

## ISSUES OF INTEGRATION OF UZBEKISTAN INTO THE INTERNATIONAL FINANCIAL SYSTEM AND DEVELOPMENT OF FOREIGN ECONOMIC ACTIVITY

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### Abstract

The article examines our country's current foreign economic activity, development prospects, and integration into the international financial system. Also, statistical data on the topic was analyzed. Existing problems are identified, and conclusions and proposals are given.

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The foreign economic policy of our country is primarily aimed at active participation in international financial relations while protecting national economic interests. In our republic, the strategy aimed at forming and developing socially oriented market relations, ensuring the stable growth of economic sectors, taking a strong position in the world markets by producing high-quality and competitive products, and raising the population's standard of living is being consistently implemented. Special attention is paid to further improvement of foreign economic activity to achieve these goals.

Foreign economic activity means the activity of legal entities and individuals of the Republic of Uzbekistan aimed at establishing and developing mutually beneficial economic relations with legal entities, individuals of foreign countries, and international organizations.

The Republic of Uzbekistan, as a subject of foreign economic activity, is at the disposal of the Republic of Uzbekistan:

- determination of the legal basis for the organization of foreign economic activity;
- development and implementation of foreign economic policy, including currency and credit policy, formation and use of the currency fund of the Republic of Uzbekistan;
- conclusion of international agreements in the field of foreign economic activity and their execution;
- protection of the economic interests of the republic, its legal entities, and citizens outside the territory of the Republic of Uzbekistan;
- establishing legal guarantees for the activities of foreign investors in the territory of the republic;
- representing the Republic of Uzbekistan in international economic organizations and associations;

- Other powers arising from the Constitution of the Republic of Uzbekistan are included.
- The following are defined as the main tasks in the field of foreign economic activity of our country:
  - aiming at a clear goal of further liberalization of foreign economic activity, introducing a preferential procedure for foreign investors to freely use their income in the export and import of goods;
  - further improvement of legal, socio-economic, and other conditions for attracting foreign investors, mainly investments in the form of direct capital funds, to the economy of the republic;
  - Carrying out an open door policy towards investors who bring world-class technologies to Uzbekistan and help create a modern structure of the national economy.

### Analysis and results

In the context of the globalization of the world economy, foreign economic activity is important for the sustainable development of every national economy. In the current period, it is urgent to determine the direction of reform of foreign economic activity, considering the changes in the world economy.

Today, the world economy and markets are affected by severe factors. These include recurring and far-reaching financial and currency crises; the weakness of the financial sector in developing countries; the increase in the number of offshore financial centers; limited capabilities of international financial institutions in providing financial assistance to developing countries regarding the volume of private capital; investment institutions, financial instruments and an increase in the volume of operations can be included. These factors indicate the need to reform foreign economic activity and define its essential directions.

It should be noted that in 2020, the formation of the indicators of the balance of payments of our country was influenced mainly by changes related to the COVID-19 pandemic. A decline in foreign trade has led to a slowdown in global business activity and an increase in financial risks. Despite the pandemic, structural changes aimed at systematically increasing the volume of foreign trade and exports are being implemented in the foreign economic sector of our country, in particular, to ensure the stability of the economic sectors, as well as to support certain economic entities, preferential customs duty, and tax payments system was introduced.

In this regard, to stimulate economic growth and investment activity during the coronavirus pandemic, restore production rates, increase population employment, increase income, and support business entities, on April 3, 2020, the President of the Republic of Uzbekistan "During the coronavirus pandemic, the population, economic sectors, and PF-5978 on additional measures to support business entities and PF-5978 on May 18, 2020 "On further measures to support the population and business entities during the coronavirus pandemic" Decree No. 5996 was adopted. By this decree, preferential procedures have been established in several directions for the further improvement of foreign economic activity.

Also, in this period, the volume of export as part of foreign trade turnover is 15127.7 mln. It decreased by 13.4% compared to the previous year, amounting to US dollars. The share of goods in the total export was 48.4%, services 13.2%, gold 38.4%, and the volume of exports of goods and services decreased by 19.6% and 41.7%, respectively, compared to the previous year, while the export of gold, on the contrary, decreased 18 increased by 0.0 percent.

