



GLOBAL FINANCIAL INTEGRITY

Trade-related Illicit Financial Flows in Developing Europe (2013–2022)



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Trade-Related Illicit Financial Flows in Developing Europe 2013–2022



Acknowledgements

Editor

Tom Cardamone

Design

Dennis Kabia



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1 | Introduction

Trade misinvoicing is a widespread form of illicit financial flow (IFF) in which traders falsify customs invoices to secretly shift value across borders. By under or over stating prices or quantities, criminals can hide profits abroad, evade taxes and duties, or launder money under the guise of legitimate trade. The development impact is severe: the OECD observes that IFFs shrink public budgets so acutely that countries end up with “fewer hospitals and schools, fewer roads and bridges”. In other words, resources that should fund education, health and infrastructure disappear into unrecorded transactions. Trade misinvoicing, specifically, is therefore a top concern for policymakers seeking to protect revenue and governance.

The problem is recognized at the highest levels. SDG target 16.4 explicitly calls on countries to substantially reduce illicit financial flows by 2030, reflecting international consensus on the issue. UN experts highlight that IFFs “drain resources from development” and fuel corruption and crime. In practice, developing economies lose hundreds of billions of dollars annually to illegitimate trade practices. Even without precise global totals (estimates vary), any large-scale misreporting of trade constitutes a major leak in public finances. Researchers and organizations like UNCTAD and the IMF increasingly emphasize that collecting better data on trade gaps is essential – since every dollar mis invoiced represents money not collected as tax or duty.

This report focuses on Developing Europe, meaning Eastern European and Central Asian economies (e.g. Poland, Hungary, Romania, Türkiye, Ukraine, the Balkans and Caucasus states, and others in the IMF’s “Emerging and Developing Europe” category). These countries have seen rapid growth in trade and investment in recent decades, many via EU markets and global supply chains. However, they also face factors that heighten IFF risk: persistent governance weaknesses in some states, and complex transit trades (including to and from non-EU neighbors) that can obscure true values. For example, Eastern Europe’s energy and commodity exports often pass through multiple borders, creating opportunities for invoice manipulation. Such patterns suggest that trade misinvoicing may be as important a concern here as in other emerging regions.

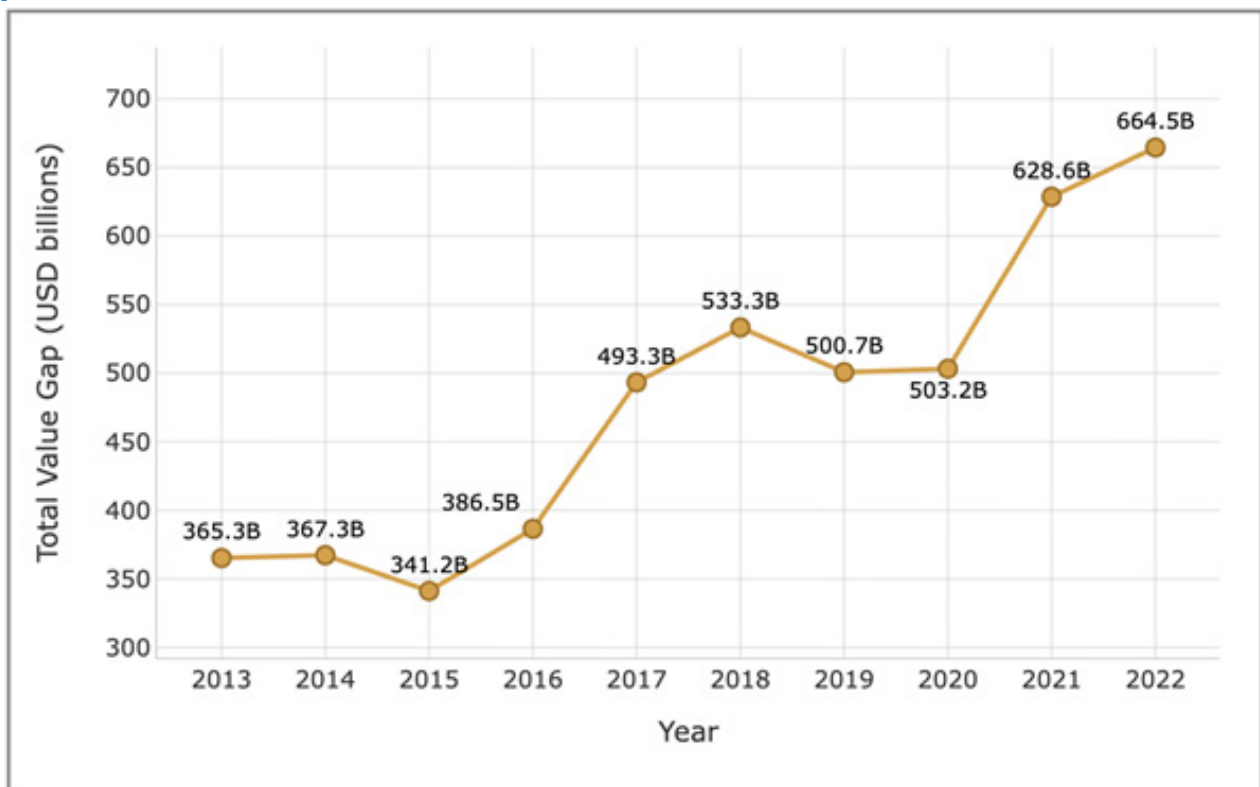
To quantify this, we apply Global Financial Integrity’s mirror trade methodology to UN Comtrade data for 2013–2022. In brief, we compare reported exports and imports between every pair of countries to estimate the “value gap” – the absolute difference between what one country says it sold and what its partner says it bought. We do this analysis for two categories: Developing Europe vs all partners, and Developing Europe vs advanced economy partners. For each, we sum the gaps over 2013–22 (in US\$) and also express gaps as a percentage of total trade, to gauge their scale. We then identify the ten Developing European countries with the largest cumulative gaps.

