Abstract

This master thesis studies the effect of government debt, corporate taxation, and inflation rate on the trade misreporting gap. Furthermore, this thesis attempted to replicate and expand the analysis of Kellenberg and Levinson (2019) on the subset of post-Soviet countries on a greater timespan to identify whether a generalized conclusion is applicable for all the developing countries. The data was collected from numerous resources (UN Comtrade, CEPII, World bank, GCR, De Sousa (2012)), with the final sample consisting of 127 countries where the leading trading partner was one of the countries from the post-Soviet union in the timespan between 2002 and 2020. It was found that for the exporting country, the government debt is positively associated with the trade gap, while there is no significant impact of corporate taxes and inflation. On the contrary, for the importer, the smaller the government debt, the larger the trade misreporting gap; the higher corporate taxation has a positive association with the illicit behavior, which can be explained by the incentive to misreport traded value; the inflation rate does not affect the trade reporting gap. Change of the data sample neither significantly affected trade gap distribution nor affected the conclusions of the earlier research.