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THE ESSENCE AND IMPORTANCE OF FOREIGN TRADE POLICY IN MODERN ECONOMIC DEVELOPMENT



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Abstract: Foreign trade policy plays a crucial role in shaping the economic development of countries in an increasingly interconnected global economy. This article examines the essence of foreign trade policy, its theoretical foundations, and its practical importance in promoting economic growth, structural transformation, and international competitiveness. The study analyzes the main instruments of foreign trade policy, including tariffs, non-tariff barriers, export promotion measures, and trade agreements, and evaluates their impact on national economies. Particular attention is paid to the role of foreign trade policy in ensuring macroeconomic stability, protecting domestic industries, attracting foreign investment, and integrating countries into global value chains. The findings highlight that a well-designed and balanced foreign trade policy contributes to sustainable economic development, enhances productivity, and supports long-term national economic interests in the context of globalization.

Key words: Foreign trade policy; international trade; economic development; trade liberalization; protectionism; globalization; competitiveness; trade balance; economic growth.

Annotatsiya: Tashqi savdo siyosati tobora o'zaro bog'liq bo'lib borayotgan global iqtisodiyotda mamlakatlarning iqtisodiy rivojlanishini shakllantirishda hal qiluvchi rol o'ynaydi. Ushbu maqolada tashqi savdo siyosatining mohiyati, uning nazariy asoslari va iqtisodiy o'sishni, tarkibiy o'zgarishlarni va xalqaro raqobatbardoshlikni rag'batlantirishdagi amaliy ahamiyati o'rganiladi. Tadqiqotda tashqi savdo siyosatining asosiy vositalari, jumladan, tariflar, tarifsiz to'siqlar, eksportni rag'batlantirish choralari va savdo shartnomalari tahlil qilinadi va ularning milliy iqtisodiyotga ta'siri baholanadi. Makroiqtisodiy barqarorlikni ta'minlash, mahalliy sanoatni himoya qilish, xorijiy investitsiyalarni jalb qilish va mamlakatlarni global qiymat zanjirlariga integratsiyalashda tashqi savdo siyosatining roliga alohida e'tibor qaratiladi. Tadqiqot natijalari shuni ko'rsatadiki, yaxshi ishlab chiqilgan va muvozanatli tashqi savdo siyosati barqaror iqtisodiy rivojlanishga hissa qo'shadi, unumdorlikni oshiradi va globallashtirish sharoitida uzoq muddatli milliy iqtisodiy manfaatlarni qo'llab-quvvatlaydi.

Kalit so'zlar: Tashqi savdo siyosati; xalqaro savdo; iqtisodiy rivojlanish; savdoni liberallashtirish; protektsionizm; globalizatsiya; raqobatbardoshlik; savdo balansi; iqtisodiy o'sish.

Аннотация: Внешнеторговая политика играет решающую роль в формировании экономического развития стран в условиях все более взаимосвязанной глобальной экономики. В данной статье рассматривается сущность внешнеторговой политики, ее теоретические основы и практическое значение в содействии экономическому росту, структурным преобразованиям и международной конкурентоспособности. В исследовании анализируются основные инструменты внешнеторговой политики, включая тарифы, нетарифные барьеры, меры по стимулированию экспорта и торговые соглашения, и оценивается их влияние на национальные экономики. Особое внимание уделяется роли внешнеторговой политики в обеспечении макроэкономической стабильности, защите отечественных отраслей промышленности, привлечении иностранных инвестиций и интеграции стран в глобальные цепочки создания стоимости. Результаты показывают, что хорошо продуманная и сбалансированная внешнеторговая политика способствует устойчивому экономическому развитию, повышает производительность и поддерживает долгосрочные национальные экономические интересы в контексте глобализации.

Ключевые слова: Внешнеторговая политика; международная торговля; экономическое развитие; либерализация торговли; протекционизм; глобализация; конкурентоспособность; торговый баланс; экономический рост.

INTRODUCTION

It is known that during the 16th-19th centuries, the great geographical discoveries, the industrial revolution, and the emergence of unified nation-states led to a significant expansion of the volume and nomenclature of foreign trade operations. For this reason, great attention was paid to the study of international trade theories.

Foreign trade is a form of relations between commodity producers of different countries that arises on the basis of the international division of labor, and it reflects the economic interdependence between countries.

Structural changes in the economies of countries under the influence of the information technology revolution, specialization and integration (cooperation) of industrial production are strengthening the cooperation of national economies. This creates an opportunity for the activation of international trade. At the same time, international trade is growing faster than production. Analysis of foreign trade turnover shows that when world production increases by 10%, world trade can be observed growing by 25-30%.