In the sections that follow, we present our findings from these calculations. The evidence shows substantial and growing value gaps involving this region. By pointing out the largest discrepancies and their trends, this report aims to inform policymakers about where trade misinvoicing is most acute. The goal is to help governments and international bodies target reforms, for example, stronger customs controls, greater data sharing, and other measures to recover lost revenues and strengthen financial transparency in Developing Europe.

2 | Regional and Country-Level Findings

Recent analysis of Developing Asia’s trade data reveals pervasive and rising trade-related IFFs over the 2013–2022 decade. The estimates show that illicit outflows via misinvoicing have remained entrenched at high levels, with no clear downward trend and in fact reached record peaks by the end of the period. Below we discuss the overall trends and highlight the countries most affected, both in absolute dollar terms and relative to their trade.

Figure 1: Trade Value Gaps in Developing Europe (2013–2022), all trading partners.

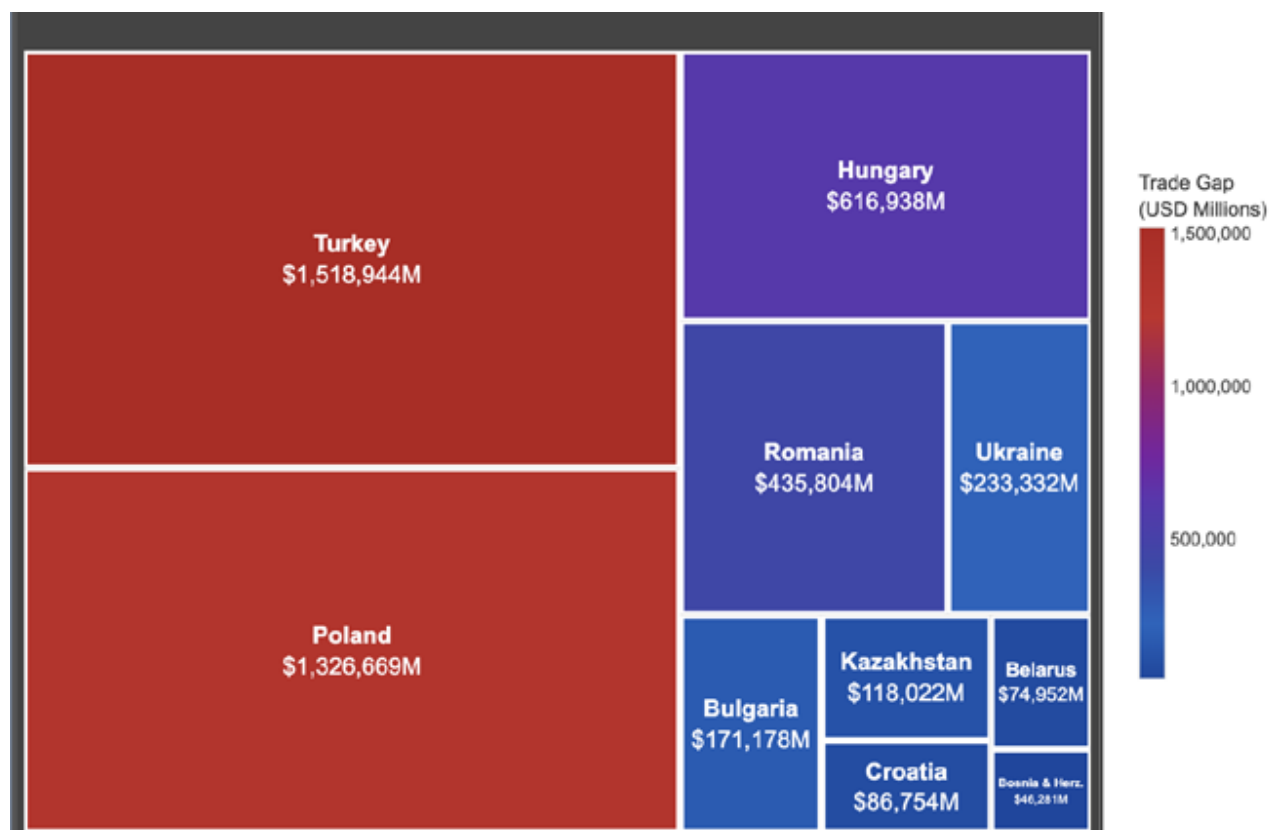


Our mirror-trade analysis for Developing Europe (2013–2022) reveals several clear patterns. The total annual value gap (all partners) rose steadily – almost doubling – over the period, reflecting the region’s expanding trade volume and the changing global environment. A small dip around 2018–2019 coincides with a global trade slowdown amid protectionist tensions. From 2020 onward, the gap surged sharply alongside a post-pandemic trade rebound. This pattern aligns with WTO and World Bank observations that global merchandise trade growth decelerated into 2019 and then rebounded robustly after COVID restrictions