

SUSTAINABLE DEVELOPMENT IN CASE OF IMPLEMENTING CROSS-BORDER TRADE IN UKRAINE USING THE CHINESE MODEL

СТАЛИЙ РОЗВИТОК У РАЗІ ЗДІЙСНЕННЯ ТРАНСКОРДОННОЇ ТОРГІВЛІ В УКРАЇНІ ЗА КИТАЙСЬКОЮ МОДЕЛЛЮ

This article describes the analysis of sustainable development in Ukraine in case of implementing cross-border trade in Ukraine using the Chinese model. From the global goals of sustainable development, the main direction is taken on the vector of poverty reduction. Essentials such as clothes, shoes were analyzed to show possible savings of Ukrainian buyers in case of using cross-border trade in Ukraine. To analyze the algorithm of cross-border trade in China was made an experiment with the main aim to understand the methodology of tax payments mechanism in China in case of using cross-border trade. An experiment was based on exporting of Ukrainian goods that was imported in China in 2019 used cross-border trade. Cross-border trade started to work in China in 2019. For the end of 2021 cross-border trade using Chinese model works successfully in more than 6 countries. Ukraine is one of those countries that need researches in this area. For this reason, calculations were provided, the advantages of implementing cross-border trade in Ukraine were determined.

Key words: sustainable development, taxes, customs receipts, cross-border trade, international trade, Chinese experience, tax system, Ukraine.

В цій статті проаналізовано вплив зміни митно тарифних платежів на сталий розвиток України у разі впровадження транскордонної торгівлі в Україні за китайською моделлю.

чає впровадження трансграничної торгівлі в Україні по китайській моделі. Из глобальных целей устойчивого развития основное направление берется на сокращение бедности. Проанализированы такие предметы первой необходимости как одежда, обувь, чтобы показать возможные сбережения украинских покупателей при использовании трансграничной торговли в Украине. Для анализа алгоритма трансграничной торговли, в Китае был проведен эксперимент целью которого было понять методологию механизма уплаты налогов при использовании трансграничной торговли. Эксперимент базировался на экспорте украинских товаров, импортированных в Китай в 2019 году с помощью трансграничной торговли. Трансграничная торговля начала работать в Китае в 2019 году. К концу 2021 года трансграничная торговля по китайской модели успешно работает в более чем 6 странах. Украина принадлежит к тем странам, которые нуждаются в исследованиях в данной сфере. Для этого были проведены расчеты, определены преимущества трансграничной торговли в Украине.

Ключевые слова: устойчивое развитие, налоги, таможенные поступления, трансграничная торговля, международная торговля, опыт Китая, налоговая система, Украина.

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У цій статті проаналізовано вплив зміни митно тарифних платежів на сталий розвиток України у разі впровадження транскордонної торгівлі в Україні за китайською моделлю. Глобальних цілей сталого розвитку є 17, вони затверджені генеральною асамблеєю ООН та мають бути досягнуті до 2030 року. З глобальних цілей сталого розвитку основний напрямок при проведенні цього дослідження береться на вектор скорочення бідності. Проаналізовано можливість придбання із меншими митними зборами таких предметів першої необхідності, як одяг, взуття, щоб показати можливі заощадження українських покупців при використанні транскордонної торгівлі в Україні. Причиною обрання таких напрямків було те, що саме ці товарні категорії частіше за все замовляються на JOOM, Китай та інших платформах, для заощадження коштів, також достатня кількість одягу йде із США та ЄС, і важливим важелем є те, що достатня кількість одягу та взуття продається на 7км посередниками. Можливо, саме впровадження транскордонної торгівлі зможе дати новий поштовх для купівлі товарів із меншими витратами для самого покупця. Для аналізу алгоритму транскордонної торгівлі, та дослідження успішного досвіду, була взята за основу транскордонна модель в Китаї, на основі якої було проведено у 2019 році експеримент, основною метою якого було зрозуміти методологію механізму сплати податків саме у Китаї при використанні транскордонної торгівлі. Транскордонна торгівля почала працювати в Китаї як раз у 2019 році. Китайська Народна Республіка в останні роки йде до підвищення кількості людей середнього класу та збільшення купівельної спроможності своїх громадян, що є одним із ключових питань при подоланні бідності. Експеримент базувався на експорті українських товарів, які були імпортовані до Китаю у 2019 році за допомогою транскордонної торгівлі. На кінець 2021 року транскордонна торгівля за китайською моделлю успішно працює в більш ніж 6 країнах. Україна належить до тих країн, які потребують досліджень у цій сфері. Для цього були проведені розрахунки, визначені переваги здійснення транскордонної торгівлі в Україні. Було проаналізовано кількість можливих заощаджень населення при впровадженні транскордонної торгівлі в Україні.

