

# *The International Science Conference SER 2018*

April 26<sup>th</sup> – 28<sup>th</sup>, 2018  
Igalo, Herceg Novi, Montenegro

## "NEW TRENDS AND BEST PRACTICES IN SOCIOECONOMIC RESEARCH"



# Book of Abstracts

Organized by:

Economic Laboratory for Transition Research,  
Podgorica, Montenegro



Adriatic University Bar,  
Faculty for Mediterranean Business Studies Tivat,  
Montenegro



Center for Sociological Research  
Szczecin, Poland



University "Mediterranean, Podgorica  
Montenegro



**Publisher:** *Economic Laboratory for Transition Research*, Podgorica, Montenegro; *Center for Sociological Research Szczecin*, Poland; *Adriatic University Bar, Faculty of Mediterranean Business studies Tivat*, Montenegro; and *University Mediterranean, Podgorica*, Montenegro

**Editors:** Professor Veselin DRASKOVIC, Montenegro, and Associate Professor Yuriy BILAN, Poland

**Scientific Committee:** Prof. Veselin DRASKOVIC, the Chair, Montenegro; Prof. Yuriy BILAN, the Co-Chair, Poland; Prof. Radislav JOVOVIC, Montenegro; Prof. Slavo KUKIC, Bosnia and Herzegovina; Prof. Bagrat YERZNKYAN, Russia; Prof. Stevi NIKIC, Montenegro; Prof. Radovan STOJANOVIC, Montenegro; Prof. Dalia STREIMIKIENE, Lithuania; Prof. Sanja BAUK, Montenegro; Prof. Tomasz BERNAT, Poland; Prof. Andjelko LOJPUR, MONTENEGRO, and Prof. Svetlana AKHMETOVA, Russia.

**Program Committee:** Prof. Yuriy BILAN, the Chair; Prof. Mimo DRASKOVIC, the Co-Chair, Montenegro; Prof. Tomasz BERNAT; Prof. Andjelko S. LOJPUR, Montenegro; Prof. Niksa ALFIREVIC, Croatia; Prof. Aneta SPAJIC, Montenegro; Prof. Dusko KNEZEVIC, Montenegro; Prof. Vinko NIKIC, Montenegro

**Board of Editors:** Prof. Dalia STREIMIKIENE, the Chair (*Transformations in Business & Economics – WoS - SSCI*); Prof. Veselin DRASKOVIC, the Co-Chair (*Montenegrin Journal of Economics - WoS - ESCI, SCOPUS; Socio-Economic Essays*); Prof. Yuriy BILAN, Co-Chair (*Journal Economics and Sociology - WoS - ESCI, SCOPUS; Journal of International Studies, SCOPUS*); Academician Prof. Bagrat YERZNKYAN (*Theory and Practice of Institutional Reforms in Russia*); Prof. Radislav JOVOVIC (*Economics & Economy*); Prof. Mimo DRASKOVIC (*Media Dialogues*); Associate Prof. Borut JEREB (*Logistics & Sustainable Transport*); and Assist. Prof. Milica DELIBASIC (*Montenegrin Journal of Ecology*)

**Organizing Committee:** Prof. Stevo NIKIC, the Chair, Montenegro; Prof. Yuriy BILAN, Poland, Prof. Drago PUPAVAC, Croatia; Prof. Senka SEKULARAC IVOSEVIC, Montenegro; Prof. Marija JANKOVIC, Montenegro; Prof. Mladen IVIC, Bosnia and Herzegovina; PhD Misko RADJENOVIC, Montenegro; PhD, Zoran KOVACEVIC, Montenegro, PhD student Dragan RADOVIC, PhD student Jelena STJEPCEVIC.

#### Printing

150 Copies

#### Printed

“3M Makarije”, Podgorica

CIP - Каталогизacija у публикацији  
Национална библиотека Црне Горе, Цетиње

ISBN 978-9940-673-18-5

COBISS.CG-ID 35499792

ISBN 978-9940-673-18-5



9 789940 673185 >

## METHODICAL APPROACH TO THE ASSESSMENT OF RISKS CONNECTED WITH THE LEGALIZATION OF THE PROCEEDS OF CRIME\*

*Nadiya Kostyuchenko*, PhD in Economics, Associate Professor  
Economic Theory Department, Sumy State University, Sumy, Ukraine  
e-mail: n.kostyuchenko@fpkv.sumdu.edu.ua

*Research interests:* institutional economics, environmental economics, sustainable development.

*Mykola Starinskiy*, Doctor of Juridical Sciences, Associate Professor  
Head of the Department of Civil Law and Financial Law, Sumy State University, Sumy, Ukraine  
e-mail: n.starynskyi@uabs.sumdu.edu.ua

*Research interests:* banking law, foreign monetary law, regulation of financial services.

*Inna Tiutiunyk*, PhD in Economics, Senior lecturer  
Department of Finance and Entrepreneurship, Sumy State University, Sumy, Ukraine  
e-mail: i.karpenko@finance.sumdu.edu.ua

*Research interests:* money laundering, financial potential of the region, sustainable development.

*Iana Kobushko*, PhD in Economics, Senior lecturer  
Department of Management, Sumy State University, Sumy, Ukraine  
e-mail: ianakobushko@managment.sumdu.edu.ua

*Research interests:* environmental economics, sustainable development, investment activities, reproductive processes in regional economy, team management.

