

CONTEMPORARY ISSUES IN GLOBAL GEO-FINANCIAL POLICY AND THEIR IMPACT ON INTERNATIONAL FINANCIAL RELATIONS

Suleymanov Ilnur Radikovich (PhD), Assoc.Professor
of the International Finance-Credit at TFI.
Email mail: ilnur.science@gmail.com
ORCID: 0000-0001-7353-4298

Abstract:

This scientific article delves into the pressing challenges faced by global geo-financial policy and their influence on international financial relations. The authors conduct an analysis of geopolitical tensions, trade conflicts, and strategic measures that impact the global economy. The study identifies crucial trends and offers recommendations for sustainable management of contemporary international financial relations.

Keywords: geo-financial policy, international financial relations, geopolitical tensions, trade conflicts, global economy, trends, recommendations.

Introduction

The modern world is gripped by rapid changes in the field of geo-financial policy, which have a significant impact on international financial relations. Maintaining financial stability and sustainable economic growth is becoming increasingly challenging in the context of modern challenges and uncertainty.

This article is devoted to the study of the essence and consequences of modern problems of global geo-financial policy and its impact on international financial relations. The times when financial markets and politics could function in isolation from geopolitical processes are long gone. Today, geopolitical conflicts, trade tensions and global strategies have a direct impact on financial markets and investment decisions.

The integration activation of Uzbekistan in the global financial system from the perspective of geo-financial policy is an urgent task that requires systemic analysis and the development of strategic solutions. Uzbekistan, one of the largest countries in Central Asia, plays an important role in regional economic development. The focus of geo-financial policy is becoming an integral part of Uzbekistan's strategic plan to achieve economic growth. This vision is reflected in a number of decrees of the President of the Republic of Uzbekistan, such as No. UP-158 dated September 11, 2023 "On the strategy of Uzbekistan-2030", No. UP-60 dated January 28, 2022 "On the development strategy of Uzbekistan for 2022-2026" and No. UP-6042 dated August 18, 2020 "On additional measures to develop exports and investments in the Republic", which establish strategic objectives and goals, including strengthening mutually beneficial relations with foreign states and international financial institutions.

This study attempts to analyze various aspects of these impacts, including geopolitical tensions, trade and currency conflicts, and strategic responses taken by countries and organizations. Part of the study will identify important trends and dynamics that define modern international relations.

Literature Review

Modern scientific research examines the international movement of capital, as well as international monetary relations, including the cross-border movement of credit resources. Particular attention is paid to the works of scientists from Uzbekistan, including professors: N. Zhumaev, Sh. Abdullaeva, Zh. Ataniyazov and S. Elmirzaev. Their research sheds light on the profound nature of not only the cross-border movement of capital, but also the various forms of international movement of foreign investment and credit. Among foreign authors, we can highlight the works of the following specialist scientists: J. Smith (2020). "Global Geopolitics and Financial Policy: Intersections and Implications." This paper analyzes the connections between geopolitical events and global financial policy, discussing the impact of the latter on global financial markets; S. Kim (2019). "Globalization, Financial Instruments, and International Financial Relations." That scientific work analyzes how the rapid development of financial instruments and globalization affect the structure and dynamics of financial relations. Increasing international instability in the geo-financial policies of various countries, current trends in dedollarization, the increasing importance of the PRC currency - the yuan in international financial transactions, as well as the introduction of financial and economic sanctions within the framework of economic conflicts, while maintaining instability in prices on the world energy market and a slow pace economic growth in the global economy have had a significant impact on Uzbekistan's participation in international capital movements, both directly and indirectly.

Research Methodology

The choice of indicators and indicators in the methods of studying the problems of international instability of geo-financial policy was based on the focus of the problems of studying geo-financial policy and on ways for the Republic of Uzbekistan to overcome the negative impact of international economic confrontations between some participants in the world economy. As part of the research methodology, the following were used: macroeconomic indicators, exchange rate fluctuations, liquidity, financial indicators such as market capitalization, trade volume, investments, etc. They help assess the state of financial markets. Policy indicators include information on decisions and financial regulatory measures, etc. Geopolitical events such as conflicts, trade wars and international agreements that may have an impact on geo-financial policy. Many researchers use several different indicators to gain a more complete understanding of the complex problem of international financial instability.

Analysis and Results

There is a positive correlation between increased geopolitical conflicts and volatility in financial markets. We hypothesize that as geopolitical conflicts increase, such as international economic rivalries or sanctions, financial markets become more unstable and subject to fluctuations. There is an increase in risks and uncertainty for investors and companies, which may lead to an increase in sales of shares and a decrease in securities. This correlation may be most pronounced when conflicts or events have the potential to affect global trade, energy resources, or macroeconomic stability.