Ключові слова: сталий розвиток, податки, митні надходження, транскордонна торгівля, міжнародна торгівля, китайський досвід, податкова система, Україна.

Formulation of a problem. An important role in international trade 2021 is dedicated to cross-border trade. Globalization and global use of computers helps people to find the best quality and cheapest price with the help of internet. At the same time, internet helps producers all over the world to find their customers without immense number of intermediate sellers. Different electronic trading platforms give people easy way to see the price of producers in country of origin for different goods and services, so every

person start to find opportunities how to buy thing in the cheapest way. Consequence of COVID-19 push slightly process of constantly growing requirements for using cross-border trade. This article addresses the problem of finding answer to the question: could implementing cross-border trade help in sustainable development of Ukraine. This study is based on Compound annual growth rate forecasts.

The purpose of the article is to analyze of sustainable development in Ukraine in case of

implementing cross-border trade in Ukraine using the Chinese model.

Analysis of recent researches and publications.

Since 2019 China is using cross-border trade. In 2019 The Organization for Economic Co-operation and Development (OECD) and The World Trade Organization (WTO) publish works that mention the demand for support for the transparency measures for establishing or maintaining Trade Information Portals, or electronic portals that make cross-border information, such as regulatory information, easily available [1]. Researchers mentioned problems that appears in different countries with implementation of cross-border trade and modeling of cross-border trade model according to the trade reality that subsist in the countries. Impact of cross border trade on Dumai (Indonesian's province of Riau) facing problem of improvement transportation infrastructure in border areas [2]. Cross-border in electricity faces with problem that the volume of trade in electricity is subject to a much steeper decline over distance than trade in merchandise goods [3]. Cost to export and to import, time to export and import, and number of documents did not necessarily have lower cross-border trade costs than other, except for Fiji [4]. The problem has been studied in works by many foreign scientists, in particular Y. A. Zein, A. Rohman, D. Nurvianti, Fathurrahman [2], V. Antweiler [3], J. Bertrand [4], S. Sivapalan, J. Hamzah, A. Habibah, A. Buang, A.C. Er, M.J. Mohd Fuad, N. Lyndon [5].

Presentation of main research material. Cross-border trade in Ukraine could use all people who have smartphones, computers, laptops, and internet. According to the GSMA Mobile Connectivity Index in Ukraine 3G coverage have 90% of all population in the country (44,39 million people) and consumer readiness for buying through internet is 87,6%, that show readiness of people to cross-border trade in 2022 [6]. For cross border trade needed strong last mile logistics, so analyzing this point we see fast rising in Ukrainian market in this area. According to the Compound annual growth rate (CAGR) we could see +3,4% every year from 2021 till 2030 (Fig. 1).

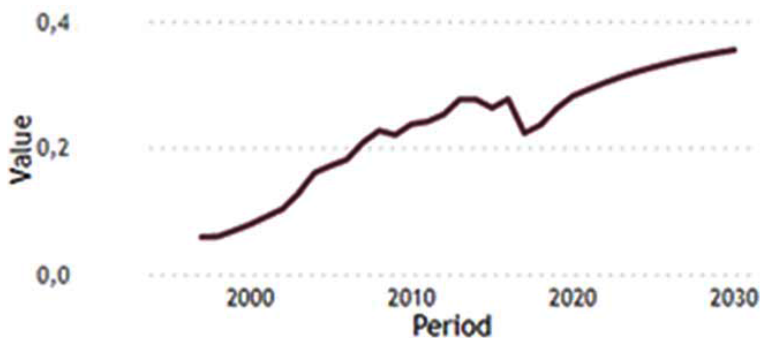


Fig. 1. Forecast of the last mile logistics market in Ukraine 2021–2030, billion \$. Author's development based on Euromonitor International data

