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UZBEKISTAN'S ROLE IN THE INTERNATIONAL FINANCIAL MARKET

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Abstract:This article provides a comprehensive analysis of Uzbekistan's role in the international financial market, examining the country's participation in global capital flows, mechanisms for attracting foreign direct investment, and its deepening cooperation with major international financial institutions. The systematic economic reforms initiated in 2017, including currency policy liberalization, banking sector modernization, and state asset privatization, have significantly accelerated Uzbekistan's integration into the global financial system. The study examines Uzbekistan's debut in international bond markets in 2019, the dynamics of sovereign credit ratings assigned by leading rating agencies, the growth trajectory of foreign direct investment inflows, and the expanding partnership with the World Bank, International Monetary Fund, and Asian Development Bank. The findings indicate that further deepening of institutional and legal reforms, development of the domestic capital market, and modernization of financial infrastructure are essential to consolidate the country's position in the global financial system

Keywords: international financial market, Uzbekistan, sovereign eurobonds, foreign direct investment, credit rating, capital market, financial integration, World Bank, IMF.

INTRODUCTION: In the modern global economy, international financial markets have become an important mechanism for the efficient allocation of capital resources. The acceleration of globalization processes, the development of digital technologies, and the expansion of international trade and investment flows are strengthening financial integration between countries. Currently, the daily trading volume in the global foreign exchange market exceeds 7 trillion US dollars, while the total volume of the international bond market has reached 130 trillion dollars [14].

Since 2016, the economic reforms implemented in the Republic of Uzbekistan have brought the process of integration into international financial markets to a new stage. In particular, the transition to free convertibility of the national currency in 2017, the issuance of the first sovereign Eurobonds in 2019, and the assignment of sovereign credit ratings by international rating agencies have played an important role in the development of international financial relations [15].

Today, Uzbekistan, with a population of more than 38 million people, a strategic location in Central Asia, and rich natural and economic resources, is attracting the attention of international investors. However, the insufficient development of the capital market, the low level of financial intermediation, the limited liquidity of the stock market, and institutional problems are hindering the country’s full integration into the international financial system [7].

The main purpose of this research is to analyze Uzbekistan’s current position in the international financial system, identify existing opportunities and challenges, and develop scientifically grounded proposals and recommendations aimed at strengthening the country’s competitiveness in global financial markets.

LITERATURE REVIEW: The theory of international financial markets has been extensively studied by many economists. Nobel Prize laureate Joseph Stiglitz, in his fundamental works, thoroughly analyzed the dual nature of financial globalization for developing countries,

highlighting both its opportunities and risks [1]. According to his view, financial liberalization can produce positive results only when a strong institutional framework exists.

Paul Krugman and Maurice Obstfeld developed the theoretical foundations of international capital movement. In their studies, they demonstrated the relationship between interest rate parity, capital mobility, and exchange rates in an open economy [2]. This theory served as an important methodological basis for analyzing Uzbekistan's experience in transitioning to currency convertibility.

Significant research has also been conducted by local scholars in this field. The works of Uzbek economists are mainly focused on improving the investment climate, reforming the banking system, and analyzing privatization processes.

Method	Purpose	Section Applied
Systematic analysis	To view financial market elements as a whole	All sections
Comparative analysis	To compare Uzbekistan with CIS and Asian countries	Results
Statistical observation	To measure the dynamics of indicators	Results, Discussion
Trend analysis	To determine dynamics for 2017–2025	Results
Economic modeling	To evaluate investment attractiveness factors	Discussion
Generalization	To derive scientific conclusions and recommendations	Conclusion

Official statistical data from the World Bank [4], the International Monetary Fund (IMF) [3], the Asian Development Bank (ADB) [7], the Central Bank of the Republic of Uzbekistan [5], and the Ministry of Economy and Finance of Uzbekistan [6] were used as the main sources of information. In addition, reports published by the rating agencies Moody's [8], S&P Global [9], and Fitch Ratings [11] were also utilized.

RESULTS: Uzbekistan entered the international bond market for the first time in February 2019. The country successfully issued sovereign Eurobonds worth 500 million US dollars with a 5-year maturity and 1 billion US dollars with a 10-year maturity. Demand for these bonds exceeded the offered amount by six times, demonstrating the strong interest of international investors in Uzbekistan.

In 2021, the country issued another 750 million US dollars in new Eurobonds. In 2023, Uzbekistan attracted 400 million US dollars through the issuance of "green bonds," indicating the country's increasing attention to sustainable development goals [6]. The proceeds from these green bonds were mainly directed toward environmental infrastructure projects and the development of solar and wind energy.

