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THE ROLE OF EMERGING MARKET ECONOMIES IN THE DEVELOPMENT TENDENCIES OF WORLD ECONOMY

Муаллифлар томонидан жаҳон иқтисодиётининг ривожланиш хусусиятлари, жаҳон ЯИМ, ишлаб чиқариш ва савдо ҳажми, ишсизлик, инвестициядаги тенденциялари ва унда ривожланаётган мамлакатлар ўрни очиб берилган, ҳамда улар фаолиятини ривожлантириш бўйича амалий таклифлар берилган.

Авторами раскрыты особенности развития мировой экономики, тенденции в мировом ВВП, производстве и торговле, безработице, инвестиции и роль в нем развивающихся стран, а также разработаны практические предложения по развитию отрасли.

Keywords:

The world economy, or global economy, generally refers to the economy, which is based on economies of all of the world's countries' national economies. In addition, global economy could be seen as the economy of global society and national economies – as economies of local societies, making the global one. Formation of world economy has its own reasons and factors, such as increasing of national economies trade, transition of their products and services across countries borders affecting to create world markets, migration of working capital, extending of labor division and specialization, increasing the amount of transnational companies, globalization and integration relations and others. These factors led to national economies to be connected with others closely, especially the last ones globalization and integration have a great importance.

I.A. Karimov, the President of the Republic of Uzbekistan, had already marked that “The XXI st century, obviously, will be the century of globalization in the international relations. In these conditions, the process of integration, the expansion of participation of sovereign states at the international institutes and the organizations are to be considered not only as historical inevitability, but also as a powerful factor of stability”. [1]

No wonder, in any sphere it is impossible not to come across to the influence of globalization. It is known that, currently, the world states, almost all of them, can’t ensure anymore a stable development and growth based only their own forces. World governments perceive that the deepening of relations between countries, and also the more active and effective involving and integrating in the global economic cycle is the key factor of economic prosperity. Unfortunately, not all states can act alone on the world arena, especially the small ones. Some countries need support from other states, more experienced, stronger and with greater financial strength.

In the process of economic globalization, on the arena of international economic relations appear new actors. One of them is transnational corporations that

move their capital from several countries of the world under the influence of different factors and create an economic chain through which are moving enormous innovations and financial flows.

In the last statistics of world with the population of more than 7 billion people GDP of world economy reached 73 trillion dollar in 2013. The first places were held by countries with developed (advanced) economies such as USA, China, Japan, EU, it's countries Germany, France, United Kingdom and others. [2]

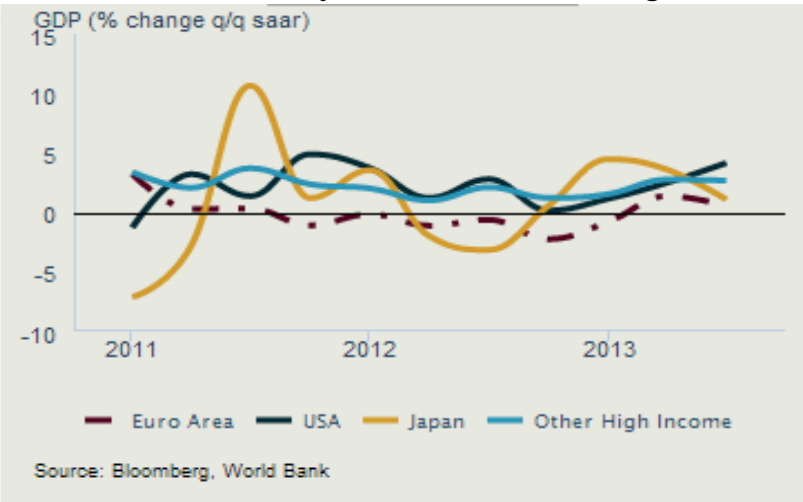

Figure1. Growth rate in developed countries. Source: World economic situation and prospects 2014.United Nations publication.

By the way, it is necessary to mention the amount of our country's GDP. In this list of GDP Uzbekistan hold 73rd place with the amount of more than 56 billion dollar. But The last 7-8 years for Uzbekistan it is significant that GDP growth maintain continuously more than 8%. The figure1 describes that growth is slowly improving in high-income economies with the 3-4% in the last years.[3]

Global activity has broadly strengthened and it is expected to improve further in 2014–15, with much of the impetus coming from advanced economies. Inflation in these economies, however, has undershot projections, reflecting still-large output gaps and recent commodity price declines. It has been waiting that World output or World's producing process will increase in the next near years 2014-2015 as described by the Figure 2.

