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บทบรรณาธิการ

วารสารวิชาการผลประโยชน์แห่งชาติฉบับที่ 18 นี้ ได้จัดทำขึ้นระหว่างช่วงปีใหม่ บรรณาธิการขออัญวยพรให้ผู้อ่านทุกท่านมีสุขภาพอนามัยที่แข็งแรง บรรลุความฝันที่ตนเองจะ สร้างสรรค์ในปีนี้ และขอให้สันติภาพเกิดขึ้นในโลกอย่างแท้จริง

สำหรับเป้าหมายของวารสารวิชาการผลประโยชน์แห่งชาติในฉบับนี้ เป็นผลงานของนักวิชาการ 5 ท่าน

บทความแรก เกี่ยวกับแบบการพัฒนาเศรษฐกิจของรัสเซีย ซึ่งถูกกำหนดโดยแนวทางเสรีนิยม ใหม่ทางการเงินทำให้การพัฒนาเศรษฐกิจของรัสเซีย พุ่งพาดลาดทุนระหว่างประเทศมากขึ้นไป และ อัตราการเติบโตจีดีพีที่ต่ำ ทำให้ขาดการลงทุนภาคอุตสาหกรรม และขัดขวางการเติบโตของ เศรษฐกิจอย่างเห็นได้ชัด เศรษฐกิจของรัสเซียอยู่ในฐานะแหล่งจำหน่ายทรัพยากรธรรมชาติราคา ถูกแก่ต่างประเทศ ไม่มีความเป็นอิสระ ซึ่งสร้างสรรค์โดยนักวิชาการไทยซึ่งมีมุมมองด้านความคิด กุมิรัฐศาสตร์ และเศรษฐศาสตร์การเมืองที่แตกต่างจากชาติตะวันตก

บทความที่สอง เป็นผลงานของนักวิชาการชาวยุเครน เรื่องราวเกี่ยวกับการตรวจสอบความ น่าดึงดูดใจในการลงทุนของยูเครน ที่แม้ว่าจะอยู่ในช่วงของสงครามระหว่างรัสเซีย และยูเครน โดย ผู้เขียนตีความสถานะของสภาพแวดล้อมการลงทุนในยูเครน และระบุโอกาสในการเพิ่มความน่าดึงดูด ใจในการลงทุน รวมถึงวิเคราะห์แนวโน้มการไหลเข้าของเงินลงทุนจากต่างประเทศ พร้อมกับดัชนี ความน่าดึงดูดใจของการลงทุน นอกจากนี้ ยังตรวจสอบประเทศที่มีส่วนสนับสนุนการลงทุนจาก ต่างชาติ ซึ่งเป็นบทความที่น่าสนใจซึ่งแสดงให้เห็นถึงความพยายามร่วมมือของภาคเอกชน และ ประชาคมระหว่างประเทศ ที่จะลงทุน ท่ามกลางความขัดแย้งด้านภูมิรัฐศาสตร์

บทความที่สาม เกี่ยวกับการรักษาค่าเงินรูเบิล โดยใช้ภูมิรัฐศาสตร์ในฐานะสินทรัพย์สำหรับการ เคลื่อนย้ายจัดการลงทุนสินทรัพย์ ที่ทำให้ค่าเงินรูเบิลคงที่ และนำมาสู่การเพิ่มกำไร ซึ่งเป็นที่ ทราบกันว่า เกาะภูเก็ตกลายเป็นเป้าหมายหลักของการจัดการรักษาค่าเงินรูเบิลในลงทุนด้านธุรกิจ, ด้านอสังหาริมทรัพย์ และอยู่ในฐานะพื้นที่ปกป้องสินทรัพย์ให้แก่นักลงทุนชาวรัสเซียที่ปลอดภัย โดย มุมมองที่เป็นตัวของตัวเองเป็นอย่างมาก โดยบทความทั้ง 3 ชิ้นดังกล่าวเป็นบทความวิจัย

ในขณะที่อีกสองบทความเป็นบทความวิชาการของนักพัฒนาเอกชนชาวอินเดีย ที่นำเสนอ เกี่ยวกับพลวัตทางเพศในสภาพแวดล้อมทางสังคมการเมืองในเอเชียกลาง งานชิ้นนี้ดังกล่าวพูดถึง โอกาส และความยากลำบากที่สตรีเอเชียกลางต้องเผชิญ รวมถึงบทบาทของสตรีในการกำหนด อนาคตของภูมิภาค ตลอดจนความสามารถในการปรับตัว และความยืดหยุ่นของสตรี เมื่อต้องเผชิญ กับการเปลี่ยนแปลงทางสังคม

บทความวิชาการชิ้นที่สอง เกี่ยวกับวิกฤติการณ์ทางการเงินระดับโลกในปี ค.ศ. 2008 ที่ ส่งผลร้ายแรงต่ออังการี ซึ่งเป็นสมาชิกของสหภาพยุโรปจากยุโรปกลาง ระดับนี้ภายนอก และหนี้ รัฐบาลที่สูงของประเทศ ซึ่งส่วนใหญ่เป็นของชาวต่างชาติ ส่งผลให้สภาพคล่องของธนาคารได้รับ แรงกดดัน แม้ว่าธนาคารจะลดหนี้จาก 90% เหลือ 52% ไปแล้วก็ตาม บทความนี้มุ่งตรวจสอบ ปัญหาการจัดการเศรษฐกิจมหภาคของอังการี โดยเฉพาะอย่างยิ่ง ในภาคที่อยู่อาศัย และมาตรการ

นโยบายที่ช่วยป้องกันวิกฤติธนาคารครั้งใหญ่ รวมถึงวิกฤติระดับภูมิภาค รวมถึงการสนับสนุนจาก กองทุนการเงินระหว่างประเทศ และธนาคารกลางแห่งยุโรป

สรุปแล้ว บทความในวารสารผลประโยชน์แห่งชาติฉบับที่ 18 จำนวน 5 เรื่องได้คัดสรร บทความนำเสนอผ่านการประเมินจากผู้ทรงคุณวุฒิที่มีประสบการณ์ในสาขาที่เชี่ยวชาญจาก ต่างประเทศ และในประเทศ

บรรณาธิการขอแจ้งให้ผู้อ่านผู้เขียนบทความรับทราบว่า วารสารวิชาการผลประโยชน์ได้ ดำเนินการตามจรรยาบรรณว่าด้วยการแจ้งอัตราค่าธรรมเนียมการตีพิมพ์บทความ วารสารวิชาการผลประโยชน์แห่งชาติก่อนกองดำเนินการวารสารฯจะส่งบทความให้ผู้ทรงคุณวุฒิ พิจารณาบทความ (Peer Reviewers) จำนวน 3 ท่าน

ผู้เขียนที่สนใจที่จะถ่ายทอดผลงานวิชาการ และผลงานวิจัยเกี่ยวกับภูมิรัฐศาสตร์ ภูมิ เศรษฐศาสตร์ นวัตกรรม และเทคโนโลยี สามารถศึกษาคำแนะนำในการเขียนได้ในท้ายวารสาร ซึ่ง ทางเรายินดีอย่างยิ่งที่จะพิจารณาผลงานในด้านนี้ เนื่องจากเป็นแนวทางวิชาการที่มีความต้องการ อย่างมาก และที่สำคัญมีการพัฒนาอย่างรวดเร็ว จนทำให้แวดวงวิชาการปรับตัวอย่างมากในกระแ สธารการเปลี่ยนแปลง โดยเฉพาะอย่างยิ่ง ในสถานการณ์การทหาร เศรษฐกิจแบบใหม่ อุดมการณ์ ใหม่ เทคโนโลยีใหม่ ทุกสาขาที่นำมาใช้ เพื่อให้เกิดการก่อกองในทางวิชาการอย่างสร้างสรรค์ และใช้ ฐานข้อมูลทางวิชาการของนักวิชาการจากยุโรปตะวันออก เอเชียโดยตรงในมุมมองที่แตกต่างกัน

ดร.จักรกฤษณ์ สีธีรินทร์

บรรณาธิการวารสารวิชาการผลประโยชน์แห่งชาติ

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Economic development's road to the colonies

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ABSTRACT

Before the onset of the Russia–Ukraine war, the Russian economic development model, shaped by colonialism and neoliberalism, prioritized short-term capital flows, often neglecting long-term investments focused on import substitution. The ongoing decline of the ruble has created a shortage of investment resources, leading to inflation surpassing expectations. The monetary and credit policies of the Central Bank have significantly influenced the economy's condition. Export-orientated industries experienced a remarkable growth rate compared to domestic ones. However, the variety of goods became more and more restricted as the ruble's value dropped. In the long run, new technologies have the potential to replace imports, significantly boosting production competitiveness. Devaluation will, however, increase investment expenses and hinder economic growth.

KEYWORDS: Russian economic development model, central bank of Russia, colonial economic model, financial liberalism

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Introduction. Subsequent to the conflict in Ukraine, Western nations imposed sanctions on the Russian economy, which promptly affected its earnings from hydrocarbon sales in the Western market. As a result, the Russian economy had to formulate an independent economic development strategy to eliminate its dependence on Western capital. The current economic growth model does not guarantee economic sovereignty. Nonetheless, given that the Russian economy has embraced liberalism for almost three decades, it will only undergo transformation when the definitive choice on its growth trajectory, made in the early 1990s, is widely recognized as erroneous. The stagnation of knowledge-intensive and high-tech industries did not substantially enhance productive forces. Moreover, the domestic machine tool industry, radio electronics, and equipment manufacturing have declined in significance. In contrast, the price of oil per barrel is a vital factor influencing the nation's prosperity. Furthermore, social disputes emerge from the division of the population between wealthy and destitute groups, alongside a Gini index far higher than that of Europe. The liberal financial model of economic development requires substantial modifications to current economic policy (Rybakov, 2011). This paradigm advocates little governmental intervention in the economy, save during the transition to a new policy. The disintegration of the Russian economy is unavoidable, and the president must acknowledge the mistakes made over three decades of liberal economic policies. This remark is noteworthy as Russian authorities have kept silent for many years and have not endorsed alterations to Russia's stance (Provlav, 2023). The United States retained its position as the unipolar global leader after the dissolution of the Soviet Union, instituting the Bretton Woods Agreement to promote the dollar's use in international transactions until Russia abandoned its liberal financial globalization policy following the commencement of the Russia-Ukraine war on February 24, 2022. A novel ideology for its economic growth model necessitates both public awareness of its existing deficiencies and a vigorous discourse among scholars and policymakers. As a result, it could potentially receive support from the public. What is the rationale for proposing an alternate economic development model? Failure to implement reform will result in an economic catastrophe for the nation. Why must we relinquish everything? Ideological influences shape the liberal financial-economic development model, determining its nature and impact on Russia's economic growth insurance. Within academic circles, Thai scholars assign minimal significance to the study of the Russian economy.

The aims of this study are as follows:

1. Analysing the economic growth trajectory in Russia
2. Evaluating the implications of the policy decisions made by the Central Bank

Methodology. Unitarian in nature, the global economic system separates nations into two broad zones: manufacturing and finance. The manufacturing states relied on exporting goods for global trade, and the IMF's advice on managing inflation resulted in a continuous lack of finance. Meanwhile, the United States and its allies (Suwan-achariya, 2023d, p.47), divided the labor force into the financial zone, which is the

major consumer market. Following the 1990s, the service-oriented economy forced growing nations to rely on natural resources and participate in international trade. Under the Bretton Woods monetary system, high interest rates and restricted technological access drove Western nations to keep low borrowing rates while they produced money to safeguard their resource base in economic colonies. Incorporating a mixed supply-side economic theory with a neoliberal economic approach, this study delves into the challenges of independence in the growth of the industrial economy and the oversight of the Central Bank of Russia's monetary and credit policy. We have separated the data sources into two groups:

1. Gathered statistical data from various economic agencies in Russia, both state and non-state, through official publications.

2. Thematic studies are used to explore literary documents connected to the model of Russian economic development from various sources, including online platforms, books, forums, discussion records, debates, policy decision-making advice, opinion statements, and bloggers.

Literature review. Russia regards the economic development model as the most acceptable economic and social path for a country that can see itself outside the Western framework, emulating the experience of its forefathers, who could overcome natural instability and achieve self-sufficiency (Leontyev, 1992, p.27). Russia is a powerful state, but it also has its own form of government rather than the widely used Western development model or framework. Viewed as a standard of living capable of producing its own prosperity, the economic development model, also known as the Russian development path, represents an alternative economic transformation. A policy proposal that has generated intense debates, the economic development model aims to improve the nation's hard living conditions, fight backwardness, and encourage modernization in the face of competition. (Klyuchevsky, 1968). As a result, deciding on the country's economic development path involves a clash of ideas, ideologies, and practices. To create prosperity, ensure economic growth, and improve quality of life, economic development policies and models must be in harmony with the country's traditional way of life. Economic problems are the most important factors determining the country's development position. Russia sees a bright future for the Russian economy and supports the restoration of the historical moral foundations, the foundations of social life, and the Orthodox Christian and beloved traditions, which are inextricably linked to this vision. The restoration of the ruling class's ideological (Danielson, 1893, pp.344-346) and cultural unity holds significant importance in shaping the public's perception of society. This approach is founded on the community economy. The producers own the production factors themselves, which foster a sense of ownership and common goals. The challenge in selecting an economic development model for Russia is more than just adopting Western capitalism, which caused significant difficulties for communities at the start of capitalist accumulation, blocked domestic markets, and slowed the growth of capitalist production. It is crucial to identify a development model that minimizes community losses. Russia has the chance to shift its development trajectory away from capitalism, potentially mitigating the harm resulting from community disintegration. The economic development model should look forward to the country's economic future. While the active introduction of foreign markets has significantly accelerated capitalist production growth, Russia also faces unique challenges that distinguish it from other countries. The declining competitiveness of goods, including necessities like bread; technical backwardness;

losses; unfavorable climatic conditions; increased shipping costs; and difficulties in making effective use of capitalism, combined with cheap labor productivity, all contribute to relatively high product costs. The development of capitalist production has made the population poor, and this starvation threatens the basic structure of the community. The gradual integration of the development model into the peasant economy will undoubtedly benefit their well-being (Chayanov, 1989). The economic model should reveal the catalysts for economic growth by upgrading small-scale producers and trade unions, which have the potential to promote the national productive core (Belonovskaya, 2010). At the same time, it should ensure that the economic structure is perfectly optimized. The various types of assets and management, which serve as the foundation of the national economy, develop in a systematic and harmonious manner. Diverse ownership and management create an environment conducive to assessing various economic conditions. It has the potential to become a modern state by incorporating technology in its operations and employing economic mechanisms to promote growth while minimizing central control. This is the only path for the development of the Russian economy that can protect the country's economic interests. Imitating the Western capitalist model of economic development is bound to face a backlash, which undermines the trust and authority of a significant part of society (Chernov, 1997). The proposed economic development model functions as a strategic tool in the external market, encouraging the expansion of capitalist production in Russia. The Narodnik school, which is influential in the presentation of economic development models, strongly advocates the formation of internal markets. (Zhvaniya, 2010). They believe that this calls for the implementation of traditional protectionist measures to protect the domestic market from foreign competitors while promoting growth. Otherwise, production risks failing under the pressure of its own success, since the internal market cannot develop. The proposed model of the Russian economic path is a dynamic producer lifestyle (multi-sectoral structure), which flourishes through three main structures: the peasant community, the industrial mill, and the state. In the Russian economy, the state plays the main role of limiting the influence of the stock market and controlling profit-seeking financial capital, which threatens both moral and economic values. In addition, this economic system has a remarkable potential for self-development, which is characterized by the smooth transformation of small-scale agriculture into cooperative structures. The evolution of the peasant family economy through the advancement of cooperation shows that the communes and peasant farms have systematically adopted alternative approaches to transforming traditional production, which differs from the Western experience. This approach significantly increases the potential for rapid expansion of peasant farming. Russia is trying to create a model in which cities and rural areas, as well as peasants and the working class, can coexist well. The government intervenes in the economy to keep it free from the influence of bureaucracy, nobility, and monopolies, protecting the important economic traditions of Orthodox Christianity. Unlike modern capitalism, the Narodnik economic model prioritizes the protection of national economic interests over Western capitalism's principles. Instead of focusing on abstract goals, such as establishing a socialist economy or demonstrating the evolution of the Russian economy into capitalism, current economic reforms and policies focus on tangible results. What will this mean for the Russian economy globally? What are the serious consequences for the majority of the population? What should we do to avoid such

consequences? In order to minimize losses and thrive amidst the modernization of neighboring countries, there is only one path: to focus on building a national economy, prioritize economic sovereignty over the advancement of private ownership, and ensure that the economy can survive independently. Similar to Germany's relationship with Russia, the unbalanced production exchange between industry, which requires continuous development, and agriculture, which serves as a resource, has led to the sacrifice and exploitation of the Russian peasantry, comprising over 85 percent of the population. We now refer to this phenomenon as imperialism (Sombart, 2006, p.123). As a result, nationally focused economic reforms are an appealing alternative to Russia's approach to the economy. When it comes to adapting to foreign trade and domestic economic relations, Russia, as a European country, faces unique challenges that maritime powers do not. The region is characterized by a lack of mobility in railroads, highways, pipelines, and other infrastructure. Russia faces significantly higher costs for developing its economic infrastructure, as well as a lengthy payback period. Therefore, Russia's economic policy should be coherent and focused over a long period of time (Malyushin, 2015), ideally 10–20 years, during which Russia will evolve from a purely agrarian economy to an economy that imports food from a country that used to export grain. The causes of industrial development and unequal exchange in the country's economy should be identifiable, but they must persist over time. Political and economic motivations, along with geopolitical considerations, drive long-term economic policy, exemplified by the non-commercial development of the Trans-Siberian and East China Railways during the revolutionary and civil war years (1917–1921).