eased. In other words, as Developing Europe’s exporters recovered and traded more goods, the absolute level of mismatches also climbed, signaling that even booming trade flows still harbored large discrepancies. Higher commodity prices in 2021–22 (especially energy) likely amplified invoice values, contributing to the record gap in 2022.

Figure 2: Developing European countries cumulative trade value gap with all its global trading partners, 2013 to 2022. (USD millions)

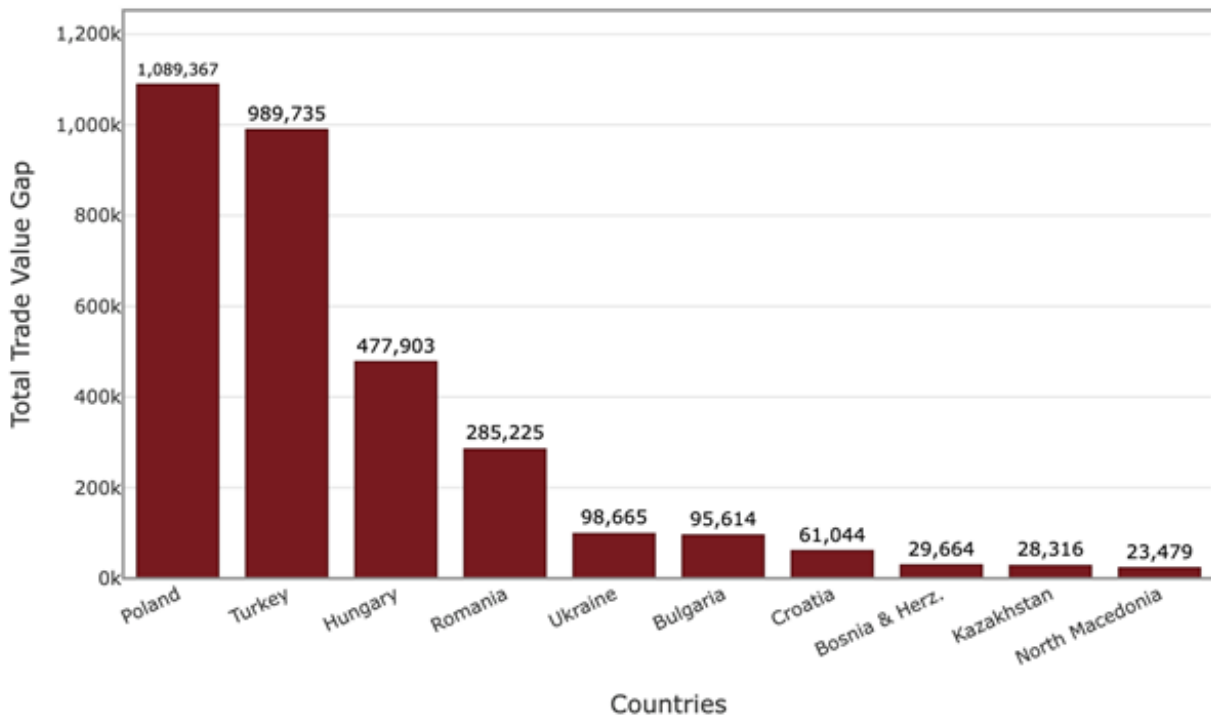
Countries	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Grand Total
Albania	650	454	527	726	579	1011	609	1390	1052	151	7150
Armenia	515	497	573	636	1833	1362	1403	1472	2025	1928	12245
Belarus	10251	7560	6038	6159	8808	9682	9236	8780	8439	NA	74953
Bosnia and Herzegovina	2014	2165	1841	2357	5719	6208	5843	5324	6907	7904	46282
Bulgaria	10510	10652	9611	17070	19785	18676	17873	18480	22428	26094	171178
Croatia	5799	5210	5073	6736	8630	10283	9533	9519	12078	13893	86754
Georgia	2100	2167	1790	2410	2963	3351	3383	2957	3680	3841	28642
Hungary	41769	44315	42691	54959	63911	73660	64629	66777	80452	83775	616938
Kazakhstan	11461	10725	8658	8687	10662	16122	16112	11304	14653	9639	118023
Kyrgyzstan	1552	2483	1551	1879	2328	2263	2474	1887	2965	3723	23106
Moldova	1152	1139	918	1710	2167	2456	2236	2489	3320	3597	21185
North Macedonia	1634	1953	2264	2736	1579	3867	3908	3543	4596	5132	31212
Poland	92503	97401	94987	103557	136527	150990	136847	140774	176470	196613	1326669
Romania	25630	28274	25859	31157	43192	50268	47863	48382	65110	70071	435805
Turkey	137247	136220	127067	126271	157222	151764	146141	148511	184502	204000	1518944
Ukraine	20464	16081	11730	19452	23428	26466	27063	26537	35146	26968	233333
Uzbekistan	NA	NA	NA	NA	3964	4869	5508	5058	4792	7192	31385

