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The underground economy in the wider Europe

Motion for a recommendation
presented by Mrs PAPADOPOULOS and others

This motion has not been discussed in the Assembly and commits only the members who have signed it

1. Undeclared work, cigarette smuggling and money laundering are examples of activities carried out in the underground or shadow economy, that is, economic transactions conducted beyond the knowledge or control of governments, and more specifically the tax authorities. This phenomenon is taking on growing proportions that make it into a major economic problem for Council of Europe member states.
2. While the scope of the underground economy is by its very nature difficult to evaluate, some economists have estimated that in the 1990s it accounted for 12% of Gross Domestic Product (GDP) for the (now 30) OECD advanced economies (23 of these are Council of Europe member states), 23% for the “transition” countries in Central and Eastern Europe and 39% for the less developed countries. The estimates for some Council of Europe member states are considerably higher, up to 64% of GDP.
3. The fact that transactions in the underground economy escape taxation shifts the tax burden onto the official economy. Governments may raise tax rates or keep them at a higher level than would otherwise be necessary. This in turn may encourage further underground economic activity. There is, moreover, a likely link between the underground economy and corruption. As a result, the general taxpayer and responsible citizen may well become resentful.
4. The fact that official economic statistics and indicators do not take account of underground transactions means that government economic policies may be based on information that does not reflect reality and may be ineffectual or counter-productive.
5. The Parliamentary Assembly calls for a debate on the impact of the underground economy on the basis of a report by its competent Committee. It calls on the Committee of Ministers, in the framework of its programme of cooperation to combat economic crime, in coordination with the OECD and other international economic institutions such as the International Monetary Fund, to develop recommendations to the governments of the member states of the Council of Europe.

Signed (see overleaf)

*Signed*¹:

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¹ SOC: Socialist Group
EPP/CD: Group of the European People's Party
ALDE: Alliance of Liberals and Democrats for Europe
EDG: European Democratic Group
UEL: Group of the Unified European Left
NR: not registered in a group