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Important Aspects of the Development of Foreign Economic Activities

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Abstract: The article describes the need and development of foreign economic activity, topical issues of increasing the export potential of the national economy and the main risks that may affect the development of foreign economic activity in the current situation on the world market. The purpose of the study is to identify the main strategic objectives for strengthening the integration of the national economy into the international financial system. And also this article describes the comparative advantage of the Republic of Uzbekistan in integrating into the world economy in terms of its competitiveness at the regional and global levels, largely related to the development and implementation of foreign economic policy. The authors used the following research methods: as grouping, abstraction, comparative analysis, structural analysis and scientific forecasting. The conclusion is made on the analysis of trends in the country's foreign trade turnover, current scientific proposals and practical recommendations on the main directions of development of foreign economic activity in the future.

Key words: export, import, international financial system, international capital market, diversification, innovation, international trade, offshore financial centers, international financial institutions.

1. Introduction.

One of the important issues of ensuring the sustainable development of the national economy in the process of globalization is the effective organization of foreign economic activity. Effective organization of foreign economic activity, along with a positive impact on the growth of competition in all sectors of the economy, serves to strengthen the country's position in world markets. In this regard, it is important for our country to establish and strengthen economic cooperation with many foreign countries, to actively cooperate with various economic and financial organizations around the world.

At present, the main strategy of the country's foreign economic activity is the development of the production of export-oriented products and the strengthening of its competitiveness in the world market, as well as the organization of import-substituting production.

The comparative advantage of the Republic of Uzbekistan in integration into the world economy in terms of its competitiveness at the regional and global levels is largely due to the development and implementation of foreign economic policy. Despite the heated discussion about ongoing structural reforms, when developing foreign economic policy, it is important to take into account the effectiveness of the country's geographic, production, technological, and labor



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resources. This is due to the fact that the strengthening of the international division of labor requires a high level of competitiveness from the participants in international financial relations.

In recent years, economic reforms have been actively carried out in our country, aimed at developing foreign economic activity, strengthening trade and economic ties with foreign countries, as well as gaining strong positions in world markets through the production of high-quality competitive products. The strong position of our country in the world markets and the growth of its foreign economic potential largely depend on the export potential of the national economy. At the same time, in recent years, special attention has been paid to increasing the role of foreign trade, especially its export potential, for the development of the country's economy. This situation can be explained by the following pressing problems: firstly, export is the main source of foreign exchange inflow necessary for the purchase of imported goods from abroad, replenishing the country's foreign exchange reserves and ensuring financial stability; secondly, the need to expand the access of domestic producers to world markets with high-quality and competitive products in the face of fierce competition in the world market; thirdly, the rapid growth of the international capital market relative to world trade and, accordingly, the rapid growth of the financial interdependence of countries, ensuring the stability of the financial and monetary system requires constant coordination of the country's foreign economic policy at the regional and global levels.

2. Materials and methods.

The article uses such research methods as induction and deduction, systematic and comparative analysis, economic and statistical methods in the development of scientific conclusions and recommendations based on the study of the current state of development of foreign economic activity in the context of globalization, its changes and changes. factors influencing it.

The methodological basis for writing the work is also scientific methods, which are based on the requirements of an objective and comprehensive factor analysis of the financial condition of the organization. The studies were carried out using a combination of methods and methods of scientific knowledge. The system-structural method was used to analyze the financial condition and identify structural changes. The use of economic-mathematical and economic-statistical methods made it possible to determine the trends in the development of the organization's foreign economic activity, evaluate their dynamics, and identify imbalances and contradictions.

Conceptual models help to reveal the nature of economic phenomena based on the identification of key prerequisites for their existence and help to establish the nature of dependencies. Therefore, we consider it appropriate to use this model in the article.

