection, they are criticized for obscurity and ambiguity. For instance, Milovanovic (2002) states that public interest definitions of corruption are very broad, and they "can comprise nepotism, favouritism, outright theft of public resources, or diversion of state revenues - i.e., activities usually not labelled as corruption" (p. 2). What is more, as it was noted by Gillespie et al. (2019) after researching Bozeman's (2007) and Johnston's (2016) studies, it is very difficult to precisely define what constitutes the

Public interest in terms of its scope and purpose.

Corruption as a criminal offence is viewed through the prism of violation of particular laws, regulations or standards established in a state. In this case, the main focus falls on the actions that are legally forbidden. Encyclopedia Britannica (2020) defines corruption as an "improper and unusually unlawful conducts intended to secure a benefit for oneself or another". On the basis of literature analysis, Šatienė (2005), who researched the peculiarities of the description of corruption in different sources from criminalistic viewpoint, provides that "corruption is an action when a governmental official or a political figure takes a bribe for the performance of one's duties or violation of law in pursuance of self-benefit or mutual benefit" (p. 114). The Law of the Special Investigation Service of the Republic of Lithuania (The Parliament of the Republic of Lithuania, 2003) defines corruption as "a public officer's or another authorized person's direct or indirect pursuance, claim or acceptance of any material or non-material personal benefits (gifts, services, promises, privileges) for oneself or another person in exchange for performance of an action or retention from acting". Ragauskas, Kavoliūnaitė-Ragauskienė and Vitkutė (2014), the scientists of the Law Institute of Lithuania, define corruption as "any behaviour of any person employed in civil service (state politician, judge, state official, civil servant or other equivalent person) or in the private sector, exceeding one's authority, behavioural standards established in legal acts or company's internal rules, in the pursuit of private or other persons' advantage thus causing harm to the interests of the State or individual natural or legal persons". Namely legal definitions of corruption earn the assent of lawyers and law enforcers not only because they make preconditions to argue the general notion that everything what is not legally forbidden is permitted (Milovanovic, 2002, p. 2), but also anticipate the conditions for application of penalties for corruptive offenses, and thus are superior to public interest definitions. Nevertheless, criticists note that any laws contain loopholes and may, therefore, fail to cover all possible forms and channels of corruption. In addition, even most influential international conventions (e.g. the OECD, the Council of Europe and the UN conventions) do not provide any precise definition of corruption, but establish the offences for a range of corrupt conduct instead. This way, international standards of the criminalization of corruption are created rather than a generic definition is derived (OECD, 2007).

When interpreting ***corruption as a dimension of low public morale***, it is related to the issues of the common public conduct rather than the conduct of public officials or public servants only. The definitions of this type usually focus on the incentives of corruption deeply rooted in society. While analysing the concept of corruption, Lawal (2019) cites the Independent Corrupt Practices and Other Related Offences Commission (ICPC) that refers to corruption as a break away or depart from morality, ethics, laws and civic virtues (p. 1). Napal (2006) links corruption to the employment of relativistic attitudes following which a person may make allowances for personal favours to obtain some unwarranted benefits. In this respect, acts of corruption are promoted by the values prevailing in a society. They are accepted and justified on the grounds of personal gains (individuals prefer having more to having less (Milovanovic, 2002)). Close relationship between ethics and corruption are also confirmed by Šatienė and Toleikienė (2007) who state

that corruption results from inappropriate application or absence of moral standards in a society. Szabo (2014) notes that if corruption is extremely deep-rooted in a particular society, population start treating it as something natural, even realizing that it is wrong. According to Szabo (2014), this can happen when individuals in certain collective units start corruptive conduct because they want to adjust to the habits of their fellows, when some type of loyalty (e.g. political, professional, personal, etc.) overrides one's moral attitudes, when corruptive behaviour becomes the expression of gratitude, and in many other cases. It should be noted that although a substantial number of previous studies address the issues of corruption in terms of the breach of public interest, public morale related corruption can be considered as a most dangerous form of corruption since it is most difficult to fight with - social mentality can hardly be changed only by discrediting and dismissing corruptive officials or imposing legal penalties.

