

THE IMPACT OF THE IMPROVEMENT OF INTERNATIONAL MONETARY RELATIONS ON ECONOMIC PROCESSES

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Abstract: This article analyzes the improvement of international monetary relations and their impact on national economic processes. In the context of the global economy, monetary relations play a key role in expanding foreign trade turnover, improving the investment climate, and ensuring financial stability. Moreover, the strengthening of international integration and the provision of long-term economic growth are directly linked to the effective functioning of the monetary system. The article examines the role of the currency market in globalization, opportunities for increasing the competitiveness of the national economy, and existing challenges. Based on the obtained scientific results, practical recommendations are developed to enhance the priority directions of improving international monetary relations and to strengthen their positive influence on economic processes.

Keywords: International monetary relations, currency policy, national economy, currency market liberalization, foreign trade, investment climate, financial stability, competitiveness, integration processes, globalization, economic growth, monetary policy, exchange rate stability, foreign capital inflow, economic reforms.

Introduction. In the context of globalization of the world economy, the effective organization of international monetary relations is of vital importance for macroeconomic stability and foreign trade relations of states. The monetary system serves as the main mechanism for regulating trade, investment, and capital flows among countries. In particular, in recent years Uzbekistan has undertaken fundamental reforms in liberalizing the currency market, simplifying conversion mechanisms, and expanding cooperation with international financial institutions. Therefore, the improvement of international monetary relations is considered a key strategic task in ensuring the sustainable development of the national economy.

Literature Review. Numerous foreign and domestic scholars have conducted research on international monetary relations, and their scientific perspectives have contributed to a deeper understanding of both theoretical and practical aspects of this field. For instance, Nobel laureate R. A. Mundell, through his Theory of Optimum Currency Areas, emphasized the significance of currency stability for integrated economies, not only for improving macroeconomic indicators but also for coordinating general economic policies. Likewise, P. Krugman and M. Obstfeld, in their studies, focused on the stability of international monetary systems, highlighting that during global financial crises, fiscal and monetary policies of states become decisive factors shaping the effectiveness of international monetary relations.

Among Uzbek economists, A. Vohidov argued that liberalization of the currency market substantially improves the national investment climate, increases foreign capital inflows, and stimulates economic activity. D. Toshmatov emphasized that the wide use of digital technologies in international settlements enhances efficiency by ensuring transparency, accelerating transactions, and reducing transaction costs. Similarly, Murod Sharipov analyzed the positive effects of exchange rate stability on the balance of trade, proving its importance for the sustainable development of export-import operations.

Main Part. In recent years, Uzbekistan has taken significant steps toward improving international monetary relations and aligning them with modern global standards. Ensuring



economic openness, developing foreign trade and investment activities, and expanding the free circulation of the national currency in global markets have become among the main priorities of state policy. In particular, the Presidential Decree “On the Liberalization of Currency Policy” (September 2, 2017) marked a new stage in the country’s financial system by introducing free currency convertibility for entrepreneurs, exporters, and importers. This decree not only created a turning point in economic reforms but also strengthened Uzbekistan’s credibility with international financial institutions, foreign investors, and trade partners. As a result, currency operations in the economy became more transparent and efficient, foreign capital inflows increased, and the legal and institutional framework of international monetary relations was consolidated.

The improvement of international monetary relations has several key effects on the national economy.



Figure 1. The importance of currency relations in the national economy

The improvement of international monetary relations is considered an important factor for the sustainable development of the national economy. First of all, this process contributes to the expansion of foreign trade turnover, enhancing the country’s export potential and ensuring the effective management of import processes. At the same time, the improvement of the investment climate increases the inflow of foreign capital, which plays a key role in creating new jobs and introducing innovative technologies. Ensuring financial stability makes it possible to protect the domestic market from external risks, curb inflation, and maintain the relative stability of the national currency. Strengthening international integration actively connects the country to the global economic system and broadens cooperation. Most importantly, by ensuring long-term economic growth, international monetary relations create a foundation for the stability and competitiveness of the national economy.



