MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN

AZERBAIJAN STATE ECONOMIC UNIVERSITY

INTERNATIONAL CENTER FOR MASTERS AND DOCTORS

MASTER'S DISSERTATION

on the topic

“MAIN DIRECTIONS OF INTERNATIONAL FINANCING IN THE CURRENT STAGE OF DEVELOPMENT”

Musayev Aydın Muraz

BAKU -2022

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Head of the International Center for

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BAKU -2022

Elm andı

Mən, Musayev Aydın Muraz oğlu and içirəm ki, "Main Directions Of International Financing in The Current Stage Of Development" mövzusunda magistr dissertasiyasını elmi əxlaq normalarına və istinad qaydalarına tam riayət etməklə və istifadə etdiyim bütün mənbələri ədəbiyyat siyahısında əks etdirməklə yazmışam.

BEYNƏLXALQ MALİYYƏNİN MÖVCUD İNKİŞAF MƏRHƏLƏSİNDƏ ƏSAS ASPEKTLƏRİ

XÜLASƏ

Tədqiqatın aktuallığı: Dissertasiya işinin aktuallığı maliyyə bazarlarında qloballaşma və regionallaşma meylləri, transmilli bankçılıq, qlobal maliyyə böhranı şəraitində maliyyə bazarlarında vəziyyət, qlobal maliyyə arxitekturasının institusional və funksional tənzimləmə mexanizmlərinin təkmilləşdirilməsi fonundadır.

Tədqiqatın məqsədi: Akademik məqsəd qlobal dünya iqtisadiyyatında maliyyə və bank transmilli elementlərini və onların iqtisadi qloballaşmaya təsir mexanizmlərini təhlil etməkdir.

İstifadə olunmuş tədqiqat metodları: Araşdırma zamanı anlaiz və sintez metodlarından istifadə edilmişdir.

Tədqiqatın informasiya bazası: Əsasən Dünya Bankının, BMT-nin müvafiq ixtisaslaşdırılmış qurumlarının tədqiqatlarından, ÜTT hesabatlarından, həmçinin Sindikat Layihəsi, Dünya İqtisadi Forumu, GATO ekspertlərinin müşahidələrindən istifadə edilmişdir. Dissertasiya işinin tədqiqi zamanı beynəlxalq təşkilatların müvafiq hesabatlarından, yerli və xarici tədqiqatlardan, qloballaşma proseslərinin tədqiqinə dair çərçivə sənədlərindən, təlimatlardan, qaydalardan və təhlil istinadlarından, normativ-direktiv sənədlərdən də istifadə edilmişdir.

Tədqiqat məhdudiyyətləri: Araşdırma zamanı hər hansı bir məhdudiyyət aşkar edilməmişdir.

Tədqiqatın elmi yeniliyi və praktiki nəticələri: Maliyyə qloballaşması çərçivəsində dünya iqtisadiyyatında transmilli kreditləşmə və investisiya meyilləri müəyyən edilmiş, 2016-cı il üçün Transmilli Bankçılıq Reytinqinin reytinqi verilmiş, antiböhran strategiyalarının adekvatlığı qiymətləndirilmişdir. Bundan əlavə, maliyyə-iqtisadi böhranların səbəbləri və qabaqlayıcı tədbirlərin səmərəliliyi sistemləşdirilib.

Nəticələrin istafadə oluna biləcəyi sahələr: Bu sahədə azərbaycandilli məzmunun yaradılması qlobal iqtisadi böhran və qloballaşma prosesləri fonunda Transmilli Bankçılığın davranışının sistemli təhlilindən və müvafiq hesabatlardan arayışların təqdim edilməsindən ibarətdir. Dünya maliyyə bazarlarında müşahidə olunan bütün bu konyuktur dəyişikliklər fonunda qlobal maliyyə arxitekturasının yenidən qurulmasına və beynəlxalq maliyyə sisteminin bu yeni format dəyişikliklərinə adekvatlığının artırılmasına ehtiyac var.

Açar sözlər: beynəlxalq, maliyyə, inkişaf mərhələsi, inkişaf aspektləri

MAIN DIRECTIONS OF INTERNATIONAL FINANCING IN THE CURRENT STAGE OF DEVELOPMENT

SUMMARY

The actuality of the subject: The relevance of the dissertation is against the background of globalization and regionalization trends in financial markets, transnational banking, the situation in financial markets in the context of the global financial crisis, improving institutional and functional regulatory mechanisms of global financial architecture.

Purpose and tasks of the research: The academic purpose is to analyze the transnational elements of finance and banking in the global world economy and the mechanisms of their impact on economic globalization.

Used research methods: Analysis and synthesis methods were used during the research.

The information base of the research: Mainly researches of the World Bank, relevant UN specialized agencies, WTO reports, as well as observations of Syndicate Project, World Economic Forum, GATO experts were used. Relevant reports of international organizations, local and foreign researches, framework documents on studying globalization processes, instructions, rules and analytical references, normative-directive documents were used during the research of the dissertation.

Restrictions of research: No restrictions were found during the study.

The novelty and practical results of investigation: Transnational lending and investment trends in the world economy within the framework of financial globalization were identified, the Transnational Banking Rating for 2016 was given, the adequacy of anti-crisis strategies was assessed. In addition, the causes of financial and economic crises and the effectiveness of preventive measures are systematized.

Scientific-practical significance of results: The creation of Azerbaijani-language content in this area consists of a systematic analysis of the behavior of Transnational Banking against the background of the global economic crisis and globalization processes and the submission of references from relevant reports. Against the background of all these conjunctural changes observed in the world financial markets, there is a need to restructure the global financial architecture and increase the adequacy of the international financial system to these new format changes.

Keywords: international, finance, stage of development, aspects of development

ABBREVIATIONS

BİS	Bank for International Settlements
DDC	Digital Down Conversion
İMF	International Monetary Fund
TMC	Total Market Coverage
US	United States
USSR	Union of Soviet Socialist Republics

CONTENT

INTRODUCTION

Relevance of the research topic: Today, as a result of financial globalization, the borders that distinguish international financial markets are being erased, financial markets where controls and restrictions are removed are open to international competition, international capital flows are gaining ground, and the role of new corporate finance investments in financial markets is growing. Against the background of the economic crises of the last decade, the possible impact of the banking crises on both the US and the European Union on the global financial architecture and the future goals of transnational banking has become very important.

In general, financial markets have a very complex segmentation, so it is difficult to interpret the overall institutional structure of the market sector. This problem is more complex in the context of the integration of financial markets.

Financial integration is basically the process of strengthening the interdependence of the financial markets of any national economy with the financial markets of the second or third national economies, or, if possible, merging them.

The relevance of the dissertation is against the background of globalization and regionalization trends in financial markets, transnational banking, the situation in financial markets in the context of the global financial crisis, and the improvement of institutional and functional regulatory mechanisms of the global financial architecture.

Statement of the problem and learning level: Globalization is an object of research for a comprehensive study of this problem, especially in the context of financial globalization, global transnational banking is the identification of their transnational trends and behavioral strategies.

The object of research is international financial markets and transnational banks.

The subject of the study is the processes of globalization of financial markets and the transnational of banks.

Purposes and objectives of the research: The academic goal is to analyze the elements of financial and banking transnational in the global world economy and their mechanisms of impact on economic globalization. In line with this goal, the following specific research objectives have been prioritized:

• To identify transnational trends in the world economy in the context of global liberalization of the financial and banking sector and to establish theoretical and conceptual vectors of participation in global processes;

• Systematize the analysis of interpretation factors of existing trends in determining the effective and optimal performance in the context of globalization and especially financial globalization;

• Analysis of the adequacy of financial integration processes to the global economic crisis and the role of transnational banking;

• Carrying out a systematic analysis of the factors influencing the activities of transnational banks and their operational strategies;

• Analysis of mechanisms for identifying and regulating the main priorities of international financial markets;

• Substantiate the need to improve the global financial architecture, etc.

Object and subject of the research: The objectives of the study determined its main subject: the system of international external financing of developing countries. The objects of research undertaken by the dissertator were the global financial system and national financial structures of the recipient countries of foreign financing.

Research methods: Many analytical methods were used in the study. These are: induction, deduction, etc.

Research database: Mainly research of the World Bank, relevant UN specialized institutions, WTO reports, as well as observations made by experts from the Syndicate Project, the World Economic Forum, GATO were used. Relevant reports of international organizations, local and foreign studies, framework documents on the study of globalization processes, guidelines, rules and analysis references, normative-directive documents were also used during the research of the dissertation.

Research limitations: Lack of literature on the subject in the Azerbaijani language.

Scientific novelty of the research: Within the framework of financial globalization, transnational lending and investment trends in the world economy were identified, the Transnational Banking Rating for 2016 was given, and the adequacy of anti-crisis strategies was assessed. In addition, the causes of financial and economic crises and the effectiveness of preventive measures have been systematized.

Scientific and practical significance of the results: The creation of Azerbaijani-language content in this area consists of a systematic analysis of the behavior of Transnational Banking against the background of the global economic crisis and globalization processes, and the submission of references from relevant reports.

Against the background of all these conjunctural changes observed in the world financial markets, there is a need to restructure the global financial architecture and increase the adequacy of the international financial system to these new format changes.

• The architecture of the global financial system must be planned at a high level. The system in which countries with different levels of development participate must ensure the effectiveness and flexibility of institutional governance and oversight;

• Improving the compliance of international financial institutions with the modern economic system, in particular the efficiency and effectiveness of institutions such as the IMF and the World Bank.

• It is important to ensure that the IMF's quota and voting system are improved to better reflect the global economic reality. In particular, by further improving the elements of the formula used in the calculation of quota shares, uncertainties, and inconsistencies in the calculation of market or AQP-based GDP, as well as data such as transparency and reserves, should be eliminated;

• Increase the effectiveness of the IMF's efforts to increase the reliability and flexibility of its funding sources, debt restructuring, and risk mitigation;

• The activities of financial institutions in the management of the international financial system should be further expanded at the regional level. Recent experience shows that such regional institutions are superior to universal institutions in terms of both flexibility and efficiency, as well as the improved institutional base. The establishment of multilateral control systems to regulate the activities of such bodies may be considered more acceptable;

• Close liaison and information exchange should be established between central banks and other regulators, especially in times of crisis. Reducing the destructive power of existing economic fluctuations by ensuring the coordination of economic policies on a global scale is even more important in the short term.

CHAPTER I. THE MAIN ESSENCE AND FUNCTION OF WORLD FINANCIAL MARKETS

1.1. The essence of financial globalization and world financial markets

The formation of a new global situation and value system has laid the groundwork for the emergence of trends and tendencies in general development trends that differ from previous periods in terms of content and realization. Reflecting the quantitative results of current trends and a new qualitative state, globalization, especially economic globalization, has created a different and very dynamic global situation that is unprecedented in social history.

Against the background of economic globalization, the important trends observed in the world economy can be grouped as follows:

1. Global value chain: Rapidly changing production characteristics and presentation patterns of services;
2. Production and economic growth trends "sliding" from West to East;
3. Continuous fluctuations and central changes in financial markets and investment movements;
4. Multipolar world order: changing roles and rules;
5. Transverse and long-term integration of the international trade system and the new rules of the international trade system and the adequacy of trade routes to dynamic (mobile) changes;
6. Global disintegration processes and increasing "decentralization" nationalization tendencies;
7. Transformation of the global economic system into a new formation: Deepening of the epoch of knowledge or digital economy;
8. Recessions observed in the global economic system and the deepening of the geography of financial and economic crises, etc.

Analysis of economic literature The term "Globalization" was first used in history in the research work "Globalization of Markets", authored by Professor T. Levitt of Harvard Business School and published in 1983 (Bağırov D., Həsənli M. 2011).

The author uses "globalization" in the sense of integrating several different market sectors, mainly focusing on TMCs, mainly as a purely market phenomenon. As an alternative to this approach, the German sociologist K. Ome in his book "World without Borders" (1990) noted the scale of the process, noting that it is not only related to the market. The mechanisms and strategies of economic development of individual national economies are becoming meaningless, "global" firms (where the author directly refers to Transnational Companies) are beginning to appear, which are considered to be more effective and, if possible, powerful actors on a global scale.

As can be seen from the above considerations, globalization, especially the process of economic globalization, manifests itself in the form of multidimensional, multi-layered, and multi-faceted systemic emergence.

Theses such as "McDonaldization" or, if it is possible to say so, the homogenization of cultures, which are rapidly deepening in the global economic arena, concerning the economic literature, is the subject of more serious discussions. This process, in turn, is taking place against the background of modernization, westernization, and Americanization. And there is no consensus that it will have unanimous effects. While one group of researchers interprets these trends as the boundless unification of the world, the other side evaluates the process in the context of further strengthening of nation-states.

At the same time, the impact of globalization on the sustainable existence of modern societies and national development trends, if it is possible to say so, is no longer homogeneous.

There are positive and negative perspectives on globalization. This section will look at these perspectives.

Advantages of globalization - There are many advantages of globalization. As a result of globalization, new job opportunities are emerging in the world. Communication and communication have become easier as a result of advances in information and communication technologies. International capital movements have increased, and investment opportunities in DDCs have increased. Thanks to the multinational company, technology transfer, and technical cooperation are provided.

Disadvantages of globalization - There are also some shortcomings created by globalization. With globalization, labor relations have changed, and respect for workers' labor has declined. Information has gained importance in labor activity.

Opportunities created by globalization - globalization provides important opportunities for companies in terms of access to global markets. To take advantage of these opportunities, companies invest in information and technology to become competitive in the international market. In the global market, capital flows occur in different parts of the world to engage in production. This creates significant opportunities for global companies and investor countries. Thanks to these capital movements, the importance of international financial markets have increased and a global economy has been formed. In this economy, factors such as financial markets, international trade, transnational production, science and technology, and a skilled workforce are of great importance in terms of the functioning of the global core.

The internationalization of finance, not limited to a specific geography, creates the basis for the entry of new entrants into markets, goods, and services, thus creating new opportunities for participants in the system.

