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## **THE USE OF FOREIGN EXPERIENCE IN THE DEVELOPMENT OF INTERNAL TRADE UNDER CURRENT CONDITIONS**

**Abstract:** The experience of developed countries as the way to solve the problems of internal trade development in Ukraine on innovative basis is analyzed. Institutional, economic, social and management components of internal trade development are researched. The range of institutional nature factors to hamper the development of internal trade is outlined.

Major preconditions of internal trade development on the basis of foreign experience adaptation are determined. The directions of national legislative field accommodation on the basis of differences liquidation between national and EU legislations are explained.

The fact that improvement of legislative field in Ukraine should be based not only on aspiration to swift adaptation of national legislation to international norms, but more on the use of other countries' experience is proved. Foreign experience will help national entities in the branch to facilitate conducting of trade activity, will provide equal rights to all the entities, will facilitate the process of conducting the business on the basis of the entities' motivating to provide qualitative services to a consumer.

Major advantages of foreign experience in the development of internal trade are defined. Approaches to the development of internal trade in Ukraine under the current conditions are proposed taking into consideration the possibilities to adapt foreign experience.

**Keywords:** adaptation, internal trade, legislation, foreign experience, development.

**JEL Classification:** L10, L11, L81, F1

### **Introduction**

Under the current terms of political and economic instability in Ukraine the development of internal trade gains more importance as it closely interacts with all economy sectors and is the basis for domestic economy development. World experience of trade development confirms that the increase of life quality level and development of domestic econ-

omy is not possible without solution of internal trade development problems. Therefore, it is necessary to study and outline both generally accepted basics of trade development for all the countries in the evolutionary perspective at times of changes in economic systems, and the countries, the experience of which can be adapted in Ukraine in order to solve practical problems and maintain further development of internal trade.

### **The purpose of the article**

The article aims to analyze scientific and methodical approaches to the development of internal trade under the current conditions taking into consideration the possibilities of foreign experience adaptation.

### **Research results**

#### **Experience of EU countries and the USA**

When studying the nature of generally accepted basics of trade development in the evolutionary perspective that are peculiar to the developed countries in the world at times of changes in economic systems it is worth mentioning that current state of world economy development is accompanied by the changes related to the transition to information society.

Transition to information society and reorientation of the market of seller into the market of consumer becomes increasingly frequently the basis for economy development in the leading countries of the world. Under these terms, only innovative way of economic entities' evolution in the sphere of trade can be the major development way. It stipulates the use of scientific and technical achievements and constant update of products' and services' range provided to the consumer.

Although the choice of such way of development is oriented at solution of main problem (meeting the consumers' needs), it cannot be implemented if the processes in the main internal trade development components (institutional, economic, social and management) are not improved. The practice shows that every developed country took measures over the improvement of the whole trade system's efficient functioning when choosing the way of internal trade development in order to achieve social objective and under the influence of the processes of trade liberalization, national economy openness, strengthening of competition between domestic and foreign entities on the international trade market and changes and unpredictability of price environment. But primarily these countries switched to the common standards and technologies of business conducting and introduced the unified criteria of macroeconomic and tax

policy and employment policy in order to adapt internal trade to the world globalization processes, which influence the efficiency of the branch functioning in the domestic economy (Kolomiyets 2016, p. 73). Therefore, such standards are the precondition of internal market transition to innovative development way in Ukraine on the basis of trade processes' efficiency improvement and in order to meet the needs of consumers in terms of goods' and services' quality and price.

Initial stage of entrepreneurship development (years 1820-1870) was formed when, under the free competition between the companies, their endeavors in the course of selling the products were focused on the profits increase through the increase of prices and the links within the companies between the owner and the employees were established from the perspective of owner's dominative position in all cases of their relations (Agrarian sector of Ukraine 2014, Available from: <http://agroua.net/economics/documents/category-60/doc-78>). Next stage (years 1871-1930) was characterized by some processes that brought the trade closer to innovative development of current period. In particular, the new form of entrepreneurship (franchising) emerged in the USA in the course of the trade activity entities' enlargement and forming of monopolistic position of stronger firms in terms of capital. It became an impulse for entrepreneurship structures activation in different countries and constituted one of the forms of relations between large and small companies (Barna 2015, p. 261). Under these conditions the employers' requirements over the employees' advanced training have increased. Different motivation systems were used in order to get the employees interested in the results of work. Consequently, the salaries of the latter were increased depending on the quality obtained by the consumer when purchasing the goods (services) in the trade sphere.

