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Perspectives of East Asia's Emerging Economies

In article it is emphasized that in modern conditions the majority of problems facing the global economy is a global recession, high volatility of capital flows, over-investment loans. It is noted that East Asian politicians are concerned that the global monetary system is under control of the USA. It is proved that at the present time there is a necessity to smooth out the failures of the international financial markets that have emerged during the global financial and economic crisis. The conclusion is that if a developing economy wants to be successful in improving the international status of its currency to its widespread use as a means of exchange and a store of value across national borders, it should be able to issue securities and other financial instruments. Substantiates the idea that many of the problems resulting from a lack of global financial markets, could have been prevented if there was established a global central bank. Substantiates the idea that many of the problems resulting from a lack of global financial markets, could have been prevented if there was established a global central bank.

Key words: global economy, financial crisis, currency, exchange, imbalance, internationalization, control, capital, bank, management, system, function, network, liquidity, agreement.

Many of the economic problems confronting the global economy today — global recession, a high degree of volatility of capital flows and exchange rates, excessive leveraging and risk taking on the part of systemically important global financial institutions, and global trade imbalance, to name a few — may have some of their causes in the deficiencies of the international monetary system. If they are, then the deficiencies are likely to be found in the two major components of the international monetary system—the monetary and exchange rate arrangements of countries and the reserve currency system.

1. The US dollar, the SDR, and New Reserve Currencies

Like their counterparts in Europe and elsewhere, East Asian policy makers are concerned about the world currency system under the control of the US — the world's single largest debtor — and the weakening of and erosion of confidence in its currency, the dollar. But they do not see any new reserve currencies — for that matter any new global currency — emerging on the horizon that could replace the role of the dollar [1].

There has been a growing interest in the expansion of the role of the SDR and potential of transforming it into a global medium of exchange and reserve holding (Stiglitz 2010). While the jury is still out on the feasibility of such a transformation, it appears there are more skeptics than believers. From the perspectives of emerging economies, SDRs are held as part of their international reserves, because they can be converted into major reserve currencies when they want to use them — that is, because they are backed by the US dollar and other reserve currencies. It is difficult to imagine a situation where emerging economies would want to exchange their holdings of SDRs for non-reserve currencies.

Emerging economies are obliged to accept SDRs in exchange for their holdings of reserve and other currencies, but they are willing to comply with this obligation because they know that other countries will also agree to a similar exchange when they need US dollars. Any increase in SDRs is equivalent to an implicit commitment on the part of reserve currency countries — mostly the US and the euro area — to exchange new issues for their own currencies. As Wyplosz (2010) puts it, new SDRs are in effect new reserve currencies — dollars, euros, yens, etc. The appeal of the SDR, that its supply is not controlled by any national central bank, is also their fundamental weakness. International reserves are also held in safe and liquid public debt instruments. At present, the US is the only country which can supply such assets. There are very few other candidates.

These weaknesses of the SDR are well known and underscore the fact that if the SDR is going to be elevated to a global currency, it will have to be used as a means of transactions and a store of value in the private sector. And it has to be issued by a global central bank. Whatever its imperative, the creation of a global central bank is unthinkable. Therefore, before advocating the international role of the SDR, the advocates will need to explain how the new global role will help improve the efficiency of

the global exchange rate arrangement in managing global macroeconomic adjustments and rectify the failures of international financial markets that came to light during the 2008 global financial crisis. The list of the problems they need to address may also include the exorbitant privileges of *de facto* global currency countries.

The World economy is destined to live with a global exchange rate system that consists of free floating, managed floating, and fixed exchange rate regimes. This diverse system has not worked well as manifested by its failure of mitigating the growing trade imbalance between East Asia and the US, yet there is no serious discussion on reform of the global exchange rate system. In fact, few question the rationale behind the apparent preference of emerging economies for managed floating with prudential capital control and intervention in the currency market. The skeptics of the SDR may then ask how the reform of the reserve currency system will facilitate global macroeconomic adjustments or help emerging economies better manage their exchange rate policy.

While there is a need for improving the efficiency of the reserve currency system, to many pundits and policy makers from the region, the reform of the international monetary system is also a political issue that may require a protracted period of discussion and negotiations on plausible alternative systems at many international fora. The G-20 should address the issue, but it must be prepared to deal with it as part of its long term agenda. Otherwise, the G-20 may direct too much of its resources and time to the reserve currency reform at the expense of other short term issues that deserve closer attention and solutions [2].