Cross border trade – is opportunity for the buyers to import goods with less taxes and possibility for sellers to achieve new goals at new markets. Ukraine, following the example of China, may consider reducing duties on purchases through cross-border trade of certain product categories. According to Chinese model of cross-border trade any company all over the world could put their goods on special storage area in China for sale through cross-border trade, so people in China could buy goods that they are interested in with less taxes legally. In this paper, a comparison is made between duties on cross-border and non-cross-border trade when dealing with China, to analyze the experience. Data is based on real red wine import data (data is obtained by experiment in 2019) in Table 1. The experiment was done for the purity of the study.

Calculations based on custom receipts in case of cross border trade and without cross border trade shows an advantage for buyers that use cross border trade in 25,23%. In comparison, cross border trade total receipts 17,9% and without cross border trade receipts 43,13%. Considering that many goods in Ukraine is imported, especially from China, this idea makes possible to free Ukrainian buyers from part of the expenses to increase welfare and reduce poverty in Ukraine, which is an important part of sustainable development of every country.

If buyer use cross border trade and the price of Ukrainian origin wine is 6 \$ and airfreight 2\$, total sum of Ukrainian origin wine custom receipts calculation in case of cross border trade comes to 1,62\$, that is 17,9%. If we do not use cross border trade and price of Ukrainian origin wine is 6 \$ and airfreight 2\$, total sum of Ukrainian origin wine custom receipts calculation in case of without cross border trade comes to 3,45\$, that is 43,13%. Comparison in shown in Table 2.

Considering categories of goods with high customs receipts that is not produced in Ukraine, cross order trade could be good instrument to avoid part of the smuggling in terms of those items that are imported illegally due to duties and VAT. It is chance to avoid cost minimization for goods with cost more than 100 euros (parcels from abroad has decreased to 100 euros, while avoiding the need to pay customs duties and VAT in Ukraine).

To give advantage to the state budget of Ukraine we need to choose categories with the highest risk and are fast rising ones. These categories are shoes, clothes, knitted fabric, textiles etc. All mentioned categories have CAGR from +3,1% till 5,4% per year.

According to the Compound annual growth rate (CAGR) we could see +3,1% every year from 2021 till 2030 in textiles

Table 1

Ukrainian origin wine custom receipts in case of cross-border trade and without cross border trade based on Chinese taxation 2021

	VAT	Duty	Excise Duties
Cross border trade	70% from original tax	0%	70% from original tax
Without cross border trade	13%	14%	10%

Table 2

Comparison of Ukrainian origin wine custom receipts in case of cross-border and non-cross border trade based on Chinese taxation

	VAT	Duty	Excise Duties
Cross border trade	Basis for calculation VAT: $(8\$+1,12\$)/(1-10\%)=(8\$+1,12\$)/0,9=10,13$ $10,13*13\%=1,32\$$ $1,32\$*70\%=0,92\$$	$(6\$+2\$)*0\%= 0\$$	Basis for calculation excise duties: $(8\$+1,12\$)/(1-10\%)=(8\$+1,12\$)/0,9=10,13$ $10,13*10\%=1,01\$$ $1,01\$*70\%=0,7\$$
Without cross border trade	Basis for calculation VAT: $(8\$+1,12\$)/(1-10\%)=(8\$+1,12\$)/0,9=10,13$ $10,13*13\%=1,32\$$	$(6\$+2\$)*14\%= 1,12\$$	Basis for calculation excise duties: $(8\$+1,12\$)/(1-10\%)=(8\$+1,12\$)/0,9=10,13$ $10,13*10\%=1,01\$$

(Fig. 2). In total from 2020-2030 will be textiles market expansion +46 million \$.

According to the Compound annual growth rate (CAGR) we could see +3,4% every year from 2021 till 2030 in knitted fabric (Fig. 3). In total from 2020-2030 will be knitted fabric market expansion +120 million \$.

According to the Compound annual growth rate (CAGR) we could see +4,4% every year from 2021 till 2030 in shoes (Fig. 4). In total from 2020-2030 will be shoes market expansion +196 million \$.

According to the Compound annual growth rate (CAGR) we could see +5,4% every year from 2021 till 2030 in clothes (Fig. 5). In total from 2020–2030 will be clothes market expansion +775 million \$.