Figure 3: Top 10 Developing European Countries by Cumulative Trade Value Gaps with all trading partners, 2013–2022 (USD millions).



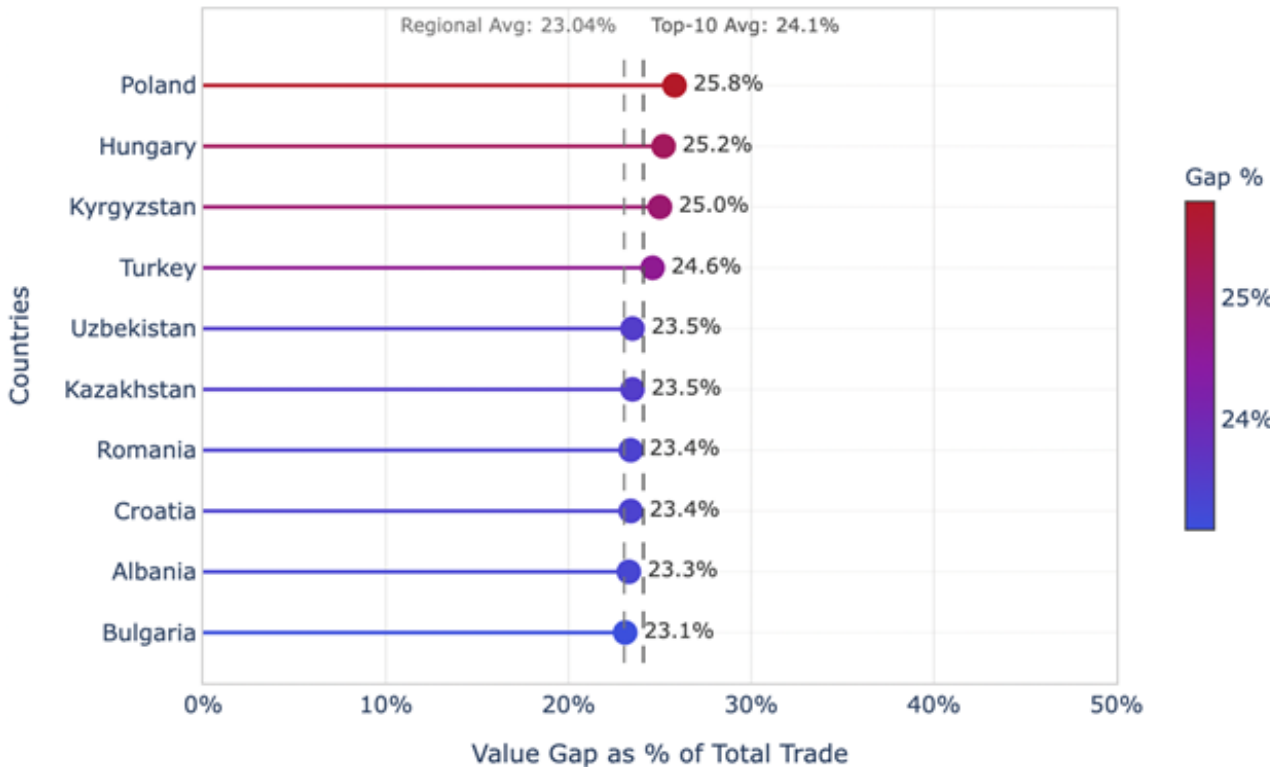
The above treemap visualization breaks down the top 10 developing European countries in terms of its cumulative value gaps. It reveals that a small number of countries dominate the regional total. Turkey and Poland occupy the largest areas, reflecting the highest cumulative gaps (on the order of magnitude of over US\$1 trillion each for the period). Next in size are Hungary and Romania, followed by moderately large gaps in Ukraine, Bulgaria, Kazakhstan, Croatia, Belarus, and Bosnia and Herzegovina. The concentration suggests that these economies which have high trade volumes and strategic locations account for the bulk of misinvoicing risk. Many are central trade hubs: for example, Poland and Turkey connect Europe with Asia, and Romania and Hungary are key EU-access corridors. These results require a keen policy focus: customs authorities in the largest-gap countries will need robust systems, since even a small percentage of misinvoicing in their large trade flows translates to big absolute losses.