### Abstract

*Stable activity of the financial system of the country is impossible without applying effective mechanisms of deterring and combating money laundering at the level of different agents of the national economy and financial institutions. However, according to data of International Anti-Money Laundering Group, the annual amount of money laundering is about 700 billion – 2 trillion US dollars, that on average equals to 2–5% of world GDP and is said to have insignificant impact on the indicators of socio-economic development of the society (Report on money laundering methods, 2003). The number of schemes used for illegal withdrawal of capital from Ukraine has increased significantly because of deep economic and political crisis. Therefore, the level of economic crime in Ukraine has increased. According to the index of hiding proceeds the country has more than 50% of the total volume of value added from hidden proceed. At the end of the first decade of the 21st century Ukraine's economy became one of 15 most intensive shadow economies with an indicator 17% higher than the world average shadow economy level, and 41.2% higher than the minimum level of the shadow economy level in Switzerland, but 16.4% less than the highest indicator of the shadow economy level in the world from 1999 to 2007, which was recorded in Bolivia (National risk assessment report, 2016).*

*The research is devoted to scientific and methodical approach of identification, assessing and monitoring systemic risks connected with the legalization of the proceeds of crime, which includes the following components:*

- 1. authorities which are directly or indirectly involved into the operations (risk value of legalization of proceeds, that were illegally obtained by different government authorities, is proposed to be estimated as a weighted average of the levels of corruption in a single institution);*
- 2. countries involved into the operations (this criterion provides considering the risk occurrence probability of hiding proceeds in the partner countries, business entities or public authorities which are involved in operations);*
- 3. the type of economic activity (it is proposed to use the approach to classify the economic activities using the National Classifier of Ukraine (Classification of types of economic activity, 2010)).*

*The basis of the approach is the assumption that the use of corruption schemes for the withdrawal of funds abroad occurs at each level of the economic system and, therefore, should be assessed as it affects the overall degree of risk of the operation.*

*This approach can be used as a tool for:*

- assessing the effectiveness of state anti-corruption policies, especially in shadow flows minimization, both at the micro- and macro- levels.*
- identifying the main stabilizing and destabilizing factors that influence the level of hiding proceeds.*

---

\* This research was funded by the grant from the Ministry of Education and Science of Ukraine (№0117U003930)

*It will help to investigate the problem more deeply and transform it into controlled mechanisms both in the short-run and long-run.*

**Keywords:** withdrawal of funds, money laundering, hiding proceeds, legalization, corruption, financial flows, combating money laundering, proceeds of crime, risk.

**JEL Classification:** G17; H3; K220

#### References

Report on money laundering methods typology in 2002-2003 (2003), Development group on financial means to combat money laundering, available at: <http://www.bank.gov.ua/doccatalog/document?id=36191> (in Ukrainian)

National risk assessment report on preventing and countering legalization (laundering) of proceeds of crime and financing of terrorism (2016), Kyiv, Ukraine, available at: [http://www.sdfm.gov.ua/content/file/Site\\_docs/2017/20170113/nra.pdf](http://www.sdfm.gov.ua/content/file/Site_docs/2017/20170113/nra.pdf)

Classification of types of economic activity (2010), National Classifier of Ukraine: DK 009: 2010, available at: <http://zakon3.rada.gov.ua/rada/show/vb457609-10> (in Ukrainian)



### HOW TO MAKE WESTERN BALKAN TIGERS?

*Drago Pupavac, PhD, Professor  
Polytechnic of Rijeka, Rijeka, Croatia*

*Research interests: economy, management, business ethics*

*Justin Pupavac, PhD student*

*Faculty of Tourism and Hospitality Management, Opatija, Croatia*

*Research interests: economy, tourism, sustainable development*

#### Abstract

In order to make the Western Balkans a stable, economically viable, dynamic and rapidly growing region of the European continent, it is necessary to have a holistic approach to the region without compromising the autonomy of individual countries and their need to improve the competitive capacity of enterprises in their area by creating measures of state interventionism and creating "market friendly" economic environment. The Western Balkan countries' economic policies should be geared towards high economic growth rates. There are five basic pillars on which Western Balkans Tigers can be built:

1) **Democracy, security, mutual understanding and collaboration in region** - this pillar has the task of ensuring that existing production capacities and economic resources are geared to economic needs rather than threats to peace and security in the region. At national level, social dialogue, social partnership and social consensus should be recognized as a prerequisite for achieving common goals to build economic development and effective social and employment policies.

2) **Export-oriented reindustrialization** - all Western Balkan countries need to modernize their economies especially improve agrarian sector and realize fast reindustrialization. Reindustrialization is a condition of recovery and economic development. Reindustrialization have to be driven not by the growth of domestic consumption but by the rapid expansion of exports. This is why this reindustrialization is called „export-oriented“. Where is the market for exports from the Western Balkan states? The answer is the Western Balkan state in general and the EU in particular. On the third markets seems to be an appropriate to have a joint regional performance.

3) **Inclusion in global producer-driven and buyer driven commodity chains, and strong support from international lending institutions** (World Bank and International Monetary Fund). Producer-driven commodity chains are those in which large, usually transnational, manufacturers play the central role in coordinating production networks (including their backward and forward linkages). This is characteristic of capital- and technology-intensive industries such as automobiles, aircraft, computers, semiconductors, and heavy machinery. Buyer-driven commodity chains refer to those industries in which large retailers, designers, and trading companies play the pivotal role in setting up decentralized production networks in a variety of exporting countries, typically located in the developing world. This pattern of trade-led industrialization has become common in labor-intensive, consumer goods industries such as garments, footwear, toys, housewares, consumer electronics, and a variety of hand-crafted items (e.g., furniture, ornaments). Strong support from inter-