Year	Bond type	Volume (mln $)	Term	Interest rate	Demand/Supply Ratio
2019	Sovereign eurobond (1st tranche)	500	5 yil	4.75%	6:1
2019	Suveren evrobond (2nd tranche)	1,000	10 yil	5.375%	6:1
2021	Sovereign eurobond	750	7 yil	3.70%	5:1
2023	Green bond	400	5 yil	5.45%	4:1

Table 1. Uzbekistan sovereign bond data (2019–2023)

Dynamics of credit ratings: Sovereign credit ratings assigned by international rating agencies are among the key indicators determining a country's reputation in international capital markets.

Uzbekistan received its first sovereign credit rating in 2018. Currently, the country's ratings remain at the level of "BB-" with a stable outlook by S&P Global and Fitch Ratings, and "Ba3" with a stable outlook by Moody's [8], [9], [11]. These assessments are reflected in the 2024 rating reports below:

Rating agency	Rating level	Outlook	Date of evsaluation
Moody's	B1	Stable	2024
S&P Global	BB-	Stable	2024
Fitch Ratings	BB-	Stable	2024
Japan Credit Rating Agency	BBB-	Musbat	2024

Table 2. Uzbekistan sovereign credit ratings(2024)

Uzbekistan's credit rating remains within the "speculative" category, which is considered typical for emerging markets. However, the stability of these ratings and the "stable outlook" assessment indicate the growing confidence of investors in the country. In order to achieve higher rating levels, it is necessary to improve public debt management, strengthen budget discipline, and continue structural reforms.

It should also be noted that, as of January 1, 2026, Uzbekistan's public debt reached nearly 47 billion US dollars. Calculated on a per capita basis, this amounts to approximately 1,225 dollars for each citizen. In recent years, the growth of public debt has accelerated significantly. Between 2019 and 2025, the volume of debt increased by 2.6 times. Of the total 46.8 billion dollars of debt, 39.8 billion dollars account for external debt, while 7 billion dollars represent domestic debt. Although officials report a figure of 47 billion dollars, Uzbekistan's actual debt burden is considerably higher. According to data from the Central Bank of the Republic of Uzbekistan, by the end of the first nine

months of 2025, the country's total external debt exceeded 75 billion US dollars when non-government-guaranteed debt was also included [5], [17].

The main macroeconomic indicators of Uzbekistan's economy are creating a favorable basis for participation in international financial markets. In recent years, GDP growth has remained stable, inflation has been kept under control, and public debt has stayed at a manageable level.

Macroeconomic indicator	2020	2021	2022	2023	2024
GDP Growth, %	1.9%	7.4%	5.7%	6.3%	6.5%
Inflation (end of year), %	11.1%	10.0%	12.3%	8.8%	7.5%
State debt / GDP, %	37.6%	34.4%	34.9%	35.5%	34.8%
Current account balance/ GDP, %	-5.6%	-7.0%	-6.3%	-8.1%	-6.8%
Foreign reserves, mlrd $	34.7	35.8	35.3	34.9	37.5
GDP, bln $	57.9	69.2	80.4	90.2	98.5

Table 3. Uzbekistan key macroeconomic indicators (2020–2024)

A stable GDP growth rate (5–7% annually), a controlled level of public debt (around 35% of GDP), and sufficient foreign exchange reserves (over 37 billion US dollars) are among the main factors ensuring Uzbekistan's attractiveness to international investors. However, the absence of a positive current account balance requires additional measures to stabilize the exchange rate.

As a result of economic reforms, the volume of foreign direct investment (FDI) flowing into Uzbekistan has increased significantly. Between 2017 and 2024, the annual inflow of FDI increased by approximately three times. The main areas of investment include the energy sector, mining industry, transport and logistics, manufacturing, and digital technologies.

Indicator	2017	2019	2021	2023	2024 (baholash)
Annual FDI, mln $	1,600	2,400	3,100	4,200	5,000+
Share of GDP, %	3.2%	4.1%	4.8%	5.6%	6.0%
Number of investment projects	180	260	340	450	520+
Main sources	Russia, China, Korea	China, UAE, Russia	UAE, China, Russia	China, UAE, Europe	UAE, China, Europe

Table 4. Dynamics of FDI inflows to Uzbekistan(2017–2024)

The geographical structure of FDI has also become significantly more diversified. While in 2017 the majority of investments originated mainly from Russia and CIS countries, in 2023–2024 the leading positions were taken by the United Arab Emirates, China, and European countries. This demonstrates that Uzbekistan is increasingly establishing economic and financial connections with new international markets.