Figure 4: Top 10 Developing Europe Countries by Cumulative Trade Value Gap with Advanced Economy Partners, 2013 to 2022.



Examining value gaps with advanced economies, Poland and Türkiye lead by a wide margin. Poland's total gap is the largest, underscoring its critical role. Türkiye's gap is only slightly below Poland's, reflecting its similarly large trade footprint. Hungary and Romania rank third and fourth, with each country's gap in the many hundreds of billions over the decade. Other countries in the top 10 include Ukraine, Bulgaria, Croatia, Bosnia & Herzegovina, Kazakhstan and North Macedonia. Overall, the ranking suggests that both the scale of trade and the integrity of customs oversight matter for value gaps. Countries near the bottom of the top ten list (like Bosnia & Herzegovina) have much smaller trade volumes but still appear in the ranking, implying that even relatively modest-sized economies can be significant misinvoicing outliers. Each country in this list warrants close attention from policymakers, since persistent large gaps indicate ongoing revenue leakage.

Figure 5: Top 10 Developing European Countries by Trade Value Gap with All Its Global Trading Partners as a % of Total Trade, 2013 to 2022 (USD millions).

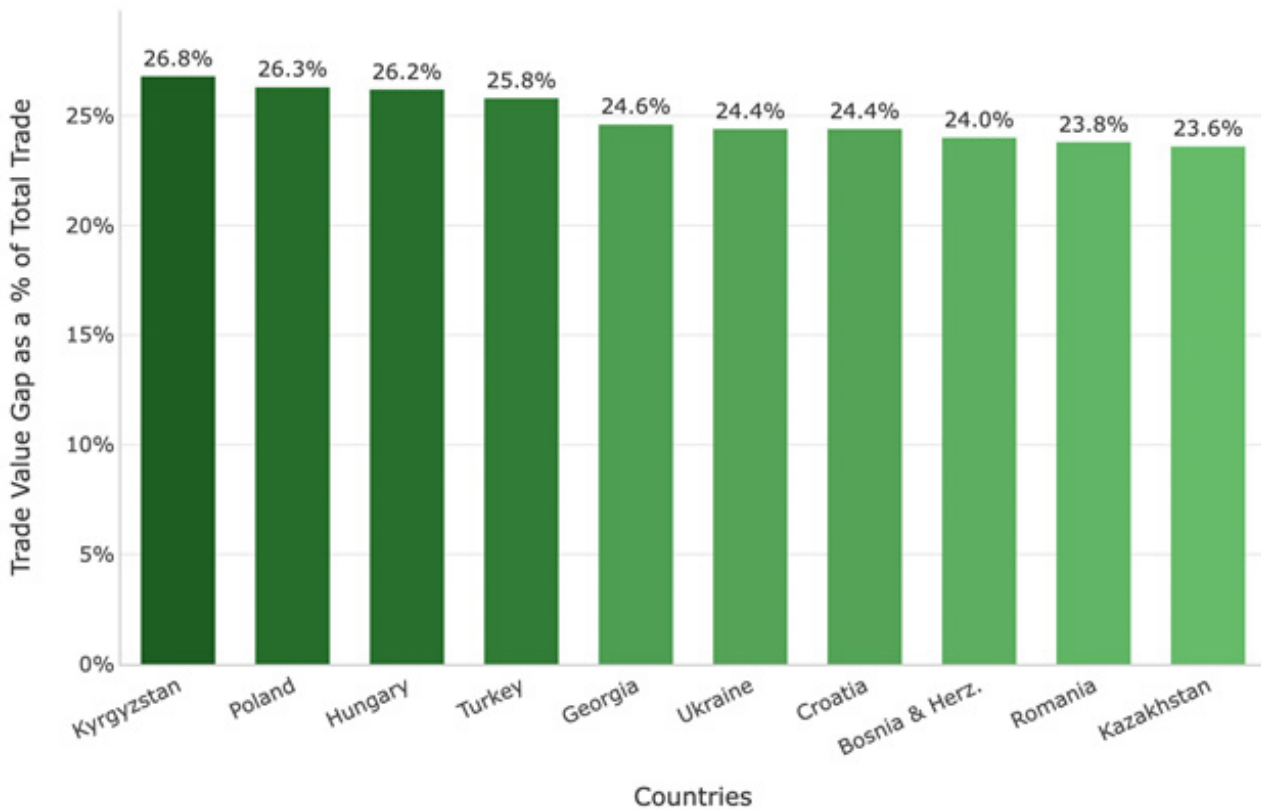


Several economies in Developing Europe rank among the highest when trade value gaps are measured relative to total trade volumes. Poland records the highest ratio at 25.8% of total trade, followed closely by Hungary (25.2%) and Kyrgyzstan (25.0%). Türkiye (24.6%) also ranks among the top countries, indicating that nearly one-quarter of its recorded trade value during the study period is associated with discrepancies consistent with potential misinvoicing. These elevated ratios suggest that even among relatively large and globally integrated economies, a significant portion of cross-border trade may involve under- or over-reporting of transaction values.

Several additional countries cluster around the 23–24 percent range, including Uzbekistan (23.5%), Kazakhstan (23.5%), Romania (23.4%), and Croatia (23.4%), while Albania (23.3%) and Bulgaria (23.1%) complete the top ten. The presence of both Eastern European and Central Asian economies in this group highlights the diverse structural factors that may contribute to trade discrepancies across the region. In some cases, elevated ratios may reflect the importance of commodity exports or transit trade routes that create opportunities for export under-invoicing or import over-invoicing. In others, they may signal institutional challenges such as limited customs enforcement capacity, weak valuation systems, or complex regional supply chains that make monitoring trade transactions more difficult.