3. Literature review.

In the context of globalization, foreign economic activity, its changes and development features, factors influencing foreign economic activity, are studied by many foreign economists as special scientific research, and these studies have important scientific approaches. In particular, the studies of classical economists A. Smith and D. Ricardo are devoted to the main economic theories of international exchange, and a number of other economists have studied modern trends and features of foreign economic activity and international trade. [20; 23]

In particular, P. Krugman, M. Obstfeld, M. Melitz determined the effective organization of foreign trade relations at the international level, the competitive advantages of individual countries



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in foreign economic activity and the factors influencing it. He also developed recommendations for the effective organization of foreign economic relations, the intensification of international cooperation in this process. [13]

M. Fujita, A. Niebuhr and S. Stiller conducted a study of the characteristics of the development of international economic activity and trends in its development, substantiating the advantages of international economic integration and the direction of liberalization of foreign economic activity. [14; 17]

E. Helpman, J. Tinbergen, A. Bernard and T. Mayer, A. Cusolito developed modern models of international trade, studying development trends and main features of international trade, the relationship of a country's export competitiveness in international trade with intensive and extensive borders. [3; 7; 16; 23; 24;]

Fundamental studies of the economics of international trading systems using the terms of trade were carried out by K. Bagwell and R. Steiger, who developed recommendations for creating basic conditions for the development of world trade and ensuring the participation and activity of countries in international trade. [5; 6]

The issues of increasing the competitiveness of foreign economic activity and the formation of a strategy for the development of international trade, as well as models and concepts for the effective organization of international cooperation in the world economy, were studied by A. Oleinov, N. Zakharov, E. Drobot. [8; 10; 18]

E.Zvonova, A.Kuznetsov, L.Revenko conducted a study of global imbalances in the development of foreign trade relations and their regulation, as well as the removal of various barriers to the development of foreign trade. [11; 19]

Economists of our country A. Vakhobov, N. Sirajiddinov, N. Zufarova and L. Mingishov conducted research on the organization of effective foreign economic activity in the conditions of international competition, the achievement of high scale efficiency, more efficient use of existing production capacities, increasing the competitiveness of exports. [9; 21; 12; 15]

In the context of the globalization of the world economy, foreign economic activity is important for the sustainable development of any national economy. At present, given the changes in the world economy, it is important to determine the directions for reforming foreign economic activity.

4. Analysis and results.

As you know, today the world economy is undergoing institutional changes at all levels under the influence of various factors. In our opinion, from the point of view of assessing the consequences of the globalization of the world economy, it is important to study the directions of development of foreign trade relations and, on this basis, determine their impact on the development of foreign economic activity.

Today, the world economy and markets are influenced by serious factors. These include recurring large-scale financial and currency crises; the weakness of the financial sector in developing countries; increase in the number of offshore financial centers; limited ability of international financial institutions to provide financial assistance to developing countries, depending on the amount of private capital; investment institutions, financial instruments and increase in the volume



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of transactions. [4] These factors indicate the need to reform foreign economic activity and identify its key areas.

It should be noted that a number of leading economists and experts predict a global financial crisis in the coming years. In recent years, the world financial situation, world trade and world production, as well as the leading financial centers, as well as the international monetary system, have undergone dramatic changes. This is confirmed by the leading international organizations of the world, including the World Trade Organization (WTO), which noted that the consequences of the pandemic this year will reduce world trade by 9.2% compared to 2019. In addition, experts predict that the minimum reduction in imports and exports in Asia this year will be 4.5%.

It should be noted that this year the country's balance of payments was affected by changes, mainly due to the COVID-19 pandemic. The decline in foreign trade turnover led to a slowdown in global business activity and an increase in financial risks. Despite the pandemic, structural changes are taking place in the country's foreign economic sector aimed at a systematic increase in foreign trade and exports, in particular, the introduction of a preferential system of customs duties and taxes to ensure the stability of economic sectors, as well as support for some enterprises.

