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## **CLASSIFICATION OF RISKS OCCURRENCE IN THE SPHERE OF INTERNATIONAL TRADE**

*Рассматриваются причины возникновения рисков в области внешнеэкономической деятельности, а также приводится классификация рисков, которые могут возникнуть на предприятиях, занимающихся экспортом товаров. В статье приводится анализ некоторых теорий, рассматривающих взаимодействие рисков с главными макроэкономическими факторами, а также дается анализ причин возникновения рисков на разных стадиях работы предприятий.*

**A research urgency** The importance of the problem that considers developing and implementing of a company's regulations within the market which is under risk and uncertain conditions is of significant importance nowadays. Different management strategies allowing to minimize and get rid of the influence of internal and external factors on a company's efficiency are being developed.

**A research objective:** To investigate new factors influencing performance of a company which exports goods and look in some aspects such as defining risks level on time that results in bankruptcy of a company or some other less negative consequences. The main objective of this article is to qualify the risk notion as an economic category. It is important to classify common risks and identify precisely FT risks. Identifying basic tendencies influencing risks occurring with development of world economy has been researched in the article.

**A body.** The main factors are frequency of decision making, which can be risky and can be increased with further development of a company, for example, inconsistency of the state legislation as a whole. Besides, these entrepreneurs face lots of difficulties such as strong competition, different interests of counteragents, diversity of information while carrying out foreign trade activity. Their counteragents often ignore the some aspects such as defining risks level on time that results in bankruptcy of a company or less negative consequences.

It is important to take into account the risks in FT because it is very essential for Ukraine, since this is a country which is only trying to develop market economy and it can be characterized by its inconsistency of economy and political environment, the lack of non authentic statistic information, accelerated information of social and economic processes.

Recently some theoretical, methodological and applied aspects of risk estimation and account of FT have been reflected in the whole range of Ukrainian and

foreign scientific works. One can mention the works of the following scientists as D. Nekar, V. Amer, T. Brywer, R. Yumayev, T. Klyeabanova, V. Vitlinski and others.

There are some determinative theories that don't give stipulated recommendations how to perform efficiently and to function successfully under risky or uncertain conditions. The problem of risk account in FT and its links with main microeconomic factors of the countries requires further research, creation of the new powerful methods of analysis and management of risks in foreign trade. Elements of the quantitative analysis, economic and mathematical modeling and information systems and technologies should be used in this research.

It's necessary to point out that even best forecast can't be certain about market stability. It's clear here that uncertainty can lead to risky measures.

It has no doubts that foreign trade is one of the spheres that is mostly subject to risks occurrence and here we can often observe uncertainty and unpredictability. The necessity of predicting and assessing of a complicated process of funds flow, commodity and material value and information flows stipulates it. Uncertainty can be stipulated for not realizing trade customs and traditions in a partner's country. By and large it creates absolutely risky activity.

It's impossible to avoid risks entirely. There are 2 types of risks — necessary and unnecessary. Having good feeling of risk amplifies to distinguish clearly between taking necessary and unnecessary risks in every particular case. In fact many decision makers collide with the necessity to choose when they do not have enough reasons.

Thus, a risk is an objective and subjective category which is due to overcome uncertainty, contradictions and conflicts when it is necessary to make a choice. This category reflects the value of the expectable outcome and this process is a quantitatively certain course of action under conditions of uncertainty, which leads to success.

There are many types of risks such as risk of liquidity, investments, reinvestments, percentage risk, credit risk, risk of production, currency risk, risk of capital adequacy, risk of insolvency, risk of incompetence, risk of inflation and others.

Risk can be found at different stages of business activity of any company. However, it can be found more often in the company involved in foreign trade activity.

Risks occurrence depends on many reasons. These reasons reflect some tendencies of world economy development. The most common of them are:

1. Principle of compared advantages. It says that totality of output amount will be the highest as long as goods are produced by every country where expenditures are the lowest.