Apart from the above-discussed three main categories of the definitions of corruption, there are attempts to combine different characteristics of corruption into a single definition, and thus provide the most comprehensive possible definition of this phenomenon. Varraich's (2014) interpretation of corruption as of "an umbrella" covering such resembling concepts as clientelism, patronage, patrimonialism, particularism and state capture (p. 3) can serve as one of the examples of these attempts. Here clientelism represents a social relationship based on informal rules (Muno, 2010). As it was noted by Singer (2009), clientelism commonly manifests in the interactions between business representatives and government officials. Nevertheless, it is not commonly observed in non-political area. Patronage is related to the distribution of public positions (positions of officials) on political grounds or, in other words, appointments of persons to particular positions in public service (Kopecky & Scherlis, 2008). Asiimwe's (2013), Alexander and McGregor's (2013) and many other studies indicate that patronage is associated with a high level of political corruption. Patrimonialism means "the exchange of different resources (jobs, promotions, titles, contracts, licenses, immunity from the law, etc.) between key figures in government and strategically located individuals: trade union leaders, businessmen, community leaders, and so forth" (Theobald, 1982, p. 552). Kelsall (2011) and Masenya (2017) found that namely patrimonialism is a significant source of income supplement through corruption for the politicians in such developing economies (Remeikiene et al. 2022) as African states. Particularism is defined as attachment to a particular group, political party, etc. According to Rotondi and Stanca (2015), it promotes corruption by rising the probability of offering and/or asking for a bribe on the basis of lower psychological costs (it is much easier to offer to or ask for a bribe from a person in the same group or community). Finally, state capture refers to illegal and non-transparent private payments made by different representatives of population to public officials (Hellman et al., 2000). In the capture economy, i.e. the economy captured by oligarchs and lobbyists who are indirectly involved in legislative processes, the political and legal environment of a country is favourable for bribery to ensure huge benefits to captor enterprises (Stoyanov & Greganov, 2019).

Keeper's (2010) definition combines such characteristics of corruption as the perversion of integrity of a state by improper performance of duties (breach of public interest) and moral wickedness or moral depravity

(low public morale). Lawal (2019) also includes the element of criminality stating that corruption is a form of dishonesty (low morale) or criminal activity (legal offence) undertaken by a person or organization entrusted with a position of authority (breach of public interest), often to acquire illicit benefit (legal offence), or it may refer to an abuse of entrusted power for one's private gain (breach of public interest).

It should also be noted that although vast majority of literature sources focus on corruption in the public sector, corruption in the private sector can also be observed and should not, therefore, be overlooked. As it was stated by Milovanovic (2002), the approach exclusively stressing the breach of public interest and the influence of and on public institutions disregards the existence of corruption in the private sector. Some authors have tried to fill this gap by providing the definitions that link corruption not only to the public, but also to the private sector. For instance, Nye (2002) defines corruption as misdirection of particular organisational resources (whether public or private) in pursuance of self-interest. The approach of the assessment of corruption on the grounds of the appropriate allocation of organisational resources is also supported by Gillespie et al. (2019). Argandona (2003, p. 255) interprets corruption in the private sector (or so-called private-to-private corruption) as a decision of a company's manager or an employee to neglect officially established responsibilities and duties for personal gain. In the latter case, the motive of self-interest is stressed.

Johannsen et al. (2016), however, note that the acts of corruption in the private sector can be committed not only for personal gain. Apart from selfishness, agents can be driven by the belief that they are acting purely in the interest of the company which they represent (e.g. they can bribe a supplier to be sure that raw materials or parts for production are delivered on time, that they have priority over other customers, and so forth). With reference to Ambrazevičiūtė, Kavoliūnaitė-Ragauskienė and Ragauskas (2019), corruption in the private sector mainly emerges in corporate relationship with business partners and customers. Manifestations of corruption are noticeable in particular parts of a supply chain (e.g. manufacturing, transportation and delivery, distribution and marketing) as well as in the area of purchasing (sourcing). Corruption in the private sector commonly takes such forms as bribery (Krivins, 2018), fraudulent and/or unfair commercial activities, misleading advertisement, etc.

The existence of corruption in the private sector as well as its economic importance are also recognized by Sartor and Beamish (2019), who researched the links between the level of corruption in foreign host countries and the organisational structure of MNCs on the basis of an uncertainty approach, and found that just as corruption in the public sector, corruption in the private sector has a significant impact on an organisational structure of foreign subsidiaries of MNCs.