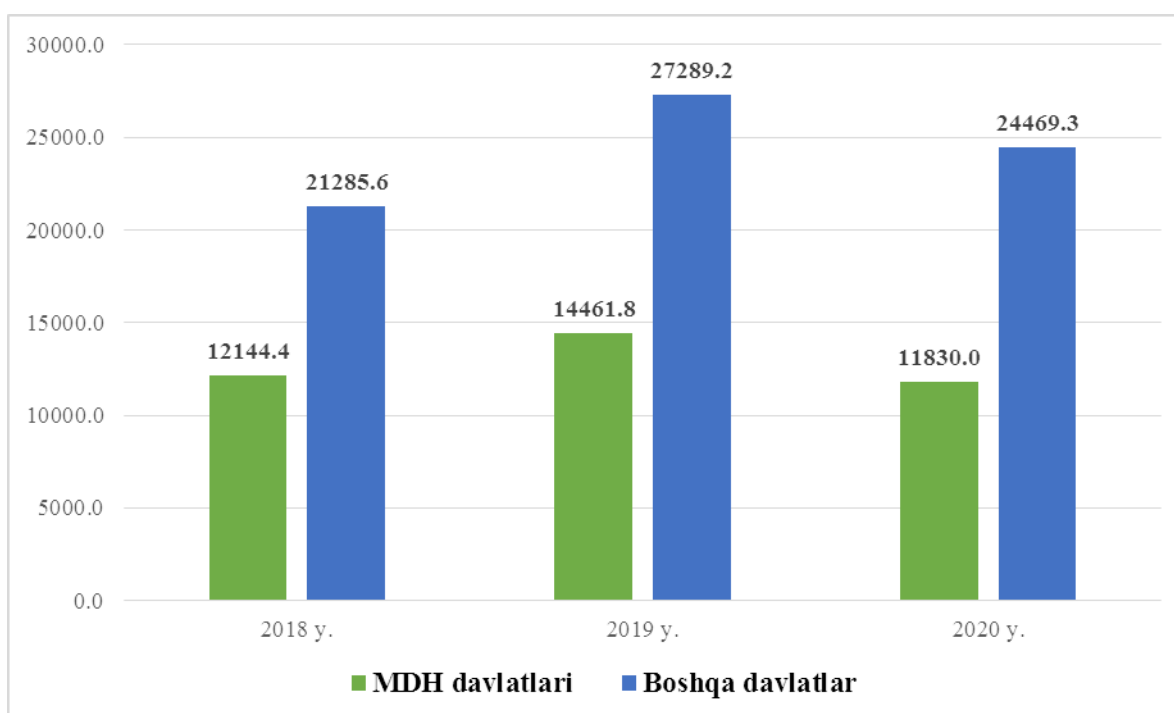
The total import volume is 21171.5 mln. compared to the same period of last year, it decreased by 12.8% compared to the same period last year, but in January-December 2020, the volume of imports in the foreign trade turnover of our country was higher than the volume of exports, and this situation resulted in a negative balance of foreign trade, i.e. -6043.8 million equal to the US dollar. A high share (94.3 percent) of the total import volume was accounted for by goods.

Foreign trade turnover and balance (million USD)<sup>1</sup>

Indicators	2021 y.	2022 y.	Growth rate, in percent
<b>Foreign trade turnover</b>	<b>32 818,6</b>	<b>40 098,7</b>	<b>122,2%</b>
<b>Export</b>	<b>12 506,04</b>	<b>15 483,1</b>	<b>123,8%</b>
<b>Goods</b>		<b>9 235,4</b>	
<b>services</b>		<b>3 276,8</b>	
<b>gold</b>		<b>2 970,9</b>	
<b>Import</b>	<b>20 312,2</b>	<b>24 615,6</b>	<b>121,2%</b>
<b>goods</b>		<b>22 506,0</b>	
<b>services</b>		<b>2 169,6</b>	
<b>Balance</b>	<b>-7 805,8</b>	<b>-9 132,6</b>	

Therefore, it is appropriate to continue and activate structural reforms in the industry for the production of products that make up a high share of imports in the national economy. By the end of January-October 2022, the foreign trade turnover of the republic (TSA in the text) will be 40,098.7 million. 7,280.1 million compared to 2021, amounting to US dollars. increased by 22.2% to USD. The export volume in TSA is 15,483.1 mln. to US dollars (increased by 23.8%) and the import volume was 24,615.6 mln. reached USD (increased by 21.2%). During the reporting period - 9,132.6 mln. A passive foreign trade balance was recorded in the value of US dollars.

By the end of 2020, goods and services were imported to our country from 147 countries. Seven major partner countries (the People's Republic of China, the Russian Federation, the Republic of Korea, Kazakhstan, Turkey, Germany, and the Czech Republic) accounted for 71.9 percent of total imports, which amounted to 15,228.2 million US dollars.



**Figure 1. The dynamics of the volumes of the CIS countries and other foreign countries in the foreign trade turnover of the Republic of Uzbekistan (million US dollars, share, percentage)<sup>2</sup>**

<sup>1</sup> <https://stat.uz/uz/rasmiy-statistika/merchandise-trade-2>

<sup>2</sup> <https://stat.uz/uz/rasmiy-statistika/merchandise-trade-2>

One-third of the foreign trade turnover of the Republic of Uzbekistan is with the CIS countries, and this figure has changed slightly in recent years. Despite the measures taken in our republic to support foreign trade and further strengthen cooperation with the CIS countries in this field, in 2020, the share of the CIS countries in the foreign trade turnover was 32.6 percent, compared to 2019, the share of the foreign trade turnover was 2.0 percent. decreased. The foreign trade turnover of other foreign countries in 2020 increased by 2.0% compared to 2019, and their share in the total foreign trade turnover was 67.4%.

Currently, our country has trade relations with more than 170 countries of the world. China (17.7 percent), the Russian Federation (15.5 percent), Kazakhstan (8.3 percent), the Republic of Korea (5.9 percent), and Turkey (5.8 percent) have a high share of foreign trade relations. corresponded to countries such as.

### Conclusions and suggestions

In conclusion, we can say that today there are the following risks in the world market that may affect the development of foreign economic activity:

- crises and unstable development in the world economy;
- increased competition due to the transition of developed countries to a new technological system;
- instability of capital flow in the world and reduction of foreign direct investment flow;
- The possibility of a decrease in the demand for traditional export goods in Uzbekistan;
- Decrease in economic growth and activity in countries that are Uzbekistan's main trading partners.

In the conditions of the global economy, the only way to develop foreign economic relations is to stop trade wars and create a new, more reliable, and modern global system of exchange of goods and services based on advanced IT technologies. At the same time, it is necessary to form a financial system that can withstand a possible crisis and its negative effects, to prevent possible crises in the financial system of countries, and to reduce their scope of influence. It is also necessary to ensure the coordination of actions in the international financial system, to increase the effectiveness of the regulation of financial transactions at the international level.

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