Joseph Stalin implemented a policy to keep up with technological advancements while maintaining self-reliance and economic sovereignty during the 20–30s period of rapid industrial development. Stalin's self-reliant development model described a prosperous national economy independent of external markets for goods and services, independent of imports and exports. The Soviet leader laid out an ambitious plan for industrial development, listing key objectives such as closing the economic gap, strengthening the country's defense capabilities, and achieving self-sufficiency in the world market. Stalin promoted the unusual idea that economic independence was the key to preserving the sovereignty of the Soviet state, which he believed meant that the national economy should not engage in trade with the capitalist world and could avoid ensuring economic growth. Stalin enthusiastically emphasized the importance of future industrial development in ensuring the domestic production of necessary equipment. This formed the basis of a comprehensive strategy that guaranteed the country's independence from the capitalist world. The state's economic policy should prioritize the internal market over the external market, as this approach was the most beneficial and provided greater security against unforeseen events. He emphasized the importance of removing foreign capital from the domestic commodity market. In Russia, high import tariffs sparked the growth of the domestic market while simultaneously attracting foreign capital, a unique moment in modern history. One way to modernize the Soviet economy without becoming a backward capitalist society was through the use of state power. "We are 50–100 years behind developed countries. If we don't reduce our backwardness within the next ten years, we will face crushing defeat" Stalin (1931) the Soviet economy was able to consciously use the

existing model of economic development to create a new one. Thus, state ownership of the basic factors of production served as the foundation for the Soviet model of economic development. The state implemented the following actions: The state planned the most important production processes. The state controls all credit through the national bank, which has state capital and a monopoly on financial transactions (Makarenko, 2020). The state is not the only production sector in the area, as other production sectors also have links with each other.

However, it is a two-sector model of the national economy, with the major components being the public and the public sector. Small economies, such as private sector production and household agriculture, will not appear in the accounts. This means that building socialism also requires the use of a traditional economy to solve the problem of lack of consumption. The state economy exerts a significant impact on society. Marxist ideas about the future economy of society, on the other hand, say that this small-scale production sector goes against the ideas and logic of communist ideology (Ryazanov, 1998, p.229). Therefore, the model of national economic development does not consider this sector as an alternative. The Soviet economic development model emphasizes the growth of heavy industry by using natural resources as capital for production technologies and consumption factors from abroad. This approach results in continuous shortages of consumer goods, including important social ones. The government sets the most appropriate prices for these goods and services to ensure basic living standards and unfairly increases the prices of luxury goods such as cars, furniture, and household appliances. The government creates shortages to meet the high demand, leading to higher prices during periods of international geopolitical instability. Also, the economic development model depends a lot on the value of labor production. Physical units such as tonnes, litres, and kilowatts serve as the primary tools for planning and judging economic activities. These indicators identify the cost conditions in the manufacturing and non-retail sectors and play a supporting role in the manufacturing sector, not in increasing financial profits, but in reducing production costs (Rakurs, 2020).

Stalin's self-sufficient development model was able to overcome economic barriers, enemies, and insecurity thanks to the people's enthusiasm, the party's hard work, and the abundance of natural resources. However, due to the departure from Stalin's approach and accusations that the people did not participate in deciding how to use national wealth for their own benefit, economic growth stalled. If modern Russia is to develop rapidly, the development of economic policy is critical in determining the country's future. Understanding the definition, operation, and fundamental concepts of economic policy is critical before developing rules governing economic operations, as the Russian economy's primary goal is to protect the country from external threats while maintaining economic stability. Russian economists' work on the fundamentals of the national economic system contributed to economic theory and provided answers to specific economic questions. Following the 1990s, the Russian elite embraced neoliberalism, a model of Western economic expansion. Some state organizations, such as the Russian Central Bank, continue to use

this model to determine the country's credit and monetary policy. However, after 2022, other state agencies have adopted supply-side economics, which focuses on import substitution and technological independence.

Results

1. Analysing the economic growth trajectory in Russia

The concepts of great powers and the Washington Accord influenced the economic growth patterns of nations that emerged after the 1990s. Suwan-achariya (2023c, p. 47) Reaganomics' failure to address the fundamental economic problems transformed the US economy into a financial hub. As a result, home consumption became the primary source of income. By stepping up the money supply via money creation, the US Federal Reserve sought to prevent the Great Depression. Nevertheless, the fall in commercial financing sources resulted in the inclusion of temporary liquidity in the commercial banking system, allowing banks to keep low-rate lending going. The US also collaborated with Saudi Arabia to offload oil. Despite the significant sacrifices made by others, the collapse of the Soviet Union provided the US political elite with an opportunity to address their own issues. Suwan-achariya (2023b, pp. 21-22). Geopolitics helps control resource consumption when investment in a particular industry is unprofitable. The Soviet Union's economic problems were solved through a system of state interests ranking, which led to the destruction of infrastructure and the setting of monopoly prices to increase demand and lower inflation. This led to the financial sector growing without limits, causing the relocation of industry bases to developing economies. Large-scale speculative financial activities transformed the way developed countries stored capital, and financialization (Suwan-achariya, 2023a, p.54). led to big money getting involved in more parts of the economy. Liberal intellectuals and academics pushed for Western-style government in former Soviet states to hurt the Soviet Union's reputation (Milliardtatar, 2023). The planned economy left the Russian elite feeling dejected, and they embraced a pure market economy. The United States and the West used strategic tools to improve life for their people, such as the International Fund, to assist Russia with economic reforms and establish an engaging monetary management system. The Russian ruble is supported by foreign exchange reserves (Katasonov, 2022), highlighting the importance of a balanced and modernized economy.

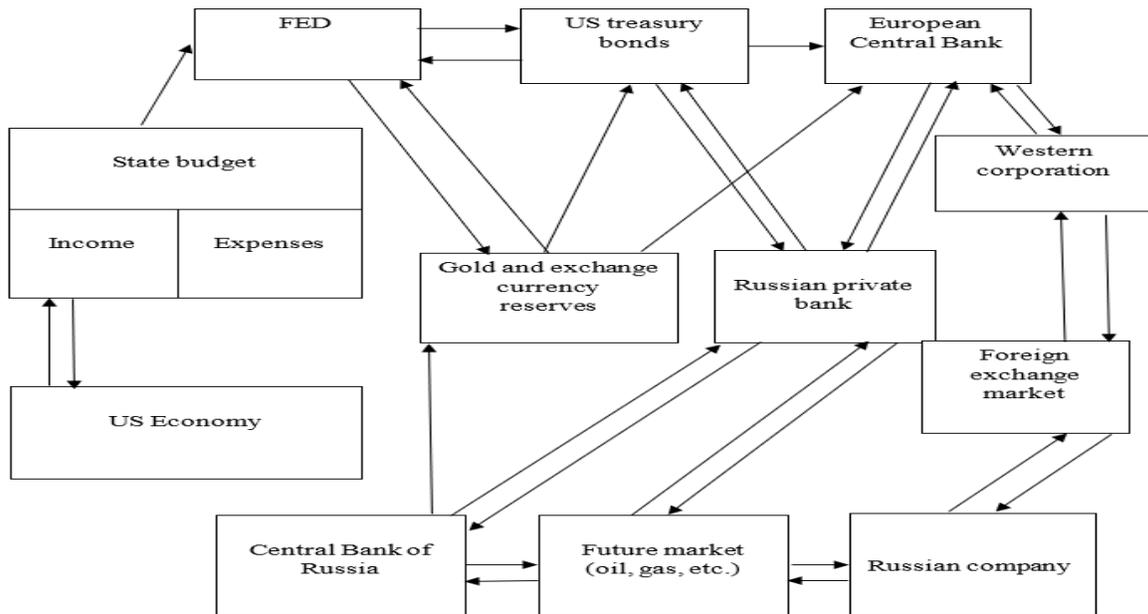


Figure 1. Colonial economic model after the 1990 .

Noted. From “The end of history : a dollar -based colonial economy,”by S , Suwan-achariya, (2023c, p. 56)(<https://www.elibrary.ru/item.asp?edn=gsogmw>) In the public domain.

Despite the Russian central bank’s ability to create rubles, it remains dependent on Western currencies or the sale of natural resources, using the proceeds from these sales to purchase dollars . At the same time, Western banks can print money, give it to people at low interest rates, and then use that money to make people’s lives better in the country. But the West raises interest rates on loans to Russia to keep colonial control and slow down Russia’s economic growth (Iznankapolitiki, 2023). As a colony, Russia’s economy relied on directives from Western authorities aligned with its objectives. This made the two economies more and more dependent on each other. At the same time, capital stayed in the country of the creditor and was added to the debtor’s virtual accounts using Russian labor and resources. As their credit ratings continued to decline, the debtors could only repay their debt by obtaining new loans with high interest rates(Financialmechanism, 2022). Russia trades its primary goods, such as gas, oil, food, and fertilizer, in dollars, which it then uses to purchase imported goods. The global reliance on the dollar significantly impacts Russia’s economy and politics. The use of dollars has strengthened the US dollar, displacing the Russian ruble. Russia is throwing away its money and time. Western countries use their resources to produce goods within their borders. In the end, Russia pays a lot more for these goods than it should. Germany receives raw materials valued at €20 billion from Russia, which it subsequently utilizes to produce goods valued at €2 trillion, a remarkable ratio of 1 to 100. The remarkable aspect is that it

achieved this feat with minimal labor.

Liberal leaders could emancipate the Russian economy from global speculators by constraining its ability to process raw materials and enhance their value (Obshchestvennytsentrinformatsii, 2023). This trade expansion occurs with allies who harbor a negative disposition toward Russia and impedes the advancement of the Russian economy by restricting access to Western technologies. The Russian economy evolved under the colonial economic model, utilizing labor to promote Western economic expansion and functioning within a global division of labor influenced by hegemons. The US economy functions akin to a printing press, energized by electricity and generating dollars used for transactions in the global division of labor. It annually consumes 25% of the world’s minerals without offering any recompense (Khubiev, 2019). The United States has enacted policies that ensure all nations share mutual responsibilities, thus promoting a dynamic interconnection among all countries within the economic chain. The financial sector in the United States is becoming more influential and functions autonomously from the real economy, thus guaranteeing the prosperity of Western economies. The West advises the Russian economy to focus on producing superior-quality goods instead of striving for self-sufficiency akin to that of the Soviet Union.

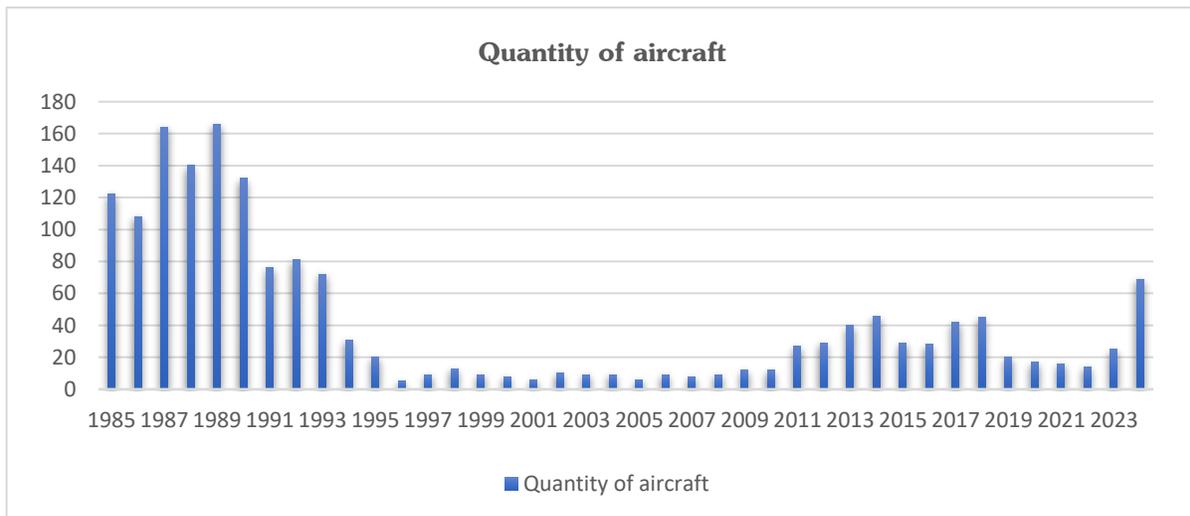


Figure 2. Production of Soviet and Russian civil aircraft, 1985–2024

Noted. The author compiled this list using information from Russianplanes.net and Federal Service state statistics.

Since 1995, Russia’s economy has grown remarkably; total exports of raw materials and non-raw materials have risen from \$78 billion to \$492 billion. With receipts from direct payments and taxes generated from the sale of raw materials and associated activities, the balance between manufacturing expenses and the sale of raw materials generates the main income. Deposits, salaries, equipment purchases,

staff wages, and more define the main outlay of expenses. The Russian economy, which mostly provides necessary materials and labor resources, is a major participant in the regional supply chain. To increase its income, the nation must rely on outside sources since almost all consumer goods—including high-tech equipment, medications, and clothes—are imports. The Russian economy, primarily providing necessary goods and labor resources, is clearly a major participant in the regional supply chain. When Russia entered the liberal financial globalization economy in the early 1990s, it struggled to compete with developed countries for advanced technologies. Russian businessmen were less likely to invest in new projects without a strategic approach to industrial development, as they found it more profitable to rely on the sale of natural resources and the purchase of cheap imported goods. These circumstances seriously hampered the general expansion of the Russian economy.

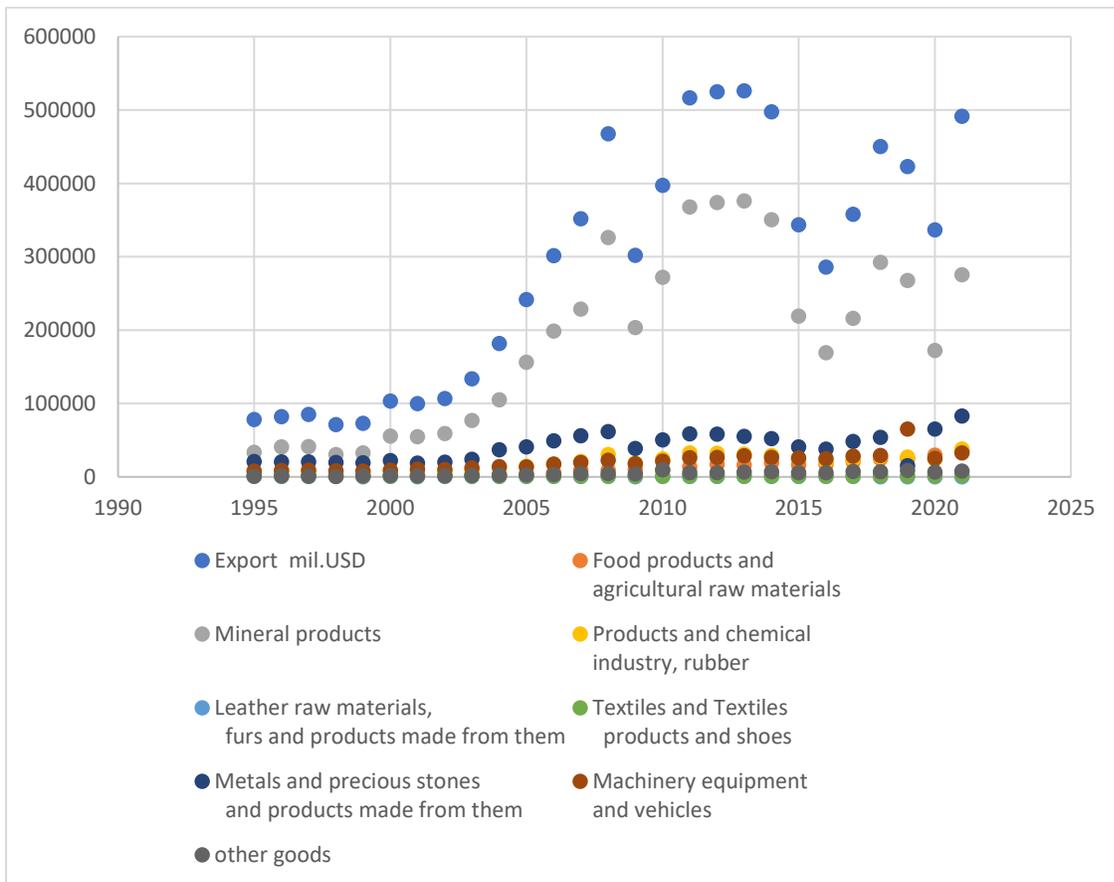


Figure 3. shows the structure of Russian exports , 1995 - 2021.

