

## Chapter 3

# Money Laundering and Its Reflection on Global Development

**Nika Chitadze**

*International Black Sea University, Georgia*

### **ABSTRACT**

*Money laundering — the legalization of cash or other forms of property obtained through illegal means, that is, their transfer from the shadow, informal economy to the formal economy, in order to make it possible to use these funds openly (publicly). In the process of money laundering, the true source of income is concealed by replacing real transactions with formal ones, e.g. By falsifying verification documents, using documents of third parties, etc. In the conditions of economic globalization, offshore zones are often used for money laundering, these are the so-called countries. With a tax haven, where the confidentiality of the beneficiaries is ensured in the banking systems.*

### **INTRODUCTION: DEFINITION OF MONEY LAUNDERING**

To ensure the effective protection of human rights, it is necessary to have a legal framework and mechanisms that ensure the effective protection of democratic institutions. Of course, the existence of the above-mentioned circumstances is not enough to protect human rights, but first of all, to prevent the violation of human rights, there is a need for a strongly expressed will to protect and state policy. First of all, the country should create legislation and an appropriate social environment that defines an effective mechanism for the protection of human rights and freedoms. Of

DOI: 10.4018/979-8-3693-0327-6.ch003

course, the Constitution, as the most important law, plays a special role in the protection of human rights, but only at the level of the Constitution, it cannot be protected fundamental human rights, which are important for life. Within the framework of the research on the discussed topic, the threats faced by modern society due to the legalization of illegal income (money laundering) are discussed. Legalization of illegally obtained income is a new type of crime, which, as a separate component, was first included in the legislation of the United States of America in the 80s of the 20th century, and then in other countries. The legalization of illegal income created a special threat to the stability of the financial system of individual countries and the world. The high degree of importance of the problem is determined not only by the number of financial resources involved in circulation but also by the actual and potential results of their origin and circulation. Due to its complexity, economic crimes in the financial sphere are one of the least studied areas from a legal point of view. The legalization of illegal income lays the foundation for the criminal activities of criminal organizations and contributes to widespread corruption, especially in countries with transit economies. "Money laundering" is one of the most common forms of organized crime (UN, 2023). Legalization of illegal income dramatically increases the financial resources of criminal clans, poses a serious threat to the political and economic stability of countries, and hinders their development. It is for this reason that money laundering is considered the most serious crime, and its prevention, in turn, is an important tool in the fight against organized crime. Money laundering is a scheme of fraudulent manipulations through which illegally obtained income acquires a legal appearance, which, in turn, serves to strengthen the criminal community and create a corrupt environment in state structures, banking, and business. Establishing a solid and correct view on money laundering, first of all, contributes to the development of uniform judicial practice. The conclusions of the systematic analysis of the legalization of illegal income create a stable basis for the development of appropriate draft laws. The solution to many normative issues, which are theoretically understood, will have a positive effect on the development of legislation and the purposefulness of law-making activities. Determining the overall picture of money laundering will make it possible to solve comparative legal problems, which will contribute to the introduction of international standards in the legislative and judicial practice of different countries. The description of the legalization of illegal income in criminal law textbooks is not very convincing. The absence of a monographic analysis of the legalization of illegal income hurts the public's attitude to this crime. Knowledge about the legalization of illegal income is needed not only by criminalists but also by the general public. Different layers of the population can objectively evaluate the existing forms of covering illegal income if they have complete information about this crime. Therefore, the study of the legalization of illegal income has not only criminal but also social significance.

21 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: [www.igi-global.com/chapter/money-laundering-and-its-reflection-on-global-development/341494](http://www.igi-global.com/chapter/money-laundering-and-its-reflection-on-global-development/341494)

## Related Content

---

### Money Laundering and Institutional Quality: The Case of Developing Countries

Maryam Muhammad Amjad, Noman Arshed and Muhammad Awais Anwar (2021). *Money Laundering and Terrorism Financing in Global Financial Systems* (pp. 91-107).

[www.irma-international.org/chapter/money-laundering-and-institutional-quality/274817](http://www.irma-international.org/chapter/money-laundering-and-institutional-quality/274817)

### Human Trafficking Discourse in Zimbabwe

Simbarashe Munamati (2022). *Handbook of Research on Present and Future Paradigms in Human Trafficking* (pp. 1-11).

[www.irma-international.org/chapter/human-trafficking-discourse-in-zimbabwe/303825](http://www.irma-international.org/chapter/human-trafficking-discourse-in-zimbabwe/303825)

### Zipato: A Risk Assessment for Smart Homebuyers

Terrence Frost and Michael P. Nolan (2021). *Intelligence and Law Enforcement in the 21st Century* (pp. 135-160).

[www.irma-international.org/chapter/zipato/284264](http://www.irma-international.org/chapter/zipato/284264)

### The Impact of a BI-Supported Performance Measurement System on a Public Police Force

Elad Moskovitz and Adir Even (2019). *Police Science: Breakthroughs in Research and Practice* (pp. 509-527).

[www.irma-international.org/chapter/the-impact-of-a-bi-supported-performance-measurement-system-on-a-public-police-force/219494](http://www.irma-international.org/chapter/the-impact-of-a-bi-supported-performance-measurement-system-on-a-public-police-force/219494)

### Centers for the Investigative Interviewing of Children in Turkey

Huseyin Batman (2021). *Global Perspectives on Reforming the Criminal Justice System* (pp. 309-320).

[www.irma-international.org/chapter/centers-for-the-investigative-interviewing-of-children-in-turkey/285735](http://www.irma-international.org/chapter/centers-for-the-investigative-interviewing-of-children-in-turkey/285735)