2. Global Imbalance and Quantitative Targeting

Despite the growing concerns and numerous proposals for policy reform and structural changes to be undertaken by surplus and deficit countries alike, the global imbalance has defied an easy solution and shown little sign of abatement. Since practically all of the members of ASEAN+3 have been running surpluses on their current accounts, accounting for more than a half of the global imbalance, they realize the exigencies of embracing rebalancing growth to rely more on domestic demand for growth and to increase flexibility of their exchange rates.

In this regard, the focal point of the debate on East Asia's adjustment has so far been the undervaluation of the RMB. China has been reluctant to accommodate the demand for a substantial appreciation of its currency, and its RMB internationalization strategy would reduce further the room for flexibility of its exchange rate policy (Park and Song 2011). Other emerging economies in the region, many of whom are competing against China in many export markets within and outside East Asia would not move unless China does first in adjusting their exchange rates.

The economic profession is not unanimous on effectiveness of the exchange rate adjustment as a means of correcting the imbalance. If the G-20 leaders could not reach an agreement on appreciation and greater flexibility of East Asian currencies including the RMB, then they may need to turn to a quantitative adjustment as a complement to the exchange rate adjustment.

- Setting numerical targets

There appears to be an emerging consensus among the countries responsible for the imbalance including China and the US that a current account imbalance — surplus or deficit — on the order of 3–4 percent of GDP is sustainable. Given this acceptance, the G-20 may consider reviving the idea of quantitative targeting of the current account to be achieved over a number of years by both surplus and deficit countries. This approach has several advantages over the exclusive reliance on the exchange rate adjustment. It is transparent. It allows the countries concerned a larger room and menu of policy adjustments including the exchange rate change. And the targeting could be better enforced.

- Currency internationalization in emerging economies

One of the main reasons for the large accumulation of reserves in emerging economies has been the self-insurance against a sudden evaporation of liquidity in reserve currencies. If these countries can borrow from global financial markets in their own currency, then their precautionary demand for reserves will not be as large as it is now. The internationalization will therefore contribute to taking pressure off the resolution of the global imbalance.

If an emerging economy succeeds in improving the international status of its currency to be used widely as a means of exchange and store of value outside its national border, it will be able to issue bonds and other types of financial instruments denominated in its own currency to raise funds on global financial markets. This ability will help reduce the need for holding a large reserve and mitigate the

problem of currency mismatching in the balance sheets of financial institutions, thereby making it less vulnerable to external shocks. Unfortunately, however, not much is known about the conditions under and the process through which a domestic currency can be transformed into an international currency. The G-20 may consider including internationalization of the currencies of emerging economies as part of its long-term agenda [3].

3. Capital Control and Post Crisis Exchange Regime for Emerging Economies

There has been a broad agreement on the need to intervene in the foreign exchange market to smooth out fluctuations in the exchange rate around its level that is consistent with economic fundamentals. At the Seoul G-20 summit the leaders also articulated the need of introducing capital control — to be managed in a prudent manner to moderate large capital inflows — in particular speculative portfolio capital in emerging economies. The IMF has softened its traditional position and has been working on a set of guidelines on capital control (Ostry 2011). This approbation of capital control together with currency market intervention raises a number of issues all related to the reform of the international monetary system.

- Beggar thy neighbor exchange rate policy

From the perspectives of emerging economies, the explicit or implicit approval of capital control is tantamount to accepting some type of managed floating as an appropriate post crisis exchange rate regime for emerging economies. If it does, the prevalence of managed floating could pose a risk of exacerbating the adjustment process of the global economy. Unless the modality and rules of managed floating are specified and agreed upon, some of the emerging economies could easily succumb to the temptation of taking advantage of the managed floating to change the level of the exchange rate through market intervention to improve their export competitiveness. Since capital control is a complement to the foreign exchange market intervention, it could be used more frequently and extensively as an instrument of stabilizing the nominal exchange rate.

- Effectiveness, Instruments, and Scope of Capital control

The effectiveness, instruments, scope and intensity of capital control as a means of moderating capital inflows have long been controversial issues to which neither theory nor empirical evidence has been able to provide answers. Emerging economies will have to rely on the rules of thumb based on the past experiences of other countries. In this regard, it is important that the G-20, in cooperation with the IMF, set the rules and conditions under which capital control could be activated to remove confusion and uncertainty surrounding its implementation.

- Controlling source as well as host countries

Capital control may work in moderating capital inflows, but experiences of emerging economies show that it is of little use in taming capital outflows, in particular in time of a crisis. As was witnessed during the 2008 global financial crisis, financial market participants could overreact to deterioration of financial market indicators and macroeconomic variables such as the current account deficit in an emerging economy to throw it into a liquidity crisis.