Countries of the Western Europe at the third stage (years 1931-1975) built the policy of internal trade development on the basis of the use of scientific and technical achievements in order to increase the efficiency. At that period such features of trade companies' personnel and individual entrepreneurs as courage, endeavors to achieve success, patriotism for their company, struggle for their brand and image, etc were developed (Agrarian sector of Ukraine 2014, Available from: <http://agroua.net/economics/documents/category-60/doc-78>). This allowed minimizing of negative influence of the factors of internal trade social component in the developed countries related to personnel qualification and poor level of customer service.

In the first place the USA, France, Germany and Great Britain – the leaders of international trade – can be considered as the countries that have gone through all these stages and currently develop internal trade on innovative basis.

However, precious experience of the countries that promoted the development of internal trade with consideration of abovementioned basics of innovative evolution was not used by Ukraine in the course of transition to the national economy market development. This was caused due to the range of inhibitive factors of institutional nature, in particular:

- when switching to market economy, there was no environment for entrepreneurship development and development of entrepreneurs class formed on market legislative base;

- despite the high level of employees' education and considerably high number of self-motivated individuals, the stable entrepreneurship environment failed to be created;

- problematic elements of economic reform, failed privatization and poor, contradictory and constantly changing legislation did not strengthen the trust environment and did not create enough motivation to form entrepreneurship;

- the state did not act as a guarantor of entrepreneurship activity stabilization;

- shadow economy gained the development through non-compliance of the entities with the law and other regulations that govern the trade development (Barna 2015, p. 265).

Therefore, in order to adapt foreign experience of internal trade development in Ukraine primarily it is important to take into consideration the basic conditions of the branch development on innovative basis that are common to all countries.

1. To take measures on internal trade development needed in Ukraine considering foreign experience. This is the way to solve the problems taking into account the factors that hamper the development (institutional component of internal trade development).

2. To introduce innovative decisions by the management entities in internal trade about the constant upgrade of products' and services' range provided to the consumer on the basis of modern achievements of science and technology. This means meeting the consumers' needs for products' and services' quality and price (social component of internal trade development).

3. To increase the efficiency of internal trade functioning on the basis of introduction of standards and technologies of business conducting that correspond to international standards and international criteria of macroeconomic, tax and employment policies. This will stipulate the growth of resources allocation efficiency in the process of economic activity (material, financial and labour) (economic and social components of internal trade development).

4. To increase qualification and to develop motivation of the trade enterprises' personnel to improve the results of their work. To develop the

branch entrepreneurs' motivation to conduct efficient trade activity. This will solve the problem of qualitative qualified customer service in the trade network and quality improvement of products and services provided to the consumer (social component of internal trade development).

5. To minimize the development of shadow economy in the sphere of internal trade and subsequently to eliminate it. This will stipulate the development of trade infrastructure on the basis of forming of environment for entrepreneurship evolution and will improve national legislation on internal trade (institutional and economic components of internal trade development).

These measures are directed at solution of internal trade development problems, in particular: its institutional, social and economic components. This stipulates the complexity of the approach to adaptation of foreign experience of branch development on innovative basis peculiar to the developed countries at current stage of transition to information society.

At the same time special attention should be paid to the experience of some countries that have achieved certain competitive advantages at international trade market, which can be adapted by Ukraine in order to solve practical problems and maintain further development of internal trade.

Primarily, it is important to study the experience of institutional changes realization in order to overcome the negative influence of different factors on the development of social component of internal trade development. In this context the experience of France can be helpful in terms of improvement of prices regulation process at consumer market for goods and services sold and provided by economic activity entities in order to prevent artificial raising of price levels and to meet the consumers' needs by the price factor.

