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POST-CRISIS TRANSFORMATION OF THE INTERNATIONAL DEBT MARKET

The practical aspects of development of the international debt market in the context of sustainable development of economic systems are examined including the context of crisis and post-crisis phase transitions and transformational changes of various types.

Key words: international debt markets, international lending, transformation, financing.

Statement of the problem. The world economy in the post-crisis period is still facing a range of problems: global uncertainty regarding the prospects of the economic growth; complexity and opacity of the financial structure of the economy; the crisis of trust, which has negative impact on the recovery of the investment; low business activity accompanied by rising unemployment and risks of social commotions as well as transformation of the international debt market. Thus the recovery of the world economy is still shaky: serious global risks of slowdown exist in case of weak unbalanced growth.

The level of scrutiny of the research problem. In the world theory and practice there is enough attention paid to problems of the usage of debt securities in corporate financing. Researches of R. Breily, U. Brighem, R. Wilson, R. Knop, S. Myers, W. Sharp, F. Fabocci should be allocated among works of foreign scholars. Studies of V. Bazilevich, I. Lutuy, O. Mendrula, O. Mozgovoy, V. Mishchenko, S. Naumenkova, A. Peresada, V. Sheludko are devoted to problems of the usage of debt securities in conditions of transformation processes.

The purpose of the study. The purpose of a scientific article presented is to deepen theoretical statements and to justify practical recommendations for optimizing the post-crisis transformation of the international debt market on the basis of the usage of debt securities and the improvement of their emission and conversion mechanisms in terms of economic instability both endogenous and exogenous origin.

Presentation of the main material. International debt market is a sphere of debentures which guarantee the creditor a right to collect debts from a debtor. International debt market consists of two key sectors: international credit market which, in fact, is a market for bank loan commitments and international debt securities market which is mainly an international bond market.

The World Bank provides [3]:

- Long-term debt which is a debt payable over one year: direct government debt which is as a result of state borrowings; conditional government debt which arises from situations when a state becomes a guarantor for loans of other business entities; debt of private economic entities which is not guaranteed by the government;

- Debt to IMF. As IMF credits its member countries by selling them the necessary amount of foreign currency in exchange for national, the end-of-the-year debt to IMF shows the volume of repurchase of the national currency by the debtor country from the IMF.

- Short-term debt. It consists of: credits for a period not exceeding one year; payments for maintenance of long-term loans (interests and commissions) which according to the schedule are to be paid in the current year.

If we consider all the nations of the world in the context of international debt, then the first two lines of the rating will be occupied by the USA and Japan with \$16 trillion and \$14 trillion debt respectively. Thus, more than a half of the global sovereign debt belongs to two countries. Two leaders are followed by countries whose government debt varies from \$1 million to \$3 million. After Japan whose state obligations are almost 3 times higher than its GDP the situation seems to be the most complicated in Italy. As a result of 2012 sovereign debt in relation to GDP amounted to 126%. But here the situation is more stable than in most of its South European neighbors as government bonds have long maturities and mainly belong to the domestic investors (table 1) [2].

Table 1

Public debt of the world regions in 2011-2012, billion \$, %

Regions	Public debt, billion \$, 2012	Public debt, billion \$, 2011	Change	Public debt / GDP, 2012
Developed countries	46539	41715	12%	110%
G7	42261	40398	5%	129%
EU	14316	14458	-1%	89%
Developing countries	9329	9234	1%	34%
Asia	4114	4017	2%	32%
Latin America and the Caribbean	2812	2817	0%	49%
Near East and the Northern Africa	798	757	5%	27%
CIS	362	357	1%	14%

Thus more than 90% of new total liabilities in 2012 (47,5 billion SDR or \$73,36) accounted for two agreements under the extended fund facility for Greece and Portugal. Four agreements about “stand-by” credits were also signed; one of them also included the exclusive access (for St. Kitts and Nevis) and two (with Serbia and Georgia) were considered as preventive. Besides that an agreement for 3,87 billion SDR (\$6,22) was agreed for Columbia under the «Flexible Credit Line».

