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FINANCIAL RISK ASPECTS OF TRANSNATIONAL CORPORATIONS

Integration and globalization have led to the creation of enterprises whose operations extend beyond national borders. Such multinational corporations optimize capital allocation by targeting countries with higher profitability, lower taxes, cheaper labor, greater market demand, and minimal environmental regulations. Despite strategic migration and capital flight, multinational corporations cannot completely avoid financial risk. Therefore, like any business entity, international corporations are exposed to financial risk in the course of their production and commercial activities. These risks have unique characteristics related primarily to cross-border capital flows. A thorough analysis of these characteristics is important for the comprehensive financial risk management of multinational corporations.

The activities of international corporations, like any other enterprise, are subject to risk and uncertainty, and the reward for taking this risk is profit. It is critical to recognize the various aspects of risk and uncertainty arising from the operations of multinational corporations that span multiple countries, which have both advantages and disadvantages from a risk perspective. Effective risk management in multinational corporations requires their identification and further definition of specific characteristics.

Financial risk management in international corporations is characterized by various features. These characteristics concern the classification and interpretation of financial risks, as well as the methodology for managing these risks. Effective financial risk management strategies and techniques in multinational corporations include the use of specialized tools designed to solve the unique problems associated with their transnational operations.

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