When studying the experience of France on the regulation of pricing process in the retail trade network during 1996-2007, the Galland Act adopted on July 1, 1996, is noteworthy (Colla 2006, p. 355). It clearly defined the mechanism of minimum pricing setting with the procedure of its calculation by retail trade network entities.

The peculiarity of this procedure was that all the discounts at the moment of contracting, transport expenditures and taxes and payment services for market research and product promotion were included into the minimum retail price.

Therefore, the procedure set the mechanism of preventing the artificial raising of the product (service) price on the basis of unreasonable inclusion of the abovementioned expenditures on one hand, and dumping sales were eliminated on the other hand (Colla 2006, p. 356). Due to this mechanism the relations between the producers and the sellers were stabi-

lized and the same purchase prices were established for the latter, which de-facto turned out to be the minimum retail ones. As the result, non-price forms of competitiveness at the purchase market emerged and the producer, which proposed the product with lower price, was chosen.

The next step towards preventing the artificial raising of prices in the trade network of France was the adoption of the Dutreil Act in July 2005, which stipulated the expansion of price competitiveness possibilities between large trade networks that were allowed to decrease invoice price to the new minimum level by the amount of marketing bonuses in the limited volumes (Colla 2008, p. 751). These measures led to the growth of price gap between the most expensive and the cheapest stores and the decrease of prices for the goods of domestic brands. This promoted France's achievement of competitive advantages in Europe, where the prices in the monetary equivalent for the same goods and with the same quality were lower only in the Netherlands (Hamilton 2011, p. 20).

Therefore, the studied experience of France over the improvement of the regulation process of the prices for the products and services at the consumer market, which are realized and provided by economic entities with the purpose of preventing the prices' artificial raising and meeting the consumers' needs by the price factor can be helpful to Ukraine. At current stage of national economy development price factor for Ukrainian residents is the decisive one in terms of economic instability and purchase power decrease. On the other hand the price policy of the state in the retail network is uncontrolled. Therefore, improvement of pricing process in order to meet the consumers' needs as much as possible and to increase on this basis the volume of goods turnover is the urgent practical task for the management entity in internal trade.

The experience of some countries that conducted institutional changes in order to overcome the negative influence on the branch development (in particular, the USA, Poland and Brazil) can be equally important for the development of internal trade at the current stage. First and foremost, this experience outlines the solution of the problem of underdeveloped trade infrastructure that doesn't allow increasing the trade turnover in the intended and desirable volumes.

For example, in order to solve the abovementioned interrelated problems the network trade forms began to emerge in the USA back in the end of XIX century. Great Atlantic and Pacific Tea Company founded in 1858, Jones Brothers Tea Company founded in 1872, and F.W. Woolworth Company founded in 1878 were among the first networks (Palmer 1929, p. 275). In the 30-ies of XX century this form gained its development and controlled the lion's share of retail turnover in the USA (Palmer 1929, p. 277). The emergence of such form of internal trade organization accelerated the branch industrialization and its development intensifica-

tion due to the emergence of ultra large trade enterprises that promoted considerable increase of trade turnover volumes in the country.

Some researchers (Hamilton 2011, p. 14) call it the period of trade revolution that led to significant fundamental changes in the national economy: development of such form increased both the volumes of production sphere and the volumes of turnover with simultaneous growth of demand that met the consumers' needs for the goods in the necessary quantity and at acceptable prices (Russell 1931, p. 27-28).

The reason of such retail trade organization advantages can lie in the fact that it embodies modern technologies and systems of goods distribution with the possibility to serve the maximum number of consumers that raises the goods turnover and on this basis equally meets the needs of trade activity entity and consumer to the greatest extent. Moreover, one of the major requirements of internal trade development on innovative basis is fulfilled due to the possibility of considerable expansion and upgrading of goods' and services' range provided by a trade activity entity. In the USA the lion's share of retail trade turnover accounts for this form of internal trade organization. According to the data of ACNielsen company, in the countries of the Western Europe in general it amounts to about 80%, in Poland– 36%, in Brazil – 28% (Barna 2015, p. 264). And while in the USA this retail trade form is at the stage of being completely formed, in the other two countries (Poland and Brazil) it has gained development during the last decades.

