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EXTERNAL PUBLIC DEBT MANAGEMENT ISSUES IN THE CASE OF DEVELOPPED FOREIGN COUNTRIES

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Keywords: *public debt, public debt management, foreign debt, regulatory tools and methods.*

Abstract

The state and dynamics of state external debt of some countries are analyzed in the article. The experience of public debt management is considered in the case of Japan and the USA. Based on the results of the research, the possibility of applying the positive experience of foreign countries in the management of public debt in the Republic of Uzbekistan is considered.

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Introduction

As a result of global changes in the world, it is important to properly manage the foreign debt policy of developing countries promoting an open economic policy. High levels of public debt have reignited the debate about fiscal sustainability and the accumulation of sovereign debt and its impact on financial markets and real economic performance. Management of the state's external debt is one of the directions of the state's financial and economic policy and is related to its activity as a borrower. This system of financial measures includes payment of debt on loans, as well as payment of income on these loans, changes in terms and conditions of granting loans, issuance of new debt obligations is carried out by the state.

Literature review

According to the theory put forward by J.M. Keynes, it was emphasized that the states should show the market economy through the relevant instruments. One of these instruments is the foreign debt policy of the state. Of course, the state has emphasized the need to attract foreign loans and stimulate gross demand as one of the main ways to ensure its economic growth and get out of recession.

In general, higher levels of public debt lead to higher future tax burdens or higher inflation, which reduces potential future growth.

At the same time, high public external debt causes fiscal policy to backfire, resulting in high volatility and low economic growth (Aghion and Kharroubi, 2007; Woo, 2009).

A sovereign debt crisis, on the other hand, affects economic growth to the extent that it causes a banking or currency crisis (Burnside, Eichenbaum, & Rebelo, 2001; Hemming, Kell, &

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Schimmelpfennig, 2003). The effect of the debt burden on the economy's steady-state balance is called the direct effect.

Levine (2005) argues that developed financial markets enhance economic growth by improving the savings-investment allocation. Another potential role for financial markets is to mitigate the negative impact of public debt on growth. The government must finance the debt and this can be done by raising taxes or raising new debt.

In the current period, active financial markets are important for fiscal adjustment due to the refinancing of public debt.

Financial openness is a key policy for economic growth and an open economy (Alfaro et al., 2004; Bonfiglioli, 2008; Kose, Prasad, & Terrones, 2009; Calderon & Fuentes, 2012).

Developing international financial integration provides additional financing for investment at a lower interest rate and attracts foreign direct investment, which is beneficial for economic growth (Borenztein, De Gregorio, and Lee, 1998).

Research methodology

In the article, the theoretical and methodological foundations of the public debt were studied, as well as the official data of the State Statistics Committee of the Republic of Uzbekistan, the Ministry of Economy and Finance, the data of the World Bank, the International Monetary Fund, as well as various other official websites were used for comparative, structural and comparative analysis. The method of analysis, comparison and comparison of statistical data was used in the study. Debt policies and data of foreign countries and data of our country's debt were analyzed. At the same time, comparative analysis methods were used in scientific observation.

Analysis and results

Statistics on public external debt of some countries of the world show that in the current globalization, almost all countries have public external debt. According to the International Monetary Fund, by 2022 global debt will reach a record $ 226 trillion. reached , which is 256% of the global GDP [1]. As the head of the International Monetary Fund noted, the indicator of public debt in the economy of developed countries was at the level after the Second World War, and the public debt of developing countries was observed at such a level during the crisis of the 1980s.

Among the countries, the largest borrowers, according to the data of the 2nd quarter of 2022, are the United States ($ 24 trillion), Great Britain ($ 8.6 trillion), France ($ 6.9 trillion), Germany ($ 6.4 trillion) and Japan ($4.3 trillion) remains. At the same time, in recent years, the public external debt of some countries of the world (USA, Great Britain, Germany, France, Japan, China) continues to grow (Figure 1).