Custom receipts-generating categories could give not only area for taxes but will help in sustainable development of Ukraine. The categories and their forecasts obtained at this stage are the basis for modeling strategies for the behavior of sellers. Amount of import category with value of market expansion will be calculation basis for choosing optimized taxation strategy for cross-border trade based on number of alternative categories. According to the comparison

of export value, import value and production value of textiles market clearly stated that import compile 569 million \$ (Fig. 6).

According to the comparison of export value, import value and production value of knitted fabric market clearly stated that import compile 1 158 million \$ (Fig. 7).

According to the comparison of export value, import value and production value of shoes market clearly stated that import compile 1 482 million \$ (Fig. 8).

According to the comparison of export value, import value and production value of clothes market clearly stated that import compile 1 994 million \$ (Fig. 9).

As far as we can see from the figures, imports from foreign countries prevail in most cases. And the production is based on imported components, drawing an analogy between textiles and clothing. If individuals can save on goods, this will help fight poverty and help give a stronger impetus to sustainable development. Let's analyze how much the Ukrainian buyer will save. For this, we will make the necessary calculations. Let's see what import

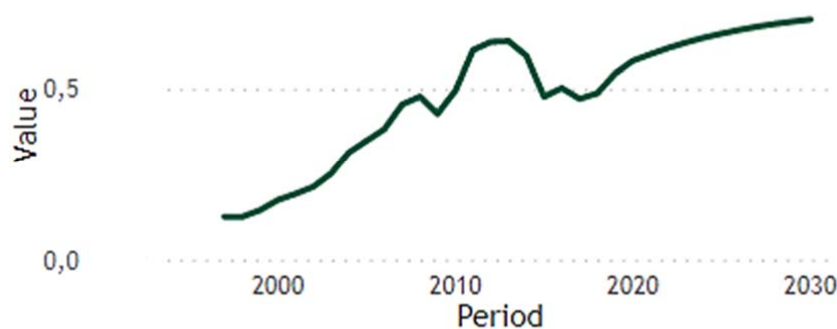


Fig. 2. Forecast of the textiles market in Ukraine 2021–2030, billion \$.
 Author's development based on Euromonitor International data

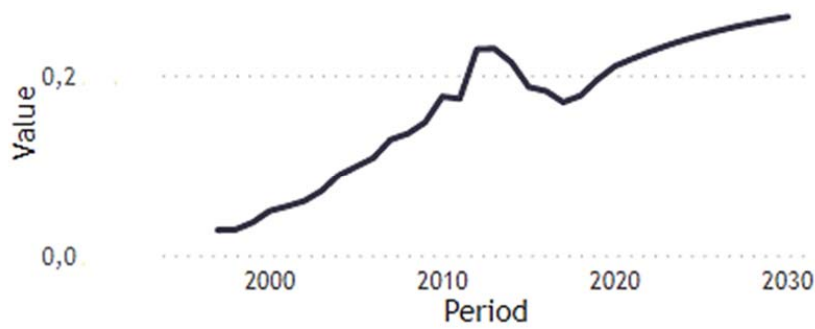


Fig. 3. Forecast of knitted fabric market in Ukraine 2021–2030, billion \$. Author's development based on Euromonitor International data



Fig. 4. Forecast of shoes market in Ukraine 2021–2030, billion \$. Author's development based on Euromonitor International data.

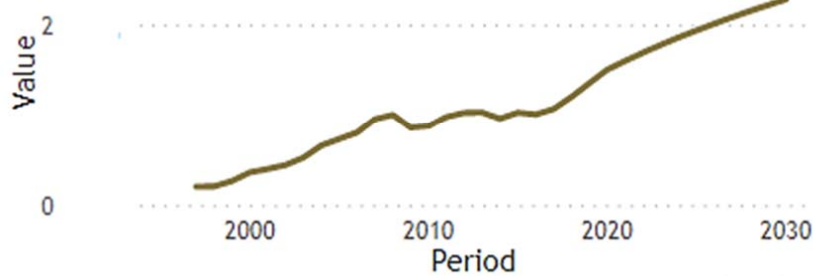


Fig. 5. Forecast of clothes market in Ukraine 2021–2030, billion \$. Author's development based on Euromonitor International data