Thus, the experience of some countries that conducted institutional changes in order to overcome the negative influence of economic component factors on the branch development on the basis of trade infrastructure development has a great importance for Ukraine as far as this problem is the most urgent.

### **Experience of Russian Federation and Belarus**

Some countries are taking certain measures over the conducting of drastic institutional changes and thus solve the problems and eliminate negative influence of factors in economic, social and management components of internal trade development simultaneously. In this context special attention should be paid to the countries that transferred their national economies to market ones at the same time as Ukraine. Russian Federation and Belarus achieved certain success in the development of internal trade on the basis of introduction of drastic institutional changes with purpose of minimizing the negative influence of social and economic factors in the internal trade. It is worth mentioning that relatively common basic conditions of internal trade legal regulation and traditions of busi-



ness conducting in these countries allow adapting their experience in Ukraine without significant drastic changes in the legal framework.

When analyzing the experience of Russian federation in this context, the research of Russian scientist-economist prof., PhD Yu. L. Aleksandrov attracts attention. He focuses on the fact that internal trade performs the function of economic development instrument in the country due to the means distribution between the spheres of production and consumption with the availability of entrepreneurship motivation factor that allows meeting the economic interests of producers and consumers. This being said, the state's task is to create attractive motivating entrepreneurship environment, where the interests of the entities in the spheres of production, trade and consumption meet. This environment, according to the scientists, is formed through creation of social groupings of consumers that stimulate production sphere to produce the goods that meet the population need for quality and quantity. Special attention in the course of this environment forming is paid by the author to enlargement of trade structures and development of infrastructure in the branch (Aleksandrov 2003, p. 3-5).

It is obvious that with such approach the problems in institutional (trade infrastructure development), economic (production, sales and realization of production and trade turnover volumes growth) and social components (meeting the consumers' needs for products and trade services) are solved simultaneously.

Scientists-economists of Belarus also pay attention to the development of trade infrastructure as the way to solve the problems of institutional component of internal trade development (Vladyko 2009, p. 38-41). At the same time, drastic changes in this component they attribute to the necessity to improve the branch management and thus promote solution of economic problems in it.

The logic of such approach is explained by these scientists the following way. Economic development and the branch development on innovative basis depends on forming and implementation of the policy that is based on the created management system that aims to use scientific and technical capacity of trade branch, to promote the results of scientific and research developments up to creation and improvement of trade technologies and methods and sale forms. Due to this social and economic development of the branch is achieved (and therefore, performing of its social and economic functions). Also the quality of life of individuals improves as they can obtain necessary goods and services of high quality in the developed trade network due to the reconstructed trade and logistic network taking into account the qualitative transport communications (Vladyko 2009, p. 38). Therefore, new modes of retail and wholesale organizations are created, new modes of conducting trade operations are devel-



oped and efficient systems of logistic chains management are introduced. This promotes forming of innovative capacity in the branch that is realized with the purpose of maximum meeting of consumers' needs for qualitative goods and services.

The formed innovative infrastructure in the branch, where the state provides conditions for innovative environment development both in the branch at a whole and at separate trade enterprise in particular, is the most important success of internal trade development in Belarus. It brings the country closer to the level of developed countries that have already switched to the stage of innovative development in terms of post-industrial society. For this purpose the centers of entrepreneurship maintenance, incubators of small entrepreneurship, centers of technology transfer, scientific and technological parks, hi-tech parks and innovative funds were created in the branch. Mostly these centers serve the entities of the branch by such directions as personnel training, marketing, information maintenance and granting credits to small business (Belarusian Council of Ministers 2008, Available from: [http://archive.government.by/ru/rus\\_analytics791.html](http://archive.government.by/ru/rus_analytics791.html)).

Therefore, analysis of Belarusian experience allows stating that the selected measures both solve the problems of institutional component of internal market development peculiar nowadays to Ukraine and eliminate negative factors in other components (both social and economic, and management). At the same time, country's experience testifies to the fact that taking the abovementioned measures can bring internal trade development closer to innovative type peculiar to developed countries in terms of information society.