[1] https://www.imf.org/ru/Blogs/Articles/2021/12/15/blog-global-debt-reaches-a-record-226-trillion

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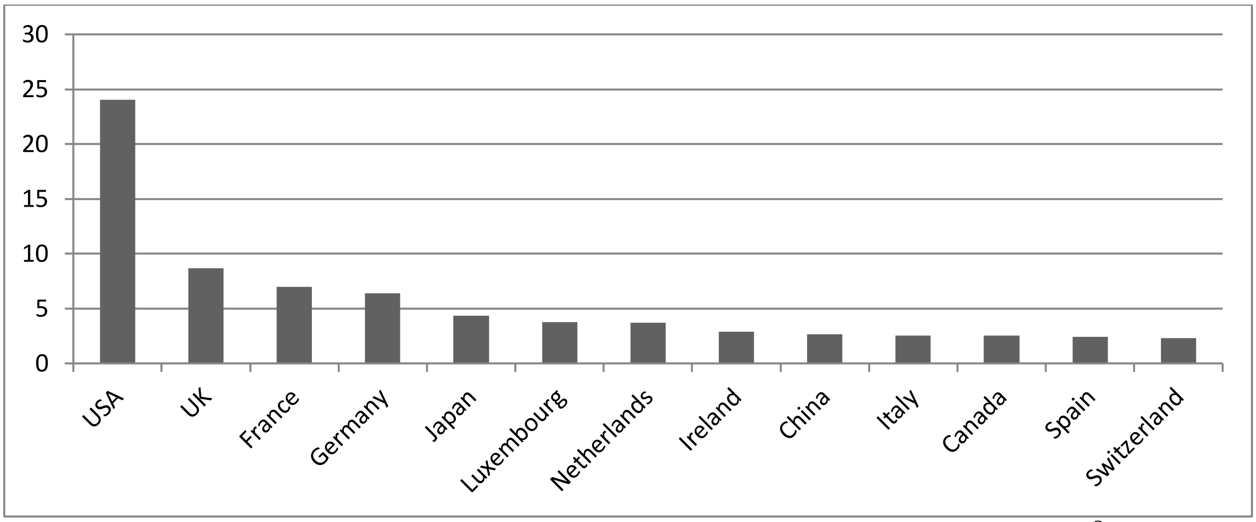

Figure 1-External debt of the countries of the world (trln $)[2]

In general, it is considered that public external debt can threaten the security of the national economy, but the formation of a debt mechanism to cover budget expenditures is a common practice for Uzbekistan and other developing countries.

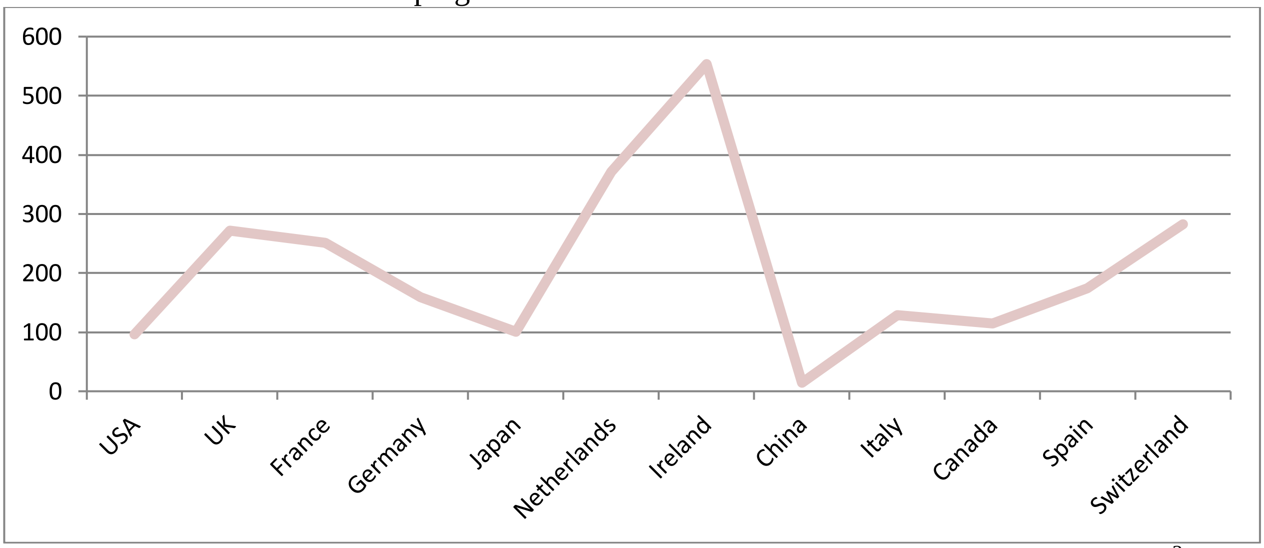

Figure 2 - External debt of the countries of the worldshare of GDP (%)[3]