When an economy is engulfed in a crisis, free floating often fails to serve as a first line of defense, because a large depreciation of the exchange rate triggered by an outflow could put it on an implosive trajectory.

There appears to be no effective measures of capital control that could prevent unexpected outflows. Given that emerging economies cannot prevent by themselves unexpected and speculative reversal of capital inflows, the G-20 may be better advised if it highlights the importance of imposing control on capital outflows at the source-excessive lending and investments by large global financial institutions operating out of the source countries. The G-20 may also propose a system of exchanging and sharing information on capital movements between the regulators of the host and source countries, thereby establishing symmetry in capital control between host and source countries in managing a capital control regime [4].

4. Creating a Cooperative Arrangement among Major Central Banks: A Proposal

- Rationale

The 2008 global crisis has underscored what has been known all along—the incompatibility of financial globalization with monetary and financial regulatory regimes that remain national. The crisis has also revealed flaws of global financial markets associated with information asymmetry that are manifested in the

overreaction — euphoria or excessive pessimism — and herding of market participants. The overreaction lies behind the boom-bust liquidity cycle that often sets off financial crises in both advanced and emerging economies. According to the IMF (2011), global liquidity, however defined, matters. Excesses and shortages of global liquidity have real consequences as they affect inflation[^] asset prices, and external imbalances. Yet, here are no global institutions that can control the growth of global liquidity or regulate the activities of international banks and other global financial institutions [5].

From the perspectives of emerging economies, one type of the failures of global financial markets that has plagued many of them has been a high degree of volatility of capital inflows. As shown by many episodes of financial crisis in emerging economies, a sudden reversal of capital inflows has been a major cause of a reserve currency liquidity crisis. This fear of the crisis has led many emerging economies to holding large amounts of reserves for self-insurance, thereby exacerbating the global imbalance.

Many of the problems stemming from these deficiencies of the global financial markets could be prevented or better managed, if a global central bank were created. Like a national central bank, the global central bank would be able to stabilize the growth of the availability of global liquidity to moderate large fluctuations in the prices of globally traded assets and the exchange rates of the major reserve currencies. It could rescue those emerging economies suffering if from short-run shortages of liquidity by throwing a safety net. It could prevent runs on large global banks — at least those systemically important ones. With a global central bank in operation, the world economy would not need a global liquidity safety net proposed by the G-20.

Since there is no *prospect for the global community* to agree ever on establishing a global central bank, a second best solution needs to be found to alleviate the structural weakness of a global financial system without global financial governance. In this note, it is argued that the creation of a cooperative arrangement among major central banks could be such a solution as it could serve as a quasi global lender of last resort [6].

- Membership and Functions

Only the US Fed and in part the ECB — assuming that the euro will be able to survive the ongoing crisis — could serve as the de facto global lenders of last resort, if anyone has any doubt about the global role of the US Fed, all he has to do is estimate the share of global financial intermediation in US dollar and the amount of dollar liquidity the Fed has had to inject into the global financial system since the 2008 global crisis erupted. The three more major central banks- the Bank of England, the Bank of Japan, and the central bank of Switzerland-could be added to the US Fed and the ECB to form a core group of the cooperative arrangement.

This core group could be enlarged to include (i) the central banks of the countries of which currencies are not widely held as reserves but internationalized such as those of Canada, Australia, and New Zealand and (ii) other central banks of emerging economies that are active in international finance.

This cooperative organization of major central banks is expected to:

Coordinate monetary policy of the member countries to the extent possible in a way that contributes to supplying an adequate amount of liquidity to the global economy;

ii) Provide a liquidity safety net in cooperation with the IMF for those economies suffering from short term liquidity shortages through currency swaps, repurchase transactions and cross-border collateral arrangements

iii) Intervene in the foreign exchange market to stabilize major currencies and those of systemically important emerging economies in cooperation with the members' finance ministries.

There is the question of whether the central banks of some of the emerging economies traded should be included in the cooperative arrangement. Their *currencies are* not convertible and internationally circulated. However, as a group, they hold a large amount of reserve, borrow from globally intermediated credit markets, and invest in a large variety of globally traded assets. These activities mean that irrespective of its definition, emerging economies actively participate in the process of creating global liquidity, and in this regard, their role has been growing.

For example, the Chinese RMB is not convertible and its capital markets are closed to foreign investors and savers, but changes in its monetary policy ripple through global financial markets, thereby changing the availability of global liquidity. It should be also noted that many emerging economies could participate in the safety net as both receivers and providers of reserve currency liquidity by making available part of their reserves.

