

THE PROBLEMS OF GLOBALIZATION OF WORLD FINANCES

The definition of world finances consists of total combination of features which express the finances of modern society. The world finances ensure the existence of modern structure of the relationship among the countries and also create the financial background of functioning of international economy.

At the end of the XX century under the condition of informational and telecommunicatory revolution, the intensification of mutual relations, the process of formation of planetarium society is taken place. This process is accompanied by the compression of spaciousness and time on global scales. And as a result the mutual rapprochement of different and the most remote sovereign countries and regions is taken place. The world economy, as a complicated and unreliable mechanism, in which one is not always able to balance the interests and contradictions is more determined as the integral and global whole, in which different processes always arise, form and elapse.

One of the characteristic features of modern epoch is a great development of processes of international economic integration and especially financial one, as the greatest manifestation of objective tendency of globalization. The processes of globalization on the present stage are conditioned by the economic laws and deep contradictions.

The modern world market is first of all a highly-segmental market and the zones of influence on it are strictly assigned to corresponding countries. The differentiation among those markets is strictly supported by the global financial system. Other countries, less industrially developed are forced to act by unified rules which very often don't meet to national interests.

The classic example is Bretton-Wood agreement about liquidation of gold dollar standard or principles of financial regulation on the basis of "consensus" and also the mechanism of substitution of free competition by developmental influence of transnational corporations which have divided among themselves more than one third

part of job market, more than half of capital market and more than two-thirds of total sales volume of high technology and the basic mass of financial capital.

Moreover the globalization acquire different content depending on the fact whether it is a question of a separate transnational company, branch, country on the interstate standard, about all world industry (finances of business) or about the public centralized funds of monetary resources (in the form of purpose financial credits).

For a separate company globalization is determined by such degree with the help of which it had increased its incomes and distributed its assets in different countries, and also how much it is involved in the export of capital goods and know-how through the structures which depend on it.

The main indicators of globalization of company finances is international dispersal of incomes from sales of basic assets, intrafirm trade of semi-finished intermediate and finished products and so on.

Globalization of finances on the level of a separate branch is determined by the fact in what degree the competitiveness of a company inside the branch in a certain country is interconnected with its competitiveness in another one. And as a result, the more the branch of industry is globalized, the more advantages the company will get of implementative technology and trade mark. The globalized branches of industry have tendencies to dominate on each market with one and the same set of global companies which coordinate its strategic actions in all the countries of its activity.

Globalization of business finances on the level of a separate country is characterized by the degree of relationship of its economy with the world economy on the whole. But in spite of globalization increase of the world economy not all the countries are equally integrated in it. Moreover there exist some main indicators which determine the degree of integration of economies of different countries into global economy and specially coorelation of foreign tradeturnover to gross domestic product (GDP), direct foreign investments, which are directed into a country from other countries and also portfolio investments, the flows of payment from country to country which are connected with technology transmission.

Another constituent part of globalization of business finances on the world level is determined by the developmental economic relationship among the countries, which finds expression in counter flows of goods, services, capital and know-how which always have been increasing.

Rather special and at the same time positive influence on globalization of business finances has rapid introduction of research and development projects into industry, and also utilization of modern informational and telecommunicative technologies, which has changed from the elements of infrastructure of the previous years into the universal means of economic and scientific development. Innovatory technologies permit to unite into a single whole enterprises, which belong to global companies, which are located in different directions of the globe.

Modern informational technologies permit to create decentralized production with the centralized financial control. Such technological possibilities contribute to more effective business internationalization of financial resources.

The significant influence on the development of globalization of business finances has universality and standartization of the legal regulation of property relationship and specially unification of financial systems in certain world regions.

The centralized financial flows among countries is the next, not less important object of globalization.

In the world economy on the level with the turnover of business finances the movement of temporary surplus and accumulation funds of money resources is materialized. The significant thing for a new stage of the development of world finances is that the volume of financial agreement exceeds the number of real commercial bargain. Not more than 10-12% of total turnover of world financial resources from the finances which handle the real sector (flow of goods). The rest of finances don't have the real filling. The world financial market, the main part of which is the market of financial speculations, has become indeed the global one.

The following factors have influence on the volume and direction of movement of international centralized funds of financial resources.

1. The state of economy (the economic fall in industrially developed countries decreases the volume and intensity of financial flows, and the economic growth – stimulate).
2. Mutual liberalization of trade.
3. Asynchronization and synchronization of the economic development of leading countries of the world.
4. Structural reorganization in the economy under the influence of different reasons.
5. The large-scale structural transference of low-technological enterprises abroad.
6. The discrepancy of inflation rate among countries.
7. The scale increase of imbalance of international payments.

The world centralized funds of monetary resources serve the movement of goods and services.

The movement of world financial flows is realized by the following basic directions:

- credit and monetary and accounting service of purchase and sale of goods and services;
- foreign investments into the basic and circulating capital;
- operations with securities and different financial instruments;
- currency transactions;
- redistribution of GNP part through the budget in the form of aid to developing countries and contribution of countries to international monetary and credit institutions.

The world financial flows are distinguished by the unity of forms (as a rule in a monetary form in a type of different financial credit instruments) and place (aggregate market).

The process of development of goods and services exchange on a global level. It has created for some countries the active or passive balance of payments, which had been increasing as a result of oil shocks and other economic crises. Such tendency very often doesn't meet the interests and requirements of the development of national economies and may lead to deep financial and economic crises.

1995 – the crisis of the financial system in Mexico.

1997 – the Asian financial crisis.

1998 – the financial crisis in Russia and Ukraine.

2001 – the financial crisis in Argentina.

To avoid financial crises in the future it is necessary to analyse the results of international economic relations on a global level.

