



Problems of Minimizing the Risks of Foreign Economic Activity

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ABSTRACT

Development of international business activities of Uzbek foreign trade entities has become one of the most pressing issues today. However, the entry of foreign trade entities into the world market is accompanied by increasing systemic uncertainty, which creates clear external economic risks that offset the negative impact of internal and intra-company risks, and is one of the challenges in the globalization process. For this reason, this article examines measures, theoretical and practical methods of prevention and minimization of risks of foreign economic activity. As a result of the research, the author developed proposals to minimize the risks of foreign economic activity in the country.

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Introduction

In the context of globalization, modern trends in the development of the world economy require the strengthening of ties between economic entities of different countries. The uncertainty of the impact of globalization processes exacerbates the external impact of the world economy on the development of national economies in general and economic entities in particular. It is globalization that is becoming a key factor in Uzbekistan's accession to the world economic space through the activation of various types of foreign economic activity (FEA) of national economic entities. At the same time, the systemic uncertainty of global economic processes and the negative impact of the on-farm results of enterprises that decide to enter foreign markets are more likely. In such a situation, a scientifically based system of internationalization management should be developed to counter the negative effects of globalization, maximizing the benefits of access to foreign markets and neutralizing its negative effects in the form of

risk. Accordingly, the problem of economic security of an economic entity is one of the most pressing problems of its activity in the world economy and will remain so.

At the same time, the development of international business activities of Uzbek foreign trade entities has become one of the most pressing issues today. However, the entry of foreign trade entities into the world market is accompanied by increasing systemic uncertainty, which creates clear external economic risks that offset the negative impact of internal and intra-company risks, and is one of the challenges in the globalization process.

Therefore, the Decree of the President of the Republic of Uzbekistan sets tasks on this issue, comprehensive support of exporters, wide introduction of modern quality management systems to increase the competitiveness of domestic goods in trade, including foreign markets, and their compliance with international standards and technical regulations. The introduction of advanced information and communication technologies, the gradual development of foreign trade infrastructure, e-commerce system, improvement of legislation in this area [1] are also reflected in ensuring compliance with the requirements of trade, sustainable growth of trade and intensification of investment policy.

For the economic choice of an entrepreneur in favor of international business to be effective, the process of risk management in the FTA (foreign trade activity) must be scientifically based as a set of methods for identifying and analyzing external economic risks in general and specific.

In the context of minimizing the risks of the company in the global economic environment, the participation of not only micro, but also meso and macro levels in this process, which are able to ensure the economic security of the enterprise, region and country. improving their regulatory impact and creating new organizational and functional structures.

Thus, in the context of increasing international economic instability, as well as the intensification of the process of integration of national economic entities into the world economy, there is an urgent need for scientific study of the nature and types and specific features of external economic risks.

In such circumstances, along with the study of external economic risks, finding measures and ways to minimize them is one of the most important issues facing both the state and the subject of foreign trade.

Literature review

An analysis of the research on the problem of research has shown that there are two "parallel" directions in the domestic and foreign literature, one of which is the measures to minimize foreign trade risks of the state, and the other - to minimize potential risks in foreign economic activity actions.

This topic was discussed among foreign scientists Daniels D., McConnell K., Bru S, Porter M., Sachs J., Fisher P., CIS scientists Avdokushin E. F. [2], Balabanova I.T. [3], Dolgova works. SI, Pokrovskaya V.V., Puzakova E.P., Spiridonova I.A., Strovskiy L.E. et al.

Bachkay T. While Antonov V.A. studied the risks of entrepreneurial activity in his works, some aspects of risk management in the context of integration of business entities into the world economy were studied. Bunkovskiy D. V. His research explores various aspects of the practical application of such methods as minimization of business risks, diversification of the enterprise, risk limitation, insurance, self-insurance, accounting and estimating the amount of net assets of the enterprise in its general funds [4].

Although the problems associated with risks in the global economic environment are increasingly involved in scientific research, in general, the specific features, directions of these risks and ways to

minimize them are not theoretically fully covered. In this regard, the study of this topic is relevant.