In this regard, in order to stimulate economic growth and investment activity during the coronavirus pandemic, restore production rates, increase employment, increase income and support business, on April 3, 2020, the President of the Republic of Uzbekistan signed Decree PF-5978. "On additional measures to support the population" and Decree PF-5996 "On further measures to support the population and businesses during the coronavirus pandemic" dated May 18, 2020. [1;4] In accordance with this resolution, preferential procedures have been established in a number of areas for further improvement of foreign economic activity.

The foreign economic activity of our country, in particular foreign trade relations, is one of the main factors influencing the development of sectors of the national economy. Foreign trade turnover in 2020 amounted to \$36299.3 million. dollars, which is 5451.7 million dollars more than in the same period last year. US dollars or decreased by 13.1%. During this period of the current year, the decrease in foreign trade turnover compared to last year was negatively affected by the global pandemic and the crisis in the economies of a number of countries as a result of its impact.

Table 1

Foreign trade turnover and balance (January-December, million US dollars)

Indicators	2019 y.	2020 y.	Growth rate, in %	In % of total
Foreign trade turnover	41751,0	36299,3	86,9	-
Export	17458,7	15127,7	86,6	100
products	9105,6	7319,4	80,4	48,4
services	3434,8	2003,9	58,3	13,2
gold	4918,3	5804,4	118,0	38,4
Import	24292,3	21171,5	87,2	100
products	21866,5	19955,1	91,3	94,3



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services	2425,9	1216,4	50,1	5,7
Balance	-6833,6	-6043,8	-	-
Export (without gold)	12540,4	9323,3	74,3	-

Source: compiled by the authors based on data from the State Committee on Statistics of the Republic of Uzbekistan. URL: <https://stat.uz/en/quarterly-reports> (accessed on 31.12.2020).

In addition, the volume of exports in foreign trade turnover for this period amounted to 15127.7 million US dollars, which is 13.3% less than in the previous year. The share of goods in total exports was 48.4%, services - 13.2%, gold - 38.4%, and exports of goods and services decreased by 19.6% and 41.6%, respectively, compared to the same period last year, while the export of gold increased by 18.0 percent.

The total volume of imports amounted to USD 21171.5 million, which is 12.8% less than in the previous year, but in 2020, the volume of imports in the country's foreign trade turnover was higher than exports, which is negative for the foreign trade balance, i.e. -6043.8 million US dollars.

The largest share in total imports (94.3%) fell on goods. At the same time, machinery and transport equipment accounted for 37.6%, industrial goods - 16.9%, chemical and similar products not included in other categories - 13.7%. Therefore, it is advisable to continue and intensify structural reforms in industry to produce products with a high share in the structure of imports of the national economy.

Table 2

Dynamics of foreign trade turnover of Uzbekistan with partner countries (January-December, million US dollars)

Countries	2018 y.	2019 y.	2020 y.
China	6 433,5	7 637,4	6 432,2
Russian Federation	5 655,9	6 669,6	5 640,7
Kazakhstan	2 919,6	3 335,0	3 018,5
Korea	2 159,1	2 767,7	2 142,4
Turkey	2 057,5	2 544,0	2 101,7

Source: compiled by the authors based on data from the State Committee on Statistics of the Republic of Uzbekistan. URL: <https://stat.uz/en/quarterly-reports> (accessed on 31.12.2020).

At present, our country trades with about 170 countries of the world. The largest share in foreign trade fell on China (17.7%), the Russian Federation (15.5%), Kazakhstan (8.3%), the Republic of Korea (5.9%) and Turkey (5.8%). However, in trade relations with these countries, the balance of foreign trade was negative, i.e. the volume of import transactions with each of these countries was higher than exports. In particular, the volume of exports with the People's Republic of China amounted to 1930.9 million US dollars, imports - 4501.3 million US dollars, and the balance - 2570.4 million US dollars, as well as the balance of foreign trade with the Russian Federation - 2700, which amounted to 5 million dollars.