All in all for 2012 purchases of money from the General Resources Account reached 32,2 billion SDR (\$49,9) and purchases of three euro countries which have programs (Greece, Ireland, Portugal) account for 95% of the total sum. The maturity value for the period amounted 3,6 billion SDR [2].

Investigation of the corporate financing structure showed that in developed countries the proportion of debt instruments in investment sources is

much higher than in developing countries but the share of the equity instruments is about the same (table 2) [5].

Table 2

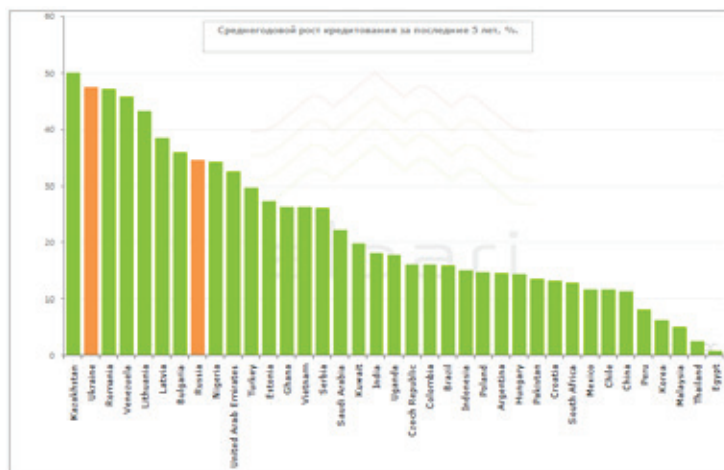
The dynamic of the structure of corporate financing, % [5]

Indicators	1980-1989	1990-1999	2000-2004	2005-2009
All the countries				
direct investment	15,8	15,6	21,7	19,6
shares	7,7	9,4	12,2	12
debt instruments	76,5	75	66,1	68,4
Developed countries				
direct investment	14,9	13,9	18,6	16,9
shares	8,1	9	12,5	12,1
debt instruments	77	77,1	68,9	71
Developing countries				
direct investment	27,3	24,4	40,7	48,6
shares	3,4	11,7	11	12,1
debt instruments	69,3	63,9	48,3	39,3

* calculated by the author on the basis of SIFMA Research Report 2000, 2009, – <http://www.sifma.org/uploadedfiles/research/statistics/statisticsfiles/cm-us-bond-market-outstanding-sifma.xls?n=71780>

In addition to this priority trend there is a strengthening of integration processes in addition to this priority trend which provokes the occurrence of additional features for global and metacorporations to attract recourses on the world capital markets including debt ones. On the other hand, corporate sector in developing countries characterized by uncertain ownership structure which directly forms the structure and the sources of financing. All the above indicates high potentials of the debt securities market for developing countries.

In the recent years the leading lines on lending growth are occupied by Kazakhstan and Ukraine (picture 1).

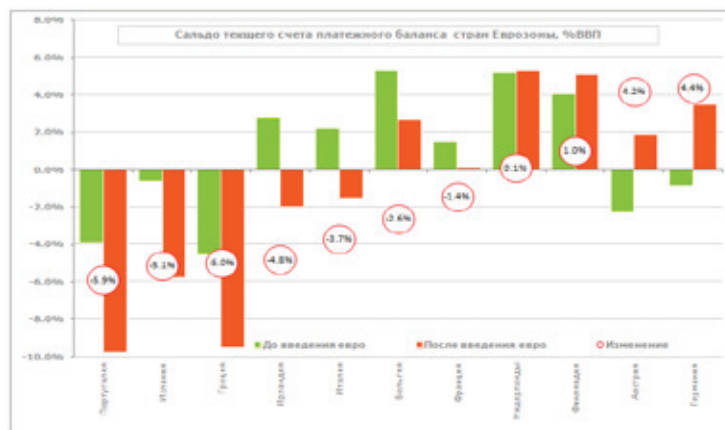


Picture 1 An average annual lending growth of the world economies in 2008 – 2012, % [2]

In the Arab countries in transition phase there are the historic changes which open new opportunities for greater prosperity in future but also create serious economic challenges in the nearest prospect. The IMF supports these countries by providing benefits and financial support.