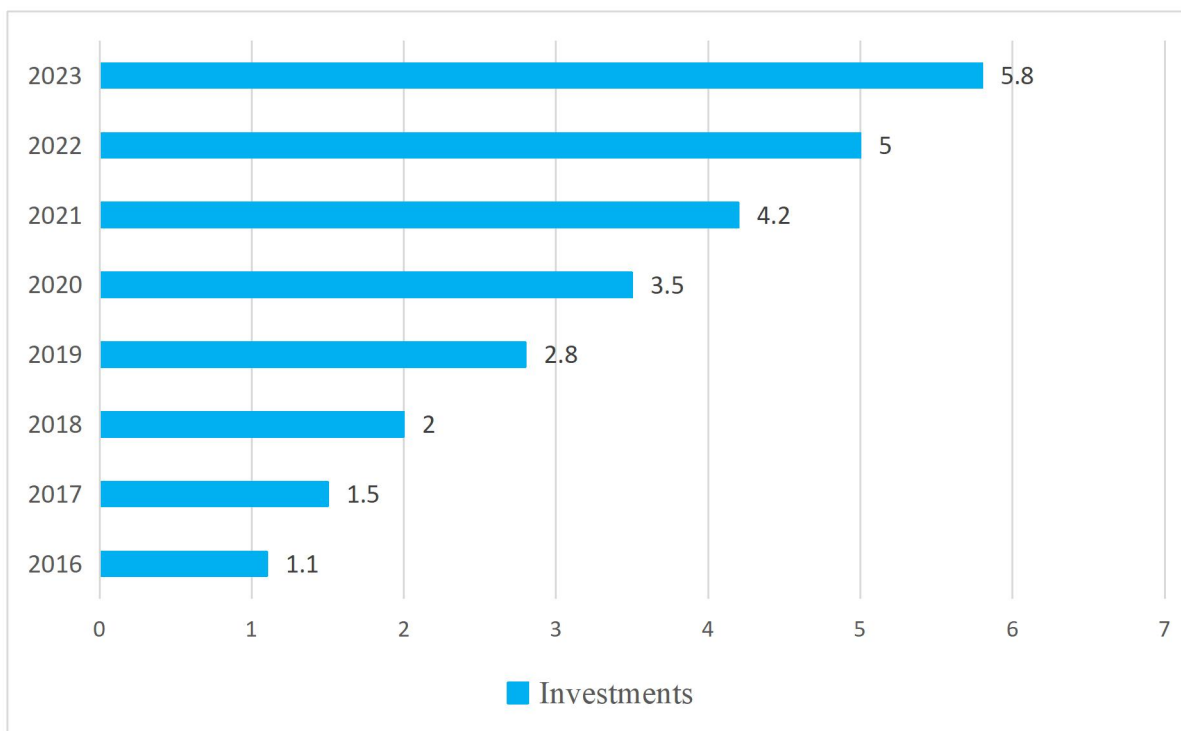


Figure 2. Investments made in foreign currency (billion USD)

This figure illustrates the flow of investments associated with the liberalization of currency policy during the period 2016–2023. As can be seen from the diagram, the volume of investments steadily increased throughout this period. In 2016, the amount of investments stood at 1.1 billion USD, while in 2017 this figure rose to 1.5 billion USD. In the following years, the growth rates accelerated further. For instance, in 2018 the volume reached 2 billion USD, in 2019 – 2.8 billion USD, and in 2020 – 3.5 billion USD. Particularly noteworthy is the figure recorded in 2021, which amounted to 4.2 billion USD, indicating a rise in foreign investors' confidence in the country.

In 2022, the volume of investments climbed to 5 billion USD, which is nearly five times higher compared to 2016. Finally, in 2023, this indicator reached 5.8 billion USD, marking a historical maximum. This reflects the outcomes of currency market liberalization, policies aimed at ensuring economic stability, and favorable conditions created for investors.