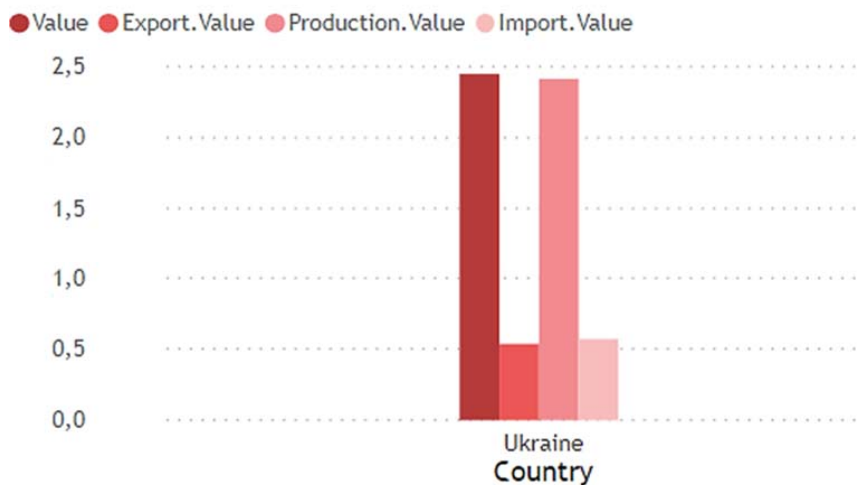


Fig. 6. Import, export and production of Ukraine, textile market 2020, milliard \$. Author's development based on Euromonitor International data

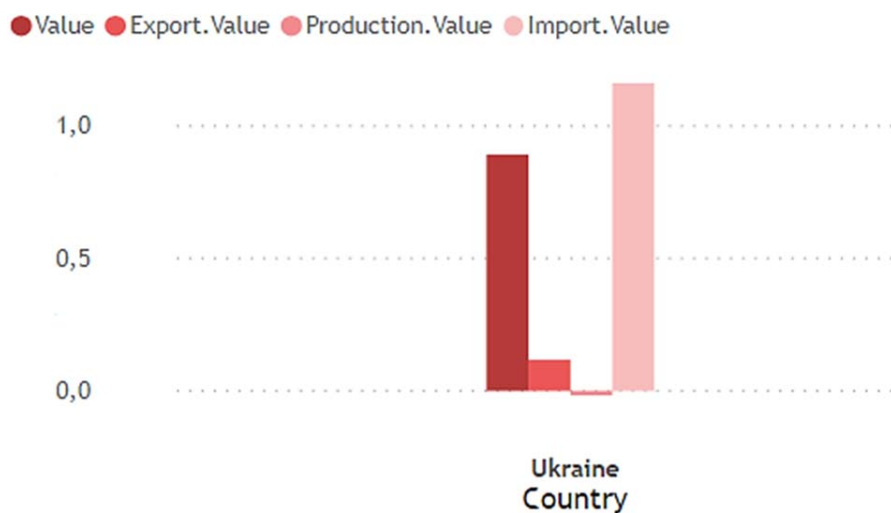


Fig. 7. Import, export, and production of Ukraine, knitted fabric 2020, milliard \$. Author's development based on Euromonitor International data.

