

## THE EFFICIENCY OF THE ECONOMICS OF TAXES AND BALANCES OF PAYMENTS IN THE DEVELOPMENT OF FOREIGN ECONOMIC ACTIVITY

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**Annotation.** *The article is devoted to the main groups of foreign economic functions and types and elements of foreign economic activity and their characteristics. Moreover, it also describes efficiency of the economics of taxes, balances of payments in the development of foreign economic activity.*

**Keywords:** *export, market, internal, payment, import, account, taxes and balances, taxation system.*

Foreign economic functions refer to a set of activities that involve international trade, foreign investment, and other economic activities carried out by a country's government, businesses, and individuals with other countries. The main goal of foreign economic functions is to enhance a country's economic growth and development by promoting foreign trade and investment.

Foreign economic functions are essential in the current global economy, as they enable countries to access new markets, technologies, and opportunities. The functions of foreign economic activity include:

1. Exporting: The process of selling goods and services produced in a country to other countries. Exporting can help businesses reach new markets and increase their revenues.

2. Importing: The process of purchasing goods and services produced in other countries. Importing helps a country access goods and services that it cannot produce efficiently or at all.

3. Foreign direct investment: An investment made by a company or individual in a foreign country, with the aim of controlling the investment and acquiring a long-term stake in a foreign market. FDI can bring new technologies, skills, and capital to local economies.

4. Portfolio investment: An investment made by a company or individual in foreign stocks, bonds, and other financial instruments. Portfolio investment provides a way for investors to diversify their portfolio and access new investment opportunities.

5. International loans and aid: A country may obtain loans from other countries or international organizations to finance development projects or to support the

government's budget. Foreign aid is also provided by donor countries and organizations to support development activities in recipient countries.

6. International trade agreements: Agreements made between countries to reduce tariffs, import quotas, and other barriers to trade. These agreements can help to promote international trade and increase economic growth.

Foreign economic functions are a vital aspect of a country's economic development. The functions of foreign economic activity facilitate international trade and investment, provide access to new markets, technologies, and opportunities, and contribute to economic growth and development.

Foreign economic activity can be divided into several types, including exporting, importing, and foreign direct investments (FDI). The elements of foreign economic activity include trade, finance, and investment.

1. Exporting: Exporting refers to selling goods or services produced in a country to other countries. Exporting requires a thorough understanding of foreign markets, regulatory requirements, and tariffs. Companies that engage in exporting often invest in marketing research and operations to ensure that their products are successful in foreign markets.

2. Importing: Importing is the process of purchasing goods or services produced in other countries for use in the domestic market. Importing may require accessing foreign languages or identifying reliable suppliers in foreign markets. Importing can be essential to sustain local production or to obtain essential materials for production.

3. Foreign Direct Investment (FDI): FDI is a long-term investment in a foreign entity to gain substantial ownership and management control rights. FDI can be used to expand the operations of a business or to enter a new market. FDI can bring new technologies, skills, and capital to local economies.

#### Elements of Foreign Economic Activity

1. Trade: Trade includes exports, imports, and international trade agreements between governments or international organizations. Trade helps to promote economic growth by creating economic opportunities and providing consumers with access to a variety of goods and services.

2. Finance: Finance includes international loans and foreign aid. International finance can support development projects, promote economic growth, and influence the global financial system.

3. Investment: Investment includes FDI, portfolio investment, and international collaborations or partnerships between businesses. Investment can bring new

resources, expertise, and technology to domestic markets, leading to enhanced competitiveness and job creation.

#### Characteristics of Foreign Economic Activity

1. **Globalization:** Globalization refers to the increasingly interconnected nature of economies and societies worldwide. Globalization enables businesses to expand their operations and reach new markets, while also presenting challenges such as greater competition, changing regulations, and labor standards.

2. **Competition:** Foreign economic activity takes place in highly competitive environments, with businesses competing for market share and profitability. To succeed in the global economy, companies must be innovative, efficient, and flexible, which requires ongoing investment in human and physical resources.

3. **Risk:** Foreign economic activity involves risks such as economic policies, exchange rates, political instability, and natural disasters. These risks can be managed through strategies such as diversification, insurance, or contingency plans.

4. **Technology:** Technology has played a crucial role in accelerating foreign economic activity, facilitating communication, transactions, and payment systems, and creating new business models. As technology evolves, businesses must adapt to its impact to remain competitive and relevant in the global economy.

Foreign economic activity is becoming increasingly important in the global economy as businesses look for new markets and opportunities to expand. One crucial aspect of foreign economic activity is the role of taxes and balances of payments, which have a significant impact on a country's ability to successfully engage in international trade. This article examines the efficiency of the economics of taxes and balances of payments in the development of foreign economic activity.

Taxes play a crucial role in the economics of foreign trade. The taxation system of a country affects its competitiveness in the global market, and the effectiveness of the tax system is an important factor in attracting foreign investment. Governments can use taxes on imports and exports to regulate trade with other countries, promote domestic industry, and generate revenue for the state. For instance, tariffs are import taxes that raise the cost of imported goods, thereby making them less competitive with domestically produced goods. Moreover, domestic businesses receive protection under tariff measures as they reduce competition from foreign suppliers.

Another important aspect of foreign economic activity is the balance of payments. It is a record of all monetary transactions between a country and the rest of the world. The balance of payments is divided into two accounts: the current account and the capital account. The current account records transactions involving goods, services, and income, while the capital account records capital flows, including direct and

portfolio investment, foreign aid, and debt. The balance of payments helps to determine a country's economic position in the world, which is essential for policymakers and investors to make informed decisions.

The efficiency of a country's tax and balance of payment policies plays a crucial role in attracting foreign inputs and promoting exports and national growth. Governments use a mix of monetary and fiscal policies to regulate and stabilize the economy. The management of taxes and the balances of payments is an essential aspect of economic policy that helps to maintain macroeconomic stability and stimulate growth. Efficient taxation and balance of payments policies can contribute to the growth of the national economy and encourage foreign investors and customers to participate in foreign economic activity.

In conclusion, the efficiency of the economics of taxes and balances of payments is essential for the development of foreign economic activity. The taxation system and balances of payments play a significant role in promoting domestic industry, regulating trade with other countries, and generating revenue for the state. Policymakers must thus prioritize efficient tax and balance of payments policies to attract foreign investment, promote export growth, and expand international trade. By doing so, they will develop a robust global presence and contribute to economic growth in their country.

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