Banking and Financial Sector Reforms: The banking and financial sector plays a central role in Uzbekistan's integration into international financial markets. Since 2017, large-scale reforms have been implemented in the sector, including the corporatization of state-owned banks, an increase in the share of private banks, the transition to international accounting standards (IPSAS/IFRS), and the strengthening of prudential supervision.

As of 2024, 34 commercial banks are operating in Uzbekistan, 13 of which involve foreign capital participation. The total assets of the banking sector account for approximately 55% of GDP, demonstrating significant growth compared to around 40% recorded several years earlier.

Banking sector indicator	2019	2021	2023	2024
Total assets, bln $	28.4	37.6	48.9	54.2
Loan portfolio, bln $	16.8	23.1	31.4	36.7
Non-performing loans (NPL)share, %	8.4%	5.6%	4.1%	3.8%
Capital adequacy(CAR), %	14.2%	15.8%	17.1%	16.9%
Share of foreign banks, %	22%	28%	34%	38%
ROE (Return of equity), %	12.1%	14.3%	15.8%	16.2%

Table 5. Uzbekiston banking sector key indicators(2019–2024)

The share of non-performing loans decreased from 8.4% to 3.8%, while the capital adequacy ratio remained nearly twice as high as the international standard of 8%, indicating the increasing stability of the banking sector This situation has also positively influenced the assessments of international rating agencies toward Uzbekistan's banking system:

Regarding cooperation with international financial institutions, Uzbekistan has been actively collaborating with several major organizations:

-The World Bank: Since 2017, more than 4 billion US dollars in loans and grants have been allocated[4], with the main areas including education, healthcare, energy, water supply, and agriculture.

-The International Monetary Fund (IMF): Provides technical assistance and advisory services on macroeconomic stability, while regularly conducting Article IV consultations in Uzbekistan[3].

-The Asian Development Bank (ADB): Has a project portfolio exceeding 3 billion US dollars focused on transport infrastructure, energy, and the digital economy[7].

-The Islamic Development Bank (IsDB): More than 500 million US dollars has been attracted through Islamic finance instruments[12].

-The European Bank for Reconstruction and Development (EBRD): Active in Uzbekistan since 2018, mainly supporting the private sector[10].

Discussion: Uzbekistan's pace of financial integration in recent years has been higher than the average level observed in the CIS region. However, compared to neighboring Kazakhstan, Uzbekistan still remains significantly behind in the development of its capital market. Kazakhstan possesses the Astana International Financial Centre (AIFC), whose stock market capitalization exceeds that of Uzbekistan several times.

Indicator	Uzbekistan	Kazakhstan	Azerbaijan	CIS average
Credit rating (S&P)	BB-	BBB-	BB+	B+
FDI/GDP, %	6.0%	9.2%	5.8%	4.1%
Market Cap/GDP, %	2.1%	18.4%	3.6%	5.8%
Financial depth(Loans/GDP), %	38%	54%	26%	41%
Government bond market size, mln $	3,200	42,000	8,700	-

Table 4. Regional Comparative Analysis (2024)

Main Problems and Challenges

-The analysis shows that there are several systemic problems limiting Uzbekistan's participation in international financial markets:

-Underdevelopment of the capital market: The total capitalization of the Tashkent Stock Exchange is around 2% of GDP, which is extremely low compared to developed countries (50–100%) and neighboring Kazakhstan (18%)[16].

-Low level of financial intermediation: The ratio of bank loans to GDP is 38%, indicating insufficient financial depth.

-Weakness of the corporate bond market: The volume of bonds issued by the private sector is minimal, limiting diversification opportunities for investors.

-Lack of institutional investors: The assets of pension funds, insurance companies, and investment funds remain very low, preventing them from becoming major driving forces of the capital market.

-Inconsistency in the legal and regulatory environment: The legislative framework for certain financial operations does not fully comply with international standards.

-Financial literacy issues: The level of financial literacy and the use of financial instruments among the population and businesses remain low, limiting domestic demand.

Risk analysis

The process of increasing Uzbekistan's activity in international financial markets is also associated with certain risks. Proper assessment of these risks and the implementation of appropriate countermeasures are of strategic importance:

Risk type	Probability	Impact level	Mitigation measures
Exchange rate risk	Medium	High	Increase reserves, hedging
Credit rating downgrade	Low	High	Budget discipline, debt control

Global financial crisis	Low-medium	Very High	Reserves, diversification
Political stability crisis	Low	High	Institutional reform, legal guarantees
Liquidity risk	Medium	Medium	Deepen capital market, internal investor base
Cybersecurity risk	Medium-high	Medium	Strengthen infrastructure

Table 7:Risk matrix for Uzbekistan in international financial markets

The risk matrix shows that the most significant risk factor for Uzbekistan is the ability to maintain economic stability in the event of a global financial crisis. In this regard, maintaining reserve assets at a guaranteed level (currently 43,143.3 million US dollars) and diversifying the economy are considered priority tasks[18].