Even if the major central banks agreed to a cooperative arrangement, it would be difficult to imagine any participating central bank will ever compromise on its domestic policy goals in the conduct of monetary policy for the sake of stabilizing the global economy. But the 2008 global financial crisis should be a re-

minder that their domestic policies have real consequences for the performances of other economies, sustaining stability of the global financial system is in their collective interest, and that in the absence of their cooperation, there is no easy way of *stabilizing* the global *financial* markets. Recognizing this critical importance, the potential members of the cooperative arrangement may be able to find some room for cooperation. Even if they could not coordinate their domestic policies, the member central banks could monitor developments in global financial markets and changes in their monetary policy to unearth the causes of large changes in the availability of global liquidity to identify the areas where they need to cooperate [7].

- Global Liquidity Safety Net

At this stage of discussion, the proposal for the safety net-deliberated at the G-20- consists of (i) the new IMF facilities such as FCL, and PCL and (ii) lending of regional organizations for liquidity support such as the CMIM. In this proposal, the IMF will be the key institution, supplying the bulk of liquidity to emerging economies when it is needed.

During the liquidity crisis in the fourth quarter of 2008, Korea alone had to secure three swap lines amounting in total to \$90 billion before stopping the speculative attack on its currency. In view of this experience, it is not clear whether the IMF will have enough resources to meet the liquidity needs of a large number of emerging economies if many of them suffer at the same time from a major global *financial crisis*. It also *remains to be seen* whether the IMF could respond swiftly to emerging signs of a liquidity crisis in a country or a region to forestall a full blown liquidity crisis.

The Fed established currency swap lines of unlimited amounts with the central banks of the euro area, the UK, Japan, and Switzerland to be activated in case the crisis threatened the stability of the global financial system in 2008. Later in 2009, six more central banks of advanced economies were added to the list. The Fed also offered swap lines to the central banks of four other emerging economies.

In the case of South Korea, the Fed swap played an important role in breaking up a speculative attack, not because of the swap amount-\$30 billion- was large enough, but because of the implicit back up by a de facto global lender of last resort (Park 2011). One may question whether a similar support in terms of the availability of liquidity provided by the IMF could have been as effective as the Fed swap line.

The swap network could be strengthened if some of the central banks of emerging economies active in global finance join the cooperative arrangement. At this stage of discussion, it is not necessary to determine the qualifications for membership for or the amounts of swap lines to be accorded to those central banks of emerging economies. As a first approximation, most of the countries qualifying for either FCL or PCL at the IMF could be potential candidates.

One of the major benefits of the enlarged global swap arrangement is that it could send a clear signal to the market that the members of the central bank cooperative arrangement are prepared to activate the swap system whenever necessary to fend off any impending liquidity crisis in countries belonging to the system. This signal will make speculators think twice before attacking any currency. On their part, knowing that have access to a liquidity safety net for short — term financing, many emerging economies would have greater incentives to hold less in reserves than they do now, move to a more flexible exchange rate system, and to refrain from capital control.

Among the reserve currency countries, there is a concern that the enlargement could pose the risk of creating a moral hazard problem on the part of the emerging economies participating in the swap system. Once they have the liquidity backing, the argument is that these economies may lose discipline in managing macroeconomic policy. It is difficult to imagine that any emerging economy would let its current account deficit expand beyond a sustainable level, would be reckless in borrowing in reserve currencies, or heedless in improving the safety and soundness of its financial institutions simply because they have access to the safety net.

However, if the moral hazard is a potentially serious problem that dissuades the reserve currency countries from expanding the swap network, the swaps could be offered only to those emerging economies suffering from a capital account crisis of a short-run nature triggered by evaporation of reserve currency liquidity. The emerging economies belonging to the network could also be required to make available some of their reserves in extending swap lines to other members [8].

5. Regional liquidity support arrangement

ASEAN+3 established a regional liquidity support system — CMIM — that is designed to provide short-term liquidity to the members suffering from a speculative capital outflow almost ten years ago.

Since its inception, it has never been subjected to a market test so that its effectiveness is yet to be known. Regional arrangements such as the CMIM could be an important component of the global liquidity support system, but little is known on how it should be structured and managed to be a reliable source of short-term liquidity. The G-20 may address viability of establishing similar arrangements in other regions. But before endorsing other regional arrangements, the G-20 may need to undertake a review of the size and operational details of the CMIM together with its linkage with the IMF to determine whether it could be an effective regional mechanism.