Of the top 20 trading partners, only five had a positive foreign trade balance, including Afghanistan (\$772.3 million), Kyrgyzstan (\$610.1 million), Tajikistan (\$307.2 million) and Iran



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(\$33.2 million). The passive foreign trade balance with other countries is preserved.

Table 3
Dynamics of the export structure (January-December, in%)

	2018 y.	2019 y.	2020 y.
Total	100	100	100
Food and live animals	8	8,2	8,8
Drinks and tobacco	0,3	0,2	0,2
Non-food raw materials, except fuel	3,5	3,4	3,0
Mineral fuels, lubricating oils and similar materials	13,6	14,5	4,4
Animal and vegetable oils, fats and waxes	0,2	0,1	0,2
Chemicals and similar products	6,5	4,8	5,4
Manufactured goods	15,2	15,8	19,2
Machinery and transport equipment	2,5	2,4	3,0
Various finished products	2,3	2,5	4,1
Other goods	0,2	0,3	0,1
including gold	27,8	28,2	38,3
Services	19,9	19,7	13,2

Source: compiled by the authors based on data from the State Committee on Statistics of the Republic of Uzbekistan. URL: <https://stat.uz/en/quarterly-reports> (accessed on 31.12.2020).

If you look at the dynamics of changes in the structure of exports in 2018-2020, then at the end of 2020, gold (38.3%), industrial goods (19.2%), services (13.2%) accounted for the largest share in total exports. If we look at the trend of change over the past three years, the share of gold exports in total exports has increased from 27.8% to 38.3%.

Exports of mineral fuels, lubricating oils and similar materials in the analyzed period had a sharp downward trend, including a decrease of 9.2% compared to 2018 from 4.4% in 2020. The share of service exports also decreased from 19.9% to 13.2% in 2018-2020, while the share of similar goods not included in chemical and other categories decreased from 6.5% to 5.4%. Therefore, in the near future it is necessary to strengthen measures to diversify the structure of exports. Because the high share of only one commodity or product in a country's exports, that is, the fact that the volume of exports depends on this commodity, does not give the expected result in the future. This is due to the fact that if the price of this product on the world market changes sharply or the demand for it decreases, this will naturally have a negative impact on the country's export potential. Thus, the export development strategy should focus on the diversification of its composition. At the same time, it is advisable to intensify measures to increase the export of finished products, industrial goods and services, constantly monitor the needs of foreign partners in imported products, and develop marketing activities aimed at developing new markets.

Currently, there are the following risks that may affect the development of foreign economic activity in the world market:

- crises and unstable development of the world economy;
- increased competition due to the transition of developed countries to new technologies;



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- instability of the inflow of capital into the world and a reduction in the inflow of foreign direct investment;

- the likelihood of a decrease in demand for traditional export goods in Uzbekistan;

- economic growth and a decrease in the activity of the main trading partners of Uzbekistan.

The above risks are becoming increasingly relevant in the context of the ongoing pandemic in the world. This is due to the fact that the countries of the world were forced to take drastic measures to ensure the health of the population and combat the spread of infection. Restrictions and quarantine measures have negatively affected the movement of international trade, tourism, capital and labor, which has led to a sharp decrease in the rate of production and employment, a reduction in international passenger and freight traffic in many large companies and enterprises operating in key sectors of the economy in almost all countries create trends. In this context, falling demand and increased competition in foreign markets, unfavorable external economic conditions and the devaluation of national currencies in major trading partners are forcing domestic enterprises to reduce or export products in order to increase or maintain competitiveness in foreign markets.

In a number of scientific studies devoted to the development of foreign economic activity, as well as to increasing the country's export potential, it was noted that a number of endogenous and exogenous factors have a significant limiting effect on exports [19; 23]. The most important of these factors are:

– low level of competitiveness of domestic industrial products (for example, machinery and transport equipment, light industry products);

– the unstable financial situation of most manufacturing enterprises, which makes it almost impossible to implement promising export-oriented projects at the expense of domestic investment resources;

– insufficient development of local systems for certification and quality control of exported goods against the background of increased requirements for consumer and environmental characteristics, as well as the safety of products sold in the markets of industrialized countries;

– rising prices for products and services of natural monopolies and their competitive advantage over products of the manufacturing industry and the agro-industrial complex;

– the lack of practical experience of most business entities in the field of export and inefficient coordination of their activities in foreign markets, etc.