Risks of globalization - globalization, along with opportunities, also presents some risks. In the process of globalization, the notion of national superiority - wars, emerging religious values - ethnic roots, change in the role of the state, and the narrowing of sovereignty - has led to a loss of policy effectiveness and increased income inequality. Analyzing the process of globalization and acknowledging that there are problems in managing the process of globalization, Hirst and Thompson claimed that “while some countries have significant wealth as a result of international trade, some countries are marginalized. Internationalization has not eliminated the North-South divide but has created winners and losers.

Along with globalization, economic structures have become internationalized, changed, technological development has affected production methods and production units, changed key production factors, information has come to the fore, intensive development in the service sector has been noted, economic borders have eased, competition has begun to be felt in all areas. the influence of companies began to grow.

Positive attitudes towards globalization- those who radically defend globalization and describe the process as inevitable, say that it is impossible to turn away from this fact. Defending the idea that globalization is completely real, the radicals claimed that the consequences could be felt everywhere without exception. The global market is so highly developed compared to the 1960s and 1970s that it transcends national boundaries. Nations have lost much of their former sovereignty, and politicians have lost much of their ability to influence events. As the century of the national state came to an end and the author of corporate laws, the Japanese Kenichi Ohmoe, put it: "Nations are already at the level of a simple device." Writers like Ohmoe believe that the economic difficulties of the 1998 Asian crisis were caused by the reality of globalization.

Anti-globalization approaches - There are some critical views and claims about globalization. Some of the claims of critics of globalization are as follows:

• The number of transnational companies in the global and real sense is small, and the most successful TMCs remain nationally based;

• The dynamics of capital flows are not moving from DCs to DCs, but again to DCs. Therefore, a homogeneous and integrated economic spread on a global scale is not on the agenda;

• In the information age, it is impossible to disseminate information at the same level in every country of the world with complete freedom. Therefore, there is a difference between the societies that provide and receive information;

From the logical and historical-chronological context, the essence of the processes of economic globalization is assessed as one of the important approaches that can reflect the problem of the following schematic description. As a result of financial globalization, which is another important component of economic globalization, capital has easy access to foreign markets without any restrictions in order to provide lower risk and higher returns. Looking at the situation in financial markets and research in this area, financial globalization is the area where the most comprehensive and intense degree of globalization is observed. As a result of the globalization of financial markets, money has been able to move freely, regardless of its material location. In addition to being an exchange value for money, goods, and services, it has become a commodity bought and sold directly in the markets. While the number of banks and financial institutions has decreased as a result of financial globalization, the amount of money and loans they control has increased, and auditing in this area has become more serious.

As a result of financial globalization, the boundaries separating international financial markets are being erased, financial markets where controls and restrictions are removed are opening up to international competition, international capital flows are becoming more widespread, and the role of new corporate investments such as mutual funds and investment partnerships is growing.

After World War II, the IMF's activities led to the conversion of currencies in the international financial system, the support of large investment projects such as the World Bank Group and consortium banks, the transition to a floating exchange rate system due to the devaluation of the dollar in 1973, and technological innovation. affected. In addition, political, organizational, and technical influences such as development in the real sector and international trade, growth in investments of transnational banks, intensive growth in derivative financial instruments such as securities, futures, options, swaps, easing legislation, financial liberalization also played a role.

Against the background of economic interdependence and the growing share of financial services in the services sector, financial globalization creates the need for countries to implement new reforms that improve their respective financial systems and structures. At the same time, in the process, DDCs have become more integrated into international financial markets and have begun to demand funding from these markets.

One of the factors contributing to the globalization of financial markets is the fact that liberalization trends in the market sector are more dynamic. The Concept of Financial Liberalization, based on the research of McKinnon and Show, is a version of neoclassical Financial Theory applied to DCs. The main recommendation of the theory, based on the assumption that financial liberalization will regulate the global distribution of savings and equalize interest rates between countries, is as follows: “Eliminate financial pressure and provide a favorable investment climate accelerates economic development by forming the distribution (Məmmədov S. 1997).

It is said that financial globalization will stimulate economic growth (dynamics) in two ways. These are:

• As a result of interest rate liberalization, savings in the economy increase, and economic entities retain a large part of their income in the form of financial assets. The increase in financial assets reduces the need for liquidity and makes it easier for investors to find the necessary loans. Although the increase in interest rates has had a negative impact on the investment requirements of entrepreneurs, economic growth will also increase indirectly due to the increase in the number of financial resources that can be borrowed in the economy. However, on the other hand, interest rates should not exceed the marginal rate of return on investment. Because this rate (marginal rate of return on investment) is exceeded, entrepreneurs will prefer to earn interest income instead of investing.

• Along with financial liberalization, opportunities to find domestic and foreign credit to finance investments are also increasing. Banks and intermediary systems continue to develop as long as financial resources finance investment projects that are likely to materialize. Thus, the average return on investment and the volume of investment increase, accelerating economic growth.

Research into improving the role of the International Monetary Fund in the global financial architecture is one of the factors behind the need for this process. and causes financial crises in national economies.

History and evolution of financial globalization - The history and evolution of financial globalization can be analyzed in 3 different periods: "The period before World War I", "The period between the two world wars" and "The post-war period".

Factors contributing to financial globalization - There is a widespread view that economic globalization begins with the integration of financial markets around the world. The factors that lead to "Global Finance" are as follows (Novruzov N., Hüseynov X. 2007):

• The transition to a floating exchange rate system as a result of the devaluation of the dollar in 1973;

• Clearing the financial markets of DDCs in various positions from various controls and restrictions;

• Opening financial markets to international competition;

• Implementation of national modernization projects under the leadership of the IMF and the World Bank Group so that countries can gain a competitive advantage in the financial markets;

• Increased information and reduced costs in financial markets, along with technological revolutions in the field of computers and telecommunications;

• High levels of income in DCC markets, as well as countries' desire to balance growing current and budget deficits with external savings and indirectly increasing international capital flows;

• Establishment of guarantees for the regulation of financial markets at the initiative of the Bank for International Settlements and the EU;

• The emergence of a long-term “bull” effect on asset markets in the 1980s due to high economic growth, high savings, and high real interest rates.

Globalization of financial markets - refers to the existence of financial markets with effective functionality in countries that have reached a certain level of economic development or have completed economic development. When analyzing the financial markets of countries that have not yet completed their economic development, it is clear that savings are not sufficient for the survival and development of financial markets, and at the same time, the number of investors is small. Therefore, the level of economic development has an impact on the structure and mechanism of operation of financial markets. At the same time, along with ensuring economic development, there is an increase in savings and the number of participants, and, consequently, a dynamism in the financial markets.

With globalization, international financial markets are finding a rich alternative. When an individual or entity seeking to borrow in international markets chooses one of the direct borrowing or equity options, it accepts alternative borrowing options offered to it in the form of a currency of its choice, fixed or variable. Lending, financing, sales, and management services of the international financial system, as well as optional services, provide various opportunities and benefits for investors. Globalization also makes it possible for investors anywhere in the world to benefit from all these services.

At the international level, the debt market has reached its current level by easing and even removing restrictions on capital movements. Thus, borrowed funds have become an important source of funding in international finance. The use of financial resources was due to the contributions (Marshall Aid) of Western European countries to the formation of the infrastructure and industry of these countries, so as not to fall under the yoke of the USSR, both economically and politically. At the same time, after the 1960s, J.F. Kennedy's social model of government-led the United States to regularly declare fiscal deficits and to demand new funds to balance these deficits, and this trend was one of the factors that paved the way for the formation of European markets.

The first and most important explanation for the globalization of financial markets is the policy strategy document Recent Innovations in International Banking, published by Bank For International Settlements (BIS) in 1986 (Dwan R. 2003: p.80).

1.2. Areas of activity of global financial markets

Due to the very complex segmentation of international financial markets, it is difficult to interpret the overall institutional structure of this market sector. Global financial centers are places where international currency, credit, financial transactions, securities, and collateral agreements are implemented, and where banks and specialized credit and financial institutions are concentrated.

Financial markets are markets in which financial assets circulate. The modern world financial market, by its economic nature, reflects the mechanism of accumulation and redistribution of financial resources between countries, regions, industries, and individual economic entities on a competitive basis.

Financial market:

- mobilizes temporarily free capital from various sources;
- effectively distributes accumulated free capital among its numerous end-users;
- determines the direction of more efficient use of capital in the investment sphere;
- Carries out experienced mediation between buyers and sellers of financial instruments;
- Accelerates capital turnover ie contributes to the activation of economic processes.

In a broad sense, world financial markets are spheres of market relations that ensure the accumulation and redistribution of monetary capital between states. In a narrow sense, the world financial markets are the stock market, ie the securities market. The functions performed by the world financial markets are the continuation and development of the functions of the national financial markets. World financial markets provide:

- provides a mechanism for the transfer of resources between countries;
- allows to reveal the interaction of buyers and sellers of financial resources, the profitability of financial assets and, accordingly, transactions in different currencies;

• Attracting additional investors by re-selling existing financial assets, which increases market liquidity;

• Accelerates the process of transnationalization of not only the industry but also financial capital.

There are several classifications of global financial markets based on different criteria. Depending on the object of the transaction, the world financial markets unite several interrelated segments. These include foreign exchange markets, debt capital markets, stock and insurance markets, and gold markets (Table 1).

Table 1: The structure and participants of world financial markets

National participants	The structure of markets	International participants
Corporations	Including foreign exchange markets,	International corporations.
Banks and specialized credit and financial institutions, including insurance companies.	eurocurrency market	International banks, TMBs, specialized credit and financial institutions, including insurance companies.
Stock and commodity exchanges.	Debt capital markets:	Large stock and commodity exchanges. International monetary and financial organizations
	a) money market;	
	b) capital market;	

Source: https://hbr.org/1983/05/the-globalization-of-markets (Dwan R. 2003: p.80)

In addition to the above classification, the following world financial markets are distinguished:

• Closed markets - access to those markets is limited; open markets - any participant can enter.

• Permanent markets - here, using the available space, equipment, information technology, transactions can be made at any time; irregular markets, such as auctions, etc.

• National, regional, and world markets by scale.

From a functional point of view, the world financial markets are a set of national and international world markets that provide the accumulation and redistribution of financial resources through a system of banks and other financial institutions to ensure the process of reproduction in the world brain. At the same time, the modern world financial market is not a simple mechanical sum of national and international markets, but a complex that takes into account the whole system of complex direct and indirect economic relations between them. Although some features of individual markets (eg, regional or individual financial instrument markets) remain, the process of capital inflows as a whole has gradually led to the formation of a single trading system with currencies, credit resources, and a high correlation index of stock indices. leads to the formation of new segments of world financial markets. From an institutional point of view, this is a set of banks, specialized financial and credit institutions, and stock exchanges where the movement of world financial flows takes place.

Institutions, which are one of the fundamental factors of economic development, express the rules of the "game" in the relations of the state, market, and society. At the same time, these rules form "confidence" in the economy. "Quality" institutions;

i) ensure that all members of society have equal access to economic opportunities;

ii) allows for a fair distribution of resources and

iii) protects the rights of economic agents.

In the economic literature, institutions are divided into different groups according to a) degree of formality b) hierarchical structure and c) spheres.

According to North, institutions consist of formal and informal institutions, which are formed in writing and formed by the historical, ethnic, geographical, and cultural features of the society. Williamson classified institutions according to a hierarchical structure. Thus, according to this approach, informal institutions based on social structure and historical traditions form the basis of the hierarchical structure of society (Abu R., Jamal C., Lance R., Carol N.H.).

The institutions that stand at the next stage determine the rules of the game and regulate the course of the game. These include the protection of property rights, the judiciary, the business environment, as well as institutions that ensure the development of the private sector. Economists such as Boules (1998) and Beck (2000) suggest the division of institutions into spheres (economic, political, legislative, and social).

In general, summarizing the research, it can be concluded that, regardless of the structure of the institutions, they can be grouped into two major parts, as suggested by D. North: formal and informal institutions.

Formal institutions define the framework for human interaction. Institutions are important for economic development because they influence the interests and decisions of economic agents. Thus, poor protection of property rights reduces the incentive for economic agents to invest in physical or human capital. However, formal institutions do not only shape the interests of economic agents. They also determine the distribution of value created in the economy for the future.

Strong formal institutions also significantly reduce the search for rent, resulting in more efficient use of funds. Countries with weak institutions tend to have low economic growth rates and significant volatility.

In general, the effective functioning of the following institutions is important for the effective functioning of a market economy:

- Institutions regulating markets and competition;
- Property protection institutions and a fair judiciary;
- Institutions ensuring macroeconomic stability;
- Civil society institutions and public accountability.

D. Rodrick, a professor of economics at Harvard University, divides formal institutions into four groups: market-creating, market-regulating, market-stabilizing, and market-legitimizing.

Institutions that ensure the formation and healthy functioning of markets-

Effective political power, an independent judiciary, etc. applies to such institutions; These include institutions that regulate market failures - for example, agencies that regulate telecommunications, transport, water and forest resources, and financial services;

Institutions Ensuring Macroeconomic and Financial Stability - Central banks and fiscal authorities ensure market stabilization through low inflation and fiscal sustainability;

Institutions that legitimize the market - these institutions allow market participants to be protected from negative shocks and negative market effects. Such institutions include pension systems, unemployment protection, and other social funds.

Such diversity of events in the world financial markets and the complex interdependence of its segments make it impossible to give a single classification of the structure of this market.

The foreign exchange market in the broadest sense of the word is a sphere of economic relations arising in the course of foreign exchange transactions. From the organizational and technical point of view, the foreign exchange market is a form of organization of currency markets that connects national and foreign banks and brokerage firms through a common network of modern means of communication.

Functional currency markets:

• ensures the implementation of international settlements;

• provides currency and credit risk insurance;

• ensures the interconnection of all segments of world financial markets;

• ensures the diversification of foreign exchange reserves of banks, enterprises, and the state;

• exchange rates are not regulated (market and government);

• ensures that its participants make a profit based on the difference between the exchange rates;

• implements monetary policy.

From an institutional point of view, foreign exchange markets are a set of banks, brokerage firms, corporations, especially TMCs. Banks conduct 85-95% of foreign exchange transactions in the interbank market, with each other, as well as with trade and industry customers.