Form a legal perspective, if a country's legal framework is strong and well-built, corruption in the private sector must entail legal liability (Teivans-Treinovskis et al. 2022), just like corruption in the public sector. Nevertheless, as it was noted by Ambrazevičiūtė, Kavoliūnaitė-Ragauskienė and Ragauskas (2019), the legal instruments currently existing at the international and supranational levels (e.g. United Nations Convention against Corruption of 31 October 2003, Council of Europe Criminal Law Convention on Corruption of 27

January 1999, and others) fail to include corruption-related aspiration acts committed in pursuance of the benefit other than remuneration, are applied in limited scope and do not concern the cases when a bribe is taken for the proper performance of duties rather than for the conduct of particular acts. For the reasons explicated above, the cases of corruption in the private sector are difficult to detect, to prove, and thus are often regarded only theoretically.

Although the concept of corruption is often equalized with the concepts of bribery and bureaucracy, it should be noted that these concepts are not identical. As it was noted by Polese (2008), bribery should not automatically be linked to corruption (p. 50). Kaufmann and Vicente's (2005) study proposes that corruption concerns a collusion between particular agents who exchange particular benefits (e.g. money exchanged for guarantees, money exchanged for issuance of a permit, a favour exchanged for a favour, gift exchange, etc.), while bribery simply means a pattern of payoff (Kaufmann & Vicente, 2005), or a reward for desired conduct (Milovanovic, 2002). Hence, corruption is a much wider concept than bribery, or, as it was noted by the World Health Organization (2016), bribery is just one of the tools of corruption (though frequently used). What concerns the difference between the concepts of corruption and bureaucracy, literature proposes that bureaucracy is referred to as the way to organise and direct particular activities (whether public or business) (Bennis, 2017). Therefore, contrary to the popular belief, bureaucracy is not always undesirable and detrimental (Olsen, 2006), unlike corruption.

In summary, it is possible to identify the emerging research gap in examining the concept of corruption, i.e. researchers tend to study the concept of corruption as a betrayal of public trust, as a criminal offense and as a dimension of low public morale, but without providing a comprehensive definition of corruption or including all previously mentioned definitions in the concept. According to the authors of the article, in order to reduce the manifestations of corruption, it is necessary to comprehensively define the concept of corruption and perceive it as a multidimensional phenomenon.

METHODOLOGY

Survey was carried out on June, 2021; 1000 respondents aged 18 + were interviewed. Study was carried out as CATI Omnibus survey. Statistically significant differences, depending on the type of variables tested, were determined using either Chi-square test and z-test, t-test, or variance analysis (ANOVA) using the Bonferoni post-hoc criterion. CATI in market research stands for Computer Assisted Telephone Interviewing. CATI means that the interviewer conducting the survey over the phone follows a script on the computer while clicking responses and typing open-ended comments from the respondent into the program.

The following hypotheses were raised during empirical study:

H1: The 'hot spots' for smuggling cigarettes are in markets and border areas.

H2: Corruption promotes the resolution of societal problems.

H3: Most often bribes are given by state inspectorates and hospitals.

H4: Higher salaries would reduce the consumption of smuggled cigarettes.

H5: Placing relatives and friends to particular jobs or positions as well as bribery are the main forms of corruption in the countries under consideration.

The questionnaire consisted of the following questions:

(1) Do you know any people in your environment who smoke contraband cigarettes? (2) What do you think are the hot spots (points of sale) for contraband cigarettes in your country? What else? (3) Which of the following statement most closely matches your opinion about corruption? (4) What do you think should happen so that people in your environment would stop smoking contraband cigarettes? (5) Which forms of corruption, like placing relatives and friends to a job or position, bribing, requiring bribes, adoption of laws for specific group of interest, counterfeiting of documents, misuse of power) are the most prevalent in your country? (6) Which forms of corruption, like placing relatives and friends to a job or position, bribing, requiring bribes, adoption of laws for specific group of interest, counterfeiting of documents, misuse of power) are the most prevalent in your country?