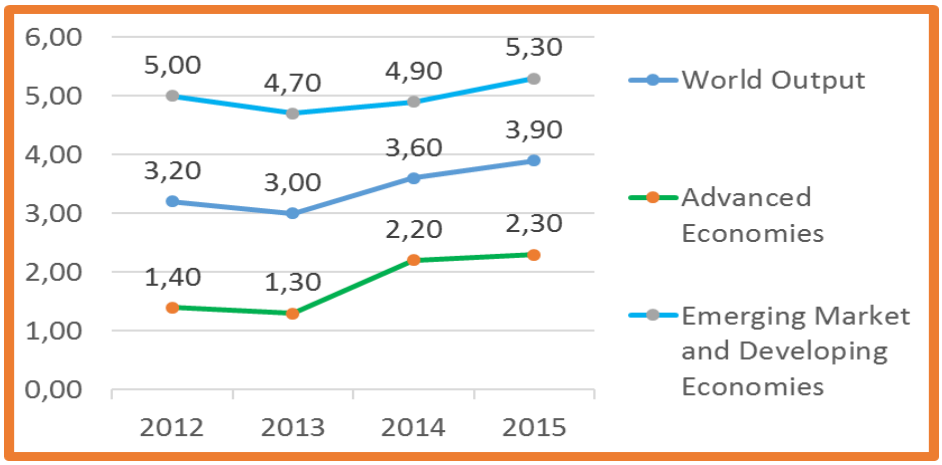

Figure2. World output. Source: World Outlook. 2014. April. IMF. Summary of World Output Table A1. P 180.

In addition, it is typically for the emerging market economies for example, some countries in Commonwealth of Independent States, Emerging and Developing Asia, Emerging and Developing Europe, Latin America and the Caribbean to increase level of output than other countries. They continue to contribute more than two-thirds of global growth.

Looking ahead, global growth is projected to strengthen from 3 percent in 2013 to 3.6 percent in 2014 and 3.9 percent in 2015. In emerging market and developing

economies, growth is projected to pick up gradually from 4.7 percent in 2013 to about 5 percent in 2014 and 5¼ percent in 2015. Growth will be helped by stronger external demand from advanced economies, but tighter financial conditions will dampen domestic demand growth. Among emerging market economies, growth is projected to remain robust (strong) in emerging and developing Asia and to recover somewhat in Latin America and the Caribbean.[4]

Global trade volume growth slowed substantially in the adjustment after the global financial crisis of 2007 –09 and the euro area crisis of 2011–12. This slowing has fueled questions about whether international trade will remain an engine of global growth, which are motivated by concerns about stalling or declining globalization (for example, because productivity gains from recent trade liberalization under the World Trade Organization umbrella are diminishing). However, data on world trade growth since 2008 seem to be in line with global output and investment growth. These factors suggest that the recent trade weakness has simply mirrored stronger-than-expected declines in growth across the globe. Indeed, world trade growth picked up strongly with the strengthening in global activity in the second half of 2013.

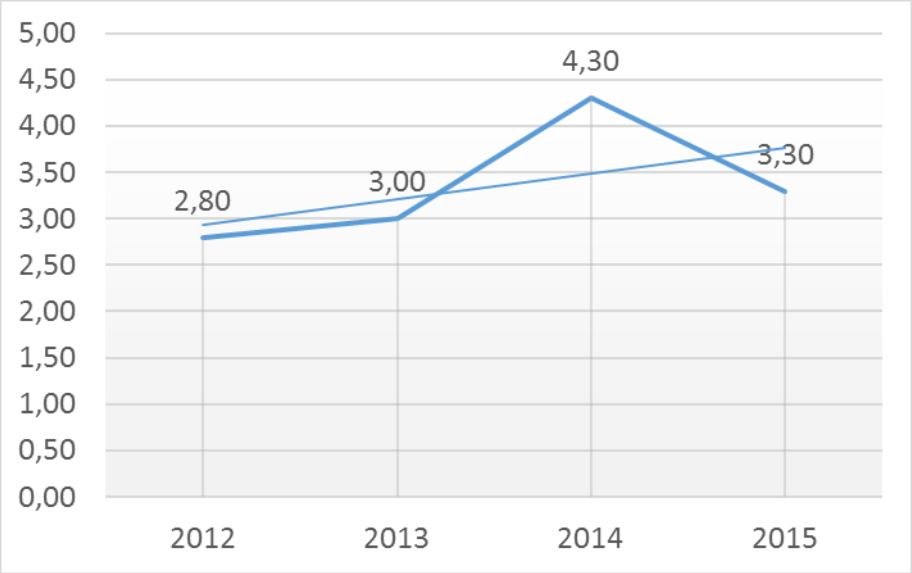

Figure3. World Trade Volume (goods and services) Source: TRADE AND DEVELOPMENT REPORT, 2013 Report by the secretariat of theUnited Nations Conference on Trade and Development. Page 38-39.