### **Improvement of legislative base**

In the meantime, no matter the experience of what country to use, the adaptation of national legislative base to these changes is required in order to develop internal trade in Ukraine. If there are certain contradictions between current legislative base and the nature of measures planned to introduce, the decision should be made over the change of legislation.

As far as the Law of Ukraine «On internal trade» is still not adopted, it is necessary to adjust it to the current Law of Ukraine «On state social standards and state social guaranties» in order to solve the problem of trade infrastructure development and retail trade network structuring. The range of problematic issues related to the development of trade infrastructure and meeting the population's need for goods and services is solved through indicating in these legislative acts of issues concerning the use of social standards and social regulations over providing the population with stores trade area.

In order to adapt in Ukraine the countries' experience over the development of entrepreneurs' motivation and relations regulation between the trade activity entities with their enlargement into the trade systems of different level in the legislative perspective it is necessary to define the mechanisms of entities' and entrepreneurs' stimulation to honest competition and of unreasonable prices raising control in terms of goods and services provided to consumers. The same stimulation mechanisms should be stipulated and established in terms of cooperation between producers and entities in the branch, which purchase goods in bulk.

It is necessary to define the mechanism of branch's interrelation with other branches of national economy, international trade organizations and regional executive authorities in order to develop not only trade infrastructure but also the transport one, which the increase of trade turnover and customer service depend on.

With the purpose of customer service quality increase and prevention of poor quality and nonqualified service by trade entities it is necessary to secure for the latter the liability rules in due legal form.

In the legal field it is also necessary to stipulate the mechanism of large trade centers development in order to develop trade infrastructure on the basis of trade entities' enlargement, which is peculiar to all the countries, the experience of which we studied. This should take place through preferential taxation with reconstruction of new objects based on modern technology and developed service infrastructure, when a consumer can obtain maximum range of services when purchasing the goods in the necessary quantity and quality and with the most versatile product range.

However, any changes in legislative field in the course of conducting measures on adaptation of foreign experience for internal trade development in Ukraine should stipulate the mechanism of contradictions elimination between national legislation and that of the EU countries. It is especially important nowadays, when Ukraine and EU have signed the EU – Ukraine Association Agreement.

## Conclusion

On the basis of conducted research of the possibilities to adapt foreign experience of internal trade development in modern conditions in Ukraine there is a reason to make the following conclusions:

1. Learning and use of foreign experience in Ukraine is the way to solve the problems of internal trade for the sake of its development. Here the experience of the developed countries in the world, which maintain innovative development of internal trade on the basis of information society promotion, is helpful.

2. In order to adapt foreign experience of internal trade development in Ukraine it is necessary to take into account the basic conditions of the branch development on innovative basis at times of changes related to transition to information society.

3. Each foreign experience studied has its advantages. France experience has advantage in terms of implementation of institutional change for overcoming the negative factors' influence on the internal trade development social component and regulation of prices for goods and services at consumer market. The experience of the USA, Poland and Brazil is advantageous in terms of implementation of institutional change for overcoming the negative influence on the internal trade development economic component. Russian Federation experience – in terms of forming of entrepreneurship motivation factor that allows meeting economic interests of producers and consumers. Belarus experience – in terms of conducting drastic changes in institutional component for improvement of management component of internal trade development that promotes solution of economic problems in the branch.

4. To use foreign experience of internal trade development in Ukraine it is necessary to adapt national legislative basis. This stipulates liquidation of contradictions between national legislation and that of the EU countries taking into account the EU – Ukraine Association Agreement. Promotion of facilitated trade activity conducting by domestic entities in the branch, providing of equal rights to all entities and facilitation of business conducting by their motivating to provide qualitative services to consumer should be the major objective of legislative basis improvement in Ukraine.

For the viewpoint of the results of the conducted research, it should be noted that study of foreign experience can help solving the problems of internal trade development in Ukraine. This experience can be taken into account when elaborating the mechanisms of internal trade development and eliminating practical problems in each of trade components.

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