RESULTS AND DISCUSSION

Awareness of contraband cigarettes smokers

8.5 percent of the respondents in their environment know people who smoke contraband cigarettes (more often, they are male respondents (12.0 percent)). 91.2 percent of the respondents do not know people who smoke contraband cigarettes (more often, they are female respondents (94.8 percent). 0.3 percent of the respondents cannot answer this question (see fig. 1).
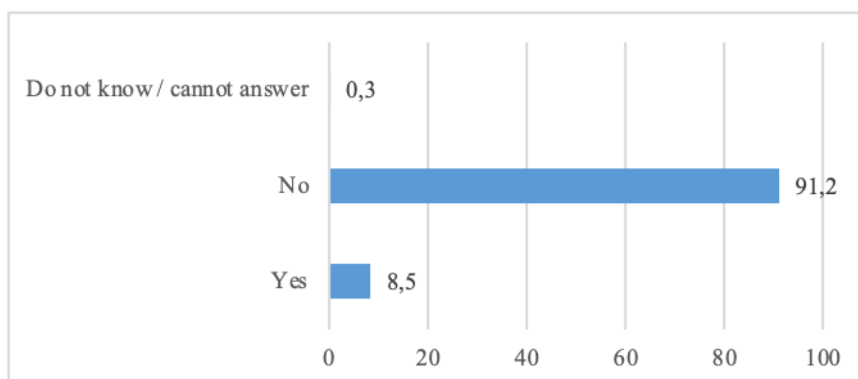
Figure 1. Do you know any people in your environment who smoke contraband cigarettes?

Albania's reply concerning validity of the survey results:

'We already had a look at the report and at our opinion everything looks okay;

As regards the 8.5 percent you were referring; do you compare it with other countries when you referred it as "only"? As regards to our opinion-smoking contraband cigarettes is something that happens, but such is not so widespread habit; Considering firstly the fact that the illegal Tabaco is very expensive in Albania ("paketa pa pulle") so it was considered as a thing that mostly the rich people buy; secondly kindly consider the intimidation of all the people as regards such thing!"

Hot spots for contraband cigarettes

21.9 percent of the respondents think that streets are the main point of contraband cigarette sales (more often, they are students (37.7 percent)), and 19.5 percent of the respondents think that the main point of contraband cigarette sales is official stores (more often, they come from rural areas (23.9 percent) and have primary school education (36.8 percent)). The smallest proportion of the respondents think that the main point of sale is bazaar (open market) (0.9 percent) and people's apartments (0.3 percent). 42.2 percent of the respondents cannot answer this question (see fig. 2).
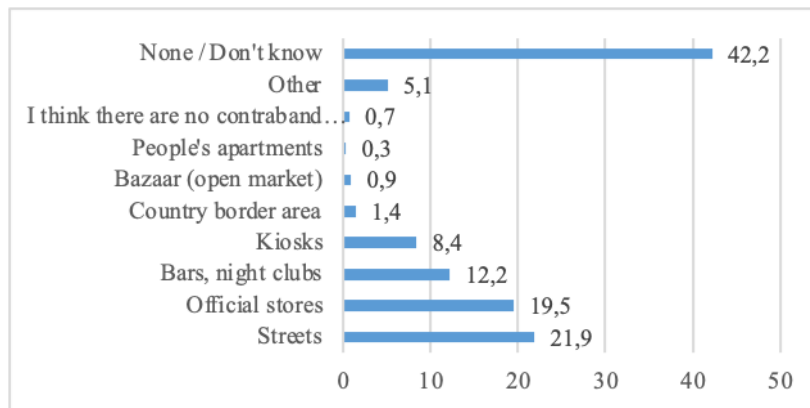
Figure 2. What do you think are the hot spots (points of sale) for contraband cigarettes in your country? What else?

Opinion about corruption

The respondents who were asked to name a statement, which most closely matches their opinion about corruption, mostly indicated that "Corruption is a big social problem" (78.2 percent) (more often, they are female respondents (80.8 percent), 50-59 (85.1 percent) and 60+ age respondents (84.4 percent)) and "Corruption is a certain social problem" (10.5 percent). The other statements were mentioned very few times (see fig. 3).
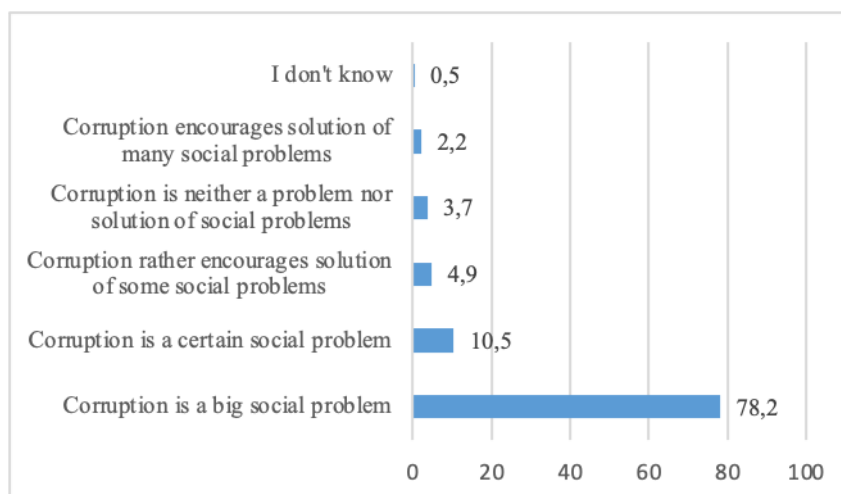

Figure 3. Which of the following statement most closely matches your opinion about corruption? Choose one answer.