LITERATURE REVIEW

“Foreign trade” refers to the trade of one country with another country, consisting of paid imports and paid exports.

Foreign trade activities are divided into trade in finished goods, trade in machinery and equipment, trade in raw materials, and trade in services, according to commodity specialization.

The sum of the paid trade turnover of all countries in the world is called international trade.

The concept of foreign trade also has a narrower meaning, for example, the total trade turnover of industrialized countries, the total trade turnover of developing and backward countries, etc. All countries face the problem of choosing their national policy on foreign trade, and disputes on this topic have been ongoing for two centuries.

As a result of the deepening of globalization processes in the world economic system, the interdependence of national economies is increasing, and foreign economic activity is becoming an important factor in ensuring sustainable economic growth. In such conditions, it is difficult for an individual country to achieve any significant results in socio-economic development, relying only on its internal capabilities.

Another widespread theory of international trade, the concept of the product life cycle, is developed by the authors of the American C.Kindleberger, R.Vernon, L. Wales, who distinguish the main stages of commodity expansion carried out by a developed country. According to this concept, the manufactured product is first of all filled with the national market of economic partners with a closer level of development, and then this product is introduced into the market of developing countries.

The famous American a researcher M.Porter tried to combine the Heckscher-Ohlin model and the theories of foreign trade activities of companies. According to him, the development of modern foreign trade depends on the factors of production, the demand for service industries, the strategy of the firm and the competitive environment. All of these are clearly visible as elements of the system, interacting with each other, taking into account government policies and unforeseen events.

RESEARCH METHODOLOGY

In this article scientific abstraction, induction, deduction, comparative analysis and statistical methods are used

ANALYSIS AND RESULTS

Although in recent years, direct investment abroad has been growing at a faster rate than exports of goods in international economic relations, international trade still accounts for 4/5 of total world economic relations. This is explained, first of all, by the importance of international trade in the national economy and its role in international economic relations.

Foreign economic activity affects the development of the national economy in the following areas:

- The resource base of the national economy will expand and the narrowness of the domestic market will be eliminated. is given;
- The processes of repeated production in national economies are intensifying: the opportunity to organize mass production arises, the level of equipment utilization increases, the efficiency of introducing new techniques and technologies increases. grows;
- The possibilities of accumulation and industrialization expand, the pace of economic growth accelerates, the efficiency of using natural and labor resources increases, and ultimately, labor productivity increases, and people's incomes increase. increases;

- An increase in export volumes leads to the creation of new jobs;
- The country's level of international specialization increases and etc.



1-picture. The role of international trade in the system of international economic relations.

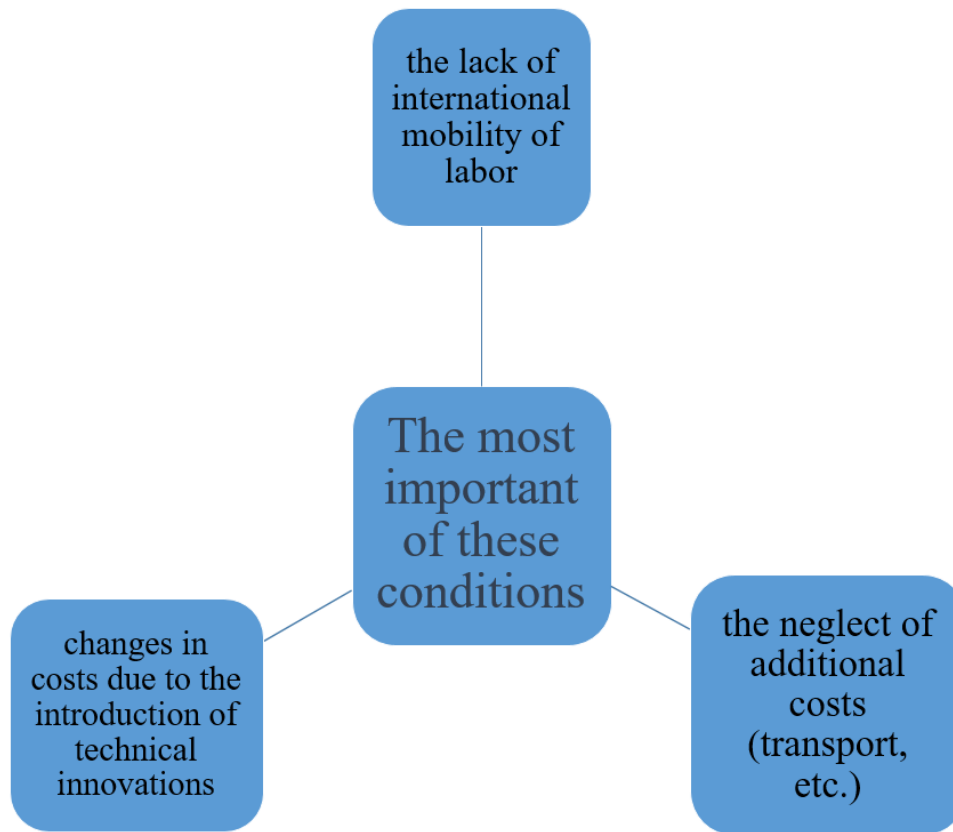
The nature and causes of international trade have attracted the attention of many economists. The nature and causes of international trade, the material welfare expected from it were initially explained by mercantilists. Mercantilists believed that the basis of a country's wealth was gold (money), and their theories of foreign trade were based on this idea.