Noted . The author compiled this list using information from Federal Service state statistics

The West sets the price of Russian oil, which is all the money the economy should get if its value goes above the cut-off price. In theory, it is Russian money, but Western banks retain this excess cut-off price

as cash and allocate it to foreign currency reserves (Polytalk, 2022). High-priced raw material sales generate large amounts of foreign currency purchases. Large purchases increase the value of the Russian ruble as a commodity currency. When the prices of commodities drop and export earnings need to go up, the ruble’s exchange rate will go down. The ruble will not go up in value when the price of raw materials goes up. The Russian government does not want the ruble to appreciate excessively, as the budget indicates that a weaker ruble would result in higher export revenue. Additionally, importers must pay a higher price in rubles. The budget rules aim to reduce the state budget’s susceptibility to fluctuations in product prices and maintain the stability of the ruble exchange rate. The proportion of oil and gas earnings in the national budget has fluctuated between 35% and 51% over the last decade(2012–2021). This was not the case in 2020 when the COVID-19 pandemic struck with unprecedented force(Matyushchenko, 2022).This makes a multiplier effect when the budget goes up during the year because of foreign e x c h a n g e g a i n s .

2. Evaluating the implications of the policy decisions made by the Central Bank

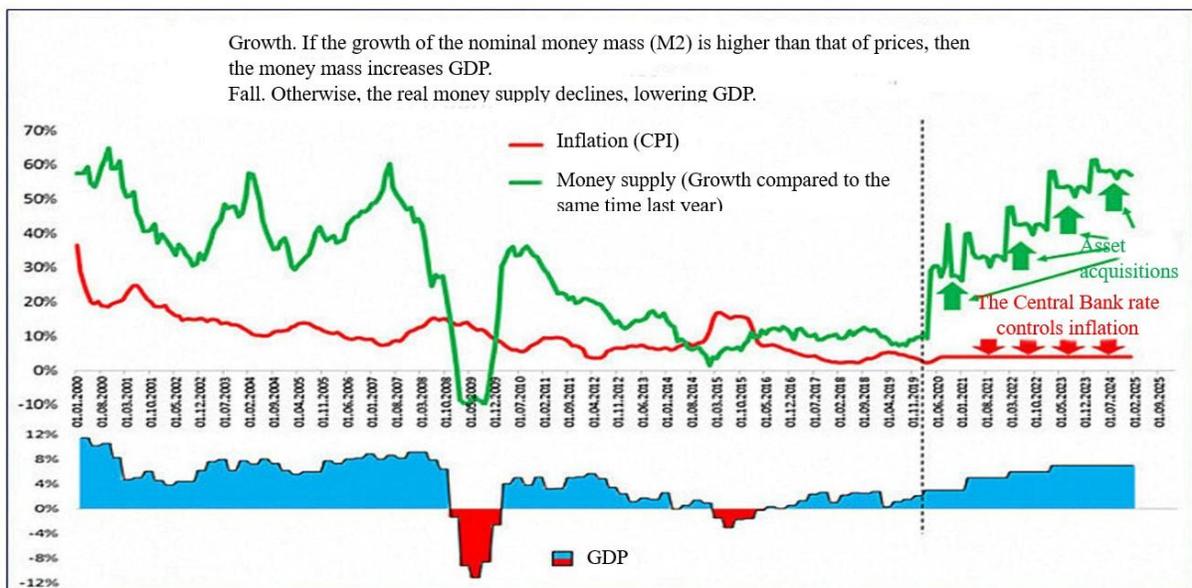


Figure4. Credit and Monetary Policy of the Russian Central Bank, 2000–2021

Noted. From “Inflation in Russia – Putin is fighting the wrong thing (and the wrong ones),” by S,Blinov,2021 (<https://dzen.ru/a/YD1jpaPC-OdOfSee?sid=195015785012814288>) In the public domain.

The Russian economy showed growth from 2010 to 2014, a trend that coincided with the global economic recovery after the 2008–2009 financial crisis. The depreciation of the ruble in 2014 prompted the Central Bank of Russia to implement policies aimed at controlling inflation. The ruble exchange rate impacted regional output from 2010 to 2014 and from 2015 to 2019. A depreciating

ruble may result in higher prices for imported goods. However, this does not automatically mean that imports or domestic production levels will decline. The Central Bank's measures to stabilize the ruble exchange rate have reduced the money supply in the system, although real growth has averaged 26 % since 2008. The Central Bank needs to keep interest rates high to control inflation and influence foreign exchange markets. Adhering to its annual inflation target of 4%, the central bank prioritizes the oil and gas sectors to maintain price stability. From 1999 to 2008, the average annual inflation rate was 15%, accompanied by 7% GDP growth. In 2023-2024, inflation rates varied between 8% and 10%, while production growth ranged from 4% to 5%. Between 2016 and 2020, during a period of low inflation, GDP growth rates consistently fell below 1% annually. The Russian economy can achieve substantial growth (4-7% annually) in conjunction with moderately elevated inflation rates (8-15%); however, an inflation rate below 4% cannot meet this condition. The central bank's unduly low price target is the primary impediment to economic growth, and the government's monetary policy ought to elevate the price target to a minimum of 6-7% while halving the key interest rate. Forecasts of the Central Bank indicate that it is practically impossible to simultaneously target a 4% rate of price inflation and reach the required rates of economic growth in Russia in the medium run. The present state of the Russian economy is shaped by the incorrect approach of the problem, which stresses the reasonable degree of inflation in Russia. Although it acknowledges that inflation above 4% is unacceptable, the central bank does not provide sufficient support for the level of price target it decides upon. With a price increase less than 4% yearly, the Russian economy is not likely to initiate an inflationary spiral.

The foundation of the Russian economy lies predominantly in the oil and gas sector, where elevated energy prices frequently impede economic expansion. The export figures remain consistent, while a depreciation of the ruble may result in inflation, increased poverty levels, and heightened consumer expenditure. Russia's GDP has only increased by 13% since 1990, primarily due to the influence of the oil and gas sector. The increase in the central bank's interest rate has failed to effectively tackle the problems of inflation and currency devaluation. Exporters frequently participate in speculative attacks, necessitating government intervention to limit financial outflows and guide exporters to convert dollars into rubles. The Central Bank adopts monetary liberalism to comprehensively support and enhance the financial sector. The IMF told the Central Bank of Russia that the goal for inflation after 2014 should be 4% per year between 2016 and 2020. Making sure the consumer price index doesn't go over 4% is part of the plan to keep inflation low. The Russian Constitution, on the other hand, says that the ruble must be stable. In the past, Russia's economy has grown at a rate of 8-8.5% per year. Higher taxes, reliance on imports, and an unstable ruble contribute to high inflation. Inflation got worse because of the

global economic crisis of 2008 and the drop in oil prices. Russia’s high inflation is mostly due to natural budget spending, which has made more money available.

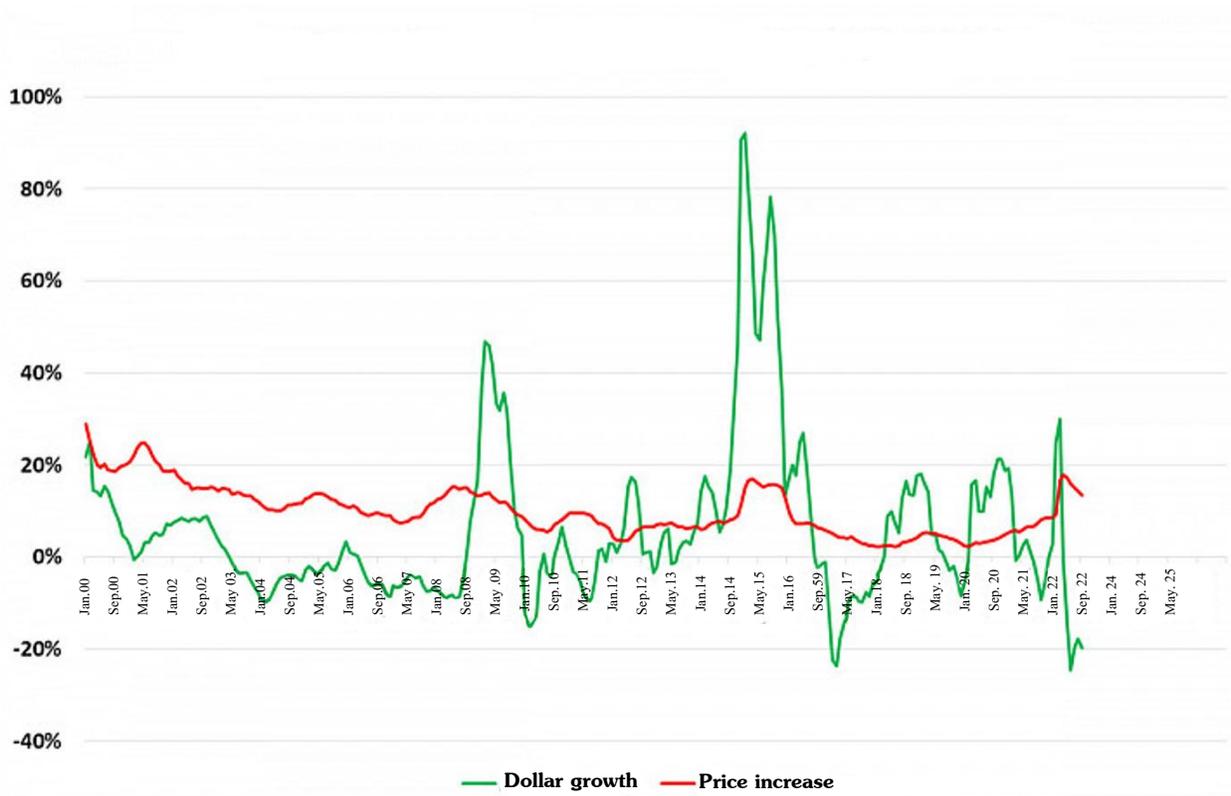


Chart5. Comparison of currency exchange rates (ruble, dollar) and inflation rates, 2000 – 2022

Noted. From(<https://cdn-get-2.whotrades.com/u11/photo4186/20123668918-0/blogpost.jpeg>) In the public domain.

The Central Bank’s strategy for controlling inflation involves devaluing the ruble, raising commodity prices, and raising lending rates. Such a strategy undermines the Russian economy’s growth; while inflation is predicted, it does not guarantee the exchange rate, and the ruble is unstable because it only has one monetary tool, the regulation of lending rates. Inflation (red) and the ruble-to-dollar exchange rate (green). As a result, inflation constantly suppresses low interest rates by raising lending rates, regardless of the damage it causes. In practice, if the annual interest rate exceeds double digits, no production can be profitable at such a lending rate, given all of the risks, taxes, and investments involved. This prevents normal development of industry, trade, and agriculture.

Discussion

1. Neoliberalism impedes industrial development

The study concluded that Russia's economic development model was colonial and deindustrialized. Following the abolition of the Soviet economic development model, Russia transitioned to a financial liberal economy, establishing a unique domestic economy structure that included two sectors: raw materials, export-oriented, and consumer, with a primary focus on the sale of imported goods and services. With the continued decline of the manufacturing and high-tech industries, the Russian economic development model now serves as a sales market and a source of raw materials for Western states (the United States and the European Union). Despite the presence of oil and gas in the Russian economy, economic development fails to ensure economic growth on its own. Russia solely holds a monopoly on the production and export of raw materials to the West, and it also retains the majority of its earnings from the sale of goods overseas. Wait for the domestic currency to fall before bringing money in to pay wages and income to domestic workers. This implies that selling resources denies you the right to invest in the growth of manufacturing industries within your country. Even unprofitable businesses still contribute to the budget's revenue. All this together increases the level of economic sovereignty in the country. Therefore, the elites of the metropolis and the crypto colony agree on a ban on development (Put' Vostoka, 2022). The Russian economy neglects the development of its domestic industrial sector due to the high interest rates associated with access to capital. The development of the domestic industrial sector also hinges on the approval of Western governments. Global finance primarily benefits banks and bankers in Russia, who act as speculators. The ruble-to-dollar ratio in the country's money supply is ineffective in terms of production and employment. However, focus on circulating funds in the financial sector to generate interest. Consequently, investing in modernized export infrastructure to enhance the competitiveness of the processing industry, particularly mechanical engineering, on a domestic level becomes unfeasible. This situation stifles innovation, scientific progress, and technological advancement, destroying the country's productive power. The failure to fully return the used productive capital to the production sector eventually leads to the deterioration of productive power, reduced output, and a decrease in the country's annual GDP, culminating in a disaster when enterprises become dependent on borrowed capital. The fundamental issue lies in Russia's absence of its geopolitical objectives, leading to the influence of "Western partners" Obshchestvennytsentrinformatsii (2020), who prioritize modernizing the country's economy on its leaders and senior officials involved in policy decisions. The technocrats of neoliberalism espouse the notion that the economy is subordinate and merely a tool, while the ideology of global financial liberalism is paramount. They assert that if the Russian economy injects money into the system, it will precipitate inflation, an action to be avoided if economic

development is stable, and that state intervention in the market economy is unwarranted. It appears that the purpose of the economy is more significant than our daily lives, raising the question of what the state should prioritize and what educators should impart in schools to transform traditional mindsets. Thus, the choice of economic principles is always a choice of worldview. It is a decision made by a country that adheres to a specific ideological system, or worldview. It constitutes a collection of perspectives, convictions, and tenets. The economy of a country is always subject to the same (national) system—a) values, b) goals, and c) interests. Oleynikov & Aleshchenkov (2016) Ideology is the principal factor influencing economic development, as it governs the choice of economic trajectories, which is ultimately more consequential than economic rationale.

2. Banking policies impede economic expansion.

The main problem with Russia's economy is that it hasn't grown at all over the last ten years. The growth rate doesn't go above 1% per year on average. The increase in the GDP of the Russian economy is due to the increased sales of gas, oil, grain, fertilizers, metals, etc. The Central Bank prioritizes economic growth over reducing inflation, which could potentially slow down economic growth. This can occur as long as the circulation of money stimulates economic growth without altering the prices of goods. Suwan-achariya (2023e, p.98) Also, inflation doesn't happen when there is a lot of money, as the Central Bank thinks it does. It happens when there aren't enough goods. Today, the Central Bank aims to achieve a 4% inflation rate, treating it as a sacred number. Many things affect each other in the economy, which is a complicated system. We only use one factor, which is inflation. Why is that? Vashinovosti (2023) The Central Bank heavily adheres to Western economic principles. They are indifferent to the state of people's economies, as they believe that money possesses a unique value that fluctuates constantly. The Russian economy is significantly dependent on the export of hydrocarbons and natural resources, positioning it as a principal exporter of raw materials. Increasing prices are unaffected by financial factors, and focusing on the producer price index (PPI) may assist in reducing inflation. The Russian economy depends on imported goods, resulting in sluggish market responses. Increasing interest rates are associated with falling raw material prices and a depreciation of the national currency, resulting in adverse effects on the production sector. This may impede the growth of the Russian economy. Mitigating inflation necessitates heightened commercial activity, diminished credit expenses, and regulation of financial speculation. Inadequate money circulation can intensify inflation, as the Central Bank's elevated rates and loans surpass the profitability of enterprises in the real economy. This will aggravate inflation and slow down economic progress. The Central Bank's policy primarily focuses on the flow of short-term funds. The challenge lies in the effectiveness of implementing high interest rates to curb price increases, given that non-financial factors, such as monopolies, contribute to Russian inflation. This is unaffected by logistics, geopolitics, credit, and interest rate policies. To satisfy the demand for long-term economic development, the Central Bank should encourage direct investment and bank lending. Refinancing is the most often used choice, akin to a long-term mortgage to expand manufacturing.

