

# Contemporary Challenges in the Digitization of Companies' Foreign Trade Activities

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DOI: <https://doi.org/10.53697/jim.v4i2.1842>

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Received: 11-4-2024

Accepted: 17-05-2024

Published: 29-06-2024



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**Abstract:** Digitalisation enables companies to significantly reduce costs associated with their foreign trade activities. The implementation of digital technologies simplifies the organization and execution of foreign trade operations, thereby enhancing the competitiveness of exported goods. Furthermore, the widespread adoption of digital technologies within companies' foreign trade activities is driving the emergence of new trends in both the supply and demand of goods. This shift allows for the substitution of expensive resources with more cost-effective alternatives, reduces labour costs, and uncovers previously untapped resources in the production process. The article explores and substantiates the potential benefits of digitalization in the foreign trade activities of companies.

**Keywords:** Company, Foreign Trade, Export, Import, Digitalization, Digital Technologies, Resources, Costs.

## Introduction

The New Uzbekistan Development Strategy for 2022-2026, as outlined in Presidential Decree No. 60 dated January 28, 2022, emphasizes enhancing the export potential of the Republic as a cornerstone of sustainable economic development. A key objective within this strategy is to elevate the Republic's export volume to USD 30 billion by 2026. Achieving this ambitious target necessitates a significant focus on enhancing the export capabilities of companies through the digitization of their foreign trade activities.

G. Mokrov identifies three critical forms of export subsidies that are instrumental in bolstering companies' export activities:

1. Specific Direct Subsidies: These subsidies are allocated from the exporting nation's budget to support the production, export, or delivery of goods.
2. Indirect Specific Subsidies: These are provided through mechanisms such as tax reductions, decreased duty fees, and minimized contributions to the state budget, thereby alleviating the financial burden on exporting companies.

3. Combined Specific Subsidies: This category encompasses a mix of direct and indirect subsidies, offering a comprehensive support system for exporters .

A. Gloriov and D. Mikhailov's analyses reveal the principal types of economic risks inherent in foreign trade activities, which include:

- Commercial risks
- Production risks
- Operational risks
- Bilateral cooperation risks
- Signature risks
- Credit risks
- Currency risks
- Default risks
- Transfer risks
- Financial risks
- Legal risks.

S. Krasnykh asserts that the digitization of foreign trade not only enhances the efficiency of market operations but also fosters the development of high-tech goods and services, which is crucial for enabling domestic companies to compete more effectively in global markets(Rashid, 2023; Voronov, 2024; Zhang, 2024).

A group of economists, through their scientific study, demonstrates that smart contracts offer significant advantages by enabling automated tracking of compliance with transportation, storage, and placement conditions within the supply chain of foreign trade. These smart contracts operate based on predefined mathematical algorithms, ensuring precise and efficient monitoring(Casco, 2022; Demakova, 2022; Kredina, 2022).

Some economists suggest that establishing personal accounts for each participant in foreign economic activities facilitates the declaration of goods across any customs authority. This centralized system accelerates the reduction of duty fees and enhances the efficiency of cash flow management(Narkevich, 2021; Pavlova, 2021; Tkalenko, 2020).

T. Tolmachyova concludes that the adoption of digital technologies profoundly impacts the efficiency of foreign trade activities by reducing the time required for executing foreign trade operations, streamlining the goods issuance process, enabling comprehensive control of the supply chain, and providing the ability to monitor the condition of delivered goods in real-time.

#### I. Digital Platform Capabilities in Foreign Trade

According to Muti, digital platforms utilized in foreign trade should possess several key capabilities:

- They must be capable of performing one or more critical functions within a specific domain.
- They should have the ability to establish certain standards and exert influence over the broader framework of decisions or products.
- These platforms ought to be open or semi-open to others, allowing for development through network cooperation.