The results of international exchange of countries may be rather accurately evaluated by the balance of current operations. This balance unite the whole totality of operations with goods and services, incomes on capital (interests and dividends) and also unilateral transfer of monetary means as national (for example grants to developing countries) to private ones (for example transfer of savings of workers – emigrants). The current operations of a country have very often positive or negative balance. By its inner nature the international exchange is not obligatory balanced.

1. First of all there exist certain structural bases. In some countries the savings don't exceed the investments, in others – vice versa. For instance. In any developing country the need in investments is not the same as the possibilities of national savings, which lead to deficit of balance of current payments. And vice versa in any economically developed country the population of which doesn't increase or decrease, the national level of savings, as a rule, doesn't exceed its necessity in investments, and hence the possibility of the country to financing, that is to say active current operations.
2. The causes of marketeering character. In certain moments the competitiveness of a country on a foreign market may experience personal influence of inflation or overestimation of currency rate. Very swift or very slow changes, as to trade partners may lead to displacement of demand, which increase the assets or deficit of balance of payments.
3. Accidental or dependent causes, exclusively on outward circumstances: poor crops, natural cataclysms, sudden increase or fall in prices on raw materials and fuel.

So, the imbalance is inwardly inherent in international exchange. If it arose by means of accidental causes, then it must be financed at expense of own currency reserves, that is at expense of means of country treasury. If it has more clearly expressed structural character, then it must be financed at expense of short, medium and long credits, if the country which has deficit is solvent.

The late decades of the XX century were marked by the intensification of deficit of balance of payments of the USA and increase of assets in Germany, Japan and new industrial countries in North-East Asia.

A great size of balance from year to year made more the countries with deficit of balance of payments into debtors, and the countries with active balance into creditors. The currency reserves of the countries could amortize to great extent those considerable changes and there were not any economic basis to determine the relationship between the flows of direct investments with fluctuation of balance of current payments. Therefore the changes of current balance have been accompanied by a great increase of flows of passive balance circulating directly or through the channels of international banks.

Thus the expansion of international financial relations by itself is not the source of problems. The appearance of very significant structural assets and deficits of current payments of certain countries may be the source of new difficulties in the near future.

In the process of regulation of balance of payments arises a problem: what countries which have active balance or deficit should take the measures to level it off. As a rule under the influence of pressure of internal and external factors the problem of leveling of balance of payments off is the most acute one for the countries which have deficit.

So, if the payments exceed the incomes of current articles then arises the problem of repayment of deficit by balancing articles, which characterize the sources and methods of regulation of balance of payments. Traditionally they use foreign loans of capital for this. But those are only temporary methods of balancing of the balance of payments, because countries-debtors should pay interest and dividend in due course and also amount of a loan.

Owing to active drawing of foreign credits for balancing of balance of payments the foreign debt has become a global problem and specially it concerns developing countries.

At the end of the 90-ies, corresponding to statistic data of the International Monetary Fund (IMF), the foreign debt of developing countries approached to 1500 milliard US dollars. Only one long-term and short-term debt came more than 40% of GDP of those countries and exceeded their summary two-year export. Interest payment by itself came approximately to quarter of the annual volume of exports of goods and services.

And as a result, beginning with the second part of the 80-ies of XX century the majority of developing countries were not able to meet their obligations and the international association had to look for a decision in a form of agreement about postponing time of redemption of debt, which has been accompanied by recommendations on revision of economic politics with purpose to make it more strict.

Thus this method has gradually settled itself. If the countries are already great debtors, then to increase the debt to permit them to pay interest will mean that the creditors pursue a far-seeing policy. Besides the constant pursue of policy of tough restrictions neither from economic nor from social point of view is unacceptable for the countries in which a great part of population lives already rather poor and the development require regular and significant investments.

Thus even partial revision (partial withdraw) of debts of developing countries might have destabilizing results for the international bank system, the main creditor of the majority of those countries. The obligations of main countries-debtors according to data of the world bank at the end of 90-ies came to more than 350 milliard US dollars (from the total amount of 650 milliard dollars) and for large American banks those sums were approximately the same with totality of their own account. Therefore the revision of those debts might shake a firm position of some large international banks. Thus under the conditions of internationalization of bank activity all the large banks are connected one with another by means of numerous

mutual obligations and bankruptcy of any country which had reduced at least one bank might influence all the international financial system.

Thus the global financial mutual dependence is real nowadays in modern world. It contributes to mutual penetration of industrial investment and mutual interweaving of property in different countries and at the same time create some global problems which require a certain solution.

So the increase of mutual dependence among the markets of capital lead to the necessity of rather clear coordination on a scale of monetary and financial policy of different countries. Besides the increase of mutual dependence in the sphere of trade and finances and also the improvement of mobility of production factors make the global coordination of economic policy inevitable.

The bright example of such integration and coordination is cooperation of industrially developed European countries within the European monetary system.

The idea of formation of the European Union was plotted long ago, and a lot of time one needed to reorganize the European Union into the form, which we have today. The historic community was only the prerequisite, a veritably movable motive of formation of EU was a universal profit. Even at the early stage of formation of EU the key factor in making a decision was an economic profit of each of the subjects, not more than that.

Thus to achieve a positive effect of the processes of globalization on the world level, coming from the experience of EU formation, it is necessary to work out by means of a special contract and consolidate legislative way the mechanism of continental integration. It is necessary to obliterate gradually all the apparent and invisible economic limits among the countries, that is to liberalize maximum trade relations and to introduce the blanket transport tariff. It would be better to form the blanket transport space and to coordinate together the policy of population employment, which assumes the free transfer of resources and ensure the general social policy by means of a specially formed fund. One should pursue the general policy and also coordinate the financial strategy.

However, the fundamental principle of a common advantage comes very often into contradiction with the principle of sacrificing personal interests to achieve common objectives.