Now that the EU has decided to construct a European monetary fund operated independently from the IMF, new questions have risen as to what type of the linkages of these regional institutions with the IMF would be appropriate and how their activities could be coordinated to consolidate and improve efficiency of the global safety net.

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Ю.Ч.Пак

Шығыс Азияның қалыптасушы экономикасының болашағы

Мақалада қазіргі таңда жаһандық экономика тап болып отырған мәселелер — жаһандық рецессия, капитал ағынының тұрақсыздығының жоғары деңгейі, қарыз капиталының шектен тыс инвестициялануы қарастырылған. Шығыс Азия саясаткерлері әлемдік валюта жүйесінің АҚШ бақылауында қалып отырғанына алаңдаушылық білдіретіндігі айтылған. Әлемдік қаржылық экономикалық дағдарыс кезінде айқындалған халықаралық қаржы нарықтарының ол қылықтарын қазіргі таңда тегістеу қажеттігі туындап отырғаны дәлелденген. Егер дамушы экономика өз валюталарының халықаралық мәртебесін жақсарту жолында сәттілікке қол жеткізгісі келсе, оның ұлттық шеңберінен тыс жерлерде де құндылығы сақталуы үшін бағалы қағаздар және қаржы құралдарын шығаруға қабілетті болуы тиіс. Егер жаһандық орталық банк құрылған болса, жаһандық қаржылық нарықтардың кемшін тұстарынан туындайтын көптеген мәселелерден арылуға болатындығы туралы идея негізделген.

Ю.Ч.Пак

Перспективы формирующейся экономики Восточной Азии

В статье выделено большинство проблем, с которыми сталкивается глобальная экономика в современных условиях, — глобальная рецессия, высокий уровень непостоянства потоков капитала, чрезмерное инвестирование заемных средств. Подчеркнута обеспокоенность восточноазиатских политиков тем, что всемирная валютная система находится под контролем США. Доказывается, что в настоящее время встает необходимость сгладить провалы международных финансовых рынков, которые выявились во время мирового финансово-экономического кризиса. Делается вывод о том, что если развивающаяся экономика хочет достичь успеха в улучшении международного статуса своей валюты с целью ее широкого использования в качестве средств обмена и сохранения ценности за пределами национальных границ, она должна быть способна выпускать ценные бумаги и другие виды финансовых инструментов. Автор обосновывает идею о том, что многие из проблем, проистекающих из недостатка глобальных финансовых рынков, могли бы быть предотвращены с созданием глобального Центрального банка.

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Сущность, формы и факторы развития внешнеэкономической деятельности отечественных компаний и предприятий

В статье рассмотрены основные формы внешнеэкономической деятельности компаний и предприятий. Проанализированы факторы, оказывающие заметное влияние на развитие внешнеэкономической деятельности фирм. Автором показана структура внешнеэкономической деятельности корпорации. Описываются последовательные действия компании, планирующей выход на внешний рынок. Раскрываются современные тенденции международных экономических отношений. В статье уделено внимание интеграционным процессам в постсоветском пространстве, предложены методические принципы, задачи построения модельного комплекса для оценки интеграционных эффектов.

Ключевые слова: формы, факторы, структура, последовательные действия, тенденции, интеграция, Таможенный союз, Единое экономическое пространство, построение, модель, расчеты, интегральный эффект.

Основные формы внешнеэкономической деятельности компаний и факторы, влияющие на ее развитие

Внешнеэкономическая деятельность (ВЭД) компании представляет собой совокупность методов организации торговых, научно-технических и финансовых отношений с зарубежными партнерами.

К основным формам внешнеэкономической деятельности корпораций относятся:

- 1) торговля — эта наиболее развитая форма ВЭД представляет собой куплю-продажу товаров производственного, социального, бытового потребления, а также продукции интеллектуального труда (лицензии, ноу-хау, инжиниринговая продукция);
- 2) оказание услуг — осуществляется банками, посредническими, страховыми, туристскими, транспортными организациями и др.;
- 3) совместное предпринимательство — организуется чаще всего в производственной, научной, кредитно-финансовой сфере, области образования, культуры и искусства;
- 4) сотрудничество — реализуется в виде спортивных и культурных обменов, научного и технического сотрудничества.

На развитие внешнеэкономической деятельности оказывают воздействие следующие факторы:

– неравномерность экономического развития различных стран и регионов мира. Каждая страна и регион имеют свой уровень развития, свою структуру и свою специализацию экономики, что пред-