Overall, the regional average value gap is approximately 23.04% of total trade, while the average among the top ten countries reaches roughly 24.1%. The clustering of countries within the 23–26 percent range suggests that these discrepancies are not isolated anomalies but may reflect broader structural vulnerabilities in regional trade monitoring systems. Such patterns are often associated with systematic export undervaluation to facilitate capital flight, import overvaluation to inflate costs or evade capital controls, and other forms of trade misreporting. Taken together, these findings indicate that trade misinvoicing risks in Developing Europe are significant not only in absolute terms but also relative to the scale of national trade activity.

Figure 6: Top 10 Developing European Countries by Trade Value Gap with Advanced Economies, as % of trade (2013–2022).



As shown in Figure 6, several economies in Developing Europe display notably high trade value gaps in their trade with advanced economies when measured relative to total trade. Kyrgyzstan ranks first with a value gap equivalent to 26.8% of its trade with advanced partners, followed by Poland (26.3%), Hungary (26.2%), and Türkiye (25.8%). These figures indicate that roughly one quarter of recorded trade with advanced economies in these countries is associated with discrepancies consistent with potential trade misinvoicing. While large economies such as Poland and Türkiye appear prominently due to their substantial trade volumes and integration into global supply chains, the presence of smaller economies like Kyrgyzstan suggests that structural vulnerabilities and limited enforcement capacity may also contribute to elevated misreporting ratios.

Several additional countries cluster closely behind these leaders, including Georgia (24.6%), Ukraine (24.4%), Croatia (24.4%), Bosnia and Herzegovina (24.0%), Romania (23.8%), and Kazakhstan (23.6%). The narrow range across these countries, largely between 23 and 27 percent of total trade, suggests that significant discrepancies are widespread across

the region rather than concentrated in only a few outliers. In some cases, these patterns may reflect structural characteristics of trade flows, including reliance on commodity exports, intermediary trade hubs, and complex supply chains linking Developing Europe to advanced markets in the European Union and other high-income economies. Overall, the consistently high ratios across the top ten countries indicate that trade misinvoicing risks remain significant in Developing Europe's trade with advanced economies.

