



## The Role of Currency Relations in Globalization

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**Abstract:** The article examines the nature of the world currency system and the theoretical and methodological bases of the factors affecting its development processes. In accordance with the characteristics of the general development of the currency system, the influence of improving the integration relations between its organizational elements on the implementation of the country's currency policy is systematized. According to the results of the conducted research, a scientific proposal and practical recommendations were given to improve the processes of organizing the currency system in Uzbekistan

**Key words** international economic relations, currency market, currency operations, business conditions, brokerage markets, market mechanism, devaluation policy, national economy.

### INTRODUCTION

The modern currency market emerges as a complex and regular economic system operating on the scale of the global economy. The foreign exchange market has been constantly developing, adapting to new conditions. It has evolved from local centers of trade in foreign currency bills to the only truly international market form.

Transactions with foreign currencies have long been carried out in the form of exchange transactions. However, currency markets as a modern concept were formed by the 19<sup>th</sup> century. The following factors contributed to this:

- development of international economic relations;
- the establishment of the world currency system, which imposes certain obligations on the member countries in connection with the national currency systems;
- expansion of international settlement credit instruments;
- increased accumulation and centralization of bank capital, development of representative relations between banks of different countries, expansion of the practice of maintaining current representative accounts in foreign currencies;
- improvement of communication tools such as telegraph, telephone, telex, which allow to simplify the exchange of currency markets and reduce the level of credit and currency risks;
- high-speed transmission of information about the development of information technologies, exchange rates, banks, the status of their representative accounts, economic and political trends.

In forecasting and determining the trends of short and medium-term dynamics of exchange rates, the factors affecting the currency market are analyzed (gross domestic product volume, industrial production growth, unemployment rate, wholesale and retail price indices, the condition of the main items of the balance of payments, the dynamics of interest rates). On the basis of the

received information, strategy and tactics of currency operations are developed. However, the level of reliability of the forecasts is not so great, because currency transactions are influenced by risks in the objective and subjective description. The objectivity of the risk is based on the dependence of exchange rates on the economic indicators of various countries in the long-term period, and in the short-term period on political events, decisions of state bodies on economic issues, rumors and speculations. The subjectivity of the risk is based on the decision taken by the dealer on the size of the transaction based on the exchange rate within his authority. Taking into account the formation of transactions for tens of millions of dollars in minutes, the wrong decisions of dealers, combined with objective factors, can lead to huge losses, especially in large transactions.

With the development of national markets and their mutual relations, an integrated world currency market for the world's leading currencies was formed in the world's financial centers. Modern world currency markets are characterized by the following main features:

1) internationalization of currency markets due to the internationalization of economic relations, wide use of electronic means of communication and implementation of operations and calculations through them;

2) operations are carried out in turn in all parts of the world continuously, throughout the day. According to the "0" meridian of the calendar day clock, which passes through Greenwich - Greenwich Meridian Time (GMT), the currency market activity begins in New Zealand (Wellington) and ends in Sydney, Tokyo, Hong Kong, Singapore, Moscow, Frankfurt-Main, London, New York and Los Angeles go through sequential time zones;

3) the technique of currency operations is simplified, calculations are made through representative bank accounts;

4) wide development of foreign exchange operations for the purpose of insurance of currency and credit risks. In this case, currency transactions that were previously valid and reflected in the bank balance are replaced by term and other types of currency transactions that are accounted for in off-balance accounts;

5) speculation and arbitrage operations are in many ways more than currency operations related to commercial transactions, the number of their participants increases dramatically and includes not only banks and Transnational Corporations, but also other legal entities and individuals;

6) Instability of currencies, whose exchange rate is independent of fundamental economic factors and has its own trends, like a stock commodity. The world currency market is the most powerful and liquid, but extremely sensitive to political and economic news.

### Literature review

According to R. Mandill's conclusion, in the conditions of strong economic integration between the countries, conducting a single currency policy is the most optimal choice for the countries of these 2 regions [1]. This conclusion of R.Mandil showed its practical importance in the practice of EU countries. In particular, the coordination of currency policies of its member countries within the framework of the European currency system played an important role in ensuring the stability of leading currencies such as the German mark, French franc, and British pound. According to J. Keynes, choosing a controlled exchange rate regime is preferable to fixed or free floating regimes, and through its optimal management, fluctuations in the exchange rate and interest rates can be normalized and unemployment can be significantly reduced [2]. According to M. Friedman's conclusion, the Central Bank should use the regime of free floating of the national currency, which allows influencing the nominal and real exchange rates of the national currency through monetary policy instruments in accordance with the rules of the currency market [3]. T. According to Bobakulov, the main goal of currency policy is to ensure the stability of the national currency, for

this it is necessary to improve the refinancing policy of the Central Bank of the Republic of Uzbekistan, increase the volume of currency swap and gold swap operations of the Central Bank [4]. According to the conclusion of Z. Berdinazarov, "the main goal of the currency policy methodology is to achieve macroeconomic stability in the country and to strengthen the purchasing power of the national currency. "Strategy and tactics include methodological methods and mechanisms of implementation of a systematic basis and approaches, a system of complex measures and a road map" [5].

### Research methodology

The article widely used research methods such as scientific abstraction, logical analysis, induction and deduction, and statistical analysis.