Targets within the context of inflation are an important way to fight demand-side inflation, which will make people less likely to spend and more likely to save. From 2000 to 2022, the Russian economy aligned its economic power with the global market. This makes sense since the Russian economy is a part of the global neoliberal monopoly market. After the special military operation in Ukraine, The Russian economy has developed a model that prioritizes "essential" growth, reminiscent of the Stalinist approach that reduced Russia's reliance on foreign markets and capital during the nationalization of industries. However, the neoliberal globalization of the economy cannot make the state self-sufficient and lessen the effect of the world market on the national economy. Instead, the Russian economy is forced to produce goods because of its inability to sustain its high levels of consumption. So, when Russia gave up on the idea of monetary liberalization as part of globalization, it had to rely on a central bank run by the government to balance production and money supply in order to regain economic sovereignty. The supply of goods and the supply of money are not equal. Inflation happens when the supply of money is higher than the supply of goods. The Bank of Russia doesn't control the supply of goods and doesn't need help from other government departments. Managing both commodities and the money supply is necessary to fight inflation effectively since the central bank only controls the flow of cash, which makes up about 20% of the total money supply. The last 80% is non-cash money that commercial banks make (Politica, 2023).

If the central bank wants to curb inflation, it should be more courageous in easing monetary policy. It is necessary to develop supply, not cold demand. The central bank has implemented an inflation target policy that has proven to be ineffective. The main direction of the central bank's unified monetary and credit policy is to set an inflation target every year. The exchange rate is the only thing that changes to achieve these targets. The policy's ambiguity implies a lack of thorough research and assessment of the factors influencing its outcomes. The central bank should focus on the real exchange rate to balance the benefits as long as the Russian economy relies on imports to increase confidence in the national currency and increase the attractiveness of Russian financial assets. On the other hand, the government cannot change the long-term level of production or the real exchange rate of the ruble in the long term. The only thing the central bank can do is to reduce inflation, which will reduce the cost of price changes and uncertainty. Targeting the real exchange rate, despite doubts about the link between it and budget revenues, capital outflows, foreign direct investment, machinery imports, or credit, is a better solution than the inflation targeting framework. The pre-2022 neoliberal paradigm, which suggests that the Russian economy should reduce the growth of industries as a strategy to combat inflation, does not contribute to reducing domestic inflation. Conversely, the shift to the import substitution model in economic development recommends a decrease in speculative transactions, which employ approximately a million people in the production sector. Because economic circulation can easily and quickly bring in money, interest rates have gone up to make up for higher prices

and high inflation. Setting goals for inflation won't change prices and will help bring the economy closer to balance. The central bank should not operate independently, particularly given the current geopolitical conflicts that directly impact the currency exchange market. If the central bank is to set inflation targets, it must pay attention to the country's currency exchange rate, because when the value of the currency drops rapidly, it will affect the price immediately. In 2023, inflation began to accelerate after the ruble depreciated rapidly, and the central bank started raising the main interest rate to maintain exchange rate stability. A 10% drop in the value of the ruble will make inflation go up by 2%. The Russian ruble has lost 20% of its value in the last few months. The central bank had to force the sale of foreign currency, setting the exchange rate price instead of buying free currency. Not creating obstacles to a friendly currency market (having an infrastructure for international transactions) and using the dollar and euro as a quotation can restrain the falling ruble, but not the Central Bank's policy of increasing the main interest rate can lead to deflation, bankruptcy of companies, and a decrease in investment activity in the interests of the national economy (Tsar'grad, 2024). The existing inflation control policies, aimed at addressing financial demand issues, have not succeeded in boosting the growth of Russia's industries. This has resulted in a liquidity crisis for the central bank, which employs various tools to manage demand. Consequently, the government ought to collaborate with the bank to eliminate barriers in infrastructure, technology, and individual commodity markets. This will guarantee that the money supply and associated demand rise at a pace that aligns with productive capacity and serves as a vital pathway for the growth of productive labor.

Conclusion. The Russian economic development model aligns with a colonial economy, grounded in the tenets of neoliberal economic ideology. This method prioritizes the short-term flow of capital over the long-term investments essential for the advancement of industries focused on import substitution. Therefore, the main focus on the sale of natural resources and the import of consumer goods has led to a shortage of investment resources. Moreover, the Central Bank's monetary and credit policies establish loan interest rates that exceed the inflation rate and are independent of currency exchange rates. The deficiency of domestic non-monetary supplies has resulted in a consistent depreciation of the ruble, causing inflation to surpass established targets and rendering attempts to mitigate it futile. The exchange rate of the Russian ruble affects the dynamics of gross domestic production, structure, and the state of the economy. Diversification drives export-orientated sectors to expand faster than home ones. The danger arises when the central bank fails to support long-term investment and product processing. The devaluation of the ruble reduces choices for replacement food products. New technologies can help enable long-term import substitutions and increase manufacturing competitiveness. Technology is essential for Russia to compete with other countries. However, devaluation increases investment costs, which in turn slows down

m o d e r n i z a t i o n .

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Current conditions of the investment climate and prospects for increasing the investment attractiveness of Ukraine

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ABSTRACT

This article examines the investment attractiveness of Ukraine. The purpose of the article is to study the state of the investment climate in Ukraine and identify prospects for increasing investment attractiveness. It analyzes trends in foreign investment inflows along with the investment attractiveness index, and identifies factors contributing to their decline. It also examines the countries that contribute the largest volumes of foreign investment, and assesses the impact of offshore zones on foreign investors. In addition, the article analyzes trends and distribution of foreign investment in different sectors of the economy. It examines the actions and decisions of the government aimed at increasing the country's investment attractiveness in the context of the ongoing conflict. It provides recommendations for future measures to create a stable and favorable investment climate, emphasizing the need to continue improving the legislation. The article emphasizes the importance of a comprehensive approach to achieving the Sustainable Development Goals, which includes reforming the judiciary, effectively fighting corruption, and strengthening the protection of property rights. It concludes that active coordination between different branches of government, together with the participation of the private sector and the international community, is essential for these efforts.

KEYWORDS: investments, investment attractiveness, investment potential, foreign direct investment, investment climate

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1. Introduction. Current investment attractiveness is a key indicator of a country's economic performance, playing a crucial role in the sustainable development and stability of its economy. Foreign investment is vital for increasing gross domestic product, promoting entrepreneurship, and reducing unemployment. It provides not only capital, but also introduces new technologies and management experience. In addition, foreign investment affects each business entity, shaping its growth potential, financial health, and market competitiveness. This underscores the importance of foreign investment for the development of both priority industries and the country. However, political instability, the ongoing military conflict due to a full-scale Russian invasion, the COVID-19 crisis, and the growth of the informal economy have significantly reduced the activity of foreign investors in Ukraine. Nevertheless, in light of Ukraine's commitment to European integration, the government is persistently pursuing reforms aimed at improving the investment climate.

In a state of war, the task of promoting economic growth becomes critical. It is important to develop and support the country's investment potential to overcome the challenges of external instability. In this context, Ukraine's investment attractiveness becomes increasingly important, serving as a key element in attracting external resources necessary for the implementation of strategic projects and economic recovery. A stable and transparent investment climate helps attract new investors, as well as supports those already operating in the market. This strategy can allow Ukraine to defend its position in the international arena and ensure stable economic development.

2. Literatures review. The importance of attracting foreign investment is extremely important for any economy, in particular for the economy of Ukraine. As a result, considerable attention in the scientific literature is paid to the study of foreign investment issues and the creation of an attractive investment climate. Research on the problems of foreign investment includes contributions from both domestic and international scholars.

The constantly changing nature of the global economy requires a careful study of how foreign investment affects countries today, which emphasizes the importance of this research topic. Recent studies and articles devoted to investment policy in Ukraine reveal several key factors related to the investment environment, economic reforms and attracting foreign capital. It should be noted that Ukrainian scholars discuss the influence of political and practical considerations (Nikolchuk, 2023).

Various factors influence Ukraine's investment attractiveness. A review of the existing literature shows that researchers pay considerable attention to improving the regulatory framework and combating corruption, both of which are important for promoting an investment climate (Gumenyuk, 2024).

For example, studies show how anti-corruption initiatives have a positive impact on increasing investment activity and the overall attractiveness of Ukraine (Pavlenko, 2023).

In addition, international organizations such as the World Bank play a role in this context. Reports by the International Monetary Fund emphasize the need for stable macroeconomic policies and institutional reforms to attract investment. These organizations advise strengthening the legislative framework, with a particular focus on protecting investor rights and minimizing administrative obstacles.

Many articles examine how foreign investors contribute to the growth of Ukraine's economy. Scientists (Kolev, 2023) emphasize the importance of creating transparent and stable conditions (Graham, 2006) that meet international standards for the effective attraction of foreign capital, they emphasize the importance of international agreements on investment protection and the need to include Ukraine in world economic processes (Kravchenko, 2022).

Analysis of recent research and publications emphasizes the importance of investment policy issues in Ukraine for the current development of the country and emphasizes the need for additional reforms to ensure stable economic growth and attract investment. As specified by the Ministry of Finance of Ukraine, foreign direct investment is understood as the long-term placement of material resources by non-resident firms in the country's economy. The inflow of foreign investment is a key driver of economic development (Fischer, 2008), therefore, for Ukraine, the presence and tendency to increase long-term foreign investment in the economy is an extremely positive phenomenon, especially in the current context.

3. Methodology. The paper uses several research methods, including induction and deduction to assess investment value, particularly in a wartime context, a synthesis method to consolidate current strategies and improve investment efficiency, a comparative approach to examine how other war-torn countries attract investment, a graphical method to illustrate investment trends and indicators, and a modeling method to estimate potential levels of investment in the economy.

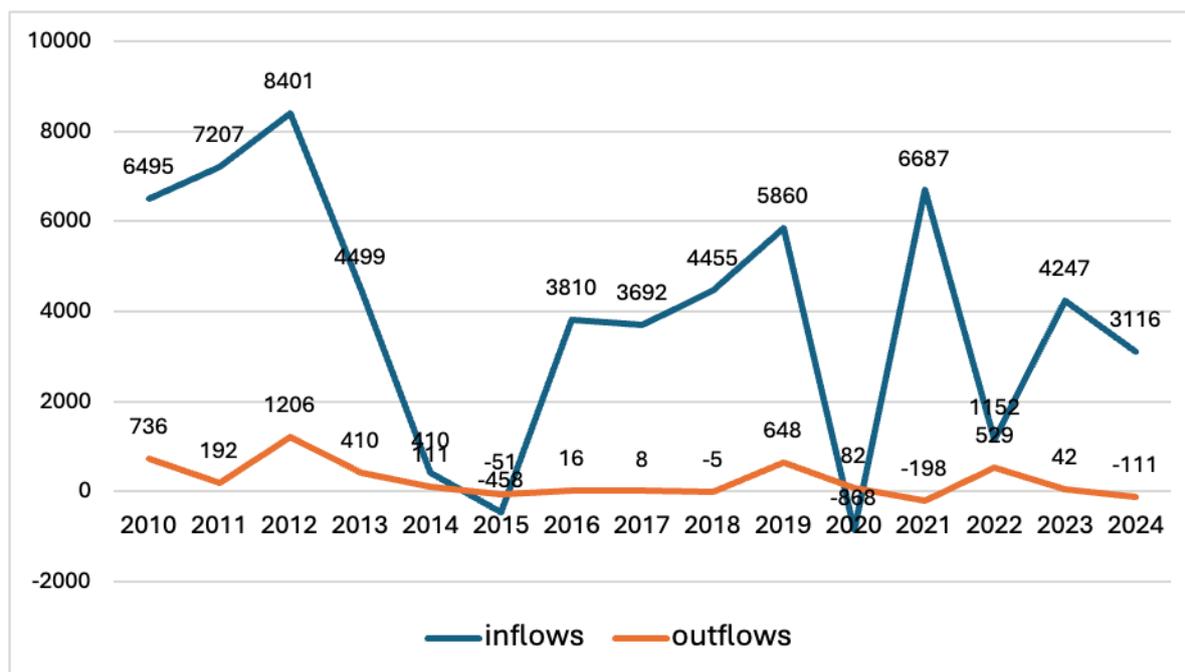
4. Results. Foreign investment statistics allow us to analyze the sectors of the Ukrainian economy that attract investors the most, as well as the countries from which these investments originate and the forms they take. Analysis focuses on trends in foreign direct investment in the Ukrainian economy. Overall, the structure of foreign investment inflows into Ukraine remains inconsistent.

Net inflows and outflows of foreign direct investment is a long-term investment of material resources by non-resident companies in the country's economy (Fama, 1992). Foreign direct investment is the most popular form of capital investment for developing economies (Bernstein, 2006), as it allows for the implementation of large projects, new technologies, new corporate governance practices, etc. (Bodie, 2017).

According to National Bank of Ukraine, between 2016 and 2019, net foreign direct investment inflows into Ukraine grew steadily, however, in 2020 there was a decrease of 118.2% (-6.728 billion dollars) compared to 2019, mainly due to the Covid-19 crisis. During a crisis, investment activity is usually one of the first indicators to suffer. After this decline, a positive trend appeared between 2020 and 2021, when investments amounted to 7.55 billion dollars. The full-scale war led to a difference of -5.5 billion dollars between 2021 and 2022, but from 2022 to 2023 the figures turned positive, reaching +1.316 billion dollars. At present, Ukraine has not yet returned to at least the investment level of 2010. To ensure stable long-term growth, Ukraine needs to strengthen the attraction of investment resources to the national economy and the domestic market, as domestic investment resources are insufficient.

The trend of net outflow of foreign direct investment in Ukraine shows a more consistent growth pattern. Until 2015, there was a gradual annual increase in foreign direct investment in the country, but since then there has been a moderate annual decline. In both 2019 and 2022, net outflow of foreign direct investment had positive values (figure 1).

Figure 1. Dynamics of net inflows and outflows of foreign direct investment of Ukraine, mm US \$



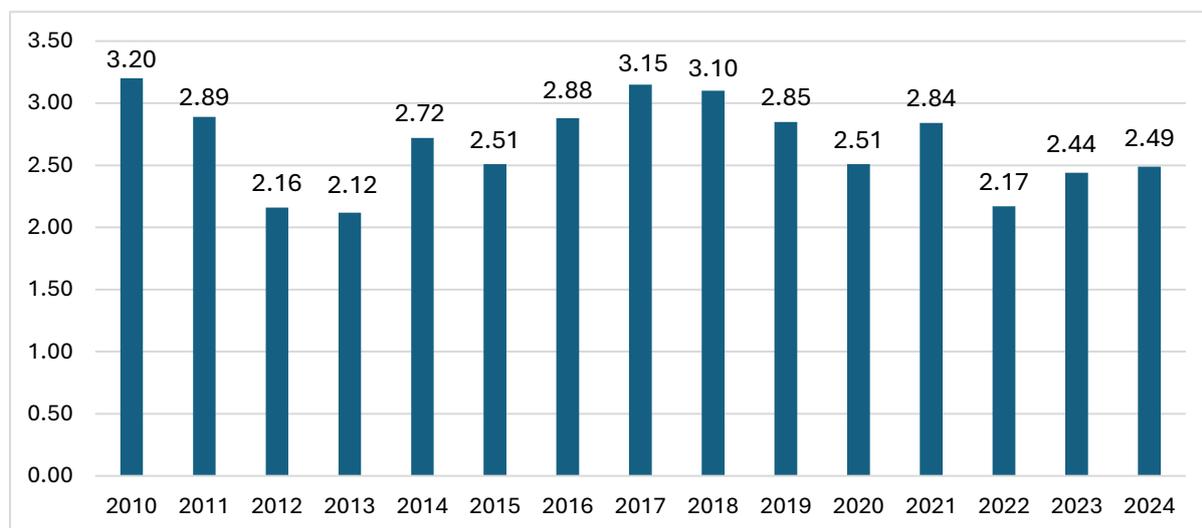
Noted. From Ministry of Finance of Ukraine(<https://mof.gov.ua/en/>) In the public domain.

In addition, when assessing foreign direct investment, it is important to consider the Investment Attractiveness Index of Ukraine, which has been evaluated by the EBA (European Business Association) since 2008. This index is created by conducting surveys of business representatives on a rating scale, where 1 point indicates very poor investment prospects, 3 points represent a neutral assessment, and 5 points mean very good prospects for investors.

The investment activity index began to decline in 2019, eventually reaching a value of 2.51 in 2020, partly due to the adverse effects of Covid-19. In the World Bank's 2020 Doing Business ranking, Ukraine ranked 64th out of 191 countries in terms of investment attractiveness, marking an improvement of 7 positions compared to the previous year. However, it is important to emphasize that the full-scale war predictably led to a deterioration in the assessment of Ukraine's investment environment. Over the past six months, the share of company executives who consider the situation extremely unpleasant has increased tenfold, from 5% to 53%. In addition, 34% of managers consider the climate to be quite unpleasant. At the same time, 9% of directors hold a neutral opinion about the current investment conditions, while 4% consider them favorable. Despite the ongoing conflict, 91%

of the Association’s companies plan to continue their activities on the Ukrainian market, 55% express their intention to invest in Ukraine even during the war (figure 2).