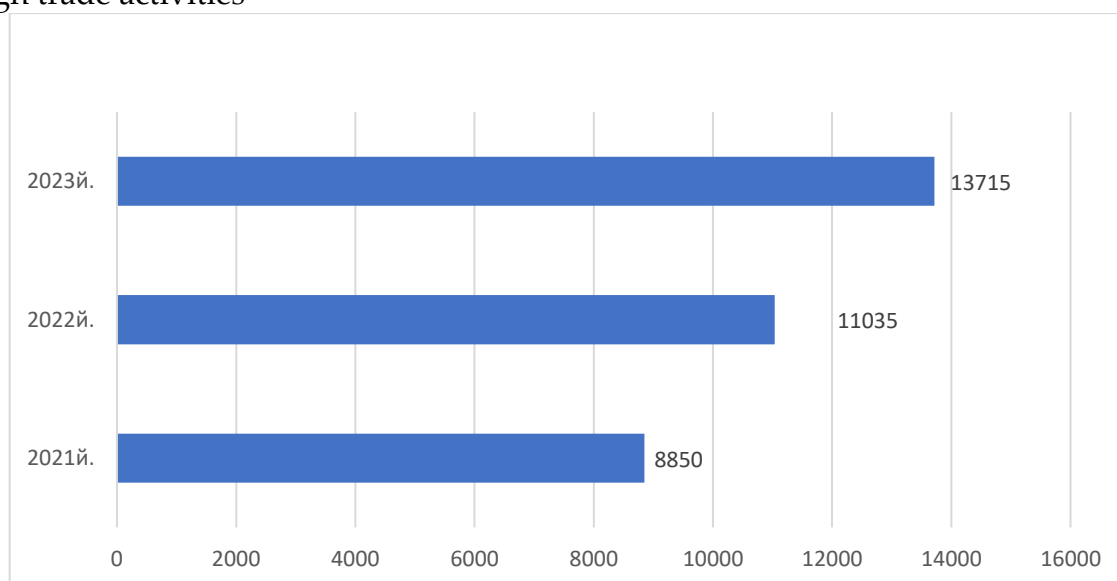
- They should enable the participation of additional goods and services in the platform's development process, benefiting both supplier companies and competitors.

## Methodology

The enhancement of foreign trade activities within companies in our republic is recognized as a crucial opportunity to increase export potential and to modernize production activities both technically and technologically. Achieving this goal necessitates a reduction in costs by streamlining the organization and implementation processes of export and import operations. The reduction of costs associated with foreign trade activities, in turn, underscores the necessity for the widespread adoption of digital technologies in these operations.

## Result and Discussion.

It is important to highlight that the substantial deficit in the country's foreign trade balance signals the existence of pressing issues that need to be addressed to enhance the effectiveness of foreign trade policy. Addressing these issues through the integration of digital solutions is vital for improving the efficiency and competitiveness of the country's foreign trade activities



**Figure 1. The Deficit of the Foreign Trade Balance of the Republic of Uzbekistan, Million USD**

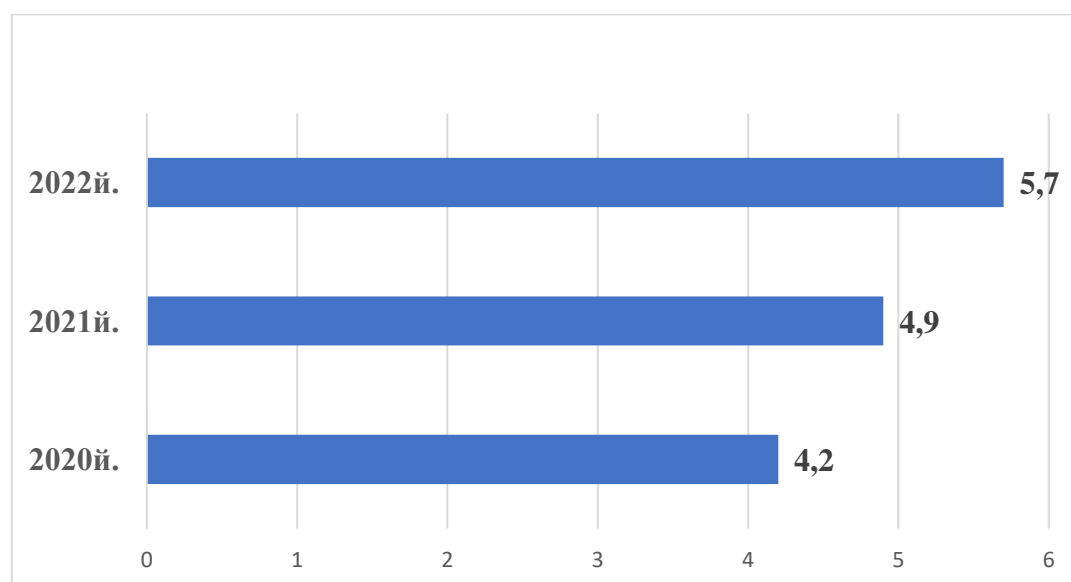
The data presented in Figure 1 illustrates the growing deficit in the foreign trade balance of the Republic of Uzbekistan from 2021 to 2023. Notably, the deficit has increased at a higher rate in 2023 compared to 2021, which is considered a negative indicator for the development of foreign trade activities among the country's companies.