Figure 7: Trade value gaps of developing European countries with all their global trading partners as a percentage of total trade, 2013 to 2022.

Countries	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Geometric mean
Albania	19.01%	24.91%	22.49%	25.28%	26.47%	23.23%	23.42%	25.29%	22.30%	21.96%	23.34%
Armenia	17.51%	16.97%	21.73%	21.27%	27.66%	23.56%	22.80%	25.59%	26.51%	23.60%	22.46%
Belarus	20.63%	18.24%	18.68%	18.62%	19.26%	18.45%	17.96%	17.57%	16.65%	NA	18.42%
Bosnia and Herzegovina	18.58%	19.32%	19.24%	21.43%	26.16%	25.88%	25.58%	24.85%	24.48%	25.15%	22.87%
Bulgaria	21.68%	21.26%	21.76%	25.31%	24.68%	23.82%	22.95%	23.79%	23.15%	23.24%	23.13%
Croatia	21.64%	19.90%	20.72%	23.35%	24.56%	25.87%	24.41%	24.96%	24.45%	24.63%	23.37%
Georgia	21.51%	22.16%	22.23%	23.44%	24.04%	24.21%	22.77%	22.69%	21.95%	21.06%	22.58%
Hungary	23.20%	23.91%	24.85%	23.72%	24.02%	24.68%	26.46%	26.94%	27.30%	27.40%	25.20%
Kazakhstan	20.02%	19.60%	22.21%	23.52%	23.40%	26.40%	25.76%	25.07%	25.43%	24.59%	23.49%
Kyrgyzstan	20.95%	28.41%	25.75%	29.36%	25.46%	23.01%	24.32%	28.31%	23.36%	22.74%	25.03%
Moldova	17.88%	18.01%	17.07%	22.16%	22.18%	21.57%	19.81%	22.43%	22.77%	22.48%	20.52%
North Macedonia	18.73%	19.66%	21.47%	22.86%	14.68%	24.02%	24.13%	22.67%	22.32%	22.16%	21.07%
Poland	24.46%	24.04%	24.90%	25.35%	27.03%	26.73%	26.46%	26.19%	26.30%	26.78%	25.80%
Romania	22.47%	22.68%	23.04%	24.63%	23.20%	22.50%	22.34%	23.55%	24.68%	24.67%	23.36%
Turkey	23.90%	23.72%	24.42%	24.10%	25.78%	24.37%	24.81%	25.05%	24.83%	25.11%	24.60%
Ukraine	19.28%	19.24%	19.56%	24.50%	24.80%	25.15%	24.62%	25.02%	24.82%	24.60%	23.02%
Uzbekistan	NA	NA	NA	NA	25.34%	23.84%	23.46%	23.95%	18.12%	27.07%	23.46%

3 | Impact of Trade-Related Illicit Financial Flows

Trade-related misinvoicing and the illicit flows it conceals have serious consequences for economies and governance.

Fiscal impact: The most immediate effect is a loss of government revenue. When importers under declare values or exporters over declare, the government collects less in customs duties and import/export taxes than it should. These shortfalls can be enormous. In Developing Europe, the multi billion-dollar gaps identified above imply many billions in annual tax revenue foregone. Such losses force governments to either cut public spending or borrow more. Indeed, IMF researchers point out that IFFs reduce the domestic resources available for investment, effectively creating higher fiscal deficits and debt.

Economic development: Beyond immediate revenue loss, trade misinvoicing distorts economic statistics and undermines development. If a significant share of commerce is misreported, GDP and trade figures become unreliable. Policymakers may therefore misjudge economic health or miss important trends. The OECD highlights that the “most immediate impact of IFFs is a reduction in domestic expenditure and investment,” which translates into “fewer hospitals and schools, fewer police officers... fewer roads and bridges”. In short, development slows because governments cannot invest at needed levels. Moreover, when illicitly obtained funds are used for consumption abroad or hidden, there is a net loss of domestic demand. This can contribute to slower growth and higher inequality. Developing Europe’s emerging markets could see constrained growth if trade taxes are chronically under collected.

Governance and transparency: Trade misinvoicing also corrodes institutions and transparency. The mechanism of misinvoicing often overlaps with money laundering, tax evasion, and corruption networks. Falsifying invoices allows trade flows to be used to launder proceeds of criminal activity or circumvent currency controls. In other words, trade mispricing can finance organized crime or corrupt officials, undermining rule of law. The presence of large value gaps signals weaknesses in customs oversight and enables illicit actors to operate. Over time, this erodes public trust and deters legitimate investment.