According to data on the number of geo-financial conflicts and the stock index for the period 2020-2023 (forecast), it was determined that there is a statistically significant correlation between the number of economic confrontations and changes in the stock index.

Geopolitical and financial conflicts, such as tensions between the US and China or the EU and Russia, have a significant impact on financial markets. Decisions to impose sanctions, trade confrontations and unresolved political conflicts cause instability in world markets and changes in investment strategies that have direct indirect impacts on Uzbekistan.

Fundamental analysis points to the complex and interconnected nature of international financial relations in the modern world. Geopolitical factors, economic instability, financial innovation and the role of international organizations all interfere with the complex fabric of global finance.

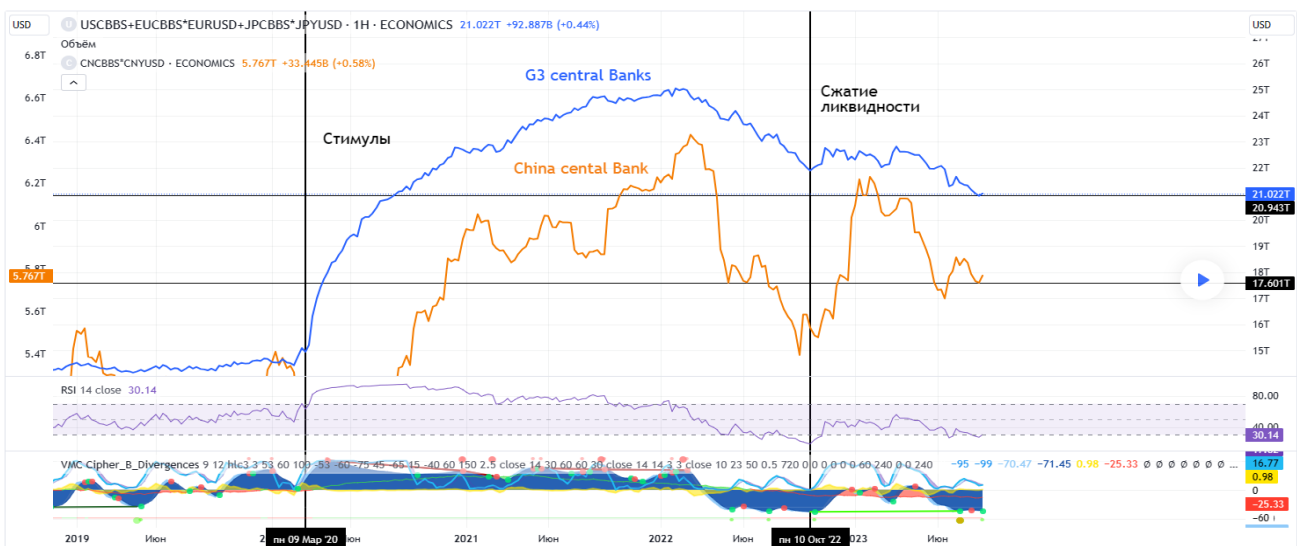


Figure 1 - Global liquidity of central banks [7]

This graphic shows the liquidity dynamics of the G3 central banks (comprising the US, Europe and Japan) as well as China, expressed in the common currency of the US dollar, following the implementation of support measures related to the COVID-19 pandemic and the geo-financial standoff. In this context, careful monitoring and analysis of this liquidity seems essential. In particular, it is worth assessing the strategy chosen by the world's central banks in response to rising inflation or the possible onset of a depression with an analogy to the events of the 1930s.

It should be borne in mind that the level of liquidity has a significant impact on the valuation of assets.

Understanding and adequately managing these aspects is becoming a necessity for organizations, governments and investors seeking to succeed in the global economy. International financial institutions play a key role in shaping financial strategies and maintaining stability at the global level. The decisions they make influence the lending and economic policies of countries.

Uzbekistan is actively striving to strengthen integration in the global financial system, while diversifying the ways to achieve them. This technique includes the participation of Uzbekistan in international financial organizations, such as the International Monetary Fund (IMF), the World Bank, participation in the BRICS plus format [2] where issues in the field of sustainable development for the period until 2030 were discussed, is also one proof of the increased role of Uzbekistan in shaping the global agenda, recognition of the effectiveness of the policies pursued, which have a stabilizing effect on regional and global processes.