The world credit market (or debt capital market) is a sphere of market relations in which the movement of debt capital between states is carried out on the condition of repayment, maturity, security, interest payment, and the supply and demand, as well as the interaction of creditors and borrowers. The object of bargaining in this market is borrowed capital borrowed from abroad or issued to legal entities and foreign citizens.

From a functional point of view, the world debt capital market is a system of market relations that ensures the accumulation and redistribution of debt capital between countries in order to ensure the continuity and profitability of the process of reproduction. The attribute of world debt capital is the outflow of national debt capital or the attraction of foreign capital.

Eurobazaar is a part of the world debt capital market in which banks conduct deposit-borrowing operations in Eurocurrency. Eurocurrency is a currency transferred to the accounts of foreign banks and used by them for transactions in all countries, including the country of issue. Although eurocurrencies operate in world markets, they maintain the form of the national currency.

Eurodollar transactions are not subject to US regulations. If the owner of a dollar deposit transfers it from an American bank to a foreign bank, then euros are created. The essence of the conversion of the dollar into euros is that the owner of the dollar acts as a deposit at the disposal of a foreign bank, which uses them for credit operations in any country.

There are 2 main interrelated sectors of the world debt capital market (Scheme 1.)

The world money market (short-term deposit-borrowing operations from 1 day to 1 year) was formed mainly among large banks in the late 50s. Historically, the money market originated in London, which included the market for promissory notes and money brokers. The modern concept of the money market is a highly liquid credit market provided by banks to first-tier borrowers. The broad monetary interpretation of the money market, as well as any debt stock market, is vague and does not reflect its nature.

The world capital market unites 2 segments:

1. Traditional medium and long-term foreign loans characterized by a single space and a single debt currency;

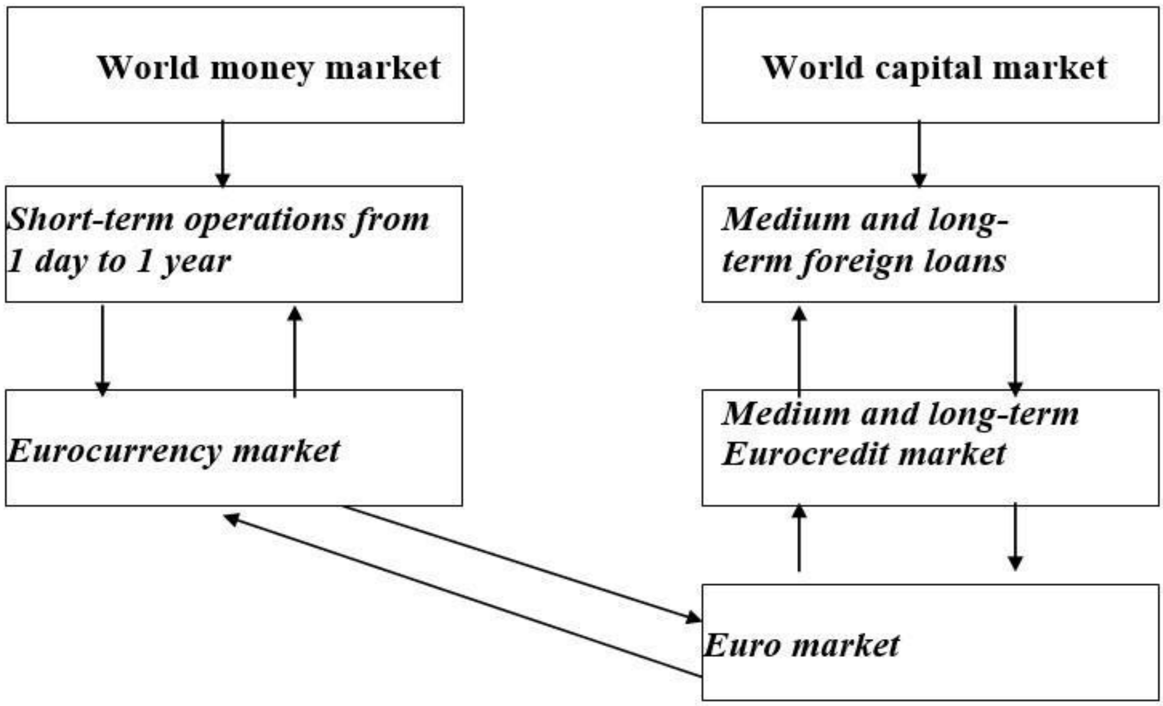
2. Eurocredit market with a term of 1 to 15 years and more since the 1990s.

The activity of the world debt capital market is closely connected with the world stock markets, where securities are issued and traded. The securities market is divided into 2 parts:

1) Sale of newly issued securities in the primary markets,

2) In the secondary markets, previously issued securities are bought and sold. The derivative financial instruments market is developing more actively. (Scheme 1).

Scheme 1: The structure of the world debt capital market



Source: http://mikro.univ.szczecin.pl/bp/pdf/45/4.pdf (Dwan R. 2003: p.80)

The Eurobond market is one of the main sources of financing for medium and long-term investments of TMCs. The state uses Eurobonds to supplement state budget revenues and refinance bonds.

The Eurobill market (since 1981) is not very large in size, but mainly combines short-term Eurobonds and medium-term bills.

In terms of maturity, financial markets are divided into a money market with instruments with a maturity of 1 year and a capital market with a maturity of financial instruments with a maturity of more than 1 year. Money markets allow commercial banks and companies of various profiles to adjust the liquidity of their assets. The methods of adjustment can be different: placement of quotes, lending and purchase, and sale of securities. The main purpose of operations in capital markets is to obtain maximum return on the identified risk in the medium and long term.

In addition, they separate the primary and secondary financial markets. Initial placement or issuance of financial instruments occurs in primary markets. Subsequent purchase and sale of relevant instruments are carried out in secondary markets.

From an organizational point of view, the world financial market is divided into unorganized markets and organized markets or exchanges, where transactions are carried out directly or through intermediaries.

At the same time, there is a need to characterize the groups of countries to which the financial markets belong, which highlights the need to further specify the issue.

Emerging financial markets have a number of characteristics, including:

• High risk, such as political risk, application of currency restrictions, increased tax burden, privatization, illegal seizure of property, etc. risks;

• Lack of stability. The exchange rate, the interest rate is quite sharp and fluctuates frequently;

• Lack of advanced form of risk insurance;

• Insufficient infrastructure development;

• Lack of a unified information system;

• The legal framework governing operations is in its infancy;

• Sellers of funds to intermediaries operating in the financial market
lack of trust by, etc.

The economic literature shows that the following conditions are important for becoming an international financial center:

1. Protection of economic freedom and private property. Freedom of financial market, activity, consumption, savings, and investment;

2. Availability of favorable financial institutions with the ability to direct capital investments and savings;

3. Presence of a stable currency that ensures domestic economic stability (balance) and has won the trust of foreign investors;

4. Availability of active, comprehensive mobile-complex markets;

5. Special financial knowledge and availability of qualified human capital;

6. Improvement of market conditions and availability of appropriate legal and social environment, etc.

1.3. The impact of financial centers on the development of global financial markets

The world's financial centers are places where international currency, credit, financial transactions, securities and collateral agreements are implemented, and where banks and specialized credit and financial institutions are concentrated.

The main function of international financial centers is to ensure the most efficient transfer of financial funds from suppliers to those in need globally or regionally.

Financial centers are evolving from what is emerging in certain cities in each country. For the country in which they are located, these financial centers are considered national financial centers. As a rule, the main part of operations in the financial, currency and credit markets of any country are national operations. Only some of them are international. The main function of these markets is to ensure the efficient transfer of financial funds (funds) from those who offer them to those in need (Dwan R. 2003).

There are four types of financial transactions in the world's financial centers.

• Providing funds to the local borrower by a local investor and depositor for the first type of transactions;

• Provision of financial funds by local investors to the foreign borrower for the second type of operation;

• The third type of transaction involves the transfer of funds from foreign investors and depositors to a local borrower.

• The last - the fourth type of operations includes the provision of funds by foreigners operating in the market to other foreign citizens - borrowers.

Even in the most developed financial centers of the world, the share of the latter operation is very small. All types of financial transactions are carried out in the world's largest financial centers, such as London, New York and Tokyo. However, other financial centers (such as Paris, Frankfurt, Geneva, Zurich, Amsterdam, Singapore, and Hong Kong) are financial centers that carry out only two or three of these operations. Examples of centers for foreign financial transactions are Luxembourg, the Cayman Islands, the Netherlands Antilles, the Bahamas, and Bahrain (Nienhaus V. 2001: p.412).

According to sources, more than 1,000 branches and divisions of foreign banks are currently located in 14 financial centers around the world.

These financial and credit institutions carry out the vast majority of all international currency, credit, issue and insurance operations. At the same time, there are now numerous offshore banking centers in Hong Kong, Singapore, Hawaii, Kaiwan, the Antilles, Bahrain, Panama and elsewhere, which are also actively engaged in international transit financial transactions.

The location of the leading financial center also depends on the following prerequisites:

• high level of development of the host country;

• active participation of the country in world trade;

• favorable geographical location;

• Existence of a viable national capital market and banking system;

• Presence of liberal currency and tax legislation.

According to economists, although historically London has become the world's financial center, mainly due to the fact that Britain is the cradle of the industrial revolution, other factors also play a decisive role. An example of these factors is the relative liberalization of financial relations in a world that is severely constrained by the influence of mercantilism. The fact that London will become the center of the Eurodollar market in the next forty to fifty years is also connected with the liberalization of international relations (Risse-Kapen T. 1995: p.323).

The share of the financial sector in the British economy is about 22 percent. Today, there are more than 500 banks in the city. For comparison, there are about 300 banks in New York and Tokyo each. London is a world market leader. No financial center can offer as many different currency sets as the London financial center. It is believed that the establishment of the Bank of England and the Royal Stock Exchange in 1960 laid the foundation for the organization of the London financial market. Mercantilist trade-economic and financial policies, as well as the industrial revolution of the 19th century, led London to become the world's only financial center for more than two hundred years.

If we look at recent years, we can see that the growth rate of financial services in the UK has exceeded the growth rate of gross domestic product. This fact alone gives grounds to say that the pace of development of the London financial center is very high. Although officially founded in 1801, its history dates back to 1570. The London Stock Exchange Group was established in October 2007 after the Milan Stock Exchange merged with Borsa Italiana. The London Stock Exchange (LSE) provides issuance and attraction of shares and bonds to many firms in the financial sphere, deposits, borrowings, etc. is one of the world's largest marketplaces offering services such as There are 4 main markets in LFB;

- local promotions;
- international actions;
- government bonds and fixed interest securities,
- stock market of new companies.

Primary Markets For large firms, LFB has a platform called Premium Listed Main Market, where transactions and transactions are conducted in accordance with the UK Listing Authority and the Stock Exchange's own specific criteria.

For smaller financial entities, there is a platform called the Alternative Investment Market. For international companies operating outside the European Union, the platform provides deposit acceptance and capitalization, as well as listing services. LFB has two special markets:

Professional Securities Market - capitalization for professional investors is carried out through the issuance of special debt obligations. Special Stock Market - where more advanced stock instruments, management models, and securities transactions are carried out (Vadym V. 2006: p.125).

Secondary markets It is possible to conduct transactions with these securities on the LFB:

- Bonds
- Publicly traded shares
- Comprehensive warranties
- Exchange investment funds
- Exchange investment products
- International deposit coupons, etc.

LFB conducts transactions with various electronic platforms:

Stock Exchange electronic Trading Service - SETS - It is LFB's leading electronic calling platform. Transactions are carried out here with shares of various indices FTSE100, FTSE250, Exchange investment funds, exchange investment products, as well as listed companies.

SETSqx-Stock Exchange electronic Trading Services - quotes and crosses - It deals with assets with less liquidity than SETS.

SEAQ is a non-electronic price bidding platform of LFB, where market makers offer transaction services on AIM securities and fixed interest markets. It is important for 2 market makers to participate in the sale of securities in the SEAQ system. This system operates 24 hours a day. In this system, agreements can be signed during informal hours.

LFB members are divided into 4 groups:

• broker-dealer firms - their main function is to fulfill the instructions of investors when buying and selling securities;

• market maker - to evaluate the securities identified during the business day;

• brokers of dealers - intermediaries between market makers;

• stock exchange money brokers.

The analysis of indices for this market segment allows us to make the following generalizations:

• Financial Times Stock Exchange 100 Index (FTSE 100 Index) - a share index of the 100 companies with the highest capitalization listed on the London Stock Exchange. As of September 2016, the market value was 1.7 trillion. pounds. It was established in 1984.

• FTSE 250 Index - is calculated on the basis of the share of companies ranked 101st and 350th on the London Stock Exchange. This index is calculated and published in real-time. In September 2008, the market value was $ 161 million. The value of the index in August 2015 amounted to 342 million pounds. rose to a pound. It was established in 1984.

• FTSE 350 Index - an index calculated on the basis of firms with a large capitalization level of 350 on the LFB, which includes the FTSE 100 and FTSE 250 indices.

• FTSE SmallCap Index - is calculated based on the capitalization of companies ranked 351st and 619th on the LFB.

• FTSE All Share Index - The Aggregate Stock Index is based on the.

The New York Financial Center is one of the largest centers of foreign exchange trading in the world, both in terms of currency turnover and the number of currency units circulating there. In the New York international market, currency trading is carried out by both intermediaries and independent traders who act at their own expense. There are also financial centers in the United States in Chicago, Boston, San Francisco and New Orleans (Akyüz A. 1993: s.178).

They connect the US financial markets with the world financial markets through three channels. These include financial institutions, transnational corporations and the securities market.

The New York Stock Exchange (NYSE) was founded in 1792 and is the world's oldest stock exchange. It also accounts for more than a third of the world's securities transactions. NYFB members are divided into the following categories according to their activities: broker-commissioner; broker working in the hall; stockbrokers; specialists.