Overall, the analysis of the table shows that as a result of the liberalization of currency policy, investment flows have been consistently increasing year by year. This implies an enhancement of the national economy's attractiveness in the international arena, the creation of new jobs, and the acceleration of economic growth rates. Therefore, further improvement of the investment climate and the continuation of stable policies remain crucial tasks for the future.



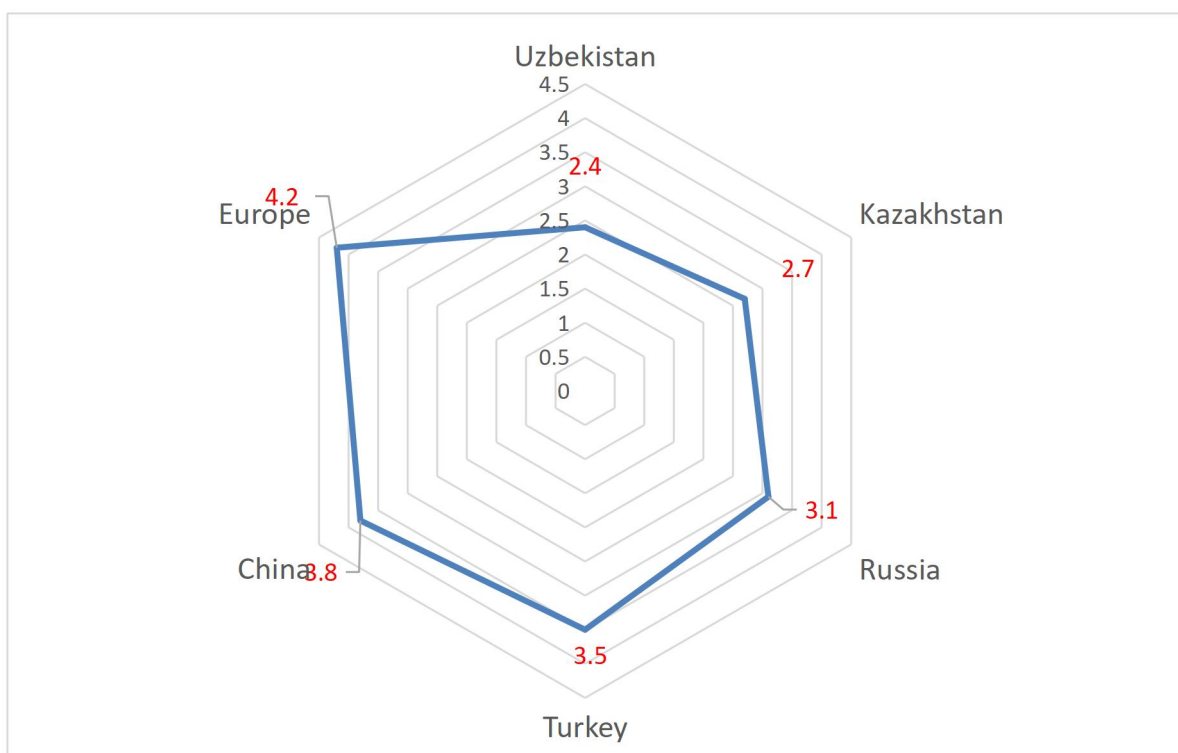


Figure 3. Efficiency Index of International Currencies (in the 0–5 interval)

The graph presents the International Currency Efficiency Index of various countries and regions (within the 0–5 range). As can be seen from the diagram, index values differ significantly across countries. Uzbekistan, with 2.4 points, holds the lowest score. This indicates that the freedom and efficiency of the currency market in the country remain relatively limited. Kazakhstan, with 2.7 points, shows a slightly higher result, yet still signals the need for further development.