Figure 2. Ukraine Investment Attractiveness Index



Noted. From Ministry of Finance of Ukraine(<https://mof.gov.ua/en/>) In the public domain.

To analyze the structure of investments in Ukraine and classify them by origin, it is important to first identify the main investors. As the data in Fig. 3 indicate, more than 70% of investments come from the European Union, with Cyprus being the largest source of investment with 31.7% over all years. It is important to note that Cyprus is a popular place for creating offshore companies, which indicates that not all investments attributed to this country may be genuine. Nevertheless, even taking this aspect into account, Cyprus continues to be the first investor in Ukraine. Following Cyprus, the Netherlands accounts for 21.6% of investments, Switzerland - 5.8%, the United Kingdom and Germany - 4.6% each, Austria - 3.0%, Luxembourg - 2.4%, France - 2.0%.

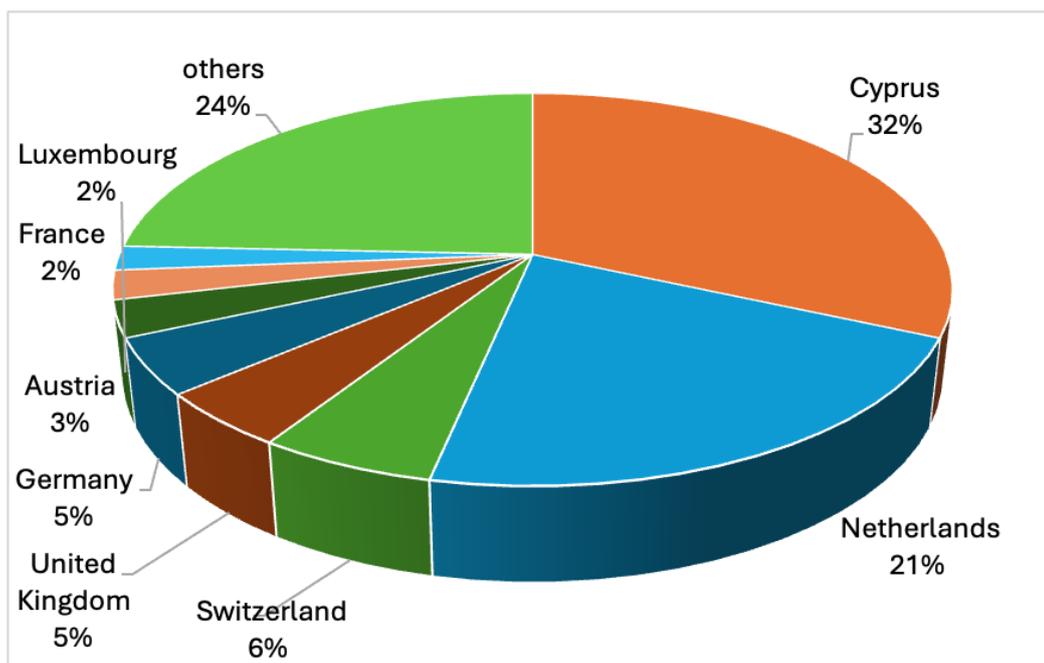


Figure 3. Sources of foreign direct investment in Ukraine, 2024 y., %

Noted. From State Statistics Service of Ukraine (<https://www.ukrstat.gov.ua>) In the public domain.

The level of investment in Ukraine is growing, but still remains relatively low. The economy is negatively affected by offshore zones, which contribute to a significant outflow of capital, which reduces tax revenues to the budget. In essence, investments coming from offshores, such as Cyprus and the Netherlands, represent funds that are being extracted from the Ukrainian budget as a result of tax evasion and corruption. These circumstances emphasize the urgent need to create a reliable legal framework that will regulate relations with offshore jurisdictions, aimed at curbing capital flight and increasing foreign investment. At this time, the Ukrainian government should actively work on improving the investment environment, focusing on such key countries as the European Union, the United States and the countries of the Asia-Pacific region in order to attract their investments, taking into account their economic and innovation potential. To achieve this goal, it is extremely important to intensify efforts against bureaucracy and corruption, to reform the tax system, in particular by introducing favorable tax conditions for foreign firms investing in innovative sectors. In addition, upgrading the current state of the innovation infrastructure is vital, as it is currently not in an optimal state. The creation of innovation zones in Ukraine should significantly increase the inflow of foreign investment and increase the competitiveness of the local economy. Nevertheless, a stable political environment and a resolution to the ongoing war are important prerequisites for the growth of economic and innovation investments in the country.

Overall, the share of different industries in the structure of direct investment has decreased. This decline can be explained by the crisis caused by the COVID-19 pandemic and the beginning of a full-scale war initiated by Russia. The industrial sector shows significant fluctuations from year to year, for example, in 2019 there was a noticeable increase to 40.3%, followed by a sharp drop to 30.8% between 2020 and 2022. In the agriculture, forestry and fishing sectors, investments decreased in 2020, accounting for 9% of the total foreign direct investment structure, but in 2022 there was a

recovery. The largest growth in investments was observed in transport, warehousing, postal and courier services. In addition, there was a general trend of increasing investment in the information and telecommunications sector until 2021, although there was a slight decline in 2022.

Ukraine has faced new challenges that have significantly affected the country's economy and its overall condition. As a result of these challenges, significant losses have arisen, which subsequently significantly complicate the process of attracting investments for economic development. This is facilitated by a number of negative factors, in particular, the long-term war, which negatively affects the development and economy of the country, as well as the lack of state protection and a system of guaranteeing foreign investments.

The presence of a military conflict complicates the attraction of investments, given that such situations are more unpredictable and carry a higher risk compared to peacetime. Individuals contemplating investing in the military economy face several important problems:

1. Investors often lack confidence in the security of their investments and the possibility of returning funds in the event of unexpected military events.

2. In addition, the instability and unpredictability of the military landscape makes it difficult to provide significant guarantees to investors.

3. It is necessary to have sufficient demand for the products created by the investment project in order to maintain a satisfactory level of business profitability.

4. The assessment is complicated by the lack of a stable market and the uncertainty of the economic climate in the context of war.

To promote sustainable growth in investment attractiveness, Ukraine needs to reform its economy and improve the business climate. Therefore, it is important to:

1. Improve the legislative framework.
2. Fight corruption.
3. Protect intellectual property rights.
4. Encourage innovation and entrepreneurship.

A prolonged war may create additional difficulties in terms of investment in military operations, however, several strategies can be used to address this problem:

1. Encourage the growth of the military-industrial complex.
2. Attract investment to restore existing economic opportunities and create new opportunities.
3. Promote domestic production.
4. Seek financial support from international organizations and other countries.
5. Promote a favorable environment for investment.

Investors should become important strategic allies of Ukraine during its recovery. The Verkhovna Rada (Parliament) of Ukraine adopted Bill No. 8138, which is designed to improve the investment environment. Among the key changes are the reduction of the minimum investment amount from 20 euros to 12 euros, the introduction of new areas for the implementation of investment projects, in particular in the IT sector, and the expansion of state support for these projects. In September 2022, the Government of Ukraine launched a new investment initiative, Advantage Ukraine. This initiative is

aimed at attracting future investments by demonstrating broad opportunities in vital sectors that will be crucial for Ukraine's post-war recovery. In addition to innovative technologies, the initiative covers construction, the defense sector, metallurgy and metalworking, agriculture, power engineering, pharmaceuticals, natural resources, logistics and infrastructure, as well as the furniture and woodworking industries.

5. Conclusion. The aftermath of the war has had a significant negative impact on Ukraine's investment landscape. Several investors have decided to discontinue their engagement with the nation, citing ongoing territorial threats and an unstable economic and political climate. Nevertheless, in the context of a protracted conflict, Ukraine can become an attractive investment destination due to the urgent need to rebuild damaged infrastructure. There is significant interest in the IT sector and innovative businesses, which are promising areas for future investment. In addition, some investors are looking at institutional real estate as a more conservative investment option that may be suitable after the war ends. Ukraine currently faces a challenging investment climate that appears to be worsening. Nevertheless, despite these challenges, the country offers significant opportunities for foreign investors. This is due to the fact that military aid to the country is decreasing, businesses are sharply curtailing their activities through tax increases, the purchasing power of the population is decreasing, and all this can lead to a decline in the country's investment activity.

The European Business Association assesses the investment climate in Ukraine as restrained-negative. And so far, most foreign investors have taken an observer position, in particular due to high risks. The largest number of foreign direct investments in **2024** came from the following countries: Netherlands, Cyprus, USA, Great Britain and Ireland, Luxembourg, Austria, France, Poland, Switzerland, Hungary.

A highly skilled workforce, access to natural resources, ongoing economic reforms, and a strategic geographic location are just some of the factors that may attract investors. To increase its investment attractiveness and ensure consistent development, Ukraine needs to implement economic reforms and create a better business environment. This process depends first and foremost on ending the war and then focuses on improving the legal framework, fighting corruption, protecting intellectual property rights, and promoting entrepreneurship and innovation. With the right approach and effective actions, Ukraine has the potential to maintain and even increase its investment attractiveness, leading to sustainable economic growth and improving the quality of life of its citizens.

The support of Ukraine by international partners reflects their desire for future investment in the country, as well as ongoing cooperation and promotion of joint initiatives. To increase its investment attractiveness, Ukraine needs to implement several reforms, including those related to the judiciary, law enforcement, and taxation, as well as to advance steps towards European integration.

Additional research should focus on developing a sound investment strategy that meets modern challenges, promotes economic growth, and supports the sustainable development of Ukraine.

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Using geopolitics to preserve the value of the ruble

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ABSTRACT

The purpose of this article is to investigate the use of geopolitics as a strategic asset for hedging against the ruble. It proposes that Russians should acquire and maintain real estate investment assets, such as guaranteed rental and income sources, to maintain the ruble's value and stability in the face of geopolitical pressures. The baht, which has strengthened as a result of the Bank of Thailand's inflation-targeting policy, is one of the most dependable currencies in the world.

KEYWORDS: Geopolitical risks, Ruble, Baht, Real estate, Phuket

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Introduction. The Russia – Ukraine war, which has resulted in restrictions on Russia’s economic development, including asset freezes, export restrictions, and foreign investment withdrawals, as well as margin calls and asset restrictions, has created uncertainty in the Russian market. However, some Western investors continue to invest in Russia, seeing it as a channel to generate income and expand their business opportunities, leading to continued capital inflows into the Russian market (Russian market,2022). The Russian economy has been isolated from the global market by the West, which has exerted diplomatic pressure and restricted the export of hydrocarbons and natural resources. This has included the blocking of international transactions via SWIFT, which could lead to increased prices and operating costs. To reduce pressure from the United States and its allies, Russia has set up its own mechanism to facilitate payments and counter the blockade of international financial transactions. As a result, the Russian economy is ready to shift its vector from the Western market to the Eastern market, which has increased the cost of products for businesses by 1%. This raises important questions about the reliability of foreign exchange reserves as a safe haven for the Russian Central Bank, which has been using it for many years. How will this geopolitical complexity lead to beneficial opportunities for investors in the coming years? This emphasizes important flaws we should expect that will cause more market volatility. The above-mentioned hazards could have a major influence on financial markets, changing the value of investments and portfolio stability. Principal worldwide challenges are conflicts, political unrest, trade disputes, and legislative changes. Particularly in nations hostile to Russia, such events are empowered to fundamentally alter financial markets, disturb supply chains, and raise world prices. While sophisticated financial instruments like bonds and mutual funds call for market knowledge, people are thinking about saving their capital by purchasing precious metals and investment coins with rubles (Chigir,2022). Although real estate investment is appealing, for those who do not invest in crude goods or hydrocarbons in particular, it also requires market analysis and forecasting knowledge. Investing in the Russian economy carries a lot of hazards, including doubts about capital development and income generation. Therefore, Russian investors should look for chances that directly help other Russian investors who can avoid geopolitical hazards. Maintaining the value of the ruble is unquestionably of significant relevance to investors and the growth of capital accumulation for people owning different kinds of assets in the face of progressively strong geopolitical pressures.

The objective of this article is to investigate the utilization of geopolitics as a strategic asset to safeguard against the devaluation of the ruble and to determine the types of investment assets that Russians should acquire and maintain to preserve the ruble’s value.

Methodology. Using a private database, representatives of ten Russian-speaking real estate agencies, two translation agencies of transaction documentation, and two real estate law firms, the study population comprised one hundred Russian residents of Phuket who had bought or were considering buying real estate there. Collection of data on investment establishments, types of investment contracts, and scope of real estate investments; data on figures for returns on investments on various conditions from Russian clients, real estate agents, and companies; translation offices, transaction and law firms on real estate, comparison of advantages in terms of time and return on investment, analysis of financial returns on investments from projects of the types of strategies used as the basis for determining investment strategies in the form of contracts, agreements for the provision of services, database of figures for comparison.

Literature review. Many things can affect geopolitical risks, such as the political situation, conflicts of interest between countries, control of geopolitical raw materials like oil, gas, and natural resources that are important to the production sector, the size of the reserve resources, and changes in the national economic development vector. These factors have the potential to disrupt the equilibrium of interests within a monopoly, resulting in conflicts between the original controlling power and new, competing entities. Therefore, people may start fighting over scarce resources to advance their own goals and interests. This could lead to war, terrorism, and other types of conflicts. When geopolitical risks happen, they will have a direct effect on the price of energy. This means that geopolitical risks are a big part of figuring out the political climate in the region and the geopolitical environment. It is clear that when economies of different countries are linked, there are risks in international trade, which affects how prices change between countries. This is due to the growth of geopolitical risks in many already troubled areas of the global economy. The rising prices of oil, real estate, and stocks have caused these crises (Urazgalie,2010).

The ongoing Russia-Ukraine war presents considerable challenges, such as heightened NATO engagement and escalated Western sanctions targeting Russia's technology and energy industries. This conflict stands as the most significant and perilous in Europe since World War II, lacking any diplomatic resolution. The enduring result is a conflict involving political, economic, and military dimensions between the West and Russia (Rtvisamoyevaznoye,2023). The potential impact on assets, the depreciation of the ruble, and the escalation of energy costs are all significant factors. There have been significant and enduring transformations in the worldwide investment environment. We anticipate that the recent geopolitical shift

away from deflation over the last two to three decades will heighten risks and complicate investment opportunities. In the past, investors relied on mathematicians for guidance, but currently, they are looking to geopolitical scholars for insights on safeguarding their assets (Megaw et.al.,2024). The prices of geopolitical goods have been significantly elevated as a result of ongoing geopolitical conflicts, which has resulted in inflation in numerous countries. The Russian economy's primary source of income is the export of natural resources and gas, in contrast to the banking industry and technology companies. Oil is used as a raw material in industries that are crucial for the production of essential goods, on which numerous countries are heavily reliant (Popova, 2020).

Raw materials are an exceptional asset during periods of severe global inflation, as evidenced by historical experience. If geopolitical tensions increase, demand for commodities will surge, and the Russian economy will stand out as one of the largest producers. Geopolitical risks can create exciting situations or opportunities where international competition, often linked to economic interests, leads to confrontations. Conflicts arise when the desire for market dominance intensifies, especially during peak resource extraction and trade interactions (Beglyykrestyanin,2023). Foreign trade in a geopolitical risk environment presents Russia with an exciting challenge of choosing friendly countries. The impact of sanctions and asset seizures creates a clear line for capital flows, effectively isolating Russia from the global financial system. This dynamic has radically changed the way currency transactions are conducted for many banks outside Russia. Therefore, one of the key goals is to find ways to simplify international financial transactions and establish systems to guarantee them. Even more important is the ability to conduct business that preserves the value of the ruble for individuals who do not invest in raw materials, natural resources, or geopolitical assets.

Results

1) The value of the baht supports the value of the ruble.

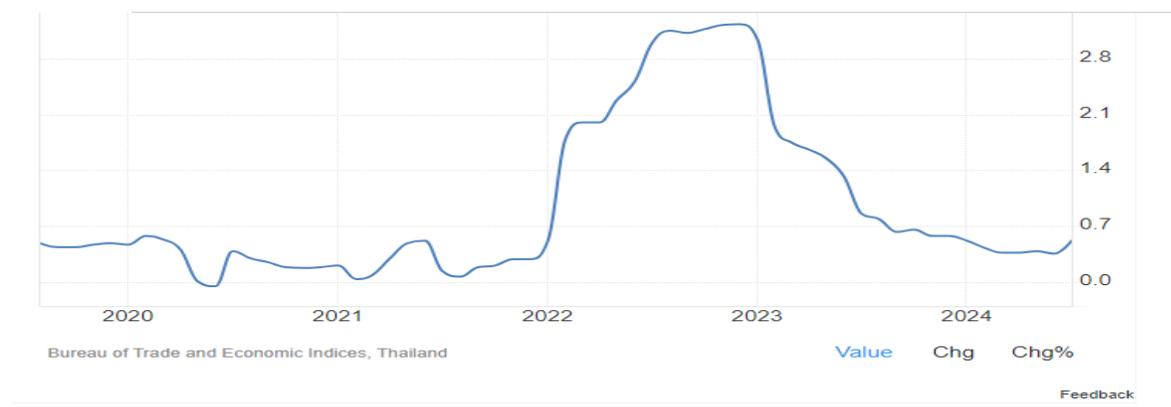


Figure 1. Thailand inflation rate (2019-2024)

Noted. From “Thailand Core Inflation Rate,” by Bureau of Trade and Economic Indices, Thailand,(2025) (<https://tradingeconomics.com/thailand/core-inflation-rate>) In the public domain.