A broker working in the hall usually fulfills orders and buys or sells shares on behalf of the client. There are two main types of in-house brokers: Home Brokers and Independent Brokers. Home brokers work with large, diverse broker-dealers. The brokers of the house place the order on their own behalf or on behalf of its firm's clients. Members acting as independent brokers are individuals or "boutiques" who also provide placement services for brokers, members and non-members of broker-dealers. Independent brokers are generally known as "$ 2-HQ brokers". Currently, independent brokers are considered "entrepreneurial agents" of the NYFB. Their income is collected from commission income. Initially, the number of NYFB members was raised or lowered depending on the number of new entrants or those who were old or retired. Then, in 1868, the Exchange fixed the membership numbers and began to control the rules of admission of participants by selling their seats. While membership was $ 4,000 in the late 1860s and early 1870s, the membership fee was $ 80,000 at the beginning of the new century. The highest price for land was 2,650,000 on August 23, 1999. Nowadays, land can be leased by the owners, and owning it means prestige, authority and responsibility.

The companies that trade securities in the NYFB are considered the best companies in the world. These companies are considered "blue-chip" companies. These companies face serious demands. The NYFB quotes securities of companies from every continent of the world.

Indexes

• NYSE U.S. 100 Index - Includes the 100 companies with the highest market value listed on the NYSE. The total market value of these companies $ 5.7 trillion, or about half the market value of all companies in America.

• NYSE International 100 Index - NYSE's total aggregate base value includes the top 100 non-American companies. The index is designed to track international markets and guide investment research.

• NYSE TMT Index - Includes the top 100 companies in the Technology, Media and Communications sector.

• The NYSE World Leaders Index is a combination of the NYSE US100 and NYSE International 100. Represents the activities of the 200 largest companies.

• NYSE Composite Index - Created in 1966 to measure the price of all shares in the NYSE and includes shares of 2044 American and non-American companies.

• NYSE Sector Indices - New sector indices NYSE Energy Index, as NYE ID, NYSE Financial Index NYK. ID and NYSE Healthcare Index are called NYP.ID. All of these indices are sub-elements of the NYSE Composite Index. NYSE sector indices are divided according to the Dow Jones Global Classification System.

The Tokyo Financial Center, one of the most important international financial centers, was established in 1868 during the Meiji Renaissance (Антипов Н.П. 2001: с.216).

This was due to the fact that at that time, the Japanese authorities began to draw on and cite capital, technology, and production and management practices from Western European countries and the United States. The Tokyo Stock Exchange was established in 1878 and gained the status of an international stock exchange only in 1960-1970. This happened at a time when Japan was recognized as the world's second-largest industrial superpower as a result of the "Japanese economic miracle." Tokyo's international financial center began to take shape in the 1980s when it finally became Japan's largest currency holder. It was then that the country liberalized the yen and opened its doors to foreign capital inflows. After this event, the Tokyo financial center further developed and took a leading position in the world.

The Tokyo Stock Exchange accounts for 80% of the country's stock turnover. The main buyers and sellers of this stock exchange are institutional owners of securities. The main method of trading on the Tokyo Stock Exchange is an open binary auction.

Indexes

- NASDAQ-100 (^ NDX) - is based on 107 securities issued by the 100 largest non-financial firms listed in the NASDAQ. The weights of securities in the index are formed in accordance with the capitalization indicators.
- NASDAQ Composite (^ IXIC) is an index based on stocks and other securities listed on NASDAQ. Together with the Dow Jones Average and the S&P 500, it is one of the most-watched indices in the US stock markets. It was established in 1971 with the participation of 50 companies.

Table 2: A statistical picture of the rating of international financial centers

	Stock exchange *	Market capitalization ($ billion)	Age	Number of listed companies
	NYSE	19 223	224	2400
	NASDAQ	6831	45	3058
	London	6187	215	3041
	Tokio	4485	138	2292
	Shanghai	3986	26	1041
	Hong-Kong	3325	125	1866
	Euronext (France)	3321	16	1299
	Toronto	2781	155	1524
	Shenzhen	2285	29	1420
	Frankfurt	1766	431	3769
	Bombey	1682	141	5749
	Indian National Stock Exchange	1642	24	1696
	SIX Sweden	1516	21	262
	Australian Stock Exchange	1272	29	2166
	Korea Exchange	1251	11	2030
	NASDAQ Nordic	1212	13	564
	JSE Limited	951	128	472
	Madrid	942	185	175
	Taiwan	861	55	758
	BM&F Bovespa (Brasilia)	824	126	365

Source: According to the data for April 2019 https://www.worldbank.org/en/region/eca

The Paris Stock Exchange is one of the most popular markets in the world. According to the data, 1,500 securities of 63,000 giant French companies are registered here. The main condition is that the annual turnover of each of them is not less than 500 million francs. However, it is also a natural consequence of the development of the world debt capital market, as well as a sign that developing countries are entering the structure of the world economic system and the international division of labor. Specialization in the types of international financial and credit operations between financial centers dates back to the 70s of the last century. Thus, within Western Europe, the London financial center is known, above all, for the euro, gold, stock prices, futures transactions. Frankfurt-on-Main and Zurich financial centers differ in traditional long-term debt. The Luxembourg Financial Center specializes in medium-term and short-term operations.

At present, such a situation has developed in different regions of the world. Singapore plays the role of a fundraising market in the region. Hong Kong is known around the world as the largest market for syndicated lending. Bahrain is a major hub in the Middle East for short-term loans, as well as foreign exchange, gold, and insurance markets. The financial centers of the Cayman Islands and Bermuda, which are aimed at providing services in Latin American countries, are now recognized around the world as giant international insurance markets (Rodrik P. 2002: p.201).

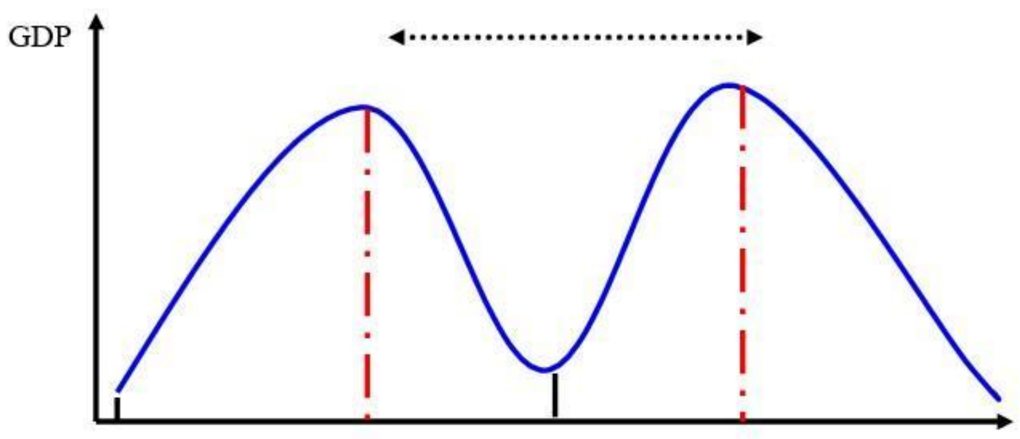
CHAPTER II. PROSPECTS FOR THE DEVELOPMENT OF İNTERNATİONAL FINANCIAL MARKETS

2.1. The system of regulation of international financial markets in the context of the global economic crisis

Over the past two hundred years since the global economy became an industrial society, production in individual macroeconomic systems has declined at an increasing rate, unsold products have accumulated in warehouses, prices have fallen, mutual settlements have deteriorated, the banking system has collapsed, industrial and commercial firms have gone bankrupt, and unemployment has plummeted. increase in dynamics, etc. National, regional and global crises are observed.

In the relevant economic literature, the crisis is characterized and understood as a violation of the balance between demand for goods and services and their supply. And as a macroeconomic process, the economic crisis can be assessed as a situation in the declining phase of cyclical development.

Graph 1: The global crisis: as a declining phase of the economic cycle



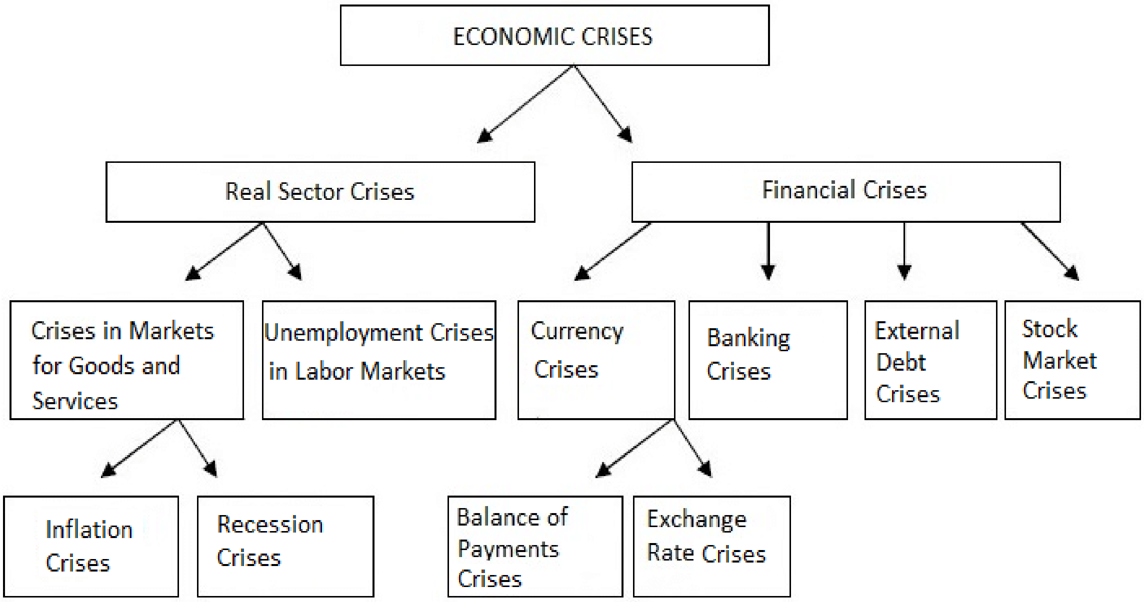
Source: https://hbr.org/1983/05/the-globalization-of-markets

In the economic literature, economic crises are divided into two main types: financial crises and real sector crises.

Types of financial crises are defined as monetary crises under twin crises, banking crises with systemic financial crises, and external debt crises. It should be noted that the concept of twin crises is a short-term interaction of money and banking crises (whether bank crises cause money crises or whether money crises cause banking crises).

The 1982 Chilean crisis, the 1992 Finnish and Swedish-Asian crises are the most important examples of twin crises.

Scheme 2: Classification of economic crises (by real sector and financial sector)



Source:https://www.researchgate.net/figure/Classification-of-Economic-Crises_fig1_336812756

Bank crises can generally be defined as bank imbalances due to non-performing loans, difficulties in business credit conditions and real sector loan applications, sudden withdrawals from accounts, sudden and sharp fluctuations in foreign exchange markets, fluctuations in the financial system. shocks caused by reasons such as capital losses.

Monetary crises, speculative attacks such as rapid and sudden outflows of foreign direct investment from the country, depletion of international reserves due to excessive fluctuations in interest rates and loss of confidence in the national currency and loss of control over the central bank's exchange rate, 10% - Between 25% are shocks resulting from a loss of value. In these cases, currency crises and balance of payments crises occur (Антипов Н.П. 2001: с.216).

Systemic financial crises can be defined as shocks that disrupt important functions of the financial system, such as lending, payments, and property valuation, and harm the real economy.

An external debt crisis is a situation in which a country declares that it is unable to repay principal or interest on public or private sector debt due to external payment problems.

The Financial Crisis Models are very specific and have the status of posing a more serious threat to macroeconomic stability. As you can see from the diagram above, the financial sector has a wide profile and manifests itself at different levels in different sub-spheres. Research shows that although the financial crises are similar to each other, the causes and scope of the crisis are not so similar. Nevertheless, under some of the basic principles of these crises, four models have been generalized in the economic literature, mainly in the practical-methodological context.

In general, if we approach the process from a practical point of view, it should be noted that in the last 50 years, 6 cycles have been recorded in developed countries. The cycle consists of recessions and expansions. In typical recessions, GDP decreases by 2.8%, usually for 1 year. In expansion, GDP increases by 20%, the process takes 5 years. When the recession is 10%, it is called depression. The biggest depression in the last 50 years was in Finland in the 60s. The largest increase in GDP in expansion occurred in Ireland ("Miracle of Ireland").

The causes of global economic crises vary in different historical periods. Specifically, looking at the recent global economic crisis of 2008, we can group the causes as follows:

I. Descending phase of cyclical development:

i. The downward phase of the cycle in the United States, the impetus - the mortgage crisis;

ii. The release of “financial bubbles” followed by a recession;

II. Derivative "pyramid" (10 times the world GDP);

III. Poor control over risks in the financial system

IV. Globalization - crisis synchronization, "infection effect"

Crisis at all stages of human history can be analyzed at first as a serious violation of the balance between solvent demand, mainly against the background of low agricultural production or food security, and since the middle of the XIX century against the background of industrial production.

A fundamental study of economic crises over the past two hundred years, about 20 national, regional, sub-regional, and finally global economic crises have been observed in the Eurasian and American contingents, the world's major economic and resource centers. In general, the economic crises observed in the global economic arena, especially the financial sector crises, can be presented in the table below (Wei S.J. 2000: p.320).

As a jointly coordinated anti-crisis strategy, we can say that the G-20 has been implemented much more effectively.

The anti-crisis strategy of the G-20 summit and its essence.

▪ Main directions:

 International cooperation in creating a global financial architecture that allows for optimal risk management;

 Ensuring a strict regulatory framework and transparency in financial systems and markets;

 Increasing control over the activities of hedge funds and their accountability;

 Correcting the ratings of credit rating agencies and covering them with regulation.

The activities of the Central Banks to overcome the consequences of the recent financial crisis in individual countries are reflected in the table below.

Against the background of financial globalization, the analysis of the duration of the crises observed in the world economy is also very relevant today.