Bribing areas

75.0 percent of the respondents think that people usually give bribes in hospitals and clinics (more often, they are respondents whose monthly income is under 4000 ALL (84.2 percent) and 4,001-8,000 ALL (79.5 percent), house wives/house husbands (82.2 percent)). The smallest proportion of the respondents think that people give bribes to police (3.3 percent) and in customs (0.8 percent). 0.6 percent of the respondents cannot answer this question (see fig. 4).
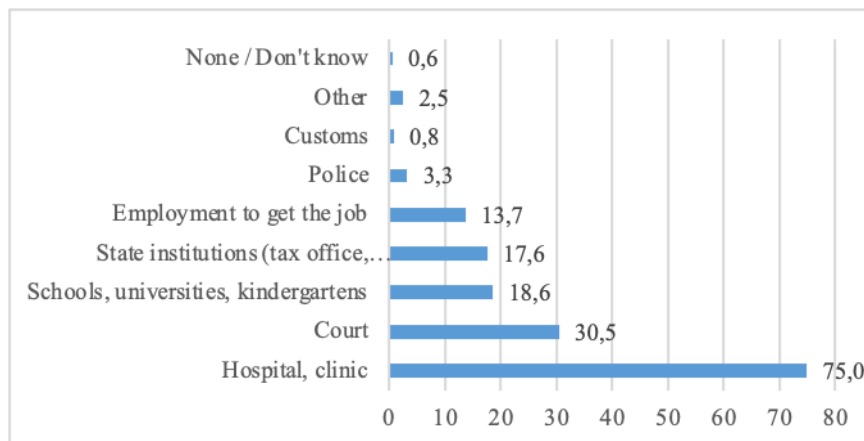
Figure 4. In which areas do people in your environment usually are giving "bribes"?

*Reasons to stop smoking contraband cigarettes*

The respondents who were asked to indicate what should happen so that people would stop smoking contraband cigarettes, mostly mentioned that there should be "high control in customs, state control" (45.0 percent) (more often, they are respondents from rural areas (48.5 percent)). The smallest proportion of the respondents mentioned that there should be "more information on TV, news, radio, newspapers, etc., stressing that contraband is a bad thing" (0.9 percent). 5.7 percent of the respondents cannot answer this question (see Fig. 5).
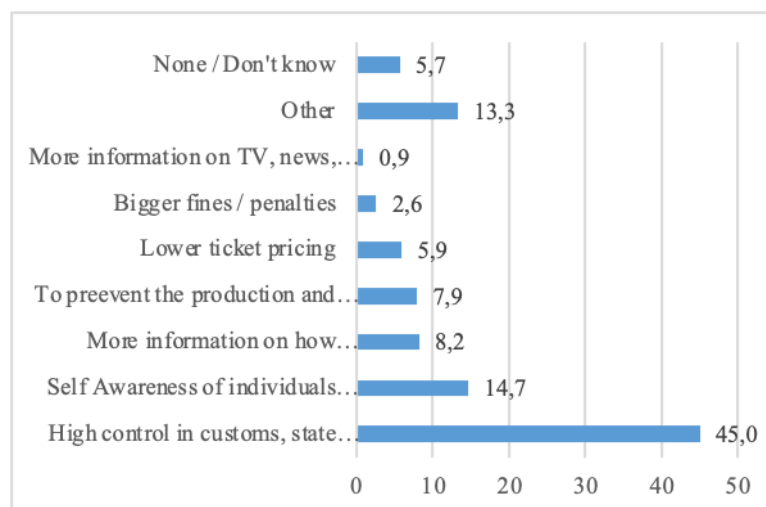
Figure 5. What do you think should happen so that people in your environment would stop smoking contraband cigarettes?