Research methodology

The methodological basis of this research is the fundamental rules of foreign economic activity and the works of leading domestic and foreign economists who have conducted research on the problem under study.

The study used methods such as theoretical observation, scientific abstraction, comparative analysis, mathematical and statistical grouping.

Analysis and results

As mentioned above, the minimization of risks of foreign economic activity should be carried out in two directions, by the state and the subject of foreign economic activity itself.

Public policy in this regard should include:

strengthening tariff and non-tariff regulation measures;

strengthening control and penalties over foreign economic activity and all foreign exchange and foreign trade operations;

inventory of confusing, contradictory, and ever-changing legal frameworks;

creating opportunities and conditions for increasing the level of knowledge of specialists in foreign economic activity and foreign trade, logistics, customs, foreign exchange operations and taxation;

intentional violation of the law and prevention of the growth of corruption.

In addition, in order to minimize the pressure on foreign economic activity and foreign economic activity, it should do the following:

adoption of various legal documents, interagency documents and standards;

bureaucracy, preventing the proliferation of various reports;

prevent an increase in the number of inspections, licensing and approval procedures.

At present, foreign trade in Uzbekistan, unlike in the days of the state monopoly, is carried out on the basis of fundamentally new principles. All this is a strong incentive to develop foreign economic relations. However, the decline in industrial production, the deterioration of the situation on world markets, the volatility of the soum have a negative impact on the structure and dynamics of exports in the country. For the same reasons, the increase in the share of fruits and vegetables and raw materials in exports, including the low share of semi-finished and finished products, also leads to an increase in the risks of foreign economic activity.

Most of the products exported from the country are:

precious and semi-precious metals and stones - 1.04 billion. dollars (39.6%);

services - 464.2 mln. dollars (17.6%);

energy carriers and oil products - 253.6 mln. dollars (9.6%);

textile products - 368.6 million. dollars (14%);

food products - 100.6 million. dollars (3.8%);

non-ferrous metals and their products - 117.7 million dollars. (4.5%);

chemical products and products made from them - 55.5 million dollars. (2.1%);

ferrous metals and their products - \$ 349.6 million. (2%) (Figure 1).

In particular, the volume of exports of fruits and vegetables in 2020 amounted to 1.48 million tons and exceeded \$ 1.008 billion in value (the rate of decline was 16.5%, respectively, compared to the same period in 2019). On this basis, 768.3 thousand tons of vegetables were exported for \$ 400.0 million, as well as 402.3 thousand tons of fruits and berries for \$ 353.9 million (a decrease in value compared to the same period) in 2019 by 15.1% and 13, respectively. , 0%).

In January-December 2020, the share of fruits and vegetables in total exports was 6.7% [5].