The financial crisis in the financial markets differs from previous crises on a global scale. New financial instruments and procedures, which have caused difficulties in the United States, have begun to spread on a large scale and have had serious consequences for importing countries. Although they were not the only source of problems facing European countries, they can now be considered the main ones. As the crisis progressed, confidence in financial institutions began to decline. Ordinary citizens no longer trust regulatory bodies that specialize in establishing norms and rules. At the same time, the regulators of one country do not believe that their counterparts in other countries perform their functions smoothly and honestly, although at first glance there are enough adequate regulatory bodies in those countries.

Coordination on a global scale - Given that financial markets are already globalized, their regulation must be done at the global level. Failure of regulation in one country can have a negative impact on other countries. This aspect is even more important if we consider that the rescue of financial markets is decided at the national level. If the state is not sure about the security of financial instruments imported from abroad, it may impose restrictions on the purchase of such products by citizens and financial institutions; If the state is not sure about the smooth operation of another country's financial institution, then restrictions on cooperation with such organizations may still be imposed, as this may ensure the security of local organizations (Gourevitch P.A. 1996: p.370).

Intervention in the capital market during the crisis - The state has a number of political tools to stabilize financial flows. When traditional instruments such as interest rates are ineffective during a crisis, states use other methods, such as imposing additional taxes or any quantitative restrictions on the outflow of capital in the short or long term. In times of financial and economic crisis, states may impose restrictions on the outflow of capital in order to expand their monetary policy.

The establishment of national, bilateral, regional, and international systems of regulation of transnational business activity began in the early 1970s. States are currently developing and applying various tools at the national level to monitor the activities of TNCs. Their application allows mitigating the negative impact of transnational businesses.

Table 3: Tools of national policy regulating the activities of TNCs

Tools of state control	**Positions of national enterprises**	**Positions of transnational businesses**
Controlling access to the national market	provides a protected market	Contrary to the goa transnational businesses, b are interested in cooperation
Subsidies and subsidies	allows full control of the market, but th product in the market that is too exper technically backward.	may be necessary to att important partner
Financial incentives	Is analogous to "selective competition"	does not matter
Export assistance	Success is possible if the participation o companies is not allowed.	It is very important, it is nece attract important partners.
Price policy	the necessary pressure to equalize prices	the necessary press equalize prices

Source:https://www.researchgate.net/figure/Classification-of-Economic-Crises_fig1_336812756

The objective need to regulate transnational entrepreneurship on an interstate basis stems from the need to create an adequate institutional and legal infrastructure for the integration of the international business into national socio-economic systems, on the one hand, and the economic power of transnational businesses, on the other (Heizer J., Barry R. 2006: p.420).

Directly, the UN was working on three codes of conduct for transnational businesses:

1) under the auspices of the UN Economic and Social Council - a universal code covering all aspects of transnational business;

2) Under the auspices of UNCTAD - a code of conduct in the field of technology transfer and a set of principles and rules for restrictive business practices;

3) Under the auspices of the International Labor Organization - a tripartite declaration on the principles of multinational enterprises and social policy.

According to developing countries, the Code of Conduct for Transnational Businesses should reflect the norms, standards, and rules governing the activities of transnational businesses at the international level and act as an effective tool for balancing the national and global interests of all participants in the world economy.

The universal code of conduct for transnational businesses should reflect the main norms of their activities, among which the following deserve special attention:

● Transnational businesses in the field of ownership must ensure compliance with the requirements for local participation in share capital by host countries in their foreign enterprises, create conditions for effective control of local partners, give preference to national staff in all areas of management;

● In the monetary and financial sphere, transnational businesses should consult and cooperate with the governments of the host countries to alleviate the problems arising from the balance of payments situation in these countries. In addition, transnational businesses should avoid situations that could adversely affect the functioning of the capital markets of the countries in which they operate, especially those that may make it difficult for other firms to obtain financing;

● Transnational businesses in the field of transfer pricing should, in practice, avoid setting prices that are not based on appropriate free-market prices; it is required not to use the transnational corporate structure in the field of taxation to change the tax calculation base in the countries hosting such business;

● In the field of consumer protection, transnational businesses must unequivocally adhere to relevant international standards in order not to endanger the lives and health of consumers of their products, as well as to avoid differences in the quality of goods in different markets to the detriment of consumers;

● Transnational businesses should not interfere in the domestic politics of the countries in which they operate.

Various international companies directly or indirectly involved in the activities of transnational businesses monitor the implementation of these agreements (Heizer J., Barry R. 2006: p.420).

In general, over the past 20 years, politicians have changed their attitudes toward transnational businesses and taken a more liberal stance. This can be explained by the objective processes taking place in the modern world economy: the growing impact of the scientific and technological revolution in all areas of the world economy, its internationalization, changes in the social structure of society, the uniformity of tasks facing all countries. These responsibilities include:

● creating conditions for long-term economic growth;

● due attention to scientific and technical policy;

● Strengthening the country's economic potential through deep structural changes;

● Renewal of the country's production base in terms of quality and strengthening the competitiveness of its products.

For developing countries, the above can be added to the following:

● debt crisis;

● the inefficiency of a socio-economic policy due to the dominance of state regulation in the economy;

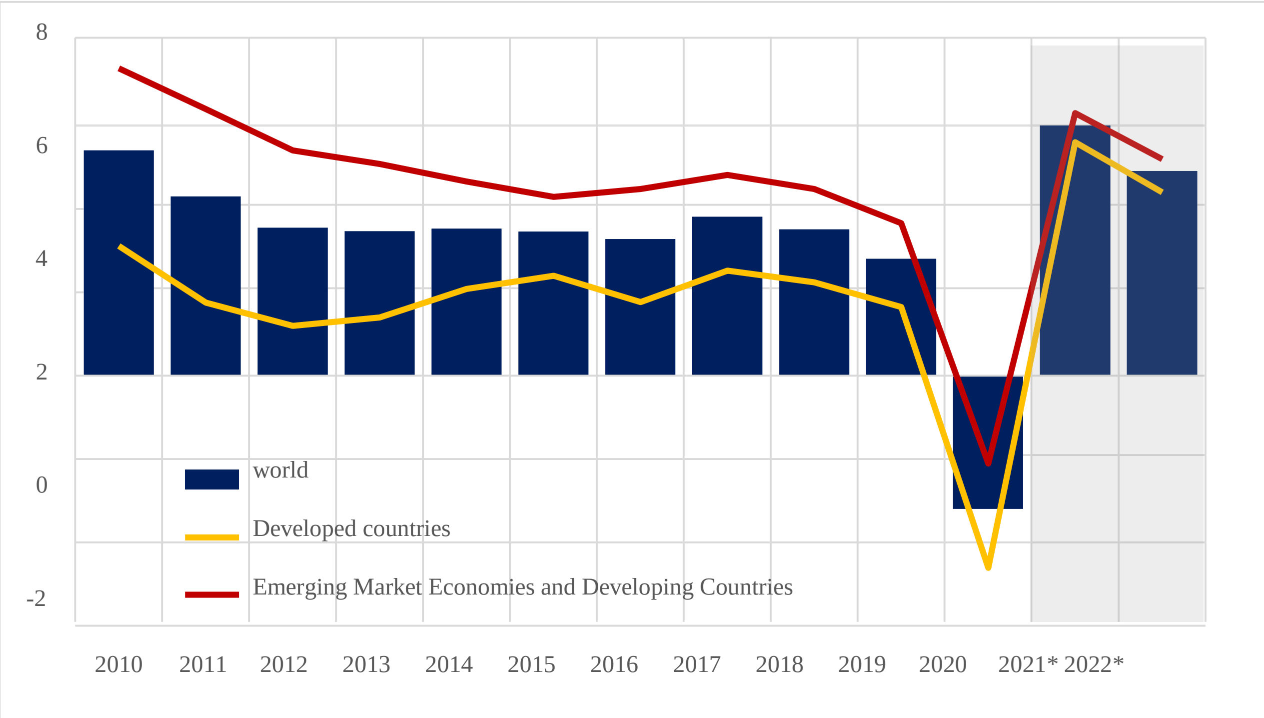
● accumulation of experience in the effective regulation of foreign capital in the national economy;

● A new approach to the role of transnational business in the economies of developing countries, the opportunity to solve many problems of economic development through cooperation with international companies.

In the estimations of international organizations, it is stated that the high uncertainty caused by the epidemic regarding the global economic outlook still continues. The presence of a risk factor on the recovery of economies in the environment of uncertainty caused by the optimistic atmosphere created by the Kovid-19 vaccines and the expectations that the global economic activity will recover, and the Delta variant mutation will lead to an increase in the number of cases again. In the evaluations, it is stated that the effective and rapid implementation of vaccination is very critical for the recovery of the global economy. It has been evaluated that the economic outlook is related to the level of development of the countries and therefore the level of access to the vaccine, and it has been emphasized that this situation raises the intercommunal income inequality to a higher level (Bands, 1995: p.160).

In the July 2021 update of the World Economic Outlook (WEO), the IMF revised its forecast of global growth contraction for 2020 in the October 2020 report to a positive 1.2 percentage point and revised it to -3.2 percent. In this development, economies that performed better than growth expectations with the recovery of economic activity with the relaxation of epidemic measures as of the second half of 2020 were effective. In the aforementioned report, the estimate of global growth for 2021 was kept constant at 6 percent without revision in the April 2021 report, and it is estimated that the global growth will be 4.9 percent for 2022.

Graph 2: IMF Global Growth Forecast



Source: https://www.worldbank.org/en/region/eca

The IMF revised its 2021 growth expectations in advanced economies to 5.6 percent, 0.5 percentage points higher than the previous report. The revision seems to be greater for developed economies, especially for Germany and France, due to the continuation of additional financial support and easy access to the vaccine (Vadym V. 2006: p.120).

The growth forecasts for the main countries are 7 percent for the USA; 2.8 percent for Japan; 7 percent for England; 3.6 percent for Germany; 5.8 percent for France; It was announced as 4.9 percent for Italy and 6.2 percent for Spain.

Table 4: Macroeconomic Forecasts of 2021 International Organizations

	World Bank			IMF WEO			OECD		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Growth	-3.5	5.6	4.3	-3.2	6	4.9	-3.5	5.8	4.4
Price	1.6	-	-	2.7	3.7	3.1	1.5	2.7	2.4
Foreign Trade Volume(*)	-8.3	8.3	6.3	-8.3	9.7	7	-8.5	8.2	5.8
Unemployment	-	-	-	-	-	-	7.1	6.6	6

Source: http://mikro.univ.szczecin.pl/bp/pdf/45/4.pdf

(*) OECD data shows the real increase in foreign trade.

The IMF predicts that the growth in the emerging market economies and developing countries group will be 6.3 percent in 2021, with a downward revision of 0.4 percentage points compared to the previous reporting period. Emphasizing that there are risks in the global economic recovery and that the biggest risk is the failure to provide the necessary acceleration in vaccination, the IMF states that there has been upward price volatility due to the unprecedented price pressures caused by the epidemic and the problems in the supply-demand balance. Assuming that the uncertainty will continue at a high level, it has been evaluated that inflation will return to its pre-epidemic period in 2022, but that rising prices will cause a serious increase in food prices in developing economies. In this situation, Central banks were called to avoid a tight monetary stance by giving priority to the fight against inflation. It was emphasized that making policy implementations clear, transparent, and understandable is of great importance in order to get rid of the inflation pressure. According to IMF forecasts, it is estimated that the world trade volume will decline by 8.3 percent in 2020 compared to the previous year, and it will be 9.7 percent in 2021 with the recovery in demand in the economies that opened.

In the Global Economic Outlook report published in June 2021, the World Bank predicted that the global economy will grow by 5.6 percent in 2021. The drivers of this growth were mostly the rapid recovery in developed economies and the ease of access to a vaccine (Agenor P.R. 2001: s.99).

The institution, which predicts that the gap between the developed and emerging market economies will gradually widen, estimates that the global economy will remain 2 percent lower in 2022 compared to the pre-pandemic period. The biggest risk for the global outlook is still considered to be the spread of the Delta variant. In the report, the World Bank stated that the global economy is going through a period of increasing inflationary pressures due to the rise in US bond yields, and also determined that situations such as high increases in food prices due to drought and shortage of supply also have a strengthening effect on this inflationary pressure. In addition, it was emphasized that rising inflation caused depreciation in the currencies of some emerging market economies, and this situation caused economic problems. Under this economic outlook, the World Bank announced its growth expectation for 2021 as 5.6 percent. It was emphasized that the elimination of the closures in the economies, the restoration of economic activity, and the restoration of consumer confidence were effective in this outlook. The World Bank estimates that the global trade volume will be 8.3 percent in 2021.

In the OECD's economic outlook report published in May 2021, it was emphasized that the global economic outlook improved but differed between country groups. In the report, it was stated that the increase in incentive policies in developed economies, the rapid and effective implementation of vaccination in the fight against the epidemic, and the rapid recovery of reopened economies with the revival in demand stood out in the first quarter of the year. However, it was also emphasized that factors such as slowing vaccination studies in developing countries and re-closures with the emergence of new variants had a restrictive effect on the growth of economies. In the May 2021 report, it was estimated that the contraction experienced throughout 2020 would be 3.46 percent. It is predicted that global growth will increase by 5.78 percent in 2021 and 4.39 percent in 2022. In the report, it was also stated that the global outlook converged to the pre-epidemic period in the first quarter of the year, but it was emphasized that until the end of 2022 uncertainty still remained (Bands, 1995: p.100).

Despite the moderate outlook, the OECD report mentions the existence of upside and downside risks depending on the course of the epidemic, household savings, and developments in emerging markets and emerging economies. While the increase in the spread of the virus is stated as a downside risk, the decreasing number of cases with the acceleration of vaccination is stated as an upside risk. In addition, it has been stated that the increase in household savings, especially in developed economies, stands out as an upside risk that will increase GDP growth even more than anticipated, regardless of the spread of the virus. According to the OECD, ongoing upside risks in developed economies have led to inflationary pressure, and this has brought additional financial obligations to emerging economies. It has also been recommended by the OECD that stricter policies should be implemented to restore economic stability due to factors such as capital outflows, asset repricing, and currency shocks. The ongoing indebtedness has made these countries more vulnerable to financial vulnerabilities from the pandemic.