Development Prospects Until 2030:

Based on the current pace of reforms and international experience, the following scenario-based forecasts regarding Uzbekistan's position in the international financial market have been developed:

Indicator	2024 (current)	2027 (pessimistic)	2027 (optimistic)	2030 (target)
Credit rating (S&P)	BB-	BB-	BB	BB+
Annual FDI, bln $	5.0	5.5	7.0	10.0
Market cap / GDP	2.1%	4%	8%	15%
Bank loans/ GDP	38%	42%	48%	55%
Eurobond issuance (total)	2.65 bln $	3.5 bln $	5.0 bln $	8.0 bln $

Table 8. Scenario Forecast (2027–2030)

For the optimistic scenario to be realized, it is necessary for the government to accelerate systemic reforms, develop the private sector, fully harmonize the legal environment with international standards, and modernize financial infrastructure. If these goals are achieved, by 2030 Uzbekistan has the potential to become one of the fastest-growing financial markets in the CIS region

To strengthen Uzbekistan's position in the international financial market, it is recommended to accelerate reforms in the following strategic areas[13]:

Direction	Measures	Expected result	Timeline

Capital market development	Reform stock exchange, simplify IPOs	Market cap to 10%+ of GDP	2025–2028
Corporate bonds	Simplify private sector issuance, tax incentives	Expand domestic bond market	2025–2027
Institutional investors	Reform pension/insurance systems	Stable domestic investor base	2026–2030
Financial literacy	National programs in schools/universities	Increase use of financial services	Ongoing
Legal framework	Adopt international standards(IOSCO)	Alignment with global norms	2025–2027
Digital finance	FinTech legislation, sandbox, CBDC research	Develop innovative services	2025–2028

Table 9:. Recommendations for strategic development

Conclusion: This study comprehensively analyzed Uzbekistan's position in the international financial market, the achievements attained, existing challenges, and future development prospects. The results of the study indicate that over the past eight years Uzbekistan has taken historically significant steps toward integration into the international financial system. Based on the findings, the following main conclusions were formulated:

-As a result of the systemic economic reforms launched in 2017, Uzbekistan achieved significant progress in integrating into international financial markets. The liberalization of currency convertibility (2017), the issuance of the first sovereign Eurobonds (2019), and the acquisition of international credit ratings (2018) became historic milestones in this process.

-The volume of foreign direct investment entering the country increased approximately threefold during 2017–2024 and approached 5 billion US dollars annually. The diversification of FDI geography — including the growing share of new sources such as the UAE and Europe — demonstrates the expansion of the country's international partnerships.

-Reforms carried out in the banking and financial sector have produced significant results: the share of non-performing loans decreased from 8.4% to 3.8%, while the capital adequacy ratio (CAR) is maintained at 16.9%, nearly twice the international standard.

-The expansion of cooperation with international financial institutions — including the World Bank (over 4 billion US dollars), the IMF, the Asian Development Bank (over 3 billion US dollars), the EBRD, and the IsDB — has accelerated the country's integration into the global financial system and positively influenced the economic reform process.

-The issuance of green bonds in 2023 (400 million US dollars) demonstrates Uzbekistan's focus on sustainable development and ESG principles (environmental, social responsibility, and governance), while also creating opportunities to attract new investor segments.

-At the same time, the underdevelopment of the capital market (the capitalization of the Tashkent Stock Exchange amounts to 2.1% of GDP), the limited number of institutional investors, the weakness of the corporate bond segment, and the low level of financial intermediation (loans-to-GDP ratio — 38%) remain the main systemic problems hindering the country's full integration into international financial markets.

Based on the findings of the study, it was determined that continuing institutional reforms, developing the stock market, expanding the corporate bond segment, introducing digital financial instruments, and improving financial literacy will be decisive factors in increasing Uzbekistan's competitiveness in the global financial system.

If the recommended reforms are successfully implemented, by 2030 it is considered realistic for Uzbekistan to raise its credit rating to the "investment grade" level, increase annual FDI inflows to 8–10 billion US dollars, and raise stock market capitalization to 15% of GDP [15],[16].This would make Uzbekistan one of the most dynamically developing financial markets in the CIS region.

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