Most prevalent forms of corruption

The respondents who were asked to indicate which forms of corruption are the most prevalent in their country, mostly mentioned that it is "misuse of power/state duty/corruption in politics" (61.8 percent) (more often, they are respondents whose monthly income is under 4000 ALL (75.0 percent)) or "giving and receiving bribes" (27.4 percent) (more often, they are female respondents (30.2 percent)). The smallest proportion of the respondents mentioned that it is "getting a job/paying to be employed" (1.0 percent) (see fig. 6).
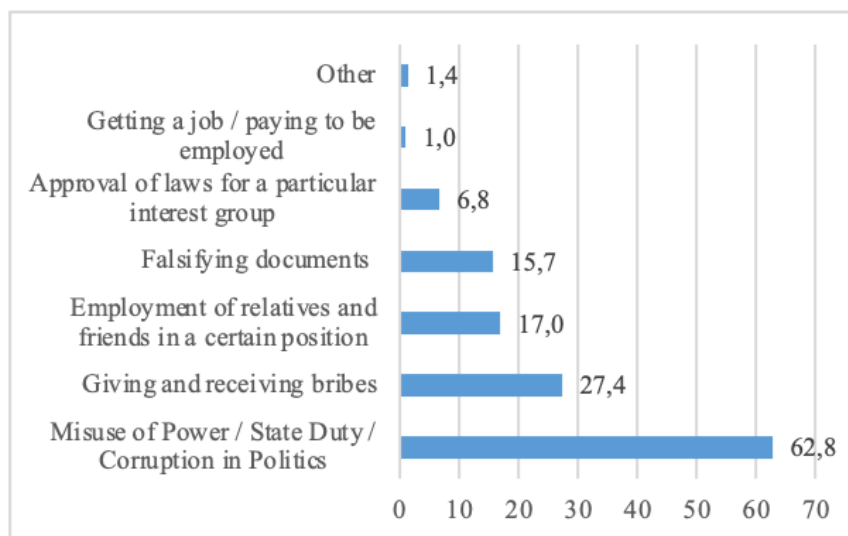
Figure 6. Which forms of corruption, like placing relatives and friends to a job or position, bribing, requiring bribes, adoption of laws for specific group of interest, counterfeiting of documents, misuse of power) are the most prevalent in your country?

In order to confirm or reject the hypotheses, the questionnaire data of the interviews were analysed:

- In the case of Albania, **H1 has not been confirmed**, because out of 1000 respondents 571 (57.1%) reported a 'hot spot' for one type of smuggling (45.9%) and 9.8% reported two types of 'hot spots' of smuggled cigarettes, 1.4% - three types of "hot spots" of smuggled cigarettes. Respondents generally reported that 'hot spots' were: in streets 21.9%, 95% CI=[19.37%; 24.59%] (95% confidence intervals (95% CI) for proportion calculated using SAS and Clopper-Pearson (Exact) criterion); official stores (19.5%, 95% CI= [17.09%; 22.09%]), bars and night clubs (12.2%, 95%, CI= [10.24%; 14.39%]) and kiosks (8.4%, 95% CI [6.76%; 10.29%]. A very small proportion of the respondents indicated that the 'hot spots' were in the border area (1.4%, 95% CI [0.7%; 2.34%])) and marketplaces (0.9%, 95% CI [0.41%; 1.7%]). 5.1% of the respondents marked other places.

- ***Hypothesis H2 was not confirmed*** in the Albanian case: the presumption that corruption contributes to solving many social problems was confirmed by only 2.21% of the respondents, while the presumption

that corruption contributes to solving particular social problems was confirmed by 4.92% of the survey participants.