In the OECD report, it was mentioned that the policies that should be prioritized by the countries, with the mention of the ongoing uncertainty caused by the epidemic, and it was emphasized that policies should be developed in line with economic developments, efficient use of resources and tight stance should not be given up as much as possible. In the report, the importance of ensuring rapid access to vaccines, especially in underdeveloped countries, was emphasized once again. The report also emphasized the importance of turning to policies such as providing adequate income support to households and companies and making more investments in the health sector (Aktan C.C., Şen H. 1999: s.201).

According to OECD forecasts, the general level of prices was estimated to be 1.5 percent in 2020 compared to the previous year, and to be 2.7 percent in 2021, with the recovery in demand in the economies that opened. Unemployment figures were also updated in the said report, and it is estimated that the figure, which was announced as 7.1 percent for 2020, will decrease to 6.5 percent in 2021.

The real-world trade volume, which was estimated to decrease by 10.3 percent in the previous report, was predicted to decrease by 8.5 percent due to the acceleration of the Kovid-19 vaccination and the increase in transportation activities as the economies started to reopen. In 2021, an increase of 8.2 percent is expected with the expectation that the decreased number of cases with the widespread use of the vaccine will revive foreign trade.

2.2. Adaptation of economic policy of states to global financial markets

Numerous economic literature points to the ineffectiveness of economic policies pursued in individual countries and gaps in the regulation of financial markets among the causes of the global financial crisis. The existence of functional and structural problems in various national economies and their negative impact on macro-level policies have been observed on a global scale with declining levels of both liquidity and savings. Against the background of significant disparities in the ratio between savings and investment needs internationally, the demand for safer financial assets has also increased, which has led to increased pressure on financial markets in developed countries.

The dangerous situation, characterized by the existence of extremely low-risk premiums, has manifested itself not only in the real sector - savings and investment ratios and balance of payments problems, but also in the financial sector due to high risk and weak institutional control. This includes excessive credit expansion and speculative bubbles in the asset market. This dangerous situation has led to a mass collapse of the financial system under the influence of "micro" factors (weak financial innovations and extremely high leverage levels).

The global financial crisis has highlighted the need to reconsider the fundamentals of macroeconomic policy and adjust policy frameworks to prevent new crises. The crisis has confirmed that stable inflation is important, but not enough. The reason for the deep recession and volatility in aggregate output during the crisis is that if there is a non-fundamental increase in asset prices or a credit boom in the economy, the bursting of "bubbles" could lead to significant economic recession and volatility, even if core inflation is stable (Bowles, 2002: p.75-111).

Economic policy is, in essence, a set of measures that have a purposeful impact on the economy based on the division of labor - state institutions, legal regulations, and other tools defined by law. State institutions are organizations established by legislation or regulations to ensure the implementation of certain tasks. The main mission of institutions and relevant legal regulations is to limit the behavior of economic entities and ensure the stability of the economy. In other words, institutions and rules provide conditions for the effective interaction of economic entities on the basis of specialization and competition and the purposeful regulation of these activities. Their impact on the economy is realized through measures to create economic order, as well as through the impact on economic processes.

In the scientific literature, the concept of economic policy is interpreted in various forms. According to some researchers, the economic policy of the state is a set of measures that serve to regulate, influence, or determine the course of economic processes. From a scientific point of view, one of the most important tasks of economic policy is the formation of rational economic thinking. The main axiomatic feature of such thinking is the realization that the task of the state in the conditions of free competition is to create a "framework" in which economic entities must seek a rational solution. In this regard, the following three important conditions are very important to ensure the effectiveness of economic policy:

1. Economic policy is always shaped by two important factors: ever-changing economic conditions and the level of economic thinking. Although these two factors are interdependent, they have relative freedom. As the level of development of society increases, economic thinking changes, because perceptions of values change. Thus, they even try to solve traditional tasks through the prism of new values.

2. When economic policy is reconciled with the realities of the country, including the ratio of political forces, production, and technical potential, social conditions, institutional rules in national and local government, etc. is more effective when taken into account.

3. Economic policy is a decisive means of ensuring the global interests of the country and the political course of the State formed in accordance with it. In other

words, economic policy is complementary to general, global policy (Küresel CEO Araştırması 2016, KPMG International 2016: s.45).

Given the recent slowdown in economic growth, falling commodity prices, and the negative trends in the Chinese economy, the IMF warns of measures to maintain stability in global financial markets. According to the latest Global Financial Stability Review prepared by the IMF, financial risks have increased as a result of high volatility in commodity and foreign exchange markets compared to October last year, prompting many countries, especially China and Europe, to prepare for new threats. Chinese banks are worried. The negative impact of rising risks on global financial markets on the Chinese stock market has raised concerns among investors about the slowdown in the world's second-largest economy. China's state-owned enterprises are at risk of defaulting on balance sheet assets of about $ 1.3 trillion (€ 1.14 trillion), which could mean a potential bank loss of 7% of GDP. Although this is a large amount, according to the IMF, China's reserve fund is manageable, given the current economic growth.

Financial fragility in eurozone banks. Eurozone banks need to take serious steps to reduce their financial fragility. The IMF notes that the solution of problems in Eurozone banks should not be delayed amid growing risks in global financial markets. Thus, 900 billion in the accounts of Eurozone banks. An effective strategy should be applied to solve problem loans in the amount of EUR 715 billion. There is also a need to close banks to solve the problem of over-lending. Greece, Italy, Portugal, and some German banks, which are less vulnerable to risk, were the most affected by the eurozone's banking system, due to over-lending, overdue loans, and weak business models. Approximately 15% of the banking sector in developed countries (about 30% of the banking sector in Europe) faces serious challenges in achieving sustainable profitability without reform. In addition, investors' demand for higher interest rates and difficulties in the financial situation can create risks such as economic downturns and inflationary trends, increasing debt burden, and weakening confidence.

The problem of increasing the debt burden. According to estimates, the average public debt of developed countries is growing and is 107% of GDP, which is higher for Japan - about 250%. In comparison, while the situation is relatively good in developing countries - about 50% or less of GDP - these countries' financial needs are growing and they face higher fiscal deficits than developed countries (Wolff A. 2005: p.150).

At the same time, developed countries have struggled with weak economic growth and deflation against the backdrop of maximum public debt since World War II. Here, due to the unsustainable debt burden, the IMF focuses on Greece and requires debt restructuring by creditors.

The high debt burden limits the government's ability to take additional measures to stimulate economic development. As a result, a number of countries have applied to the World Bank and the IMF for financial support. Recently, the IMF provided assistance to Angola, which is facing financial difficulties due to a sharp drop in oil prices.

The importance of a negative interest rate. The Central Banks of Europe and Japan have developed large-scale securities purchase programs and imposed negative interest rates to penalize commercial banks that keep excess liquidity in their accounts with the Central Bank instead of lending it to the real sector. Thus, a negative interest rate is important in terms of stimulating economic development and reducing banks' profit margins.

The IMF calls on policy makers to take serious measures to reduce liquidity risks, solve problem loans, as well as reduce financial fragility. If the IMF's proposals are effectively taken into account, the economic growth rate may increase by 1.7 percent by 2018 (within the baseline scenario). It should be noted that according to the baseline scenario, the IMF forecasts economic growth of 3.7% over the next 5 years.

Trends in the global economy also affected the dynamics of financial indices. While the Nikkei and Shanghai indexes rose 9.1% and 9.4%, respectively, the Dow Jones index, another important indicator, fell 2.2% this year. As we have seen, in the wake of the sharp decline in financial indices, international investors have not been able to regain their confidence in these financial markets, at least for the time being. Continuing declining oil prices in global energy markets, in turn, significantly increase the risk of uncertainty and shortages in international financial markets affecting other economic sectors of individual national economies. At the same time, the depreciation (ie devaluation) of national currencies in a number of DCCs during the research period and the tendency of the Fed to raise interest rates on a regular basis encouraged investors to be more conservative and focus on safe investments. Which suggests that this will result in a significant reduction in economic dynamics in these geographies (Comfort A. 1994).

During 2015, the US dollar continued to strengthen against other national currencies in global currency markets. Thus, during the year, the US dollar was 11.1% against the euro, 0.43% against the Japanese yen, the national currency of the third major economic center, 22.4% against the Russian ruble, which was subjected to severe economic sanctions, and the Turkish lira, which has recently experienced serious domestic political turmoil. compared with also gained 25.4% value.

In fact, the monetary policy pursued by the Fed, which has a very significant impact on the appreciation of the US dollar as a function of world money, is in fact inadequate or unequal economic growth in trading partners, and in the geography of investment flows. effective geopolitical tensions are shown. To analyze the dynamics observed in the global currency markets in more detail, it would be expedient to pay attention to the following graph. Thus, here, too, the main trends are clearly manifested and have a very decisive impact on the future behavior of specific national economies.

Taking into account the current situation and geoeconomic processes, a number of international organizations, including the IMF, reduced the global growth forecast for 2016 by 0.2% compared to similar reports in the latest report on global economic dynamics. created the conditions for a more promising landscape. According to recent optimistic forecasts, global growth will be 3.4%, around 2.1% in DDCs and 4.3% in DDCs, respectively.

2.3. Improving the global financial architecture

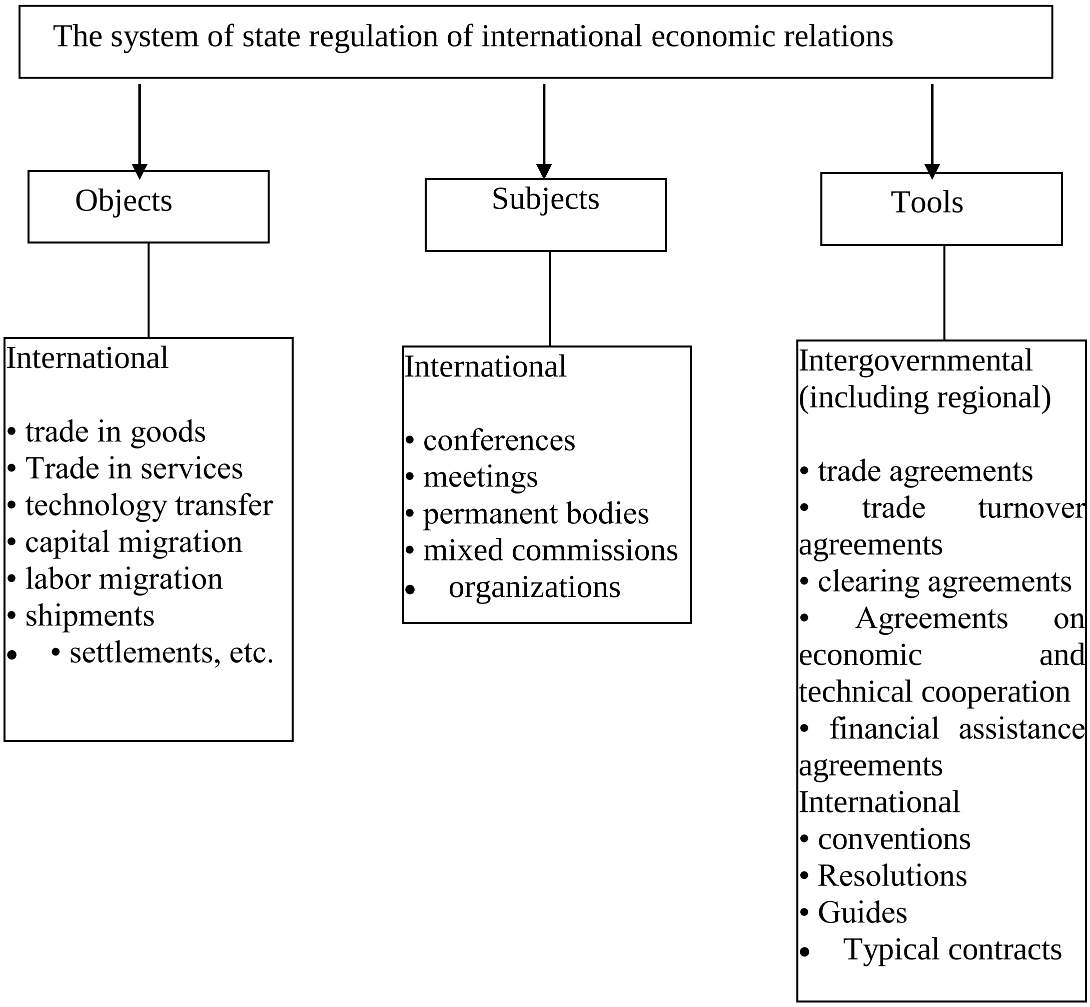
Improving the efficiency of international financial institutions is one of the main directions in the formation of global financial architecture. The experience of the last crisis shows that even in the years before the crisis if these institutions discovered systemic risks, the package of proposals prepared on paper remained on paper due to the lack of a binding mechanism for the decisions and steps taken. For example, although the IMF's multilateral consultations in 2006-2007 resulted in a plan of proposals to address these risks, they were not implemented, especially by developed countries. In addition, the IMF's program of proposals in 2007 for bilateral oversight of the policies of member countries, which are particularly vulnerable to serious risks, has become functionally insignificant (Dwan R. 2003: p.84).

From this point of view, the need for universal structures in the management of the global financial system and in increasing the efficiency of the overall control process is even more pronounced. Along with the IMF, it is important to increase the participation of the G-20 group of countries in the coordination of macroeconomic policies to ensure the sustainability and sustainability of global economic growth. Increasing global demand and supporting the implementation of structural reforms, both in terms of timeliness and efficiency, and ensuring inclusion, especially by eliminating inequalities, are among the short-term goals of the G-20's recent Antalya summit.

Among the modern development trends of the international financial architecture, the creation of new forms of multilateral regulation of currency relations is one of the key points of attention. Monetary policies pursued by the central banks of individual countries, aimed at improving the external economic situation of countries during the global recession, have not been at the desired level in terms of effectiveness. Monetary policies pursued by countries facing economic downturns as a result of the crisis, whether they are called currency wars or "neighbor damage," harm the fragile development of the global economic system. These policy methods pursued by leading countries limit the room for maneuver in the stabilization activities of central banks facing a "liquidity trap".