The Bank of Thailand has effectively maintained low inflation by adhering to the inflation target framework, believing that the inflation level will help build economic confidence among investors and solve the overall debt burden of the country’s economy. The interest rate established by the Bank of Thailand plays a crucial role in either boosting or slowing down spending and economic growth in the country. Apparently, the Bank of Thailand is unconcerned about the link between the inflation framework and foreign exchange rates. What is taken into account? Because the inflation target framework is determined by demand rather than supply, the baht has a special status compared to other currencies in the region, clearly because the baht is stronger than other currencies. The policy does not intervene in the exchange rate freely, and the Bank of Thailand’s policy is not linked to the size of supply, especially the manufacturing sector (the producer price index (PPI)), because it is an independent agency from government intervention, no matter how much it causes the manufacturing sector to close down. The issue lies in the lack of clarity surrounding the concept under which the Bank of Thailand operates. Everything is still on the path to “defeating inflation.” Regardless of the loss” or “looking for a balance and compromise between fighting inflation and the survival of economic activities, it makes the central bank lose its function of stimulating the production of the domestic manufacturing sector. It offers indirect support when the domestic baht shines as a preferred option for storing domestic savings, thanks to the low inflation rates illustrated in figure 1.

The Thai baht consistently demonstrates its anti-dollar nature when compared to the US dollar. This is because the baht adheres to a policy of inflation that is not related to the producer price index or the foreign exchange rate. As a result, the baht stands out for investors who wish to keep their currency. Looking at the chart, it is evident that the value of the baht in 2022 ranged between 32 and 35 baht in relation to the United States dollar. Given its fixed amount in baht and the fact that the Thai currency is one of the most stable in the world. Although the coronavirus outbreak has peaked and tourism has been curtailed, the baht has appreciated against the dollar. Ten years ago, one thousand baht could buy thirty dollars. Today, the same amount of money can buy thirty dollars, and it has remained almost the same. Between the years 2019 and 2021, there was a period of time during which the value of the baht increased in comparison to the dollar. A comparable calculation would indicate that in 2013, one thousand Russian rubles could be exchanged for thirty dollars; however, at the present time, it can only be exchanged for ten dollars.

USD to THB Chart +14.37% (5Y)

1 USD = 34.4905 THB Jan 4, 2025, 02:37 UTC

US Dollar to Thai Baht



Figure 2. Thai baht/dollar exchange rate

Noted. From “US Dollar to Thai Baht Exchange Rate Chart .Xe Historical Currency Exchange Rates Chart,” by tradingeconomics, 2025 (<https://www.xe.com/currencycharts/?from=USD&to=THB&view=5Y>) In the public domain.

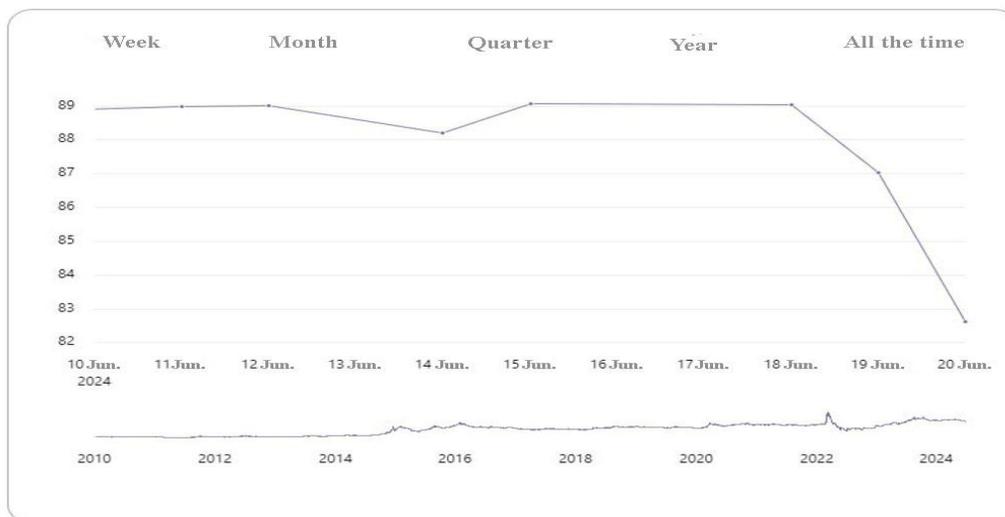


Figure 3. Dollar exchange rate (in rubles)

Noted. From “The rising ruble is a sign of global changes in the world economy,” by Yedkiynatr2Z, 2024 (https://dzen.ru/a/ZnP0YdYkmBrWyn_n) In the public domain.

Furthermore, Thailand is a welcoming nation with no restrictions on opening a bank account or purchasing real estate. Furthermore, the authorities of both nations have extended the 30-day visa-free entry period

for Russian nationals to 90 days. Because of Thailand’s foreign policy, which has long positioned the country as a popular travel destination, Russian investors view Thailand as the least risky location, even in the face of Western pressure or intervention meant to seize Russian assets. Considering the US dollar and the baht, the likelihood of Western pressure or intervention to seize Russian assets is minimal. Furthermore, cross-border economic development and interactions between Russian economies—considering their geographical locations and the impact of global conditions on the Russian economy—act as a territorial and organizational tool for the formulation of a national geo-economic strategy, which will establish the nation’s place on the global economic scene (Isaev ,2005).

2). Investment options and returns for Russians.

Table 1

Illustrates the percentage growth/decline of returns for the most appealing asset classes in 2023.

Return on Investment	2022	2023
Real estate	≥84	≥98
Deposit in rubles	≤94	≤89
Deposit in Euros	≤93	≤43
Deposit in dollars	≤43	≤43
gold	≥74	≥78
Mutual funds	≤87	≤84
Maintain cash in euros.	≤89	≤98
Maintain cash in dollars	≤72	≤92

Noted. From Sidorenko, K. (2023)’s database details the growth of Russian real estate in

Phuket province, unpagged

Keeping money unneeded might cause depreciation, lowering the buying power for goods and services. Conventional choices such as bank deposits might lose value in inflation and are not efficient in wealth building. While a dependable choice for storing savings, withdrawing money before maturity may cause interest loss. In Russia, buying money, say dollars or euros, is a dependable choice. While the ruble often loses value, currency always increases in value. Maintaining reserves in rubles is crucial since the nation runs on the currency. When handling money, note the notable difference between buying and selling rates during the past two years. Turn just the money you don’t need going forward into cash. Travellers, frequent visitors, or those making payments in foreign currencies should regularly purchase money. When distributing

extra money into non-cash assets, take foreign accounts—which are now rather popular and accepted in Russia—into consideration. Though it has slightly changed, the procedure is now rather simple.

From the data, it can be seen that Russians are showing the same trend that only real estate and gold purchases will increase the return on investment. These rates, especially in Thailand, remain low just as interest rates remain low. Many find investing in Russian real estate unprofitable, with market rates of 18%. With an investment of \$60,000 in Thailand, investors can purchase valuable property in a popular tourist destination and receive returns within 5–7 years. Repayment plans are available for the construction period, as well as long-term repayment programs with low interest rates, such as Phuket's 2.4% offer. The Thai baht is another stable and reasonably priced alternative to the dollar, making the Russian mortgage market more attractive for reinvesting money abroad, resulting in higher demand. Investors can contact companies to find the best project for their goals and budget, while investment in other assets will have a lower and uncertain return. Investing in real estate in Thailand, especially in Phuket, ensures that the ruble is not swallowed up by inflation and can be obtained through rent and subsequent sale of the apartment at a higher price than the original investment. This is because investing in Phuket real estate offers beneficial tax benefits through deductions for repair and maintenance costs, which can significantly increase the return on one's investment. The mortgage interest deduction can help reduce the cost of borrowing. Russians are increasingly interested in real estate in Thailand. The main reasons for the increase in demand are the low entry threshold (from \$150,000) and the absence of legal restrictions on ownership of Russian buyers. According to Paradise housing, (2024), Russians will increase their purchases of real estate in Thailand by 6.2 times in 2023. This is due to two reasons: first, the status of Phuket as a major tourist destination makes it possible to buy resorts for private vacations, which can be profitably rented out; and secondly, Thailand's foreign policy takes a neutral position in relation to the current geopolitical conflict. According to Tranio, the demand for housing in Thailand will rise in 2023, demand increased by 57% year-over-year. The average Russian's budget for purchasing Thai real estate was €155,000. In the first quarter of 2023, apartments in new buildings and rooms in aparthotels were in the greatest demand. Thailand is currently popular as a second place of residence because of its friendliness to Russia and ease of transactions. Many of our clients discovered this country after the complicated relations between Russia and Europe. For this reason, they see several advantages here (Kostereva, 2023).

Foreign real estate is always in demand from people from other countries because it has a long tourist season. It is a popular investment tool for both experienced and new investors. The main things that make Thailand popular are low cost, excellent investment opportunities, a healthy climate, which allows you to spend more than 8 months on the island for a holiday, beautiful scenery, a large cultural heritage, and a

convenient transportation system provided by airlines. The Thai government is actively working to attract investments to develop and modernize the island’s infrastructure— international schools, airports, luxury shops, modern hospitals, and tourist attractions. Tourists come to Phuket in large numbers. This is beneficial for the housing market. Because Phuket doesn’t have a lot of land, its value per square meter goes up very quickly. And this is a big plus if we are considering investing in real estate. Investments in several currencies and many tourists help to quickly improve the island’s infrastructure, and Russian tourists love the blue lagoons, sea breezes, white sandy beaches, and food from this area.

Table 2

Comparison of profit insurance and rental pool.

Variables	Guaranteed income	Rental pool
characteristic	<p>Lease guarantees can be offered at interest rates ranging from 6 to 10% over 5–10 years and, in some very special cases, up to 15 years, depending on current promotions.</p> <p>Lease guarantees can be offered at interest rates ranging from 6 to 10% over 5–10 years and, in some very special cases, up to 15 years, depending on current promotions.</p>	<p>There is no guaranteed income or amount received each year. The rental group option involves the owner entering into a lease with a rental management company and paying a management fee. Typically, the owner pays this fee quarterly and receives a portion of the rental income during the leased period.</p> <p>Typically, the owner receives most of the profits, either divided 60/40 or 70/30.</p>
Work Results	Of course, the profit margin is 5–7% annually.	Over 10 percent is contingent upon the brand of the service provider.
Additional rights	No	Entitled to a portion of all rental income generated by all other properties in that group, even if his/her property is not rented on certain days/weeks, is considered the fairest method of calculation. After subtracting

Variables	Guaranteed income	Rental pool
		all fees and expenses, the proprietor obtains the net income.
Attracting long-term tenants.	The location is convenient to hospitals, schools, shopping malls, and other essential amenities. It has basic amenities that make life simpler and more accessible.	During the tourist season, basic facilities contribute to a comfortable and accessible way of life, as does the brand of the service provider.
Company Management	Evaluated according to the organization's managerial proficiency and remuneration ratings	It boasts a long and well-established history of positive returns. All projected estimates indicate conservative occupancy and average rates for customer consideration.
Suitability	This investment program offers a stable income in foreign currency with guaranteed conditions, regardless of the apartment's rental status. It allows investors to use the apartment for 15 to 30 days a year, saving on vacation expenses.	Income in a building depends on its occupants and management quality. Selecting an experienced project manager is essential. Effective management can yield 12-15% of property value, while inadequate management can decrease income. Seek counsel from a broker for assistance.

Noted. The author's summary is based on the data from Sidorenko, K. (2023)'s database details the growth of Russian real estate in Phuket province, unpagged

A guaranteed income program may transform into a pooled income program, wherein the investor receives both guaranteed income and rental income concurrently. Pooled programs may offer 5% without restrictions, 6% for a duration of 6 years, or 6% for 6 years accompanied by a 60/40% lease arrangement. This enables investors to detach from a specific income figure for a limited duration, enhancing its appeal among service companies. The pooled rental program computes annual cash flow from a collection of apartments, allocates profits equally among owners, and each owner receives 10 – 15% of the property's value annually. Experienced hoteliers frequently integrate these revenue programs, ensuring the owner a guaranteed income of 7-10% annually during the initial three to five years.

Conclusion. The Bank of Thailand’s inflation-targeting policy promotes low inflation, making the baht significantly stronger than other currencies. Such a policy is unrelated to the size of supply, particularly in the manufacturing sector (Producer Price Index (PPI)), allowing the central bank to abandon its duty to stimulate domestic production. As a result, the baht is one of the most stable currencies in the world, while the ruble has been depreciating due to the problem of domestic credit policies with high interest rates and the country’s economy earning income from selling natural resources and importing consumer goods. When faced with sanctions, the currency will naturally depreciate, which is contrary to the Central Bank of Russia’s inflation target. The only way to keep the ruble is to be the most stable currency in a country that is willing to protect Russian assets. Thailand, particularly Phuket Island, as one of the world’s most popular tourist destinations, has become a target for Russian investors looking to move capital. Real estate investments, including guaranteed income and rental pools, can help keep the ruble’s value stable. Guaranteed income programs can be combined to provide both guaranteed and rental income. Combined income programs have different rates, allowing investors to separate specific income for a set period. Experienced hotel owners frequently combine these programs to ensure that they receive a guaranteed income.

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**Gender dynamics in Central Asia:
A contemporary analysis**

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ABSTRACT

Central Asia, distinguished by its many cultures, histories, and traditions, offers a significant lens for examining gender dynamics within a swiftly transforming sociopolitical context. The historical context, social structures, and effects of industrialization and globalization are meticulously analyzed. The article analyzes the contemporary obstacles and opportunities encountered by Central Asian women, highlighting the complex relationship between tradition and modernity. It highlights the crucial role of women in influencing the region's future through an examination of state policies, educational initiatives, and grassroots movements. Furthermore, it illuminates the underexamined tales of resilience and adaptability among Central Asian women, providing a more profound comprehension of their contributions to societal transformation. These thoughts seek to make a tiny contribution to the wider discussion on gender and development in the region.

KEYWORDS: gender dynamics, Central Asia, traditional roles, modern roles, globalization

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Introduction. Central Asia, comprising Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, acts as a nexus of cultural fusion and contemporary advancement. The region has historically exhibited entrenched patriarchal structures, with women’s conventional roles predominantly focused on family, community, and domestic duties. Nevertheless, the influences of globalization, technological progress, and political reforms are reshaping these positions, contesting traditional norms and facilitating the emergence of new paradigms.

In traditional Central Asian civilizations, women have had essential roles as preservers of cultural heritage, educators in the home, and active participants in agriculture and local economics. However, these responsibilities were often limited by patriarchal ideas that restricted women’s autonomy in broader social and political contexts. The Soviet era’s modernization initiated programs aimed at gender equality, enhancing women’s education and participation in labor. Although these alterations led to considerable advancement, they also generated conflicts between modernization and entrenched customs.

This article seeks to deliver a thorough examination of the conflicting realities encountered by women in Central Asia today, their persistent traditional roles, and their evolving modern identities. It aims to clarify the complex and varied nature of gender relations in the region by analyzing historical legacies, current issues, and potential transformations.

Methodology. This study employs a multidisciplinary methodology to analyze the changing roles and identities of women in Central Asia, emphasizing historical legacies, present circumstances, and future possibilities. The methodology combines qualitative and quantitative research methodologies to offer a thorough understanding of the topic.

Women in Traditional Roles

Historical Context and Cultural Frameworks

There has been a complicated interaction between cultural, religious, and economic factors in Central Asia, which has had a part in the creation of gender roles in the region. Women were positioned as crucial actors within both the domestic and communal spheres as a result of the nomadic and agrarian lives that were distinctive of the region. They assumed the roles of guardians, mentors, and stewards of the dignity of the family unit. The introduction of Islamic traditions to the region in the seventh century not only strengthened patriarchal norms but also provided women with certain rights, such as inheritance and education, despite the fact that these rights were positioned within a structure that placed an emphasis on

male authority (Kamp, 2006).

There is a social perception of women as essential players in the development of familial connections and the continuation of lineage, which is highlighted by traditional rituals like the bride price (kalym) and arranged marriages. Women in old Central Asian communities usually held enormous influence within both the family and the community, particularly in their positions as matriarchs. This was the case despite the constraints that were imposed on them.