In the "Digital Uzbekistan 2030" strategy, the exploration and implementation of virtual and augmented reality, artificial intelligence, cryptography, machine learning, big data analysis, and cloud computing technologies are recognized as critical tasks for digitizing the national economy. These technologies are essential for enhancing the competitiveness and efficiency of Uzbekistan's foreign trade operations.

According to UN experts, the share of e-commerce in international export and import operations is growing rapidly, reaching nearly 15 percent. Within the e-commerce market, the Business-to-Business (B2B) segment is the most dynamic, driven by the extensive scope of export-import operations conducted by companies using digital technologies.

The Business-to-Consumer (B2C) segment, which involves the sale of final demand goods, also plays a significant role in global e-commerce. While the growth rate of operations in the B2C segment is high, the volume of these transactions is still considerably lower than those in the B2B segment.

It is important to recognize that e-commerce holds a pivotal role in the foreign trade activities of companies, contributing significantly to the modernization and expansion of their international trade operations.



**Figure 2. The Volume and Dynamics of the Worldwide E-Commerce Market, Trillion USD**

The data presented in Figure 2 highlights the consistent growth trend in the volume of global export and import operations conducted through e-commerce during the analyzed period. This upward trend is a positive indicator for the ongoing efforts to digitize foreign trade activities of companies, reflecting the increasing adoption and integration of digital technologies in international trade.

Notably, the export of goods via the eBay digital platform emerges as one of the promising avenues for enhancing the digitization of companies' export processes. The use of such platforms exemplifies how digital tools can expand market access and streamline international trade operations, thereby contributing to the overall growth of e-commerce and the global economy.

**Table 1.**

Goods exported through eBay Inc.'s digital platform and the company's net profit

Indicators	The 2020 year	The 2021 year	The 2022 year
The volume of exports carried out through the company's digital platform, is billion. US dollar	6,3	10,4	9,8
Net Profit of the company, billion. US dollar	1,8	5,6	13,6

**Table 1. Analysis of eBay Inc's Export Volume and Net Profit Growth**

The data in Table 1 demonstrates that the volume of exports conducted through eBay Inc's digital platform experienced a significant increase in 2022 compared to 2020, with similar growth observed in 2021 relative to 2020. Additionally, the net profit of eBay Inc showed a consistent upward trend from 2020 to 2022, with a particularly pronounced growth rate in 2022 compared to 2020.

## Conclusion

Based on our scientific research, several important conclusions have emerged regarding the digitization of companies' foreign trade activities. Firstly, digitization plays a crucial role in expanding the market for high-tech goods and services, which significantly enhances the global competitiveness of companies. Furthermore, innovative digital technologies have revolutionized supply chain management by enabling automated tracking of transportation, storage, and placement conditions. This innovation ensures greater efficiency and accuracy in foreign trade operations.

Another key finding is that the application of digital technologies leads to substantial efficiency gains in trade operations. These technologies reduce the time required for executing foreign trade transactions, streamline the goods formalization process, and provide comprehensive control over the supply chain, including real-time monitoring of the condition of goods.

However, our research also highlights a growing concern: the increasing deficit in Uzbekistan's foreign trade balance from 2021 to 2023. This trend points to significant challenges in the development of the country's foreign trade activities that need to be addressed. On a positive note, the global volume of export and import operations conducted through e-commerce has shown a promising growth trend from 2020 to 2022. Notably, eBay Inc.'s digital platform saw substantial growth in export volume in 2022 compared to 2020, along with a significant increase in the company's net profit, underscoring the potential of digital platforms in boosting trade activities.

To further advance the digitization of foreign trade activities in our republic, it is essential to implement a few key strategies. Firstly, companies should focus on expanding the diversity and volume of exported products. This can be achieved by adopting electronic document circulation and Smart contracts, which streamline operations, as well as by leveraging digital platforms such as eBay, Uber, Airbnb, Priceline, Kayak, and OpenTable to reach a broader market.

Additionally, reducing operational costs is crucial. Companies can achieve this by optimizing the use of technologies like Supplier Relationship Management (SRM) and Enterprise Resource Planning (ERP) systems. Moreover, utilizing bank escrow accounts and blockchain-based services for secure logistics data exchange can further enhance efficiency and security in the export process. These measures will collectively help companies in our republic to better integrate into the global digital economy, improving their competitiveness and market reach.

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