Mercantilists believe that foreign trade should be aimed at maintaining and increasing the amount of gold in the country. Therefore, in order to improve the well-being of the country's population, it is necessary to export as much as possible and import as little as possible and the difference between exports and imports is the growth of national wealth. Accordingly, the state should comprehensively support exports and should restrict imports. At the same time, it should be noted that there are some differences in the views of the "early" mercantilists and the "late" mercantilists.

The merit of the representatives of this school in the development of the theory of foreign trade is that they were the first to address the problems of foreign trade they paid attention, emphasized its importance in the economic development of the country, justified a certain ratio of expenses spent on export and import.

In order to achieve accuracy in the theoretical representation of specific cases of commodity exchange, D. Ricardo believes that a number of conditions must be observed. The most important of these conditions are the following:

- the lack of international mobility of labor,
- the neglect of additional costs (transport, etc.)
- changes in costs due to the introduction of technical innovations.



2-picture.D. Ricardo's number of conditions must be considered in order to achieve accuracy in the theoretical representation of specific cases of commodity exchange.

He gives as an example the production of cloth in England and wine in Portugal, which have become classics in economic literature.

According to Ricardo's example, the production of cloth in England requires the labor of 100 men in a year. This cloth is sold to Portugal, and England buys wine from it. The production of wine domestically required additional 120 people to be involved in production. Thus, it is profitable to buy wine from England. At the same time, in Portugal, 90 and 80 people are required to produce the same amount of cloth and wine, respectively. In Portugal, cloth production is cheaper than in England, but more expensive than wine production. Therefore, it is profitable for Portugal to produce wine and exchange it for English cloth. If we assume that each country produces the same amount of cloth and wine for itself and for export, and compare them, it is easy to prove the advantage of foreign trade.

The data presented show that if production is efficient in Portugal, and follows from the theory of absolute advantage, then production in England should be stopped and all products should be purchased from Portugal. At the same time, it is impossible to close all production in the country. Therefore, England will stop producing the product that is cheapest abroad. In this example Such a product is wine, and in Portugal it costs only 67% of what it costs in England to produce wine. Those who are freed from wine production begin to manufacture cloth, and produce it in sufficient quantities to meet domestic needs and to buy wine.

Fabric production is also cheaper than in England, but Portugal prefers to specialize in wine production. "It is more advantageous for her (Portugal) to use her capital in wine production, because Portugal, by transferring part of her capital from winemaking to cloth production, can buy more cloth from England than she produces."

The analysis shows that foreign trade is beneficial for both countries. If the countries do not enter the foreign market, the total cost of producing wine and cloth in Portugal is 170 units, and in England 220 units. After specialization and entry into the foreign market, the cost of production in Portugal is 160 units, and in England 200 units. Whereas 390 units of labor were previously required to satisfy the needs of both countries, after specialization only 360 units of labor are required. Thus, the foreign market reduces the cost of consuming goods minimizes.

The theory of comparative advantage is based on the labor theory of value.

Nowadays, comparative advantage is determined by opportunity costs.