Financial system risk: Additionally, misinvoicing undermines financial transparency. Illicit flows hidden in trade complicate anti-money laundering efforts and can strain banking systems if dirty money enters through trade channels. For example, skewed trade flows may trigger counterparty risks if banks finance “phantom” shipments (trade transactions that are reported by an exporter with no corresponding reported import). These indirect effects can harm the financial sector’s integrity.



4 | Policy Recommendations

Reducing trade-related illicit flows requires concerted action on multiple fronts. Below are practical recommendations for governments of Developing Europe and their international partners. Each suggestion is informed by best-practice studies and reflects the specific trade-misinvoicing context of the region.

Strengthen Customs Enforcement and Capacity: Governments should invest in customs administrations to detect and deter misinvoicing. This includes training officers in valuation techniques and forensic audit of trade documents, and deploying risk-based monitoring tools. For example, GFI advocates using readily available “trade misinvoicing risk assessment tools” to flag suspicious transactions. Customs authorities can prioritize inspections on trade flows with large gaps or anomalies. Modernizing IT systems to automatically compare import declarations with partner country data can make detection more systematic. It is also critical to criminalize trade misinvoicing explicitly in national law, so that penalties for evasion and fraud are enforceable.



Enhance Data Transparency and Exchange: Greater transparency in trade and company data can make misinvoicing harder. Countries should establish beneficial ownership registries (as recommended by OECD standards) so customs know who ultimately controls trading companies. They should also strengthen participation in automatic exchange of information (AEOI) frameworks for tax and trade data. For instance, multilateral agreements like the OECD’s Common Reporting Standard could be extended to cover aggregate trade flows. On the bilateral level, governments can link customs databases to share invoice-level data with major partners, enabling real-time cross-checks. In practice, this could mean joining networks like the WCO Customs Enforcement Network or regional customs alliances that promote data sharing. Such information exchange has been identified as a powerful way to prevent discrepancies.



Foster Interagency and International Cooperation: Mis-invoicing often intersects with other financial crimes, so coordinated approaches are needed. Governments should set up multi agency task forces including customs, tax authorities, financial intelligence units, and law enforcement. These teams can jointly investigate cases and close regulatory gaps (for example, when a suspicious import also involves bank transfers). Internationally, Developing Europe can collaborate through initiatives like EU anti-fraud networks or IMF technical assistance. Engaging with global bodies (OECD, UN, World Customs Organization) to share best practices is also valuable. The OECD emphasizes that combating IFFs is a



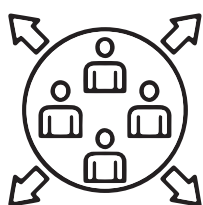
“shared agenda” requiring both developing and OECD countries to act together. Advanced-economy partners can assist by tightening their own import controls and not unwittingly facilitating misinvoicing.

Strengthen Financial Controls Related to Trade: Policy-makers should



align trade and financial regulations. For example, requiring declarations of capital transfers corresponding to trade payments can catch mismatches. Cross-checks between customs data and banking reports (for instance, using e-invoicing linked to payments) can help ensure that the financial leg of a trade transaction matches its value. Additionally, policymakers can impose stricter vetting on free trade zones and bonded warehouses, where goods transit with often reduced oversight; misinvoicing is known to occur in some special economic zones. Ensuring transparent ownership and regular audits of companies operating in these zones would reduce their vulnerability.

Capacity Building and Technical Assistance: International organizations



and donors should continue providing training and technology support to these countries. Agencies like the World Bank, IMF, and regional development banks could fund programmes for advanced data analytics in customs. The World Customs Organization (WCO) and United Nations Conference on Trade and Development (UNCTAD) have published guides on identifying trade mispricing; these resources can be translated into national training modules. By building local expertise, countries will be better able to sustain long-term monitoring.

Promote Technology and Innovation: Finally, governments may leverage



technology. One emerging idea is using distributed ledger (blockchain) systems for trade documentation, which could ensure immutability of invoice records and real-time verification. While still experimental, such platforms (if interoperable internationally) could, in principle, make invoice data tamper evident. Similarly, machine learning algorithms could be applied to trade datasets to predict likely misinvoicing cases. These innovations should complement – not replace – the fundamental policy measures above.

Implementing these recommendations would help Developing Europe tighten its cross-border trade controls and shrink the scope for illicit flows. By doing so, governments can recover tax revenues that are currently lost and better mobilize resources for development.

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