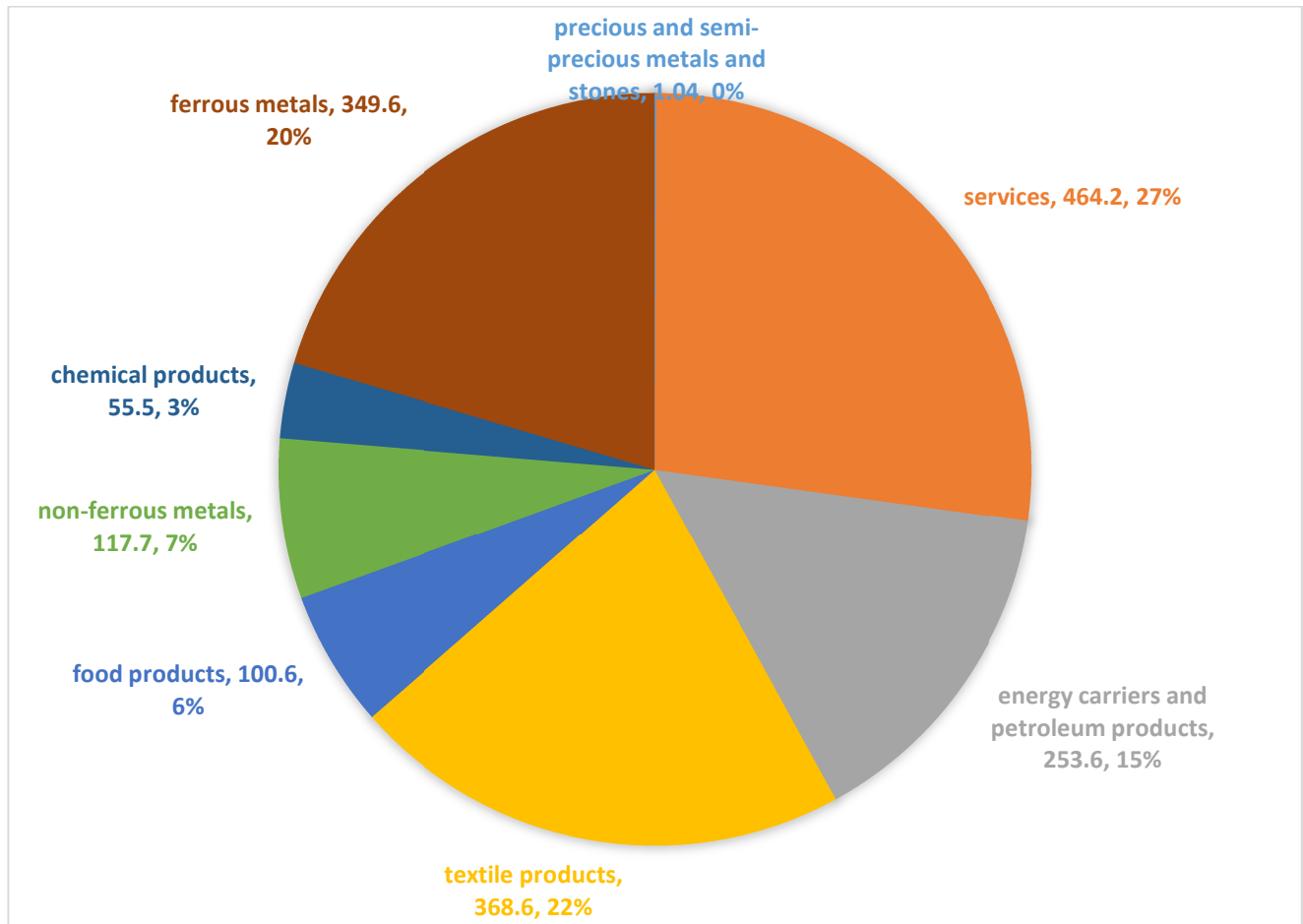


Figure 1. Exports from the Republic, January-December 2020, million dollars [6]

The current stage of development of foreign economic activity in our country is associated with a radical change in the forms and methods used in previous decades of development. Tens of thousands of enterprises have the opportunity to actively participate in international economic cooperation, regardless of whether they belong to the public or private sector, organizational form, form of ownership, scope of activities.

At the same time, the subjects of foreign economic activity also face the issue of minimizing the risks of foreign economic activity. It is necessary to develop measures to minimize the risks arising from the emergence of external economic activity, dividing them into internal and external risks.

In this case, the risks are external: risks associated with a foreign partner; Risks associated with the

FEA contract; customs and logistics risks; insurance risks, internal: defects in products exported; staff incompetence; shortcomings in the documentation of the foreign trade process; errors in standardization and certification, etc. (Figure 2).



Figure 2. External and internal risks

*** Image authoring**

In this process, it is advisable for the subject of foreign economic activity to do the following in order to minimize the risks of FEA.

There are 5 main ways to manage risk: acceptance, prevention, transfer, mitigation, and exploitation. These are:

Acceptance of risk means that the FEA entity accepts the risk as much as possible and develops a program to combat it. For example, if there is a risk of defects in an exported product, it estimates the risk of defects at 5 percent, and develops measures to eliminate that 5 percent. These measures can also be manifested as testing the product in several stages.

Of course, it is difficult to avoid danger in life. The firm must take over an important part of it. However, some risks are accepted because they are inevitable, while others are accepted because they provide an opportunity for potential benefits. There are two types of risk acceptance:

1. acceptance of planned risks;
2. unplanned risk.