- *Hypothesis H3 was confirmed* in the case of Albania (see fig. 7). The bar chart of relative frequencies shows what proportion of respondents in the areas under consideration give bribes. 61.7% of the respondents indicate that bribes are given in hospitals; 18.6% of the respondents state that bribes are given in schools and universities; 17.6% of the respondents mark that bribes are given in state institutions (tax office, construction inspection, ministries). The smallest proportion of the survey participants indicate that bribes are given in customs (0.8%) and police (3.3%).
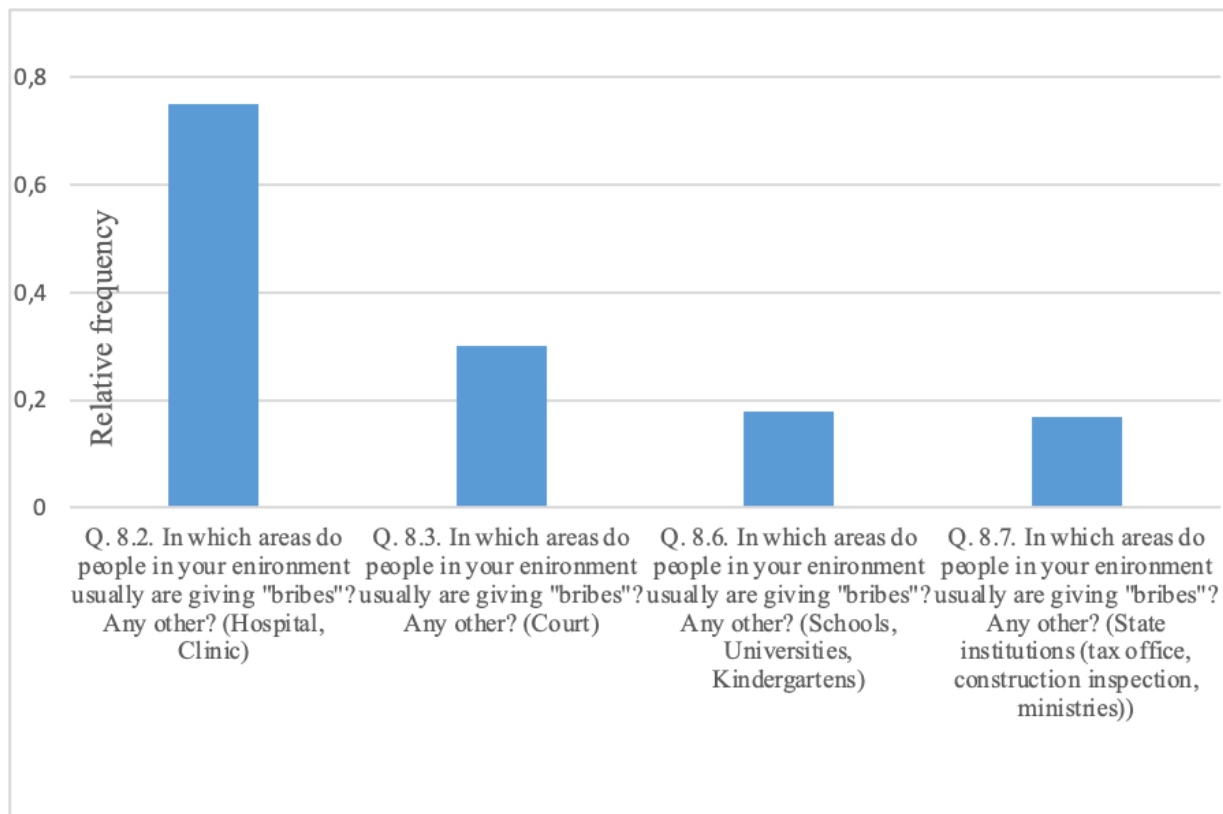
Figure 7. H3 hypothesis confirmation

- *H4 was not proved true in the case of Albania.* 45% of the respondents are of the opinion that smoking of smuggled cigarettes can be stopped by high control in customs and state control; 14.7% of the respondents stress the role of self-awareness of individuals; 7.9% of the survey participants highlight the importance of preventing production and distributing contraband tobacco. The other measures listed in the questionnaire are considered as ineffective.