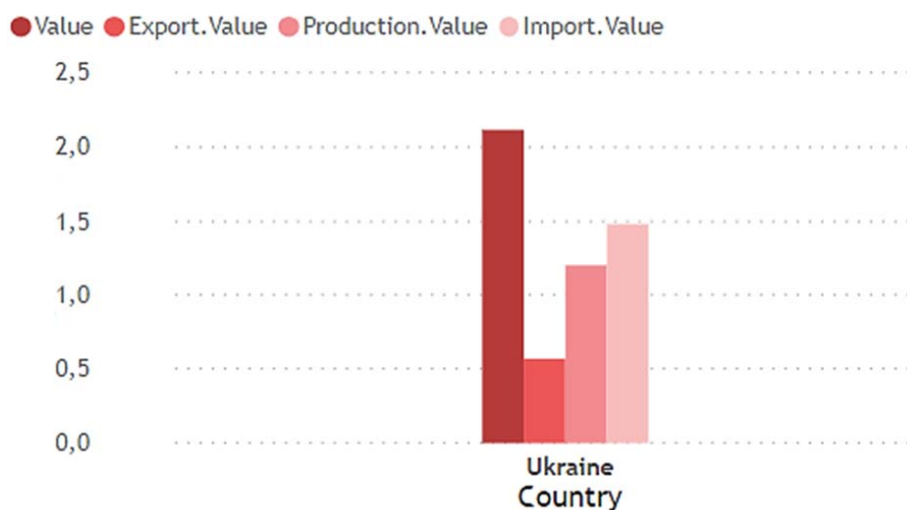


Fig. 8. Import, export and production of Ukraine, shoes market 2020, milliard \$. Author's development based on Euromonitor International data

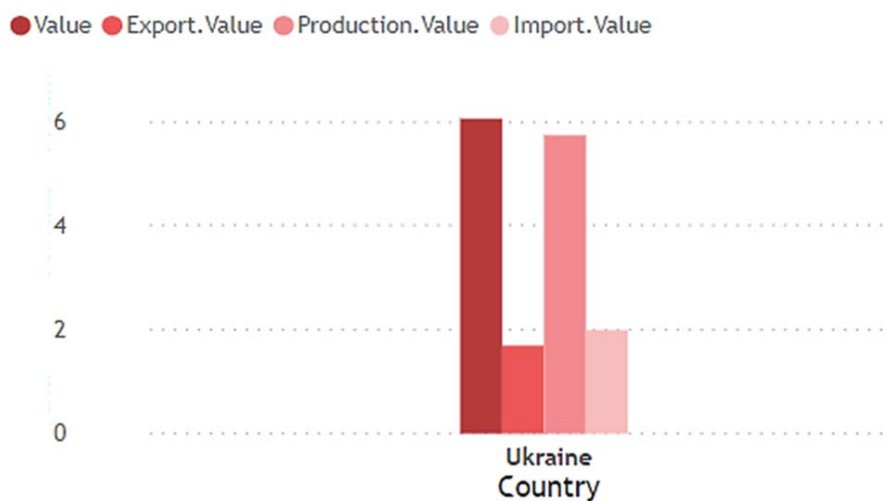


Fig. 9. Import, export and production of Ukraine, clothes market 2020, milliard \$. Author's development based on Euromonitor International data.

Table 3

Import forecast of alternative markets 2022F

Market	Import value 2020, million \$	CAGR, %	Import 2022F, million \$
textiles	569 million \$	3,1%	604 million \$
knitted fabric	1 158 million \$	3,4%	1 238 million \$
shoes	1 482 million \$	4,4%	1 615 million \$
clothes	1 994 million \$	5,4%	2 215 million \$

Table 4

Customs Receipts in Case of Implementing Cross-Border Trade in Ukraine based on Import 2022F

Model	Realistic	
	Import 2022F, million \$	Savings
textiles	604 million \$	4314 million \$
knitted fabric	1 238 million \$	8842 million \$
shoes	1 615 million \$	11535 million \$
clothes	2 215 million \$	15821 million \$
Total	604 million \$	4314 million \$

value is expected in 2022 based on data 2020 and CAGR in Table 3.

Based on the planned indicators, let's calculate the benefits for the Ukrainian consumer. We propose to take as a basis the savings according to the Chinese model of cross-border trade.

Conclusions from the study. The development of the cross-border trade is important for the Ukrainian economy. However, there are many factors that influence the market, euro integration is one of it. Having analyzed the possibilities for cross-border trade in Ukraine based on Chinese model, we can say that cross-border trade would help to be closer for Ukraine to concept of stable development in the context of the fight against poverty. It will help Ukrainians to save money on import taxes and reduce partly illegal import. The fight against poverty, as one of the important areas, especially significant today in Ukraine. COVID-19 proved the effectiveness of this model in more 6 countries: China, Belgium, Malaysia, Ephyopia, Rwanda, Thailand etc. 2021 shows readiness of Ukrainian people to buy goods cheaper with using of internet.

Globalization and global use of computers will help cross border trade to gain fast the large market share and Ukrainian government cannot avoid that factor, but it could give a chance to people buy

things much easier and legally all over the world with payment taxes to help in sustainable development of Ukraine.

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