Inflation is generally projected to remain subdued in 2014–15 with continued sizable negative output gaps in advanced economies, weaker domestic demand in several emerging market economies, and falling commodity prices. In the euro area and the United States, headline inflation is expected to remain below longer-term inflation expectations, which could lead to adjustments in expectations and risks of higher debt burdens and real interest rates. In emerging market and developing economies, inflation is expected to decline from about 6 percent currently to about 5¼ percent by 2015. Softer world commodity prices in U.S. dollar terms should help reduce price pressures, although in some economies, this reduction will be more than offset by recent exchange rate depreciation. In addition, activity related price pressures will ease with the recent growth declines in many emerging market economies. That said, this relief will be limited in some emerging market economies, given evidence of domestic demand pressures and capacity constraints in some sectors.

Declines in the prices of commodities, especially fuels and food, have been a common force behind recent decreases in headline inflation across the globe.

“World investment report global value chains: investment and trade for development 2013” expressed by UNCTAD shows that FDI in 2013 remained close to the 2012 level - 1.35 trillion $, with an upper range of $1.45 trillion. FDI flows to developing economies proved to be much more resilient than flows to developed countries, recording their second highest level – even though they declined slightly (by 4 per cent) to $703 billion in 2012 (see Figure4). They accounted for a record 52 per cent of global FDI inflows, exceeding flows to developed economies for the first time ever, by $142 billion. The global rankings of the largest recipients of FDI also reflect changing patterns of investment flows: 9 of the 20 largest recipients were developing countries.

Figure4. Figure 1. Global FDI flows, 2004–2012, and projections, 2013–2015(Billions of dollars) Source: World Investment Report 2013: Global Value Chains: Investment and Trade for Development UNCTAD p 12.

Among regions, flows to developing Asia and Latin America remained at historically high levels, but their growth momentum weakened. Africa saw a year-on-year increase in FDI inflows in 2012. Developing economies’ outflows reached $426 billion, a record 31 per cent of the world total. Despite the global downturn, TNCs from developing countries continued their expansion abroad. Asian countries remained the largest source of FDI, accounting for three quarters of the developing-country total. FDI outflows from Africa tripled while flows from developing Asia and from Latin America and the Caribbean remained at the 2011 level. The BRICS countries (Brazil, the Russian Federation, India, China and South Africa) continued to be the leading sources of FDI among emerging investor countries. Flows from these five economies rose from $7 billion in 2000 to $145 billion in 2012, accounting for 10 per cent of the world total. Their TNCs are becoming increasingly active, including in Africa. In the ranks of top investors, China moved up from the sixth to the third largest investor in 2012, after the United States and Japan $7 billion in 2000 to $145 billion in 2012, accounting for 10 per cent of the world total. Their TNCs are becoming increasingly active, including in Africa. In the ranks of top investors, China moved up from the sixth to the third largest investor in 2012, after the United States and Japan. [5]

Unemployment is maintain in 9% (2012 est.) *note:* 30% combined unemployment and underemployment in many non-industrialized countries; developed countries typically 4%-12% unemployment (2007) Despite slowing economic growth, unemployment rates have continued to decline slightly in emerging Asia and Latin America.