A great contribution to the concept of D. Ricardo was made by the English philosopher, sociologist and economist J. Stuart Mill. In the middle of the 19th century, in his work "Principles of Political Economy", he proved that the exchange rate is determined by the law of supply and demand, in which a country has the opportunity to pay for its total imports in an amount equal to the value of its total exports. At the end of the century and the beginning of the 20th century, as a result of structural changes in international trade, the role of natural advantages in the international division of labor significantly decreased. The Swedish scientist E.Heckscher and the Danish B. Olin created a theory explaining the reasons for trade in products of the processing industry (20-30s of the 20th century). According to this theory, different countries are provided with labor, capital and land to different degrees, and the demand for them also differs from each other. For example, in a rich country in labor resources, there is a shortage of capital, and labor is relatively cheap, and, conversely, in a country rich in labor resources, capital is relatively cheap. Therefore, it is beneficial for the first country to export goods with high labor intensity, and the second country to export goods with high capital intensity. The Heckscher-Ohlin theory clearly explains many patterns observed in international trade. In fact, countries export goods that constitute the bulk of their production costs in which they have abundant resources.

The considered model was most useful in explaining the development of trade between the metropolis (industrialized) and colonial countries (agrarian - suppliers of raw materials).

However, the Heckscher-Ohlin concept created a number of difficulties and contradictions in the analysis of commodity flows in the "triangle" of the USA - Western Europe - Japan. Many prominent economists, including the Nobel Prize-winning American an economist V.Leontiev, drew attention to this. The fact is that, according to Leontiev's calculations, the USA, which was considered capital-rich in 1947, exported not capital-intensive goods, but labor-intensive goods.

The controversy surrounding Leontiev's paradox led to a deeper analysis of the factors of production and the emergence of a number of new theories of international trade, each of which emphasizes one or another aspect of commodity exchange.

In the middle of the 19th century (1948), American economists P. Samuelson and W.Stolper further improved the Heckscher-Ohlin theory. In conditions of homogeneity of production factors and technology, pure competition and complete mobilization of goods, international exchange equalizes the prices of production factors between countries. The authors base their concept on the model of D. Ricardo, supplementing the Heckscher-Ohlin theory, and consider trade not only as a mutually beneficial exchange, but also as a means of reducing the gap between the socio-economic development of countries.

Modern concepts of international trade can be divided into two main types.

Proponents of the Heckscher-Ohlin model seek to refine this model by including new factors such as technical innovations or labor force skills among the factors of production (I.Kravis, D.Kising).

Opponents of this concept focus their attention on the components that play a significant role in the external operations within the firm. The American an economist S.Lindert explains the expansion of trade between developed countries by the similarity of the consumption structure of the importing country to the consumption structure of the country where the parent company is located.

Mastering the production of this commodity, export it to the developed country at a relatively low price, the initiator of this period. In the 60s of the 20th century, the American an economist R.Vernon put forward the theory of the product life cycle. In this theory, R.Vernon tried to explain the international trade of finished products through their life stages. According to this theory, the product life cycle includes four stages: introduction, growth, maturity and decline.

In the first stage, a new product is created in response to a need that has arisen in the country (often a developed country). Therefore, in the first stage, the production of a new product is small-scale, requires high-skilled workers, and production is mainly concentrated in the country where the product was created, with the manufacturer having a near-monopoly position, with a small part of the product being exported to foreign markets.

During the growth stage, demand for the product increases, production expands, and gradually spreads to other countries. The product becomes standardized, competition among producers intensifies, and exports increase.

In the maturation stage, large-scale production takes priority, the price factor comes to the fore in the competition, and due to the expansion of markets and the diffusion of technologies, the country that created the product loses its competitive advantage. Production gradually begins to move to developing countries, where cheap labor can be effectively used in standard production conditions.

Depending on the degree of transition to the decline stage, demand for the product begins to decline, especially in developed countries, production volumes decrease, product production is concentrated in developing countries, and the country that created the product becomes a net importer. The product life cycle theory fairly reflects the evolution of many industries, but cannot fully explain the trends in the development of

international trade. Many goods (goods with a short life cycle, goods with high transportation costs, goods with sharply differentiated quality intended for a narrow range of potential consumers, etc.) do not fit into the product life cycle theory.

CONCLUSION AND RECOMMENDATIONS

In conclusion, foreign trade policy remains one of the most important instruments of modern economic management. Its essence lies in regulating international trade relations in a way that supports national economic objectives while responding to global market dynamics. An effective foreign trade policy enables countries to strengthen their competitive advantages, diversify exports, and protect strategically important sectors without undermining overall economic efficiency. In the context of globalization, the importance of foreign trade policy has increased, as economies are more exposed to external shocks, competition, and technological change. Therefore, policymakers must pursue a flexible and evidence-based foreign trade policy that balances liberalization with selective protection, promotes innovation and investment, and ensures sustainable and inclusive economic development.

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