Russia scores 3.1 points, reflecting an average result. While it stands above Kazakhstan and Uzbekistan, it still lags behind leading countries. Turkey achieves a higher score with 3.5 points, while China, at 3.8 points, demonstrates strong performance in currency efficiency. The highest result belongs to the Eurozone with 4.2 points, ranking as the leader. This table underlines the necessity for developing economies such as Uzbekistan and Kazakhstan to further liberalize their currency markets and enhance efficiency. Meanwhile, the high indexes of China and the Eurozone result from economic stability, broad currency freedom, and successful integration into the international financial system. Consequently, for Uzbekistan, deepening reforms and strengthening market mechanisms remain long-term strategic tasks.

In recent years, reforms carried out in Uzbekistan have marked an important stage in improving international currency relations. In particular, liberalization of currency policy created greater opportunities for foreign investors, simplified foreign trade operations, and strengthened the position of the national currency in the global arena. Global experience shows that the openness of the currency market and free exchange mechanisms are among the key drivers of economic stability and investment attractiveness. From this perspective, Uzbekistan’s phased reforms since 2017 have brought about a significant turning point in the country’s economic development.

Firstly, the liberalization of the currency market has sharply increased foreign trade volumes. For entrepreneurs, the freedom to exchange currency has made importing goods faster and easier, while also facilitating export operations under favorable conditions. This has expanded the country’s foreign economic relations and fostered deeper integration with international trade partners.



Secondly, the improvement of the investment climate is among the most noticeable changes in the national economy. A transparent and predictable exchange rate has boosted foreign investor confidence. Statistics reveal that between 2016 and 2023, the volume of foreign investment nearly quintupled, reaching \$5.8 billion. This figure reflects the practical effectiveness of the economic reforms being implemented.

Thirdly, the advancement of currency policy has had a direct positive impact on financial stability. Ensuring the balance of supply and demand in the market has helped reduce inflationary pressure and allowed monetary policy to be managed more effectively. At the same time, the stability of the national banking system has been strengthened, and cooperation with international financial institutions has expanded.

Fourthly, the broad adoption of digital technologies is significantly accelerating international settlements. The use of electronic payment systems and blockchain technologies has reduced transaction costs and increased the security of international financial operations. This, in turn, is enhancing Uzbekistan's competitiveness in the global financial market.

At the same time, Uzbekistan's relatively low index score reflects challenges that must be addressed. These include deepening institutional reforms, improving regulatory mechanisms in the financial market, and expanding opportunities for exchange rate forecasting. As demonstrated by China and the Eurozone, high currency efficiency is the product of economic stability, broad currency freedom, and successful integration into the global financial system. While Uzbekistan has taken important steps in improving international currency relations, many tasks still lie ahead. Chief among them are further strengthening trust in the currency market, ensuring transparency in the operations of financial institutions, and introducing mechanisms in line with international standards. Moreover, studying global experience and actively participating in integration processes will serve as key factors in securing sustainable growth of the national economy. On this basis, Uzbekistan can strengthen its position in the international financial system and continue to develop its currency policy in a more effective direction.

Conclusion and Recommendations. Based on the above analysis, the improvement of international currency relations serves as an important factor for Uzbekistan in deepening economic integration, increasing investment inflows, and ensuring the stability of foreign trade. Therefore, the following recommendations can be proposed:

- Continue the processes of liberalizing the currency market;
- Widely introduce digital technologies and blockchain-based payment systems in international settlements;
- Coordinate macroeconomic policies to stabilize the exchange rate;
- Expand cooperation with international financial institutions and actively participate in new integration initiatives.

The consistent and effective development of international currency relations plays a crucial role not only in strengthening the stability of the national economy but also in improving the country's macroeconomic indicators, expanding foreign trade turnover, and shaping new areas of cooperation. In particular, the liberalization of currency policy simplifies export and import operations, accelerates international economic integration processes, increases foreign investment inflows, and enhances the country's competitiveness in the global financial market. At the same time, effective currency relations ensure stability within the financial system, reduce inflationary pressures, strengthen the reputation of the national currency in the international arena, and guarantee the long-term growth rates of the economy.

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