2. FT conditions. The main essence is to exchange goods according to reasonable balance between demand and supply.

3. FT liberalization. World economy can reach the most efficient replacement of goods and the highest level of welfare of countries which were involved due to FT liberalization.

4. Trade barriers.

5. Import quotes.

6. No tariff barriers.

7. Floating currency rates, which are determined by demand and supply.

8. Fixed currency rate.

9. International systems of currency rates.

The most common systems are:

➤ System of gold standard, which implies a fixed currency rate;

➤ Bretton and Wood system, which implies considering gold and dollar to be international resources.

The structure of FT risks is very big and come to about 150 types. In this article I have represented generalized classification of FT risks.

Risks relating to conditions of a contract:

➤ Connected with goods, its quality , package and price;

➤ Connected with conditions of a contract;

➤ Connected with a choice of financial conditions of a contract;

➤ Connected with force-major circumstances;

➤ Connected with breaking off a contract and responsibility for disregarding a contract conditions.

External risks, according to agreements, can be of different types as well:

➤ Political;

➤ Micro economical;

➤ Dependent on reliability;

➤ Juridical;

➤ Criminal;

➤ Marketing;

➤ Information.

Risks at the early stages of an agreement can be connected with:

➤ Customs regulation;

➤ Products certification;

➤ Investments;

➤ Production;

➤ Logistics.

Risks which can vary geographically:

➤ risks occurring at the country's market;

➤ risks occurring at the foreign market;

➤ risks on the boarder of a country.

Risks which can be managed in different ways:

- the ones that are controlled by a company;
- the ones that are managed indirectly;
- the ones that can't be controlled at all.

Let us consider the following types of risks in details.

Risks of a country are connected with the peculiarities of a partner's country. They are divided into political and micro economical. Political risks deal with expenditures and losses which occur as a result of wrong state policy. These risks are very significant in the countries where political situation is not steady. Micro economical risks deal with solvency of a country that is a debtor. They are dependent on a partner's country home policy, economy and its debts.

Risks that concern choice and partner's reliability. While making a foreign trade contract the main thing to be taken into account is the partner's reliability. It can be checked by a few ways. One can collect information and check it about his partner to see how reliable he is. The way to check information fully depends on financial means of a FT subject.

Risks that concern marketing. They deal with opportunity of goods promotion to the markets. These risks may relate to information and innovation sphere. The rate of marketing risks appearance is great and at the same time financial losses can average great amount of money. So while carrying out FT operations it's obligatory to discount emerging marketing risks.

Risks that concern logistics. They include 4 possible situations. Group E refers to a situation when a buyer accepts transportation responsibilities to himself. Groups F and C are in the interim position when responsibility for the goods is shared between a seller and a buyer depending on the group they belong to. Group D means that a seller accepts all transportation expenditures. The most common mistake leading to financial losses of a FT subject is wrong definition when a risk moves from a seller to a buyer. Besides the choice of transportation method influences a lot on appearance of risky situation.

Commercial risks. These risks appear while selling goods and services. They include the risk of refusing to be registered while importing the goods, risk of delayed benefit, risk of direct financial losses etc. Decrease of goods demand, sale restrictions, increase of purchasing price and others are the main reasons of such risks appearance.

Customs risks. These risks play the most important role in FT risk structure. They include:

- those concerning delayed goods certification;
- those concerning wrong calculation of customs payment, VAT (value added tax);
- those ones which appear when partners disregard filling in the necessary documents;
- those ones that concern method of transportation.

**The conclusion.** From the above-mentioned one can conclude that the main condition of carrying out FT operations is its effectiveness. It can be successful

if it is worked out thoroughly by highly qualified specialists of a company or by a company which is specialized in such kind of services. Companies can be found under the threat of having a great amount of losses if they don't carry out FT operations properly. They don't ground the reasons of risk appearance enough which may occur while performing financial operations. It's important to analyze and examine all possible types of risks which can occur in the near future.

### **References**

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