In general, these factors have a negative impact on the activities of economic entities, their export potential and the sustainable development of the country's foreign economic activity.

It is known that the need to export products and raw materials produced, grown or mined in the national economy, as well as previously imported and processed goods, pursues the following goals:

- expansion of sales markets for products in order to increase sales and profitability;

- acquisition of resources;

- is a source of attraction of the currency necessary for the purchase of foreign goods and the formation of reserves;

- helps to diversify production.

5. Discussion.



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In our opinion, the development of export potential in the future and the diversification of its commodity composition is determined by two interrelated groups of factors. On the one hand, these are static factors characterized by comparative advantages in the field of natural resources, as a result of which it is possible to further focus on high-tech products and products with a high degree of processing. On the other hand, these are dynamically changing factors of competitive advantage associated with innovation and scientific and technological progress. As a result of the combined action of these factors, it is possible to increase the competitiveness of the national economy, ensure sustainable export growth and stimulate the development of the economy as a whole.

It should be noted that the complex of foreign economic activity of our country and its integration into the world economy includes clearly defined goals and key measures to achieve them. To do this, first of all, it is necessary to identify sectors that form a strong export link of the national economy and ensure its rightful place in the world market, as well as the widespread use of methods of state support for the economy in Russia. export. At the same time, the allocation of long-term loans at preferential interest rates to expand production, develop the activities of exporting enterprises, attract investments in the implementation of projects aimed at organizing export-oriented industries, geographical and commercial diversification of existing tax incentives to support exporters and stratification in terms of stimulating production finished products with high added value. [15]

In the context of globalization, the active participation of national economies in the global division of labor becomes an important condition for their successful work. At the same time, the main strategic goals of developing foreign economic activity in the country and strengthening the integration of the national economy into the international financial system are:

- ensuring the integration of the national economy into the integration of the world economic system;
- increasing the country's export potential by attracting foreign capital for the implementation of projects aimed at the production of high-performance products;
- maximum satisfaction of the needs of the national economy in imported products through the implementation of projects for the production of imported and import-substituting products;
- creating favorable conditions for attracting foreign investment by improving investment policy;
- wide use of conditions and opportunities created in free economic zones in the production of export products and attraction of foreign capital;
- strengthening cooperation with international financial institutions in financing promising projects in the national economy;
- further development of the infrastructure of foreign economic activity.

6. Conclusions.

The entry of our country into the process of international economic integration serves to further increase the potential of the national economy both inside and outside the country. Also, as a result of the large-scale implementation of measures aimed at expanding the participation of our country in international financial relations, favorable conditions have been created in recent years



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for domestic producers to enter world markets, as well as financial institutions to enter international financial markets. As a result, it becomes possible to increase the stability of the national economy by attracting capital from international financial markets.

In our opinion, the main directions of foreign economic activity today should be:

- systematic implementation of the policy of targeted liberalization of foreign economic activity;
- improving the structure of exports and imports of enterprises operating in the sectors of the economy through the development of their production capacities;
- strengthening measures aimed at diversifying the structure of exports;
- protecting and supporting the interests of producers of export-oriented, competitive products within the country;
- attracting foreign capital, primarily for material export-oriented and import-substituting production;
- expanding the production of high-performance products in the future by increasing investment in human capital;
- development of further integration of the country into the world transport system.

In conclusion, it should be noted that additional measures to stimulate exporting enterprises in the national economy and expand the export of competitive products, attract foreign direct investment and strengthen integration into the world economy will be an important factor in achieving sustainable economic growth.

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