Regional Comparisons in Traditional Roles

Despite the fact that there were many parallels, the various traditional roles of women in Central Asian countries were different from one another. These differences were shaped by the different historical and geographical circumstances of each country. Considering the nomadic traditions of Kyrgyzstan, it is important to mention that women commonly participated in the administration of cattle in addition to their responsibilities associated with domestic activities. In contrast, women in agricultural parts of Uzbekistan took up crucial duties in the production of silk, highlighting the impact that local economies have on the ways in which gender roles are constructed. Traditional roles in Turkmenistan were deeply influenced by clan systems, emphasized the collective honor of extended families. This was the case regardless of the type of family.

Religion and Patriarchy

The link between patriarchy and religion has had a profound impact on the traditional gender roles that have been established. While Islam did offer a moral and legal framework, cultural interpretations frequently placed more rigorous constraints on women's mobility and autonomy in decision-making. This was the case even if Islam established a framework. It is clear that there is a complex interaction between religious beliefs and cultural norms, as seen by the prevalence of behaviors like veiling, seclusion, and setting standards of conduct (Werner, 2009). In spite of this, there were some regions that witnessed significant variances. As a result of Kazakhstan's more secular background, the roles of women were subject to fewer restrictions imposed by religious conventions. This is in contrast to the more conservative regions of the region.

Transition to Modern Roles

Soviet Influence: Education and Workforce Integration

During the time of the Soviet Union, women in Central Asia experienced a pivotal turning point in their lives. A number of traditional structures were destroyed by Soviet programs aimed at achieving gender equality, which led to advancements in women's education and participation in the workforce. In an effort to challenge long-held beliefs about the roles that women should play, females have taken on positions such as those of physicians, engineers, educators, and political leaders. According to Kandiyoti (2007), the Communist Party's emphasis on women's emancipation was essential in facilitating access to education and healthcare, which ultimately led to improvements in the health outcomes of both mothers and children. There was a generation of educated women who pursued professional jobs as a result of the large growth in the literacy rates of women in Kyrgyzstan and Uzbekistan during this time period. Local inhabitants were frequently alienated as a result of the rapid implementation of Soviet ideals, which led to pushback in rural areas where old traditions continued to continue to be practiced.

Post-Soviet Realities

The history of Central Asia experienced significant transformations following the dissolution of the Soviet Union in 1991. The reaffirmation of traditional values was motivated by a number of factors, including the resurrection of national identities, the uncertain political climate, and the volatile economic climate. The accomplishments attained during the Soviet era were impeded by this transition, resulting in the regression of patriarchal norms in certain instances. The post-Soviet era, conversely, saw the emergence of grassroots movements championing women's rights and gender equality (UNDP,2016).

Conversely, in Tajikistan, significant labor migration resulted in the feminization of agricultural work due to men departing for overseas employment. The post-Soviet economic boom in Kazakhstan enabled several female business leaders and entrepreneurs to establish themselves.

Contemporary Challenges

Education and Economic Opportunities

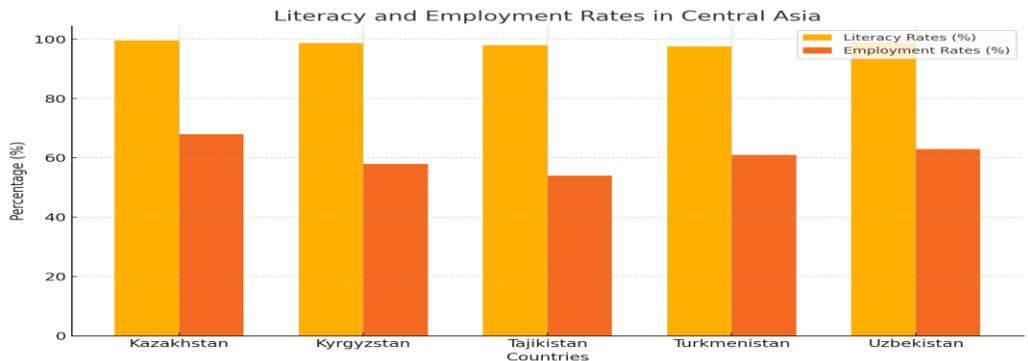


Figure 1. Literacy and Employment Rates in Central Asia

Noted. Made by author

Despite considerable advancements, a gender disparity in educational possibilities persists, especially in rural regions. Young women often relinquish their studies to engage in marriage or domestic duties due to economic challenges and societal pressures. Women in urban regions are increasingly seeking higher education and professional careers, thereby contributing to the region’s economic growth (The Asian Development Bank , 2022a). The inadequate infrastructure in remote Tajikistani schools adversely affects the educational prospects for girls. Conversely, in Kazakhstan, government scholarships have significantly augmented the participation of women in STEM career paths.

Political Participation

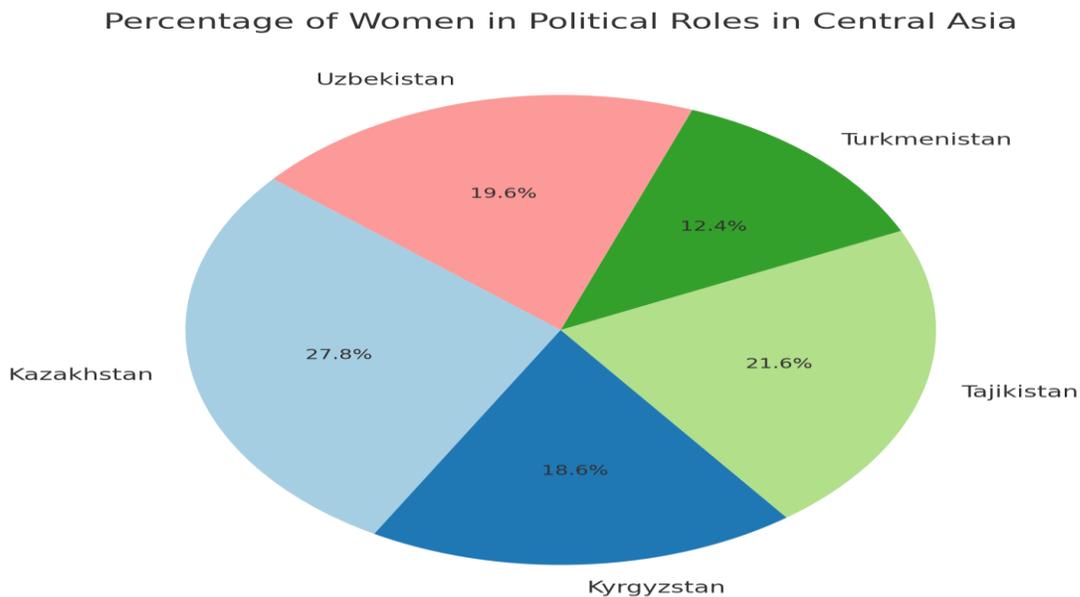


Figure 2. % of Women in Political Roles in Central Asia

Noted. Made by author

Notwithstanding the presence of legal frameworks that advocate for gender equality, women remain underrepresented in political and decision-making roles. Women encounter several problems in actively engaging in government, including cultural biases and systemic obstacles. The Organization for Economic Co-operation and Development (2022) identifies prominent female leaders and activists who have significantly impacted their communities and beyond. In Kyrgyzstan, grassroots women’s organizations have effectively advocated for increased representation in local councils. Conversely, in Turkmenistan, political engagement is meticulously controlled by the governmental machinery.

Health and Reproductive Rights

Access to healthcare, including reproductive rights, remains a critical issue for many women in Central Asia. Maternal healthcare services in rural areas are often insufficient, leading to increased maternal and neonatal mortality rates. Organizations such as UNICEF and WHO are striving to alleviate these disparities through community health initiatives (UNICEF, 2023). The advocacy for reproductive rights has intensified, particularly in Kazakhstan and Kyrgyzstan, where awareness campaigns have improved access to contraception and family planning resources.

Gender-Based Violence and Legal Protections

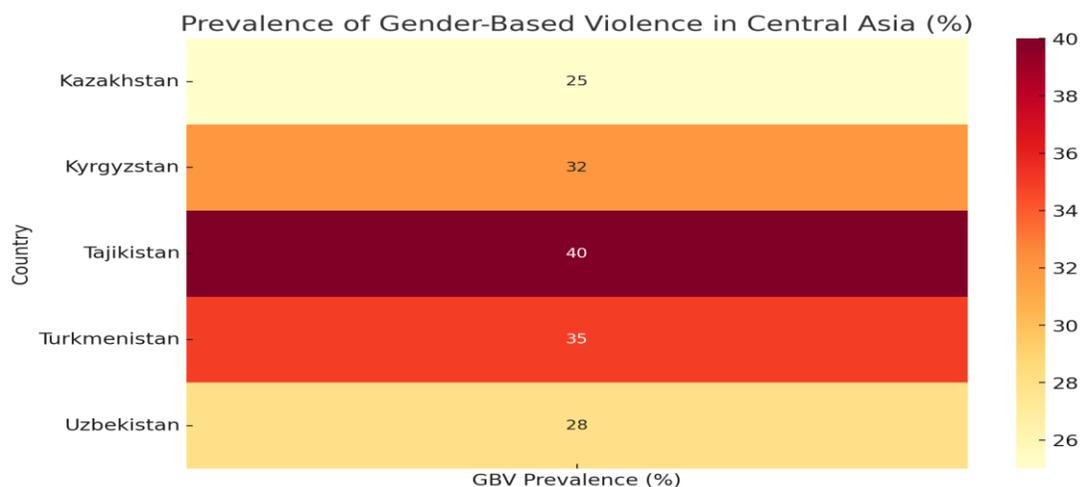


Figure 3. Prevalence of GBV in Central Asia

Noted. Made by author

Violence against women and girls remains a widespread concern throughout Central Asia. There

are a number of severe problems, including underage marriage, bride abduction, and domestic abuse. Legal reforms have been implemented in several nations; yet, enforcement remains inadequate in many jurisdictions. Grassroots organizations and international nongovernmental organizations (NGOs) are essential for effectively addressing these challenges through lobbying, education, and support services (Human Rights Watch, 2023). Although cultural acceptability of the practice continues to hinder legal enforcement, the prohibition of bride kidnapping in Kyrgyzstan in 2013 represented a significant achievement. The latest legislation in Uzbekistan that bans domestic abuse signifies a shift towards enhanced legal protections.

Civil Society and Social Transformation

Role of Civil Society Organizations

Civil society organizations have been essential participants in promoting gender equality in Central Asia. The UNDP (2024b) reports a substantial increase in women-led NGOs and advocacy organizations, especially in urban areas. In Kazakhstan, more than 300 groups concentrate on women's rights and empowerment, offering services that include legal assistance and professional development. These organizations have shown particularly adeptness in tackling sensitive issues like domestic abuse and workplace discrimination, frequently engaging areas with restricted access to government services. The Asian Development Bank (2022b) observes that civil society organizations have played a crucial role in connecting formal policy with the real execution of gender equality programs.

Grassroots Movements and Community Initiatives

Grassroots movements have assumed a progressively significant role in advancing gender equality within communities. Local women's organizations have devised novel strategies to tackle gender-based issues, frequently integrating traditional community frameworks with contemporary lobbying techniques. Research conducted by the Central Asian Studies Institute (2023) illustrates how informal networks of women have effectively tackled issues related to economic empowerment and environmental protection. Grassroots initiatives frequently demonstrate greater efficacy than top-down approaches in fostering durable change, as they leverage existing social structures and cultural comprehension.

International NGO Partnerships

International NGO collaborations have profoundly impacted gender equality initiatives in Central Asia. UN Women and the Open Society Foundations have formed enduring partnerships with local organizations, offering resources and technical knowledge. The World Bank (2022) indicates that these partnerships have been notably successful in enhancing the capacity of local organizations and promoting cross-border knowledge exchange. These transnational affiliations have enabled local organizations to adopt global best practices while remaining attuned to local settings.

Media and Public Discourse

Traditional Media Representation

The progression of women's presence in conventional media mirrors wider societal transformations in Central Asia. The UNESCO Media Development Report (2023) reveals a progressive transition towards more diverse and empowering representations of women in mainstream media. Nonetheless, obstacles remain with gender stereotypes and insufficient representation in specific roles. Media organizations in the region have commenced the adoption of gender-sensitive reporting criteria, while the advancement differs markedly by nation and channel.

Digital Media and Social Networks

Digital media platforms have established new avenues for women's views and viewpoints in Central Asia. Social media platforms have emerged as crucial instruments for activism and awareness, particularly among younger demographics. According to research conducted by the International Telecommunication Union (2023), women's involvement in digital content creation has risen by 45% since 2020, with platforms such as Instagram and YouTube emerging as significant arenas for addressing gender issues and contesting conventional norms.

Education and Capacity Building

Professional Development Programs

Professional development programs aimed at women have proliferated throughout the region. The European Bank for Reconstruction and Development (2024) indicates positive results from mentoring programs and

leadership training initiatives, especially within the corporate sector. These programs frequently integrate technical skills enhancement with networking opportunities and exposure to role models across diverse fields.

Educational Reform and Gender Sensitivity

Educational institutions in Central Asia have commenced the integration of gender sensitivity into curriculum development and educator training. UNESCO (2024) records initiatives aimed at eradicating gender stereotypes from textbooks and educational resources while fostering more inclusive learning settings. Higher education institutions have developed gender studies programs and research institutes, enhancing the academic discourse on gender issues in the region.

The Role of Globalization and Modernity

Changing Perceptions

There is a shift occurring in society's beliefs on gender roles as a result of globalization and the accessibility of information. Several women in Central Asia have been inspired to challenge the constraints that are imposed by conventional norms and to fight for their rights as a result of the influence of international standards and values. According to UN Women (2023), social media platforms have emerged as powerful instruments that may be used to cultivate solidarity among women in the region and increase knowledge of local issues. However, in Tajikistan, activities aimed at improving digital literacy are making it possible for rural women to interact with global information networks. Online campaigns in Kazakhstan that advocate for reproductive rights have received a significant amount of support since they began.

Economic Empowerment

The integration of economies in Central Asia into global markets has resulted in the creation of new opportunities for women to participate in the economic environment. Female entrepreneurs are thriving in a variety of industries, including agriculture, fashion, and technology, and they are effectively expanding their reach through the utilization of digital platforms (World Bank, 2022). In Kyrgyzstan, women-led cooperatives are revitalizing traditional crafts for export markets, while in Uzbekistan, government programs to promote women-led firms are stimulating innovation. Both of these countries are located in Central Asia.

Grassroots Movements and Feminism

Local Activism

Central Asia is seeing an increase in the number of grassroots organizations that are working to promote gender equality. A number of concerns, such as education, healthcare, and legal protections, are being addressed by women’s organizations, who frequently work in conjunction with organizations from other countries. According to Amnesty International (2023), these movements provide women the ability to challenge established norms and argue for fundamental reforms. In Kazakhstan, advocacy organizations are campaigning for more rigorous anti-discrimination laws in the workplace. In Tajikistan, community health initiatives led by women have demonstrated efficacy in enhancing maternal health outcomes.

Developments in 2024

Recent initiatives in 2024 have revitalized the discourse on gender equality throughout Central Asia. (United Nations Development Programme, 2024a) The United Nations Development Programme (UNDP) has initiated its Gender Equality Strategy for Europe and Central Asia (2024–2025), aiming to diminish gender employment disparities and enhance women’s involvement in decision-making roles. In their conference in Bishkek, the Central Asian Women Leaders’ Caucus examined the role of women in leadership roles within digital and environmental innovation. The World Bank’s 2024 report emphasized persistent challenges in economic sectors, including high rates of informal employment among women and limited access to financial resources (World Bank, 2024). Grassroots movements have amplified their impact, as evidenced by the Central Asian Women’s Dialogue Forum, which emphasizes gender-sensitive climate adaptation and transboundary water management (UNDP, 2024c).

Feminist Discourse

In spite of the fact that feminism is a controversial term in many regions of Central Asia, the ideas that it promotes are gradually resonating with younger people. As a result of activists contextualizing gender equality with respect to local traditions and values, it is becoming more acceptable to audiences that are more conservative (Kudaibergenova, 2023). A thorough framework for campaigning has been provided by the establishment of intersectional feminism in Kazakhstan and Kyrgyzstan. This feminism highlights the linked difficulties that women confront in relation to ethnicity, economics, and the environment.

Conclusion.

1. Within the context of Central Asian women, the delicate interplay that exists between traditional responsibilities and contemporary identities is not easy to navigate.

2. Industrialization, education, and globalization are all factors that are causing significant shifts in society, despite the fact that historical and cultural legacies continue to maintain their influence on societal expectations.

3. Women in Central Asia are redefining their roles and making substantial contributions to the region's progress by combining modernity and tradition in their daily lives.