### Analysis and discussion of results

In 1974, De Bruxelles Bank suffered heavy losses and was saved from bankruptcy thanks to the merger of Lamber Bank and the Brussels-Lambert company, forming the Brussels-Lambert Financial Group. For example, Franklin National Bank (USA) went bankrupt in 1974, Bankhaus Hershtatt (FRG) went bankrupt due to excessive currency speculation. As a result of speculative currency transactions, Fuji Bank of Japan lost 11.5 billion in 1984. Yen suffered a loss, and this loss was covered by the sale of some securities in his portfolio. In 1997-1998, the deep financial and currency crisis that took place in Southeast Asia and other countries led to huge losses in foreign currency of banks and firms around the world.

Bankruptcy led to increased control of the bank's management and the relevant state bodies over foreign exchange transactions. National bank supervisors monitor their foreign exchange positions to monitor capital movements and the extent of bank risk. Operations in the world currency and credit markets are the subject of regular scrutiny by national and international authorities. The need for this measure lies in the fact that exchange and stock rates and interest rates have a significant impact on the prospects for the development of production through exports and imports and capital movements, business conditions and inflation rates.

The interbank market is divided into direct and brokerage markets. Therefore, brokerage firms are one of the parts of the institutional structure of the foreign exchange market. 30 percent of the total foreign exchange transactions go through these firms. Brokerage firms charge a brokerage fee (up to \$20 or its equivalent per million dollars sold or bought) for their services. With the development of electronic means of communication between banks and currency transactions (Reiter-dealing, Telereit), the role of brokerage firms in the interbank market has decreased. But they still play a major role in the operations of private individuals and relatively small firms.

In international practice, the brokerage service calculation system is accepted. The payment of this fee is divided equally between the seller and the buyer of the currency and is not included in the quote. Brokerage fees are usually paid by counterparties directly to the broker on a monthly basis. In US currency markets alone, the broker's brokerage fee has long been added to the seller's rate and paid to the broker after the currency is sold. Since September 1978, based on the decision of the New York Foreign Exchange Brokers Association, the current international practice of calculating brokerage fees for brokerage services has been introduced into the American currency markets.

The main ultimate goal of the economic reforms implemented in Uzbekistan is to fully establish the principles of market relations in the country's economy. In this process, it is of great importance to create an effective system of currency regulation, to develop measures to prevent the negative impact of various situations arising in the currency sector on other areas of the economy. At the same time, in the context of the global financial and economic crisis, the regulation of monetary

and currency relations, the development of the Republican currency exchange and over-the-counter currency markets, the improvement of the currency policy of the Central Bank, and the use of its instruments, taking into account local conditions, will be analyzed in depth. is necessary.

The role of the leading economic countries in the development of currency relations is great. In the last decade, the activity of transition and developing countries is also increasing in this field. Each developing country, implementing its currency policy related to the coordination of the economic situation, strives to eliminate the deficit of the balance of payments, to curb the import and export of goods, and to protect the national currency reserves. For this, the following main methods of currency policy are used:

1) coordination of the exchange rate using various regimes such as fixed, floating, multiple and devaluation and, in rare cases, revaluation;

2) application of various forms of currency restrictions on current and financial transactions of the balance of payments;

3) establishment of interstate payment and clearing agreements in order to save currency reserves (Asian Clearing Union, West African Clearing Chamber, etc.);

4) development of currency cooperation and integration of developing countries by establishing their own currency groupings, joint currency funds designed to cover the deficit of the balance of payments.

Although most industrialized countries have simplified the exchange rate with the introduction of its free exchange rate, some countries are periodically returning to the practice of multiple exchange rates in the form of a two-tier foreign exchange market.

In our opinion, it is appropriate to ensure the following priorities in the process of further liberalization of currency relations in Uzbekistan:

1. In order to eliminate the possible negative impact of extended loans of commercial banks from foreign credit lines on their liquidity, firstly, as of April 1, 2020, due and overdue debts on extended loans will be refinanced from the funds of the Anti-Crisis Fund. should be paid by transferring to the current account number of the receiving enterprise; secondly, overdue debts of commercial banks on loans granted in foreign currencies based on the guarantee of the Government of the Republic of Uzbekistan should be paid in full at the expense of funds attracted from abroad.

2. In order to ensure the stability of the nominal exchange rate of the national currency, first of all, it is necessary to increase the competitiveness of the goods exported to these countries by preventing the real exchange rate of the national currency from exceeding the national currencies of the countries that are the main foreign trade partners of Uzbekistan (Russia, China, Kazakhstan, Turkey). .

In general, in order to increase the stimulating role of foreign exchange policy in the development of exports in our country, we believe that it is appropriate to implement the following:

- To prevent the real exchange rate of the soum from exceeding the currencies of Uzbekistan's main trading partners, to apply an accelerated devaluation policy if necessary;

- in order to ensure the stability of the exchange rate, launch lines of currency swap agreements aimed at increasing currency liquidity between the central banks of the main trading partner countries;

- to increase the transparency of the exchange rate setting mechanism and to limit the intervention of the Central Bank in this process, abandoning the simple fixing method of setting the exchange rate in stock exchanges;

- Development of currency swap and gold swap operations in the Central Bank's term currency market;

- in order to reduce the scale of dollarization in the economy of the republic, to define the regime of the national gold market and to introduce market mechanisms of gold price formation in it;
- development of a system of measures aimed at preventing the "dollarization" of the obligations of commercial banks and taking measures to hedge the currency risk;
- gradual liberalization of the system of regulating the flow of capital in order to stimulate the flow of foreign capital into the national economy.

### Literature

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