As part of reducing the impact of geo-financial confrontations between the largest economies, Uzbekistan, together with the World Bank, is actively implementing about 25 projects with a total financial value of \$5.7 billion. The main mission of these projects is to improve the quality of drinking water, reform agriculture, develop healthcare and improve infrastructure in the country.[5]

Russia, China, India and Brazil occupy leading positions among the 20 most important trading partners of Uzbekistan. Within the total foreign trade turnover of the country, estimated at 42.1 billion US dollars by the beginning of 2022, the share of BRICS member countries was 37.5 percent. The value is divided into 27.8 percent in exports and 43.8 percent in imports. In its foreign economic activities, Uzbekistan adheres to the principle “We must be open to the world, and the world must be open to us.” This principle meets the requirements of the current stage of development of the world economy and is relevant in our time. In 2023, on October 7, the Presidents of the three countries, Shavkat Mirziyoyev, together with Kassym-Jomart Tokayev and Vladimir Putin, launched gas supplies from Russia to Uzbekistan through Kazakhstan, and at the same time, the President of the Russian Federation noted that he would ensure reliable supplies of energy resources and stimulate the growing economy of Uzbekistan and , partly, Kazakhstan. At the same time, the President of Uzbekistan has put forward a number of initiatives that can play an important role in the sustainable development of the global economy and the fight against the food crisis. One of these initiatives is supporting the UN call to ensure stable and open circulation of food products on world markets. Analysis of data on the volume of foreign investment in Uzbekistan in 2022 allows us to predict the prospects for Uzbekistan’s activation in the global financial system.

The volume of absorption of foreign investments and loans in Uzbekistan by the beginning of 2023 reached 112.2 trillion. soums, of which 15.2 trillion. soums amounted to foreign loans guaranteed by the Republic of Uzbekistan, 88.8 trillion. soum foreign direct investment and non-guaranteed foreign loans, 8.2 trillion. sum other foreign investments. The indicator increased to 4.5% compared to the previous year, which indicates positive dynamics in the

country's investment sector. Growth is essential for strengthening economic stability and implementing nationally developed strategies. The share of foreign direct investment in the total volume of investments in Uzbekistan amounted to 36.0%. Increasing the share can contribute to the diversification of sources of capital and technology, which is necessary for the development of industries and strengthening competitiveness. Uzbekistan took second place in the structure of attracted mutual FDI in the CIS, with a share of 20.1 percent - this figure is important, given the competition with other countries in the region and indicates the growing attention to Uzbekistan from international organizations, investors and the active role of Uzbekistan in the global financial system.

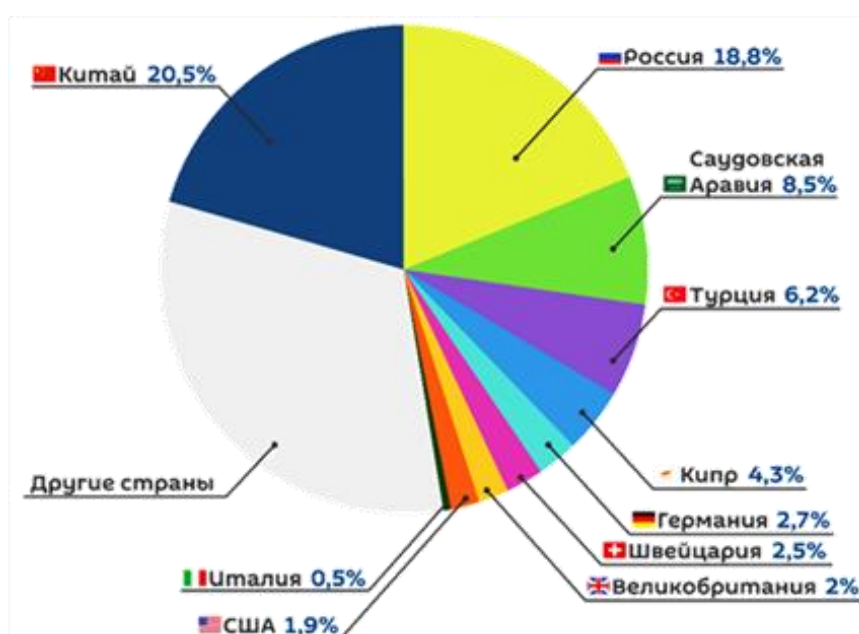


Figure 2 - Foreign investments and loans in the economy of Uzbekistan [9]

An analysis of the ongoing reforms showed that by the beginning of 2017, only three free economic zones (FEZs) operated in Uzbekistan, but by 2022 their number increased to 22, specializing in various fields, including 12 industrial, 6 pharmaceutical, 2 tourism and 2 agricultural SEZs. These changes in legislation and the introduced opportunities have a positive impact on the investment climate in the country. For example, in 2019, Uzbekistan was included for the first time in the Organization for Economic Cooperation and Development (OECD) "Index of Regulatory Restrictions on Foreign Direct Investment" and by 2020 it took 43rd place in the world ranking, as well as 7th place in the Asian region. Between 2017 and 2022, Uzbekistan improved its position in the world ranking of the Index of Economic Freedom by 31 positions, rising from 148th to 117th place. By the end of 2022, the volume of foreign direct investment in the Republic of Uzbekistan increased by 1.5 times compared to 2017, reaching a level of 3.3 billion US dollars.