The system of interstate regulation of international economic relations includes a set of objects, subjects, and tools of regulation.

Scheme 3: The system of interstate regulation in the international economic system



Source: https://www.worldbank.org/en/region/eca

There are many publications explaining the reasons for the constant shortcomings in the activities of financial institutions. Despite widespread speculation about the benefits of private markets, research over the past three decades has shown that in the absence of a well-tuned information system and information asymmetry (which means that different people receive different information), private markets do not work as a whole. Such incompleteness in the provision of information is especially characteristic of financial markets. In addition, in financial markets, individual motivation (both at the organizational level and at the level of individuals) often does not coincide with public benefit. The current crisis has revealed that there are many disparities in all countries, but they are even more important for emerging economies. Due to the ubiquitous and constant "failure" of financial institutions to perform their core functions, their activities are regulated by governments. The first 25 years after the Second World War was characterized by the absence of financial crises. After the Great Recession, the New Course emerged as a result of the introduction of a stricter system of regulation and similar regulations in the rest of the world (Quliyev N.R., Mahmudov M.M. 2001: s.412).

Rational activity in financial markets is an even more dubious idea. Indeed, financial markets have a long history of crises with the most detrimental effects on production and employment. The great influence of external factors, combined with the failure of financial institutions, means that this process can manifest itself in other institutions. That is why banks, whose minimum task is to assess creditworthiness, have repeatedly been rescued. However, even if the activities of all market participants are rational and there are no systemically important financial institutions, in any case, it will be necessary to regulate the external effects of activities (on the correlation of their actions). In simpler terms, it turned out that the traditional (pre-crisis) area of financial regulation was very limited.

Regulatory structures and institutions - Where there is a clear need for state regulation of financial markets, the government has not been able to establish the necessary regulatory structures. The motivation of government officials, regulators, elected government officials, and the role of money in politics is an important tool to awaken from dreamy ideas about regulatory effectiveness (in order to address the shortcomings of market failure). Similarly, the regulation of financial markets is aimed at solving many issues:

1) to enable the stability of financial markets;

2) to promote macroeconomic stability and development;

3) increase the efficiency of capital distribution in case of shortage;

4) to ensure equal conditions for all;

5) to protect public finances damaged as a result of regulatory errors.

States, as governments, must recognize the existence of various forms of regulation and the interrelationships between regulatory bodies, including those between regulation and other instruments of public policy. All of this is aimed at fulfilling the very important function of financial markets to support all members of society. Many areas of public policy, such as competition and corporate governance, apply to the financial sector as well as other sectors of the economy. It is in these two areas that unsuccessful policies could lead to the strongest bankruptcies in the financial system (Heizer J., Barry R. 2006: p.450).

Boundaries of the scope of financial regulation

Traditional regulation was divided into layers depending on the institutional forms. Banks working with deposits (population) are regulated differently from non-banking enterprises. Insurance products are regulated by insurance regulators, and derivatives such as default swaps (on non-performing loans) that have the same quality as insurance products are not regulated at all. This regulation is inherited from the past rather than an analytical approach. In addition, it creates weaknesses in regulatory arbitration and clearly needs to be improved. Regulation should cover everything, and its boundaries are determined not by its name or location, but by the economic functions of financial institutions. The regulation should cover all relevant institutions and instruments. When defining the boundaries of regulation, it is necessary to take into account the compatibility of the activities of different regulatory structures.

Regulatory bodies must coordinate their activities perfectly. These activities should not face obstacles and should cover both domestic and international capital markets, securities markets, and enterprises operating with deposits. More broadly, regulators need to pay more attention to financial institutions. Thus, the state bears the risk of rescuing these financial institutions or issuing insurance guarantees on deposits (secretly or openly). Recent experience has clearly shown that any institution can be systemically important. Indeed, the fact that some institutions are too large for financial restructuring means that protection has been provided not only to the institution itself but also to its shareholders and other creditors. This fact requires a higher level of control over such institutions. Clear principles need to be established to determine which factors are systemically important: the excess of debt capital over equity, the scale, and the correlation of debt to small investors and/or other activities. Regulators need to be inclusive. The question of whether the concept of "too big to disappear from the financial market" has a right to exist must be clearly assessed. If it has the authority, then what principles should determine whether this or that financial institution is really too large to cease operations. Regulation must be done on a regular, daily basis and at the same time in the long run (Agenor P.R. 2001: s.99).

Regulation in the field of competition - Competition policy is one of those areas where government regulation is applied to all sectors of the economy, including the financial sector. However, it is in the financial sector that the shortcomings of this type of regulation can be more severe and costly. The inability to pursue antitrust policy has led to a very high concentration in the financial sector. Extremely high profits and very high commission premiums are an indication of a lack of satisfactory competition. This is also felt in other areas of antitrust policy, and is particularly important in this context - banks are becoming too large for bankruptcy as a result of abnormal growth.

Regulation of other market participants - Financial markets become more complex over time. Funds can now be obtained through banks and the securities market. There are other market participants whose role in the recent financial crisis has increased significantly and has not been unequivocally assessed. For example, there are two groups of non-traditional financial institutions that deserve special attention - rating agencies and national welfare funds.

Rating agencies - It is believed that rating agencies will play a leading role in the financial markets and eliminate asymmetries in the information provided to investors. This role has expanded as the process of financial globalization has deepened, and its importance has increased since the Second Basel Agreement (Basel 2), which included ratings of credit agencies (CRAs) in risk assessment. Although CRAs play an important role in financial markets, their activities are not adequately regulated. While this activity needs full control, no reform package has been discussed to address the current challenges. To resolve the conflict of interest, for example, there could be a reform aimed at decommissioning securities issued to finance one or more ratings (Heizer J., Barry R. 2006: p.450).

Disclosure and public disclosure of analyzes and assumptions made by rating agencies can actually have a positive impact on financial market performance. In addition, rating agencies should be required to provide documentation of their past activities, or this function should be performed by an independent government body, which could result in "positive" competition between rating agencies. In addition, rating agencies should abandon the rating systems they use based on obscure, comparative methods, and at the same time quantify the probability of default. The accuracy of these calculations should be checked later. The root of the problem is that the market for rating agencies operating somewhere is less oligopolistic. Many investors, as well as lenders, require their counterparts to evaluate each reputable rating agency. Therefore, the government should use strict regulatory methods in this area, for example, the agency should be temporarily deprived of "accreditation" due to an incorrect rating. However, such a decision is also associated with certain problems.

Given that many ratings are interrelated, all agencies will be deprived of accreditation. And in this situation, it is impossible to carry out such measures, it is possible to force all rating agencies to give the same rating. The problem of individual ratings should be discussed in the broader context of financial sector information provision. In the Enron and WorldCom scandals, the ratings on equity and debt were given by experts financed by investment banks. The information provided by some investment banks during the recent food and energy crises could suddenly enrich those who provide this information and deepen the crisis. Although the reform of the payment for services offered by specialists was a step in the right direction, they alone are not enough. Information on the status of entities that can mobilize the market, such as investment banks and other organizations, should be provided by at least some regulatory authorities (this is already the case in several countries).

Financial Market Liberalization - Capital market liberalization rates set out in the WTO General Agreement on the Sale of Services (GPSS) to prevent government regulators from changing to ensure financial stability, economic growth, and the well-being of vulnerable consumers and investors can. Experience has shown that the arrival of foreign banks in some countries has not increased the total volume of general lending or lending to medium and small enterprises, but has also led to the closure of lending positions during the crisis. Such restrictions should be widespread and should apply to both foreign and domestic banks, even if they affect foreign banks to varying degrees. Problems in one country's banking sector may affect the banking sector in other countries, even though banks in those countries are completely independent and separate. The current crisis has once again proved the importance of the principle of "national regime", ie the application of an effective and equal approach to local banks and foreign branches of banks. In order to ensure adequate financing of domestic lending by foreign banks and the lack of repatriation of capital underlying such lending, developing countries may require foreign banks to open subsidiaries rather than branches in their countries and to regulate and control capital by such institutions.

CHAPTER III. ECONOMIC DEVELOPMENT STRATEGIES

3.1. Macroeconomic stability and competitive environment strategy

Intensifying competition in the world economy, which is rapidly globalizing and undergoing a major structural transformation, is the most important phenomenon for countries. The main way for countries to increase the welfare level of their citizens is to increase the competitiveness of the countries and make this increase in a sustainable structure. It is the fact that the modern aim of fiscal policy and the role that states should undertake in the globalizing world is to increase international competitiveness. With this move, it will be possible for countries to increase their international competitiveness in order to increase their citizens' living standards and quality of life, and this increase will be sustainable and the state will take a decisive and sustainable role in order to increase international competitiveness, ensuring development and increasing the welfare of future generations.

It is very difficult to talk about a general definition of unity on the concept of competitiveness. The concept of competitiveness differs according to individuals and institutions. The concept of competitiveness will be examined at the level of firm, industry, and industry, and the factors affecting competitiveness will be tried to be conveyed as micro and macro factors. The main reason for the existence of a state is to increase the welfare level and quality of life of its citizens and to ensure that this increase is sustainable. The way to realize this reason for existence is to achieve a sustainable increase in international competitiveness. In this context, the state should focus on two basic policies, which are aimed at increasing the efficiency of the public sector in increasing international competitiveness and establishing and maintaining macro-economic reforms (Nienhaus V. 2001).

Competitiveness Theory

When a general literature review is made from a conceptual perspective, it is difficult to talk about a common definition of the concept of competitiveness. The concept of competitiveness can be defined differently according to the criteria used, perspectives (micro or macro level), and the area covered (company, industry, or country). National, industrial, or firm, with different levels of competitiveness; In addition, it is evaluated locally, regionally, and internationally. The multifaceted approaches of researchers and scientists to competitiveness and their handling of the issue from different angles cause the concept of competitiveness to be a controversial concept in the literature and to keep the issue constantly on the agenda.

The concept of international competitiveness (URG) can be defined in three categories as firm, industry, and national (international). Different opinions have been put forward by researchers and authors for the concept of URG at the firm level.

Industrial competitiveness is an important issue for countries that follow export-oriented industrialization policies. As individual firms produce and compete in global markets, industrial competitiveness analysis has to take into account the collective performance participation of firms. Competitiveness at the industry level can also be expressed as the ability of country firms to achieve sustainable success against foreign competitors (or comparative) without protection and subsidy. In addition, competitiveness at the industry level is the ability to compare the same industries in other regions or countries with open trade.

Industrial competitiveness can also be expressed from a general point of view as the ability of related industries to export their own goods, which can be defined as groups of companies producing similar goods. In general, "industrial competitiveness is the ability of an industry to produce goods and services that meet the requirements of the international market at an efficiency level equal to or higher than its competitors, and to realize inventions and innovations that enable it to produce goods and services that meet the standards and demands of international markets at lower costs" (Aktan C.C., Şen H. 1999).

Competitiveness at the national (international) level can be defined as the success of bringing the living standards of the citizens of the country to a high level. The high standard of living of all citizens of the country can be sustained by continuous improvements in productivity growth. Competitiveness at the national level is measured by the growth level of the country's living standard, the increase in total productivity, and the ability of the country's firms to increase their entry into the world markets through exports or foreign direct investment. The international competitiveness of a country is the total export performance of all firms in the country, measured by the export performance of the firms that produce within the borders of its own country and present it through export. The issue of international competitiveness brings out new research topics and makes it important to consider more variables. URG can be defined as the capacity of the firm to achieve a higher performance than its competitors in foreign markets and to maintain its high performance in the future (Afsar M. 2004).

“In order to be able to say that a country has competitive power, it must have an economic performance that can be expressed by an increase in the quality of life or real national income compared to its competitors. The country should demonstrate this economic performance while competing with foreign producers (under open market conditions), and short-term improvements in competitiveness should not lead to imbalances that would endanger the sustainability of its economic performance in the long run”.

The factors that determine international competitiveness can be examined according to economic approaches and economic factors. According to economic approaches, the factors that determine international competitiveness are Adam Smith's Absolute Advantage, David Ricardo's Comparative Advantage, Heckscher-Ohlin-Samuelson Theorem, Paul Krugman's Approach, Michael Porter's Diamond Model, and Cho and Moon's Nine Factor Model. According to Adam Smith, the most important problem in mercantilist thought is the idea that in order for a country to gain from trade, other countries must lose (zero-sum game). Smith opposes this view and argues that with the positive-sum game, countries can gain mutual benefits simultaneously with the countries they trade with. Adam Smith bases trade on the fact that each country has an absolute advantage in the production of a particular good. Adam Smith explains the benefits of free trade and international specialization with the theory of absolute superiority. According to Smith, a country should specialize in the production of whatever good it produces at a lower cost compared to the other country, and import from foreign countries what it can produce expensively by exporting them.

"Supremacy, in the sense of Adam Smith, is that good is produced more productively in one country than in other countries. In this way, as a result of international specialization, factors of production will be used more effectively among countries and an increase in world production will be achieved (Quliyev N.R., Mahmudov M.M. 2011).

According to the theory of comparative advantage, even if a country does not have an absolute advantage in any good, that country will be able to benefit from international trade with other countries. "If a country is more productive in the production of some goods than others (their costs are low), why waste its resources by producing in areas where it is less superior? For this, the best policy is to specialize in the production of the areas where the relevant country is comparatively most efficient and to import from other countries what it can produce relatively expensive by exporting them.

The Heckscher-Ohlin-Samuelson (HOS) model accepts that different factor intensities are the main reason for the emergence of trade. The HOS model consists of Heckscher-Ohlin Theory, Factor Price Equality Theory, Stolper-Samuelson Theory, and Rybczynski Theory.

According to the Heckscher-Ohlin theorem, countries should export the goods best equipped with the factors of production they have the most intensive production factors. The H-O model is based on the assumption that there are no technical differences between countries. Based on this assumption, he argues that comparative advantage is based on the relative factor density of the factors of production. By specializing in the production areas in which they have factor density, countries have a cost advantage in these areas and can gain a competitive advantage in foreign trade.