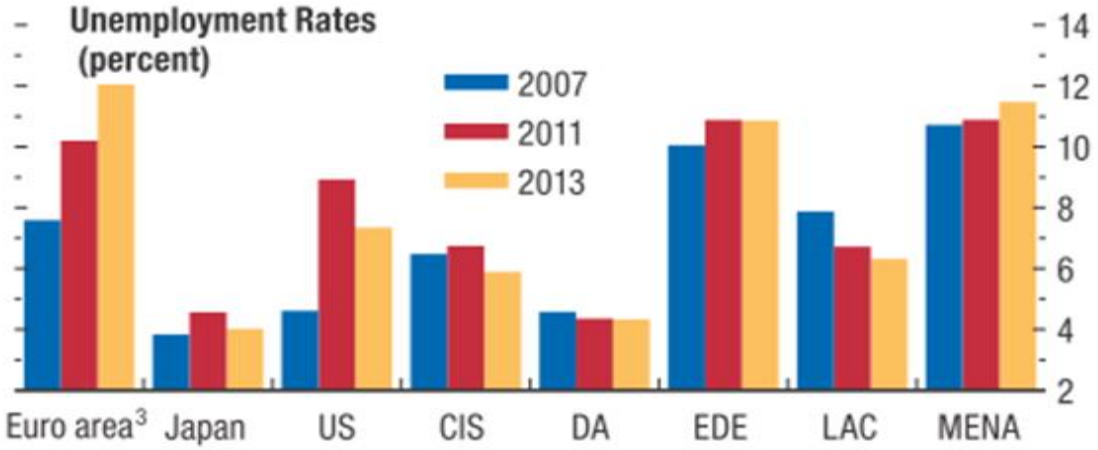

Figure 5. Unemployment rate. Source: WORLD ECONOMIC OUTLOOK April 2014 p 25

Note: BR = Brazil; BRICS = Brazil, Russia, India, China, South Africa; CIS = Commonwealth of Independent States; CN = China; DA = developing Asia; EDE = emerging and developing Europe; EMDE = emerging market and developing market economies; IN = India; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; RU = Russia; US = United States; SA = South Africa.

As above seen, today national economies are closely related or connected with each other in the world economy. Especially, all developing tendencies of world economy is going on rapidly under the process of world economic globalization. Globalization is a powerful real aspect of the new world system, and it represents one of the most influential forces in determining the future course of the planet. Globalization with its features and development factors (such Trade and transaction Capital and investment movements Migration, Knowledge) has a huge impacts on national economies. Globalization of world economy is the continuous process which is always in integration and influencing with all participants of world market. So that it demand on national economies to learn and research it and make a competitive condition for themselves.

By researching and analyzing the worlds recent development and future predicts it's acceptable for the emerging market economies to use following strategies in order to be in the way of developed countries or to reach their degree and to be suitable competitor in the world market:

- Recalibrating macroeconomic policies (the changing external environment increases the urgency for EME to address macroeconomic imbalances and policy weaknesses also posses a new challenge. As recent developments show, economies with domestic weaknesses and vulnerabilities are often more exposed.
- In economies where inflationary pressures are still high, further monetary policy tightening may be necessary. It's necessary for emerging market and low-income economies to rebuild fiscal buffers and rein in fiscal deficits (including by containing public sector contingent liabilities), particularly in the context of elevated public debt and financing vulnerabilities. Fiscal consolidation plans should be

country specific and properly calibrated between tax and expenditure measures to support equitable, sustained growth

- Managing Capital Flow Risks in Emerging Market and Developing Economies (Emerging market economies could enhance their resilience to global financial shocks through a deepening of their domestic financial markets and the development of a local investor base.)
- Continuing High Growth in Major Emerging Market Economies. Many emerging market and developing economies should implement other key structural reforms, designed to boost employment and prospects for diversified and sustained growth, while also promoting global rebalancing. Reforms should, among other things, encompass the removal of barriers to entry in product and services markets, improve the business climate and address key supply-side bottlenecks.
- Making depreciation manageable. Leap forward of innovation, modernizing and technology.
- Priority social spending should be safeguarded, and the efficiency of public spending improved, through better targeting of social expenditures, rationalizing the public sector wage bill, and enhancing public investment project appraisal, selection, and audit processes.
- The economic policy priority is to achieve a soft landing on the transition to more inclusive and sustainable, private-consumption-led growth. This shift would require liberalizing interest rates to allow effective pricing of risk; a more transparent, interest rate-based monetary policy framework; a more flexible exchange rate regime; reforms for better governance and quality of growth; and strengthened financial sector regulation and supervision.

These reforms can be used in the economy of our country. Uzbekistan, being one of the emerging market economies and developing country is carrying on right way and realizing comprehensive reforms. To them belong macroeconomic developing, modernizing of producing and technological renovating, diversifying, creating a convenient environment for the investment especially for the FDI, making a good condition for the business, fiscal policy and others.

As a conclusion, these reforms help to the emerging market economies in order to gain the influences of world economic globalization and become more sustainable and competitive in the world market by efficiently using its capacity of reserves.

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