Work in this field includes technical support in Egypt for the strengthening of the tax equity, in Jordan – for reforming of fuel subsidies, in Libya – for improvement of the public financial management, in Tunisia and Morocco – for strengthening the finance sector, in Yemen – for the improvement of the customs administration.

The main problem is concentrated in Europe and its European debt crisis. Europe has accumulated disbalances for more than a decade and the reasons for this was the introduction of a common European currency without creation of the common economic and financial systems. With the introduction of euro several countries (now PIIGS) got simpler enter to loan markets and several got cheap currency and loyal conditions for the exporters. Crisis only bared those problems that were created together with the transition to the common currency. Problems of creation of a common monetary union were spoken long time ago but were ignored till 2011. With the introduction of euro the current account of the balance of payments of several countries has sharply declined and the current account shows net external income of the economy. Picture 2 shows the data on the balance of payments for the decade before the introduction of euro and for the period after it.



Picture 2 The balance of the current account of the EU countries in 2011, % to GDP [2]

The graph shows that current account of nearly all the above mentioned countries has significantly worsened.

European banks accumulated significant external assets getting rid of which would have been given an opportunity of the essential mitigation of the problem with the withdrawal of external liquidity from the European banking system. 330 billion euro were transferred from the Eurozone only for the previous year; this outflow was largely compensated by the counter inflow

and a reduction in direct investment outside the Eurozone. Euro started the year from 1,33 mark and finished with about 1,29 that is pretty good for the current situation and such a massive capital withdrawal from the Eurozone. External (foreign) assets of European banks significantly exceed their liabilities and the decline of euro improves the ratio between them.

25 out of 27 EU states (except the UK and the Czech Republic) have signed the Pact on fiscal stability aimed at the providing a more rigorous financial discipline. Stabilization funds of the EU were entitled to provide direct financial assistance to European banks including direct capitalization. It was the first step on the way of creating the bank union – a supranational body that will control banks, guarantee the return of deposits and provide emergency assistance to banks. But the most important step in struggling the crisis was, undoubtedly, the decision of the ECB about the launch of the OMT (Outright Monetary Transactions) program under which the ECB will have an opportunity to buy out bonds of the Eurozone states without limits of the volume of purchases in order to control the level of market interest rates. Following this decision, the situation in the Eurozone's debt market has changed significantly.

Conclusions and suggestions. The current global financial system does not meet the objectives of balanced global development and requires fundamental reform. The desire to get out of the crisis makes a prolonged period of holding a strategy of quantitative easing by the world's leading central banks (emission of money and commitments) inevitable. All in all, to get out of the crisis G20 should coordinate its retaliatory government measures in order to provide steady recovery growth of the world economy. It is necessary to determine three key priorities each of which will have a backbone importance for providing the post-crisis growth and development: investment to recover the economy and to create jobs; trust and transparency to ensure the sustainability of growth; effective regulation to improve the quality of growth.

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Донбасская государственная машиностроительная академия

ПОСТКРИЗИСНАЯ ТРАНСФОРМАЦИЯ МЕЖДУНАРОДНОГО РЫНКА ДОЛГОВЫХ ОБЯЗАТЕЛЬСТВ

Резюме

Исследованы практические аспекты развития международного рынка долговых обязательств, как в условиях устойчивого развития экономических систем, так и в контексте кризисных и посткризисных фазовых переходов и трансформационных преобразований различного рода.

Ключевые слова: международный рынок долговых обязательств, международное кредитование, трансформация, финансирование.

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Донбаська державна машинобудівна академія

ПІСЛЯКРИЗОВА ТРАНСФОРМАЦІЯ МІЖНАРОДНОГО РИНКУ БОРГОВИХ ЗОБОВ'ЯЗАНЬ

Резюме

Досліджено практичні аспекти розвитку міжнародного ринку боргових зобов'язань як в умовах сталого розвитку економічних систем, так і в контексті кризових і післякризових фазових переходів й трансформаційних перетворень різного роду.

Ключові слова: міжнародний ринок боргових зобов'язань, міжнародне кредитування, трансформація, фінансування.