4. In order to go forward, it is necessary to make a concerted effort to address persistent issues, such as economic disparities and violence based on gender.

5. The backing of grassroots efforts that advocate for women's rights is critically important, as is the implementation of policies that promote advancements in education, healthcare, and political participation.

6. The advancement of women will be essential to the success of Central Asia, which will help to foster a future that is more equitable and inclusive for its entire population.

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Effects of the global financial crisis in Hungary: Housing, debt crisis and international support

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ABSTRACT

Hungary was the worst-hit amongst the Central European EU member-nations by the global financial crisis. Interestingly, its economy was performing quite well initially after the end of the communist rule in 1989. Hungary successfully reduced its debt from 90% of GDP in 1993 to 52% in 2001. But, since 2002, the debt situation in Hungary worsened significantly. In 2008, the global financial crisis led to immediate financial difficulties for Hungary which already had high Government debt and external debt. The lion's share of Hungary's government debt was foreign-owned. The household sector also had nearly two-third of its debt in foreign currency. As a result, there was a huge liquidity pressure on the Hungarian banks. The high debt levels of the economy did not leave enough room to absorb the shocks of the global financial crisis. The paper looks at macro management issues of Hungary before, during and after the global financial crisis with special emphasis on the debt issues of the housing sector. It also looks at the policy measures that helped to avoid a major banking crisis and regional contagion, including the support from the International Monetary Fund and the European Central Bank. This paper connects the economic legacy of the post-communist transition, with special emphasis on the housing finance policy, to the impact of the global financial crisis in Hungary.

KEYWORDS: Hungary, financial crisis, debt, economic reform, macro management.

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Introduction. Hungary was the worst-hit amongst the Central European EU member-nations by the global financial crisis (Darvas, 2008). After some initial hiccups, the economy of Hungary was performing quite well post the end of the communist rule in 1989 (Darvas, 2008). Hungary successfully reduced its debt from 90% of GDP in 1993 to 52% in 2001. But, since 2002, the debt situation in Hungary worsened significantly (Darvas, 2008). There were major structural inefficiencies of the Hungarian economy following its transition to a capitalist economic system (Dapontas, 2011). In 2008, the global financial crisis led to immediate financial difficulties for Hungary which already had high Government and external debt (Carare, 2009). The lion's share of Hungary's government debt was foreign-owned (Darvas, 2008). So, there was a large-scale sell-off of government securities by non-residents (IMF, 2011). The household and private sector also had a large amount of foreign currency denominated loans, because of the high domestic interest rates in Hungary (Horvath, 2009). Before the crisis hit, almost half of company loans and two-third of household debt in Hungary was in foreign currency, particularly in Swiss francs, US dollars and Euros (Gupta, 2023). The Hungarian forint depreciated rapidly against the Euro. There was a speculative run on the forint (Thomas, 2010). These developments, including an increase in the usage of FX swaps, led to huge liquidity pressure on the Hungarian banks (IMF, 2011). There was also the risk of spillovers to the region (IMF, 2011). The high level of financial and trade integration achieved by Hungary left it highly exposed to external shocks (IMF, 2011). On the other hand, the high debt levels of the economy did not leave enough room to absorb these shocks (IMF, 2011). The banking sector of Hungary was largely foreign-owned as well as heavily dependent on international bank flows (IMF, 2011). The troika of the International Monetary Fund, the European Commission and the European Central Bank came together to play an important role in helping Hungary manage the economic crisis (Piroska, 2017). The paper would look at macro management issues of Hungary before, during and after the global financial crisis with special emphasis on the debt financing issues of the housing sector. It would also look at the policy measures that helped to avoid a major banking crisis and regional contagion, including the support from the IMF and the ECB.

Economic Legacy of the Post-Communist Transition in Hungary

Hungary, then officially known as the Hungarian People's Republic, was a communist state with a planned economy from 1949 to 1989. It inherited a large government debt from the Communist era along with a legacy of high rate of unemployment and low competitiveness on the international market. In its initial period, Hungary also suffered from a breakdown of trade with the former Soviet Union which collapsed in 1991. This meant a loss of access to cheap energy and raw materials (Adam, 1995). There was a resultant decline in industrial productivity in Hungary during this period. The GDP of

Hungary fell by almost twenty per cent in the first three years after the collapse of the Communist rule (OECD, 1998). Hungary, now officially known as the Republic of Hungary, had to go for extensive economic reforms. Hungary was a front-runner among the former socialist countries of Eastern and Central Europe in bringing about these economic reforms and transitioning towards a market economy from the erstwhile planned economic model (Valentinyi, 2012). The process of reform in 'domestic and economic policy' to bring about the transformation of the socio-economic system of Hungary had actually begun much before the end of the Communist rule in 1989 (OECD, 1998). Through various macroeconomic and liberalisation measures, the authorities were able to gradually bring down the debt to GDP ratio from the peak of 90% in 1993 (Darvas) to around 50% by 2001 (Horvath, 2009). Between 1995 to 2004, Hungary showed relatively rapid growth in terms of its GDP per capita (Valentinyi, 2012). However, towards the turn of the century, Hungary lost this positive momentum. In the early 2000s, early FDI-led growth coupled with privatization of state-owned enterprises and banks opened up the road to debt-based growth (Gagy, 2023). By 2007, Hungary's macroeconomic performance in key areas like GDP growth, inflation and current account deficit was worse than its peer nations of the V-4 group (namely Poland, the Czech Republic and Slovakia) (Horvath, 2009).

Housing Finance Policy of Hungary in Post-Communist Period

An important dimension of the post-Communist economic reforms was the housing finance policy (Rózsavölgyi & Kovács, 2005). The Government had abolished the Socialist-era housing subsidies, which included heavily subsidised housing loans as well as an up-front subsidy based on the size of the household, after the collapse of the Communist rule in Hungary in 1989 (Rózsavölgyi & Kovács, 2005). During the initial days of the transition, there was no comprehensive housing policy. In the 1990s, there was no preminent role of loans in housing finance (Rózsavölgyi & Kovács, 2005). From the year 2000 onwards, however, the Hungarian authorities began to devote greater attention towards this. The Government introduced a new housing subsidy scheme, with focus on subsidising interest rates on long-term mortgage loans. This new scheme allowed for interest rate subsidies on loans for purchasing and building new homes, as well as on loans for buying, expanding and modernising existing properties (Rózsavölgyi & Kovács, 2005). There was also a personal income tax benefit attached to the housing loan repayments – for example, around 40% of the loan repayment could be deducted from the tax base in 2002 (Rózsavölgyi & Kovács, 2005). As a result, between 2002 to 2008, there was a dramatic increase in real estate prices in Hungary (Egedy, 2012). However rising prices did not dissuade Hungarian buyers from getting more loans to buy properties. The people, on the other hand, were also able to switch from lower consumption and indebtedness to greater consumption levels (Rózsavölgyi & Kovács, 2005). But the subsidies posed a huge burden on the Hungarian government budget. There was a sharp hike in fixed investment in real estate by the household sector

along with a dynamic consumption growth. In 2003, under fiscal constraints as well as concerns about internal and external economic stability, the Hungarian government decided to substantially cut back the housing subsidies. The households were now looking for an alternative source of low-interest rate financing for their housing requirements (Rózsavölgyi & Kovács, 2005). Under these circumstances, several banks in Hungary began to launch a wide range of foreign currency credit products, including new instruments like the foreign-exchange denominated mortgage, which enabled them to target a wide range of potential customers. Many foreign banks also entered the Hungarian market to offer foreign currency loans to the citizens. The citizens preferred to take the loans in foreign currency because of high domestic interest rates (Horvath, 2009) as well as the 'tightening conditions of public interest subsidy system' (Egèdy, 2012). There was also a general expectation about Hungary joining the Eurozone soon. The citizens benefitted from the lower nominal interest rates of the loans denominated in foreign currencies. The foreign currency housing loans saw a dramatic increase by more than 400 per cent as a proportion of GDP, between December 2003 and September 2004 (Rózsavölgyi & Kovács, 2005). By 2008, foreign currency loans consisted of around 60 percent of the total housing loan portfolio of Hungary (Rózsavölgyi & Kovács, 2005). Household debt had increased from mere 5 per cent of GDP in 2000 to a whopping 30 per cent in 2008.

Economic Scenario in Hungary prior to the Global Financial Crisis

In general, economic activity in this period prior to the global financial crisis was sustained using substantial foreign borrowing by both public and private sectors. External debt had increased to 140 per cent of GDP and public debt to 80 per cent of GDP (IMF, 2012). Before the global financial crisis, Hungary had the largest government debt and net external liabilities amongst all the newly joined EU member-nations (IMF, 2008). There was a large fiscal deficit. During the early 2000s, there was an abundance of liquidity in international capital markets which boosted capital inflows into Hungary and helped to keep the current account of the economy in balance (Piroska, 2017). With the advent of the global financial crisis there was no longer the erstwhile easy capital flows into the country. The volume of FDI flows into Hungary fell by around two-thirds of its previous value. The debt pressure coupled with the impact of the global financial crisis destroyed the power and stability of the Hungarian forint, which was somehow safeguarded thus far (Egèdy, 2012). It had a 15 per cent depreciation compared to the CHF and 17 per cent depreciation compared to the EUR between the Q4 of 2008 to the Q1 of 2009 (Egèdy, 2012). The sharp depreciation of the forint relative to the Swiss franc increased the debt burdens of those Hungarians who had borrowed in foreign currency. The Hungarian central bank raised its interest rate to support the forint.

Impact of the Global Financial Crisis in Hungary

The global financial crisis impacted the labour market causing shrinking employment opportunities and job losses, as well as the economic conditions of households in Hungary – including their income and savings. The gap between rich and poor widened as many slipped to the lowest levels of income. The level of indebtedness of poorer households increased (Egedy, 2012). The decline in aggregate demand in Hungary impacted economic activity within the nation (Egedy, 2012). There was a fall in the real GDP by around 6.7 per cent and in industrial production by around 18 per cent between 2008 and 2009 (Egedy, 2012). This was accompanied by a rise in the inflation and unemployment levels. The unemployment initially increased moderately between October 2008 to January 2009, especially in the industrial centres. But between January 2009 to May 2009, the unemployment rate shot up rapidly across all regions of the country (Egedy, 2012).

Although not directly, but several Hungarian banks like Erste Bank, Raiffeisen Bank, UniCredit Bank, Intesa Sanpaolo, BLB, Volksbank, GE Capial etc, which are subsidiaries of foreign banks, were exposed to the sub-prime crisis through their western European parent banks (Piroska, 2017). The majority of the private sector loans were denominated in foreign currencies, because of the high spread between foreign and domestic lending rates. As the net foreign currency liabilities increased, the risk to the banking system multiplied (Egedy, 2012). In 2008, as the global financial crisis emerged, Hungary suffered from a lack of credibility because of its high fiscal deficit and public debt. Hungary's economy was highly susceptible to the risks of investor flight in the short term (Gupta, 2023). The global financial crisis caused the Hungarian assets to be perceived as riskier (Dapontas, 2011). The major vulnerability of the economy was that government debt was mostly owned by external investors (Dapontas, 2011). As the financial crisis broke out in 2008, the foreign investors began to sell the Hungarian government bonds but there were no buyers and the government bond market dried up. The Hungarian central bank was unable to auction new issues despite efforts to promote foreign currency liquidity and the government bond market (Dapontas, 2011). The global financial crisis brought stress in foreign exchange markets. The banks, especially those without a foreign parent bank, found it difficult to roll over FX swaps due to rollover risks and margin calls on swap contracts (IMF, 2011). All these contributed to a heavy liquidity pressure on the Hungarian banks.

Strategies Undertaken to Deal with the Global Financial Crisis in Hungary

To solve the various adverse issues caused by the global financial crisis in Hungary, there was a need for high policy discipline as well as large external funding (IMF, 2008). The Hungarian government, in its policy responses to the financial crisis, focused on improving fiscal sustainability and financial stability (Carare, 2009). It reduced its spending so as to enable smooth and swift debt

repayments. The authorities maintained financial stability by ensuring adequate liquidity and capital in the banking system. They also wanted to safeguard the small and medium enterprises along with helping the households troubled with foreign currency loans. The central bank undertook various measures to energize the forint markets and provide forint and euro liquidity to domestic and external market participants (Gupta, 2023). A scheme of short-term collateralized loan tenders was introduced to provide liquidity to the banking sector (Gupta, 2023). Hungary received major funding support from the troika institutions consisting of the International Monetary Fund, the European Commission and the European Central Bank. Hungary was, indeed, able to avoid a complete financial collapse. Before the assistance program, Hungary only had a two-month cash buffer and therefore needed the support to absorb the shock of the financial crisis (IMF, 2011). The liquidity pressure on the Hungarian banks due to forint depreciation was handled by the Stand-By Agreement with the IMF for Special Drawing Rights of 12.3 billion Euros in November 2008 (IMF, 2008). This was the largest financing package by the IMF at that time after the support to Turkey in 2002 and Korea in 1997 (IMF, 2011). The Stand-By Agreement also helped towards facilitating financial and banking reforms in Hungary, restoring market confidence as well as easing the debt-financing needs of the government (IMF, 2011). It may be noted that, according to Article 143 of the EU treaty, Hungary, being a member of the European Union, had to first seek the approval of the Economic and Financial Committee of the EU regarding its balance of payments before approaching the IMF (Gupta, 2023). There was also the recognition of the underlying risk of a contagion both in the euro area as well as in the broader Central and Eastern Europe region, and therefore the need for immediate assistance to Hungary (IMF, 2011). There was a potential for financial spill-overs to other countries, given that the largest domestic bank of Hungary, OTP, had exposure to the Central and Eastern Europe region and similarly several euro-area banks had exposure to Hungary through their subsidiaries (IMF, 2011). A financial meltdown in Hungary would have led to major losses for the foreign parent banks who had their subsidiaries operating there. The EU agreed to join the negotiations between the Hungarian central bank Magyar Nemzeti Bank and the IMF, in light of the urgency of the economic situation in Hungary. Both European Commission and the European Central Bank were present at the negotiations on behalf of the EU, with their respective perspectives and objectives. This was the first case of an EU/IMF joint program for supporting a nation (IMF, 2011). It set a strong precedent for similar cases in the future (IMF, 2011). The relevance of the troika of IMF, European Commission and ECB increased in the years following the crisis (Piroska, 2017). The MNB entered into a bilateral repurchase agreement of 5 billion Euros with the European Central Bank for addressing the liquidity issues in the domestic foreign exchange swap market (Piroska, 2017). The MNB stated that the swap facility would be made available to all resident credit institutions that came under their reserve requirements (Gupta, 2023). The ECB could provide this repo facility under the provisions of Articles 111 and 23 of the Protocol on the Statute of the European System of Central Banks (Gupta, 2023). The MNB, on the other hand, was acting under the powers bestowed upon it by relevant sections

of the Magyar Nemzeti Bank Act (Gupta, 2023). The joint assistance program by the IMF and the EU was successful in stabilizing the financial conditions and reducing financing needs (Gupta, 2023). Hungary was able to issue euro-denominated bonds of € 1 billion in July, 2009 (Carare). The earlier problems regarding the auctions of government bonds also got solved. The IMF-supported economic assistance program to Hungary helped to avoid a contagion like the 1997 Asian financial crisis (Horvath, 2009). This was achieved through the strengthening of financial sector balance sheets through structural reforms, improving the financial market conditions and standing strongly beside the Hungarian Government (Piroska, 2017). The IMF also highlighted to the Hungarian authorities the need to support the 'systemically important' domestic banks in order to boost their credibility (Piroska, 2017). The ECB was focused on its agenda of stabilizing the eurozone. The assistance through the financing package came at the right time, when the financing difficulties for Hungary were most severe. The final program package to Hungary also had some contribution from the World Bank. Mr Andras Simor, the governor of the Hungarian central bank during the global financial crisis, later acknowledged that the "IMF /E.U. umbrella was very important in keeping the confidence of foreign investors" (Thomas, 2010). The investors felt confident that, after the conclusion of the agreement with the IMF, the Hungarian authorities and the banks will be able to fulfil their financial obligations (Piroska, 2017).

Conclusion. Hungary somehow avoided the currency and financial collapse with the help of rescue packages from the troika institutions (Horvath, 2009). The aid of the financial institutions also helped in avoiding a major banking crisis and a regional contagion. The Hungarian economy gradually recovered from the financial crisis. However, there are important lessons to derive from its vulnerable situation on the eve of the global financial crisis, which had structural and long-term causes. Some of these causes came from the post-Communist transition period in Hungary, which saw a transformation of the socio-economic system. Even before the global financial crisis hit, Hungary's macroeconomic performance was not satisfactory. The serious issues relating to indebtedness needed to be solved. In such a situation, balanced and prudent macroeconomic policies and comprehensive structural reforms, keeping in mind fiscal sustainability, are necessary to be adopted by the policymakers.

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