For example, Japan's public debt management aims to ensure a consistent and sustainable flow of funds to manage public finances, as well as limit medium and long-term financing costs to ease the burden on taxpayers. In the Japanese debt market, government bonds are used, which are divided into three categories according to the purpose of use:

1. Bonds for future revenues - they are issued to attract funds to cover the needs of public expenditure;
2. loan bonds - their issuance is aimed at covering the temporary lack of funds in ordinary and special accounts on special grounds, including the implementation of credit and investment programs;

[22]https://svspb.net/danmark/vneshnij-dolg-stran.php
[3]https://svspb.net/danmark/vneshnij-dolg-stran.php

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3. Expenditure Deferral Bonds - are issued for current expenses, where expenses are deferred until the maturity of these bonds and funds are indirectly raised.

The Ministry of Finance, which is responsible for issuing government bonds, and the Bank of Japan will implement measures to ensure the equal distribution of bonds across sectors and regions of the country and the stabilization of the debt structure. At the same time, the Central Bank has the right to "self-purchase" government bonds, thereby regulating the composition of debts.

Among the methods of public debt management in Japan, the following are common: refinancing, consolidation, conversion, as well as monetization (issuance of new government bonds in local currency on behalf of the government [4]).

In general, despite the growth of public debt, Japan's financial and economic system is characterized by stability, which is due to the following factors: significant gold and currency reserves of the country; high level of personal savings of citizens; ownership of government bonds by residents of a privileged country (95%); stable interests in the purchase of government securities by legal entities. The policy of the Bank of Japan, which significantly mitigated the negative impact of public debt on the development of the country's economy, can also be called successful.

The United States, like Japan, has been experiencing an increase in public debt for many years, although the debt ceiling has long been used as a tool to manage public debt. However, government debt management in the United States, unlike in Japan, is aimed at ensuring the lowest cost of financing the budget in the long run.

In the US, the practice of establishing an independent public debt management body in the form of a special bureau of the Ministry of Finance for public debt is used.

The main tools of US debt policy:

- introducing new securities and making changes to their composition;
- change the procedures and mechanisms of placement of loans;
- open market operations[5]

The following categories of government bonds are used in the US debt instruments market:

- general bonds issued for the purpose of financing general development, the payments of which are guaranteed by tax revenues;
- Income bonds issued for the purpose of financing certain projects, payments depend on the income of the project.

The main owner of treasury securities is the US Federal Reserve System (FRS), but the role of the FRS in securing public debt is not limited to the direct purchase of treasury securities, but also deals with creating conditions for such purchases by other US economic entities. At the same time, the FRS provides for the purchase of 35-40% of all US Treasury securities, directly or indirectly, using voluntary and mandatory methods of managing the national domestic debt [6]. The advantage of US government debt management is that gas securities are always placed on the world market, and this means that any amount offered by the government is placed at the most favorable price. Currency risks are minimized (because borrowing is always done in US dollars), liquidity risk, extension risk is partially transferred to the lender (a large number of securities have already been issued, therefore,

[4]Ноздрева Р.Б. Государственный долг Японии: анализ особенностей и оценка перспектив // Вестник МГИМО-Университета. 2019. № 12(5). С. 114-133.
[5]Гиндес Е.Г., Буценко И.Н. Мировой опыт управления государственным долгом // Азимут научных исследований: экономика и управление. 2019. Т. 8. № 1 (26). С. 123-128.
[6]Цареградская Ю.К. Правовое регулирование государственного долга России как института в системе финансового права: дис. ... д-ра юр. наук: 12.00.04 / Цареградская Юлия Константиновна; [Место защиты: Моск. гос. юрид. акад. им. О.Е. Кутафина]. М., 2016. 437 с

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for lenders, rather than allowing the borrower to default on the loan, funds for a new loan It is more profitable to give [7].) Despite the high level of Treasury debt, the debt crisis does not pose a great threat to the US economy, because the country's public debt is 100% guaranteed by the economic potential of the states and the high global demand for government bonds. At the same time, the current legal norms regulating the amount of the national debt exclude new debts from abroad, and the only solution to solve many domestic problems of the United States remains the growth of the tax burden, which the Congress actively opposes. Thus, in recent years, about two hundred countries of the world have been involved in the global system of external financing. In this case, the main debtors are the USA, Great Britain, Germany, France, Japan and other developed countries. However, in most of them, external debt is aimed at the growth of their national production. At the same time, they are not considered "problem" debtors, since they receive income from finished products, not raw materials.