According to the factor price equality theorem, free foreign trade equalizes factor prices between countries under certain assumptions, and in this respect, the same results are obtained with international free factor mobility. "In practice, factor prices are not equal in foreign trade countries due to factors such as restrictive foreign trade policies of countries, differences in production functions between countries, inhomogeneity of production factors and the effect of unions”.

Establishing the Institutional Structure for Competitive Markets

Today, the success of countries in the global economy is directly related to the level of participation in economic activities on a global scale. To profit in a global economy, states must establish, strengthen, or maintain existing market processes. The countries' structuring of their political, economic, and social institutions, which are the requirements of the global market system, depends on the voluntary actions and abilities of the countries.

States often have an important role in establishing and strengthening the institutional structure. In this role, states must establish transparency and ethical codes of conduct in the public and private sectors, strengthen legislation, develop and maintain appropriate macroeconomic policies, liberalize commercial and financial transactions, protect property rights, and privatize state enterprises and lands.

“Since the world economy is almost entirely based on the market mechanism and the rules of the game are largely determined within the framework of this mechanism, it is possible to be successful in the trade of goods and services in global markets by adapting to the functioning mechanism of these markets. For this reason, countries feel obliged to adapt to the market economy and implement structural adjustment policies” (Küresel CEO Araştırması, KPMG International, 2016: s.45).

Creating an Open Economy to Liberalize Trade and Attract Investment

Effective management of competitive market economies requires governments in all countries to regulate their trade and investment policies so that countries can become competitive or competitive. The liberalization of commercial laws and regulations and the enactment of more appropriate investment policies have become important phases of structural reforms. Reforms generally aim to build capacity to expand export markets and to establish more effective links in foreign trade and investments. These goals require free trade and investment policies that include increasing exports, foreign direct investment, foreign exchange arrangements, and facilitating investment restrictions and trade barriers.

National competitiveness increasingly depends on the willingness and ability of the state to participate in regional trade agreements (free trade zones, customs unions, common markets, or economic unions). National trade policies are strongly influenced by international trade agreements. These commercial agreements are referred to as international "rules of the game". Countries and industries have to act according to these game rules in order to create a competitive advantage. The standards are established by the World Trade Organization (WTO). With these standards, attempts are not only made in line with a free world trade regime but also the commercial penalties that will be applied in case of violation of the agreements by the member countries are determined. The main measure of the WTO agreements is to reduce the customs tariffs of the member countries, to prevent the use of health and safety standards that do not have a scientific basis to restrict trade and to liquidate import quotas. In this framework, the determination of a country's international competitiveness depends on the speed and degree of national policies to implement the rules of the international game for trade and investments.

3.2. Industrialization and foreign trade strategies in economic development

In recent years, many developing countries have tried many economic development strategies in order to increase their economic development levels. Some of these strategies are reviewed below.

Strategy for Creating Macro-Economic Stability and Competitive Environment

In recent years, many countries have realized that fluctuations in interest rates and high inflation are very harmful to their economic development efforts. Countries living in a highly inflationary environment are unlikely to sustain their economic development in the long run. Because, in an environment where the general level of prices changes rapidly, the market mechanism remains very weak in terms of effective use and management of production units. In such an environment, firms and consumers spend more time-fighting inflation and less time for efficient production. While planning for the future is not impossible, it is still extremely difficult and long-term investments tend to fall due to inflation. Thus, high inflation weakens the economic development potential (Wolff A. 2005: p.150).

High and fluctuating inflation leads to high fluctuations especially in the demand for production and real interest rates. These fluctuations greatly increase the cost of doing business and increase the risk of any investment decision. "An economy subject to large fluctuations cannot function effectively and a stable economy cannot perform in development. Therefore, one of the most positive contributions governments can make with regard to industrial development should be the maintenance of a low and stable inflation rate".

The aim of the strategy of creating a competitive environment is to create a stable macroeconomic environment in which uncertainties are minimized and to develop the technology infrastructure in a broad sense. For this purpose, it foresees the government's reorganization of tax revenues, transferring resources to fields such as education, health, justice, transportation, environment, and urban infrastructure.

The strategy of creating a competitive environment envisages the creation of a favorable economic environment that will support all sectors, rather than supporting certain sectors. The basic idea of this strategy is to identify successful sectors in a competitive economic environment that supports stable and technological change, rather than centralized bureaucratic institutions. In other words, there is no question of giving priority or privilege to any sector. In order for this strategy to be implemented successfully, it must be adopted and supported by society. It is believed that the strategy will be easy to be adopted and supported by society, as it does not distinguish between any sectors and considers investment in human capital as the most important element of development.

Sectoral and Regional Priority Strategy

In underdeveloped economies, both development centers and leading industrial units emerge in places with the necessary infrastructure in order to minimize waste by making sufficient use of indivisible infrastructure investments, in other words, social capital services. Back and forth connections and regional input-output relations can be achieved by gathering the industry in a certain place. Therefore, the concentration of development centers and industries are complementary to each other.

The priority sector's strategy “underlies the motor character of the imbalance.” According to certain criteria, it aims to make it competitive in the world economy by supporting selected industries with incentives, tax, credit, and foreign trade policies. Industry, which is the driving sector of development, generally shows a slow and then a fast pace of development. The acceleration periods of the industry occur depending on the vertical and horizontal agglomeration and integration process within the sector and the region. Since the industrial sector will be given great duties in regional development, an artificial regional and sectoral agglomeration will be inevitable in order to accelerate this (Pierre-Richard A. 2001).

Industrialization and Foreign Trade Strategies in Economic Development

“Industrialization and Foreign Trade Strategies can be defined as the planned coordination put into practice to affect the industrial structure by making use of special policies concerning a certain industry and the methods determined correctly by the state”. Accordingly, the first feature of Industrialization and Foreign Trade Strategies; reaching the targets determined in the sub-sectors of the economy, the second feature is; It is concerned with the coordination of an overall development plan.

Many developing countries in various parts of the world have tried numerous industrial development strategies in order to increase their levels of economic growth and industrial development. The main ones are:

1. Inward industrialization (import substitution) strategy
2. External industrialization (export substitution) strategy
3. It is a mixed industrialization strategy.

Internal Industrialization Strategies

With the exception of England and recently Hong Kong during the industrial revolution, almost all of today's industrial countries and developing countries maintain their industries that are still in their infancy, producing for their domestic markets. In this sense, it is very natural that there are differences in the form and degree of protectionism between various countries. As a matter of fact, while today's industrial countries are mostly content with relatively low customs tariffs, developing countries have applied high tariffs or quantitative restrictions, and even tried to protect them from foreign competition by completely banning the import of some goods.

Although what kind of industrialization and foreign trade strategy to choose in a developing country is possible after applying the import substitution policy for a certain period of time, the application time and dose of this policy largely determine the success of that country in maintaining the balance of payments balance (Afsar M. 2004).

Import substitution is the change in the share of imports in the total supply. Accordingly, if the import rate in the total supply decreases, import substitution is made, and if it increases, domestic production is substituted by imports. In reality, it is possible to calculate import substitution for a particular good, sector, or the whole economy. In addition, even if import substitution is provided in a certain sector, the increase in domestic production may cause an increase in imports in other sectors. When we consider these indirect effects, we find net import substitution.

The most consistent view in choosing the import substitution strategy is the infant industry thesis. According to this view, which dates back to the F. List, newly established industries should be protected from foreign competition for a certain period of time, since it is inevitable that the costs per piece in industrial production will be high at the beginning of industrialization. However, over time, it is hoped that when optimum scaled enterprises are established and mass production is started, the costs per piece will decrease by making use of internal and external economies, and after a while, they will tend to export.

As it is known, the industrial sector consists of two main parts; social capital investments and direct productive investments.

Another distinction in industry emerges as "manufacturing industry, mines and energy industries". In industrialization, the import substitution strategy is carried out in two stages, by first starting with the domestic production of imported consumer goods, and then switching to the production of intermediate and investment goods in the second stage.

Inflation Targeting in Developed and Developing Countries

Industrialized countries, which could not achieve the desired success in exchange rate targeting, started to adopt inflation targeting as an alternative to stabilize their economies. The system has succeeded in maintaining price stability in countries where it is implemented. When we look at the developed countries that implement inflation targeting, some common features stand out. These are the flexible exchange rate system, the independence of the central bank, the short-term interest rate as the main monetary policy instrument, the inflation target being a band or a point target with tolerance gaps. These countries use inflation targeting as a tool to establish the credibility of their macroeconomic policies. One of the most important features of these countries is that when they switch to inflation targeting, they do not have a moderate or high inflation rate, on the contrary, these countries are low-inflation countries (Ayhan G.U. 2007).

When country examples are analyzed, it is seen that inflation targeting, when applied correctly in developed countries, helps maintain price stability by keeping price stability at a low level, while price stability encourages growth and contributes to production stability. In times of crisis, the situation is different, as described above.

The success of inflation targeting in developed countries has led developing countries to adopt this system. However, none of these countries have fully met the preconditions of inflation targeting. For this reason, difficulties are experienced during monetary policy implementations. One of the most important of these problems is the problem of not functioning well of monetary transmission mechanisms arising from the insufficient development of financial markets. Since the monetary policy instrument in inflation targeting is short-term interest rates, a monetary transmission mechanism that does not work well reduces the effectiveness of monetary policy practices. In such a structure, it is very difficult for the central bank to predict when and to what extent the decisions to be taken will have an impact.

Another important problem is dollarization, albeit partial, in most of the developing countries. These countries can frequently intervene in exchange rate fluctuations. This carries the risk that the exchange rate will become an anchor over time. However, in inflation targeting, there should be no anchor other than inflation. As a way to prevent this, it can be suggested that central banks adopt a transparent policy in their interventions to short-term fluctuations.

In developing countries, problems are frequently encountered due to the fact that public finances are not strong enough, the initial inflation rate is too high, the independence, transparency, and reliability of the central bank are not at the desired level, and the prices and wages in the country are sticky downwards. In addition, mistakes made in the application of inflation targeting, such as choosing the wrong target, may also cause the system to fail.

Considering all these, it is possible to say that inflation targeting has positive contributions to macroeconomic stability in developed countries in general, but it is unlikely that it will yield successful results in the long run, even if it has an effect on reducing inflation in the short term for developing countries (Bowles, 2002: p.70-111).

If inflation targeting, which is a monetary policy strategy, is shaped after fulfilling the preconditions in the country in which it will be implemented and taking into account the economic structure and conditions of the country, it is clear that it will be successful in achieving price stability, as seen in the examples of countries. However, the countries where inflation targeting is applied and successful in this way are generally developed countries. Developed countries, which already have relatively low inflation rates, use inflation targeting as a tool to establish the credibility of their macroeconomic policies.

Developing countries, on the other hand, generally apply inflation targeting because they see it as a savior that will put an end to high inflation. In addition, none of these countries fulfilled the preconditions of inflation targeting. For this reason, they face many difficulties in practice and cannot obtain positive results from inflation targeting (Rodrik P. 2002).

On the other hand, when a country that implements inflation targeting, whether it is a developed or a developing country, encounters any economic crisis or shock, even if all the prerequisites are met, it will not be easy to achieve stability, and inflation targeting may make it difficult to achieve stability. This will be the case mostly for supply-side shocks; because the central bank will have to make a choice between price stability and production stability. In such a case, the strict implementation of inflation targeting will expose the country's economy to the risk of recession.

Inflation targeting is generally a system that is not sufficient on its own to ensure financial and production stability. For this reason, it should be supported by other economic policies in order to ensure macroeconomic stability.

CONCLUSION AND RECOMMENDATIONS

As a result, against the background of economic globalization, transnational banking entities with greater influence in the global financial sector, especially in the financial markets, and based on more innovative technologies, have been formed.

Undoubtedly, the global activity of such entities would lead to both qualitative and significant quantitative changes in the world economy, the final balance of which, so to speak, can be easily observed when analyzing the recent global financial crisis.

When analyzing the financial markets of countries that have not yet completed their economic development, it is clear that savings are not sufficient for the survival and development of financial markets, and at the same time, the number of investors is small. Therefore, the level of economic development has an impact on the structure and mechanism of operation of financial markets. At the same time, along with ensuring economic development, there is an increase in savings and the number of participants, and, consequently, a dynamism in the financial markets.

With globalization, international financial markets are finding a rich alternative. The opportunities offered by financial markets in terms of debt search are shown below. As can be seen in the figure, a person or entity wishing to borrow in international markets, when choosing between direct borrowing or stock options, accepts alternative borrowing options offered to it in the form of a currency of its choice, fixed or variable. As can be seen in the figure below, the international financial system's lending, financing, sales, and management services, as well as optional services, provide various opportunities and benefits for investors. Globalization also makes it possible for investors anywhere in the world to benefit from all these services.

At the international level, the debt market has reached its current level by easing and even removing restrictions on capital movements. Thus, borrowed funds have become an important source of funding in international finance.

Against the background of all these radical changes in world financial markets, there is a need to restructure the global financial architecture and increase the adequacy of the international financial system to these new format changes. When building a sustainable global financial system, the priorities can be listed as follows:

• The architecture of the global financial system must be planned at a high level. The system in which countries with different levels of development participate must ensure the effectiveness and flexibility of institutional governance and oversight;

• Improving the compliance of international financial institutions with the modern economic system, in particular the efficiency and effectiveness of institutions such as the IMF and the World Bank.

• Ensuring serious reforms and selection of effective policy instruments to regulate and control the rapidly evolving derivative financial instruments market in recent years;

• Identify ways to address the international debt problem on a global scale, especially in countries where the situation is more severe, by providing international financial assistance through debt restructuring;

• It is important to strengthen macroprudential regulation and exercise strict control over the international flow of capital, and take appropriate steps to more effectively apply the provisions of the Basel Principles to the practical operation of banks. Volatility in capital flows results in very serious consequences, especially for developing countries;

• To ensure the harmony of the activities of financial institutions within the country, the implementation of appropriate public policies should be further intensified, and strong micro-control over the activities of the financial sector and institutions should be ensured.

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List of Tables

List of graphs

List of schemes