- *H5 was only partly confirmed* (see Fig. 8)*.* The bar chart of relative frequencies shows what proportion of respondents envisage different forms of corruption in their country. 61.7% of the respondents indicate that misuse of Power/State Duty/Corruption in Politics is one of the main forms of corruption in their country; 27.4% of the respondents stress giving and receiving bribes. 17% of the respondents mention placing relatives and friends to a job or position is one of the main forms of corruption.
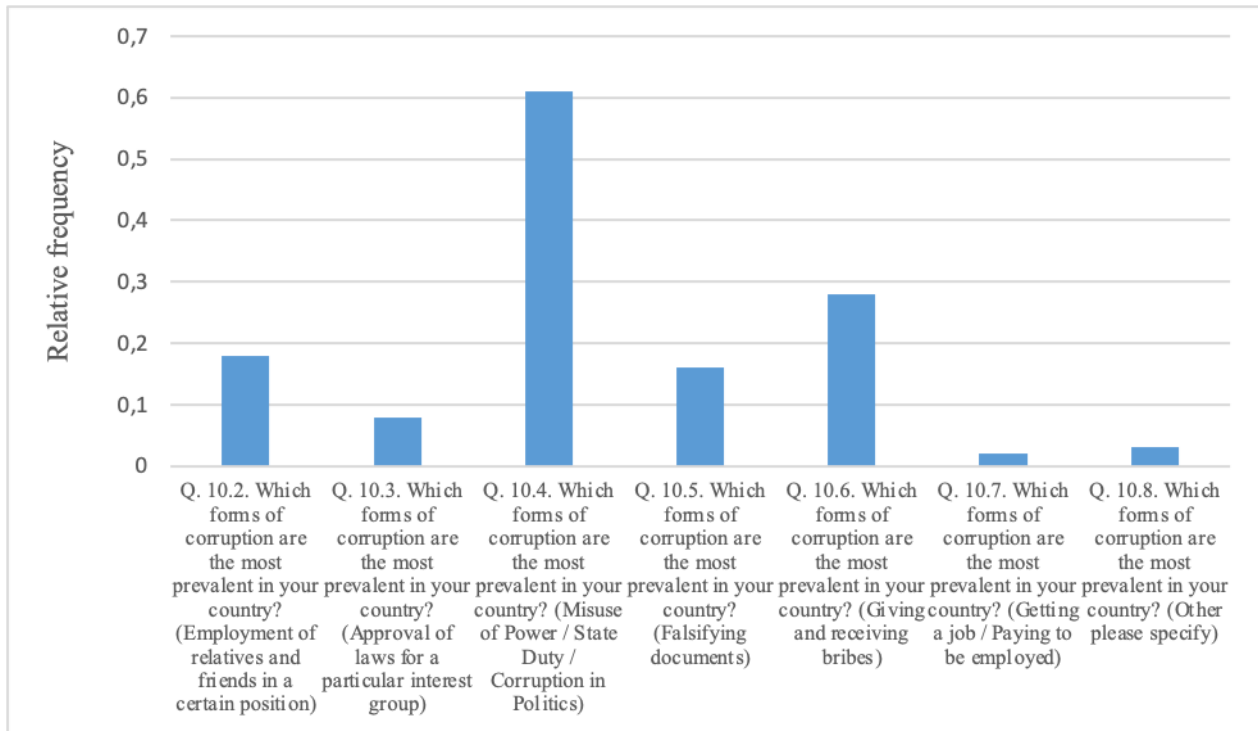
Figure 8. H5 hypothesis confirmation/rejection

The survey revealed that the main "hot spots" of smuggled cigarettes are streets, official shops and bars/night clubs. Corruption is most prevalent in the health care and protection, and police sectors. Corruption is a huge problem, rooted in political circles, which makes and a sufficiently serious threat and a precondition for cigarette smuggling.

CONCLUSIONS

Corruption is a complex, multi-layered phenomenon, covering a number of economic, social, political and cultural aspects, and able to adjust to the changes in the environment. It produces a number of multifaceted threats to a society and causes huge systemic risks of a country's governance. The definition of corruption can vary depending on the conceptual or methodological framework of a particular study, but most common definitions available in different literature sources highlight such characteristics of corruption as the breach of public interest, its offensive nature and the dimension of low public morale.

Vast majority of the definitions of corruption emphasize personal and organisational gains, but the focus is gradually shifting from the public to the private sector. Although the concept of corruption is often blended with the concepts of bribery and bureaucracy, these concepts should not be automatically equalized since bribery is just one of the tools of corruption, while bureaucracy concerns organisation and direction of particular activities, and is, therefore, not always undesirable and detrimental, contrary to corruptive practices.

The results of the empirical study revealed that Albanians treat corruption as a major social problem, which is most rooted in the health care sector, i.e. in hospitals and clinics. The main and most common form of corruption is misuse of power/state duty/corruption in politics. When asked to name the most effective form of corruption management, according to the respondents, it could be high control in customs and state control.

Limitations of the research: Albanian citizens are still not brave enough to speak out on the issues of corruption and cigarette smuggling even anonymously; this is also shown by the results of the survey (92 percent of respondents noted that they do not know people who smoke smuggled cigarettes), so for a more detailed analysis of the topic of corruption, it is necessary to repeat the study, thus comparing the responses with the results of the study conducted in this article.

Further research could include the impact of corruption on the implementation of the European Greening Strategy, i.e. how business companies evaluate the acquisition of green technologies, state support in this matter and the influence of corruption on the transition to a greener economy.

Informed Consent Statement: not applicable

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Conflict of interests
The authors declare no conflict of interest.

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