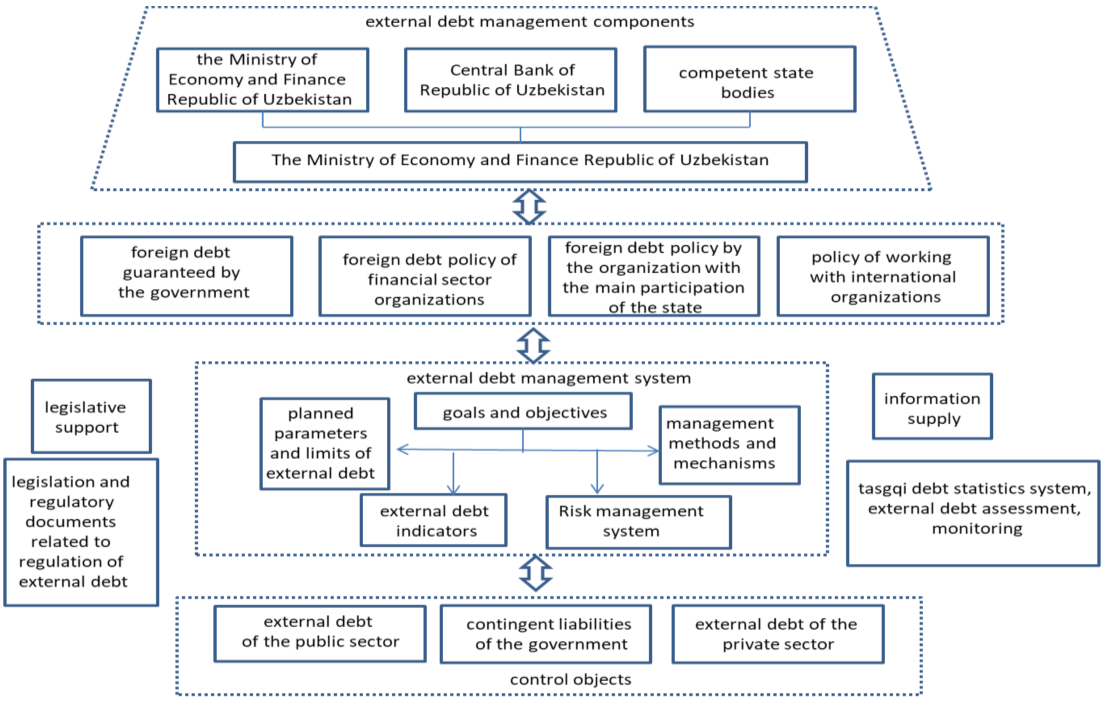

Figure 3. Conceptual model of external debt management in the Republic of Uzbekistan (compiled by the author)

The process of public debt management for any country is a complex mechanism that includes a number of interrelated elements. The public debt management mechanism is presented in the figure below. This presented scheme was developed as a proposal for managing foreign debts of the Republic of Uzbekistan.

Conclusions and suggestions

When forecasting the size of the state external debt of the country in the future, it should be noted that the size of the debt of most developing countries is significantly higher than the debt of the Republic of Uzbekistan. As a positive factor, we can say that in comparison with the developing countries of the world, the low volume of public external debts of the Republic of Uzbekistan should be emphasized as an important factor. As another factor, we can say that in the current conditions, the probability that the economy of the Republic of Uzbekistan will face a default is quite low.

[7] Филина С.Ю. Управление государственными заимствованиями: зарубежная практика // Финансовый журнал. 2016. № 3. С. 89-97.

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Public external debt is a completely natural phenomenon for the economy of any country in the world. The threats arising from this phenomenon, which may threaten the country's economic security, are primarily related to the quality of debt policy implementation and the control of public external debt in general.

The direction of debt policy should focus on:

- development of the investment market as a source of budget deficit compensation;
- maintaining public debt at a safe level for the economy;
- ensuring the ability of the country to borrow in the amount necessary to solve the main economic and political tasks;
- improve the country's ranking.

In the following places, we can consider the experiences of the following countries regarding the policies and experiences of the developed countries that can be applied in our country on the management of public external debt. The Bank of Japan's public debt management policy can be useful for Uzbekistan. Such a policy mainly reduces the negative impact of the state's external debt on the development of the national economy. The US experience will be useful for our country to create a special agency-level body for public debt management within and under the control of the Treasury (Ministry of Economy and Finance).

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