The World Bank Group has approved a new partnership framework with the Republic of Uzbekistan for the period 2022-2026, providing its support in the implementation of the

strategic goals identified by the Uzbek government in the Development Strategy for the specified period. The partnership program will contribute to the achievement of cross-sectoral objectives that will help Uzbekistan achieve several socio-economic goals by 2030. These goals include eliminating gender inequality and the active participation of citizens in the political decision-making process, as well as increasing the accountability of government bodies to society.

Currently, the World Bank portfolio in Uzbekistan includes 28 projects that are aimed at supporting a variety of socio-economic reforms. The total financial commitment for these projects is US\$5.26 billion. These commitments include approximately \$3.23 billion in favorable International Development Association loans (which have zero or very low interest rates for 30 years with a grace period of 5 years) and \$2.03 billion in International Bank for Reconstruction and Development loans. billion dollars. About \$2.66 billion of the total financial commitment remains to be used. These financial resources will be used to implement projects. The portfolio of the International Finance Corporation in Uzbekistan includes 18 projects with financial obligations totaling \$230 million aimed at developing the private sector.

Results and Discussions

Based on the results of the analysis and discussion of the modern geo-financial policy of Uzbekistan and the prospects for integration activation in the global financial system, the following recommendations are made:

- 1) Improving the legal framework, work should continue to improve the legislation and legal framework in the field of strengthening the integration activation of Uzbekistan in the international financial system in the focus of the new geo-financial policy. This measure will help eliminate legal uncertainties and simplify processes and reduce risks.
- 2) Strengthen the processes of integration of the banking and real sectors of the economy to support new industries and technological development to achieve sustainable growth of the economy of Uzbekistan.
- 3) Strengthening partnerships with international organizations with BRICS, the IMF, the World Bank and other international financial institutions has an important role in ensuring financial stability and supporting key projects.
- 4) Further development of investment infrastructure and climate, reduction of administrative barriers will help attract more foreign investment.
- 5) Diversification of investment sources to reduce risks and increase the sustainability of the economy. Uzbekistan should continue cooperation with both traditional partners and alternative markets, including those based on crypto-financial instruments.

Conclusion

An analysis of the modern geo-financial policy of Uzbekistan and its processes of enhancing integration into the global financial system shows positive trends and prospects for the country. The new partnership framework between Uzbekistan and the World Bank for 2022-2026 focuses on three strategic goals: increasing inclusive employment in the private sector, developing human capital, and increasing prosperity and sustainable development through

green economic growth. Uzbekistan and the World Bank have been cooperating for many years, and the program represents their common efforts in economic reform and development of the country. The joint efforts of the World Bank, the International Finance Corporation and the Multilateral Investment Guarantee Agency are also instrumental in achieving the goals. The growth in the volume of foreign investment, the share of foreign direct investment, as well as active participation in international financial organizations indicate Uzbekistan's desire to strengthen its role in the global economy. Taking these factors into account, Uzbekistan has the potential to become an important participant in the global financial system and play a constructive and stabilizing role in regional and global development processes.

References

1. Krasavina L.N. and others. International currency, credit and financial relations: a textbook for universities. - Moscow: Yurayt, 2023. - 534 p.;
2. Speech by the President of the Republic of Uzbekistan during the High-Level Dialogue on Global Development in the BRICS Plus format. Email resource: <https://president.uz/ru/lists/view/5291>
3. Obstfeld, M., Shambaugh, J. C., & Taylor, A. M. (2020). The international monetary system. *Journal of Economic Perspectives*, 34(1), 3-28;
4. Suleymanov I. R. "Theory of financial risks." Tutorial. – Tashkent: "Finance-Economy", 2019 - 320 p.
5. Uzbekistan and the World Bank Group <https://invest.gov.uz/ru/mediacenter/news/ministry-of-finance-and-world-bank-next-stage-of-cooperation/>
6. Azizov U., Ataniyazov J. Reforming the global financial architecture and international financial system in the context of globalization // *International Finance and Accounting*. – 2019. – T. 2019. – №. 5. – C. 1.
7. Global central bank liquidity. Electronic resource <https://ru.tradingview.com/chart/USCBBS/XtUnjP5A-mirovaya-likvidnostb-tsentralbnyh-bankov/>
8. Statistical Bulletin of the Central Bank of Uzbekistan-2022 (www.cbu.uz)
9. Agency for Attracting Foreign Investment under the Ministry of Investment and Foreign Trade of the Republic of Uzbekistan <https://invest.gov.uz/ru/category/mediacenter/news/page/2/>