In the first case, the firm knows the frequency of possible losses, and if they are generally small, these losses are offset by current income. In this case, insurance is convenient, ie in the event of an

unforeseen event, the company creates a special reserve fund (risk fund) at the expense of profit allocations. Self-insurance is advisable when the value of the insured property is relatively low relative to the property and financial criteria of the entire business, as well as when the probability of loss is very low.

In the second case, in cases of unplanned risk, the firm must recover losses from all remaining resources after the loss. In this case, if the losses are large, the amount of profit can be reduced.

Risk prevention means that the potential risks in this process are predicted and measures and strategies are developed to prevent them. For example, if your company's finance team is busy managing corporate accounts in January, it may not be a good idea to train them in January to learn the new process. There is a risk of not formalizing the costs, even if they attend seminars, and in January they will all be very busy going to classes or applying new knowledge. Instead, it's best to move the session from January to another month.

The transfer of risks is usually beneficial in a contractual relationship, where the risk is transferred to the second or third partner in accordance with the contract. It is also possible to transfer the risk to an insurance company by insuring a FEA contract.

Risk mitigation is the most common risk management method used to minimize risk. For example, in the context of globalization, innovation is an important factor of competitiveness. Under such conditions, the rapid introduction of innovations into the production process and the frequent training of staff can reduce the risk of becoming uncompetitive.

In some cases, the risk can be positive. For example, an increase in the number of consumers and intermediaries importing FEA subject products. Exploitation is a risk management strategy used in such situations. It is a strategy to look for ways to create risk or, if so, ways to increase impact.

The highest level of risk leads to the need to look for ways to minimize it. These actions are carried out in two directions:

1. avoidance of possible risks;
2. reduce the impact of risk on work.

Most risk prevention decisions are implemented at the decision-making stage. By making such a decision, you can completely avoid possible losses, but it will not allow you to get the amount of benefits associated with risky activities. Typically:

- ✓ it may be simply impossible to avoid potential risks;
- ✓ avoidance of one danger can lead to the emergence of others;
- ✓ the amount of profit from engaging in a particular activity may significantly exceed the potential losses.

The most commonly used methods to minimize enterprise risk today are:

- diversification of the enterprise;
- obtaining new data to predict potential risks;
- risk mitigation;
- insurance;
- accounting and assessment of the amount of actual funds used by the enterprise in its general funds;
- Other ways to minimize risks.

Risk insurance is essentially the transfer of certain risks to an insurance company, which acts as a transfer. Funds to cover losses are received faster from insurance companies than from other sources, except for the resources available to the business itself.

However, we must not forget that this method of risk minimization has a number of limitations.

First, the price. Often, the premium required by the insurer to assume the risk exceeds the price that the principal insurer deems reasonable to carry the risk.

Second, the limitation of the use of insurance is the inability to insure certain types of risks. Insurance companies do not undertake to insure these types of risks or make very large payments if the risk of exposure is very high.

Diversification is a method of risk mitigation in which the investor spends his funds in different sectors (different types of securities, enterprises of different sectors of the economy) to cover losses at the expense of another sector.

The distribution of risks is usually done by dividing (diversifying) the firm's assets. Its essence is to reduce the maximum possible losses in a single event, but at the same time, the risk situations that can be controlled increase.

Conclusion and recommendations

In the process of risk minimization, the FEA entity should use all possible internal sources of risk reduction before seeking assistance from other organizations:

1. examination of potential partners;
2. enter into a contract in a qualified manner;
3. planning and forecasting the company's activities;
4. Careful selection of employees of the company [7].

There are practical measures to be taken by both the state and the subject of foreign economic activity to minimize the risks of foreign economic activity in the country. Including:

- Improving the process of insurance of foreign trade operations and detailing the legal and practical framework;
- Improving the activities of customs in the implementation of foreign trade operations and the gradual minimization of bureaucratic barriers;
- Staff training;
- Carrying out quality control at each stage of production to minimize defects in the production process;
- Subjects of foreign economic activity to adapt the quality of management and production process, manufactured products to the requirements of international certificates and obtain these certificates.

Thus, there are many ways and practical measures to minimize risk. Their selection and use requires a serious consideration of the current economic situation, as well as the fulfillment of certain conditions.

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