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**RUSSIA'S EXTERNAL DEBT: TRENDS AND MANAGEMENT
FEATURES IN THE CONTEXT OF GLOBALIZATION**

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Abstract

One of the burning problems of the XXI century is the problem of external debt of Russia.

The external debt analysis makes it possible to identify the main trends of improvement of foreign debt management under the conditions of risks, uncertainty and instability of the external environment, as well as develop a comprehensive assessment of debt policy possibilities.

In the context of global economic crisis, an increase in borrowed funds, which are inefficiently used, has a negative impact on national economy. Besides, it leads to an increase in the debt burden and a decrease in the standard of living of the country's population; and most importantly it leads to an increase in Russia's dependence on foreign countries providing loans, which entails a weakening of positions of Russia in the global market (goods and capital), and, therefore, threatens the sustainable development of the country.

In this regard, the correctly identified policy of foreign debt management is intended not only to promote the achievement of balanced macroeconomic development of economy, but also to strengthen national security of the country; therefore, the search for a way out of debt dependence is interesting not only from the scientific point of view, but it also has a great practical importance.

The purpose of this study is to identify both trends and features of management of Russia's foreign debt.

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Keywords: External debt, national economy, debt load.



1. Introduction

The theoretical basis of the study was the fundamental scientific work of Russian and foreign scientists in the field of regulation and management of foreign or external debt. The methodological basis of the study was a systematic approach to the study of economic phenomena and processes.

The study is based on data taken from the IMF, Federal State Statistics Service, Eurostat, Bank for International Settlements, World Bank, Ministry of Finance of Russia, Ministry of Economic Development of Russia, Russian Audit Chamber, national statistical and financial organizations of foreign countries, as well as work results of domestic and foreign scientists.

The novelty of the research lies in the theoretical substantiation of foreign debt and identification of trends for its improvement.

The economy of Russian has been traditionally based on a number of interrelated institutions: legislative and organizational institutions. The institutions of the first type are designed to regulate foreign debt. Repayment of foreign debt is one of the most difficult and fundamental issues of economic development, security and independence of any state. In turn, the external debt, on the one hand, is an effective tool for increasing the state's economic growth, and on the other hand, it leads to an outflow of resources from the country's economy due to the need to make payments on the external debt.

Foreign loans are additional sources of financing that almost all countries of the world use for accelerated economic development of the state and for solving social and economic problems.

In Russia, there is no legislative base, which establishes the main trends for the use of external borrowing. There is neither a coherent policy in relation to foreign borrowing, nor a single database of government debts. The regulations governing the activities of the state in terms of the external debt exist only in the form of some documents.

The formation of foreign debt is one of the major obstacles to economic transformation. One of the key problems in the formation of debt obligations is the lack of a holistic state policy on attracting and using external financial loans.

The problems of efficiency of using external debt resources were studied basing on the works of K. Amadeo (2017), Amaro (2017), Chan Szu Ping (2017), Dobbs, Lund, Woetzel, & Mutafchieva (2015), Huang (2017) Kutivadze (2012), Misztal (2010), Sutherland & Hoelle, (2012), Moore & Chrystal (2008), etc.; as well as Russian scientists: Sheremeta & Mogilat (2018) and others. The studies of these authors reflect the theoretical provisions related to the emergence of foreign debt, the conditions and causes of negative impact of external debt on the economic development of creditor country; however, the system approach to reducing foreign debt was not adequately reflected in their studies.

The problems of regulation and management of foreign debt are covered in the studies of the domestic economists among which are as follows: Afanasyev, Shash (2016), Chumachenko (2016), Heifetz (2017), Shaimardanova, Udovik, & Kostenko (2017) and others. However, under the conditions of the existing level of development of modern Russian economy, the mechanism of managing the country's foreign debt needs serious improvement. There is no comprehensive approach to the study of foreign debt mechanism, as well as to the improvement of the external debt management system, which is additional evidence of the urgency of this article.

2. Problem Statement

For the Russian Federation solving the problem of growing foreign debt of the Russian Federation in the context of long-term macroeconomic instability is the key to balance federal budget, stabilize national currency, establish favorable investment climate and sustain the economy as a whole. Besides, it is one of the key moments for ensuring high positions in the global financial sector.

3. Research Questions

The subject of the study is the management of Russia's foreign or external debt.

4. Purpose of the Study

The purpose of this study is to identify the trends and features of management of Russia's foreign debt. To achieve this goal, the following tasks were set and solved in this study: 1) to explore the current foreign debt of Russia; 2) to determine the boundaries and possibilities of the use of foreign debt to improve the efficiency of debt policy of modern Russia using foreign experience in managing external debt.

5. Research Methods

The methodological basis of the study is a systematic approach to the study of economic phenomena and processes. When solving the problems identified in the study, the following methods were used: historical and logical, analytical and synthetic, statistical (grouping, ranking). Besides, methods of institutional analysis and economic and mathematical modeling (correlation and regression analysis, graphic representation) were involved in this study.

6. Findings

An external debt is an integral part of national foreign debt and debt obligations to non-residents. Over the past decade the foreign debt of the Russian Federation has increased and decreased on a regular basis, which is associated with the fulfillment of its liabilities to creditors and acquisition of new loans and borrowings with the deteriorating economic environment (Table 01).

Table 01. Composition and structure of external public debt of the Russian Federation for 2014-2017, billion dollars (Chumachenko, 2016)

Forms of external public debt	Sum, billion dollars				Percentage, %			
	2014	2015	2016	2017	2014	2015	2016	2017
Debt to members of the Paris Club	0.16	0.05	-	-	0.29	0.09	-	-
Debt to non-members of the Paris Club	1.03	0.89	0.81	0.79	1.85	1.64	1.62	1.60
Debt to former countries of the Council for Mutual Assistance	0.95	0.87	0.42	0.40	1.7	1.6	0.84	0.95
Debt to official multilateral lenders	1.57	1.17	0.97	1.10	2.81	2.15	1.94	2.20
Foreign bond loans	40.67	39.28	35.91	36.80	72.9	72.26	71.79	72.1
Bonds of domestic state foreign currency loan (BDSFCL)	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02
Other debt	0.02	0.02	0.02	0.02	0.04	0.04	0.04	0.04

State guarantees of the Russian Federation	11.40	12.08	11.88	12.05	20.43	22.22	23.75	23.95
Total	55.79	54.36	50.02	51.17	100	100	100	100

It can be seen from Table 01 that in the structure of foreign debt of the Russian Federation the largest share is taken by the external bonded loans, i.e. 72.10% as of 01.01.2018 (71.79% as of 01.01.2017 and 72.26% as of 01.01.2016), respectively. Besides, the most significant are the state guarantees of the Russian Federation, which on average constitute 22.13% of total foreign debt of the Russian Federation. The smallest share is made up of bonds of the internal state foreign currency loan of 0.02% for all analyzed periods.

By 1 January 2018 the volume of foreign debt of the Russian Federation less and except the payment made to Bosnia and Herzegovina amounts to \$ 51.17 billion or 3.03 trillion rubles at the rate of the Bank of Russia on that date. 74% of this amount falls on bonds, another 22.8% on the guarantees of the Russian Federation in foreign currency.

To understand Russia's position in the international debt market, let us analyze relative indicators of Russia's debt in comparison with other countries, in particular, those belonging to the BRICS association. The BRICS countries have a huge potential for growth in the national consumer and investment markets, and, accordingly, they are large borrowers in the international debt market. In 2016, Russia ranks 21st in the world in terms of foreign debt. At the same time, the leader in terms of foreign debt among the BRICS countries is China.

The main indicator of foreign debt burden is the ratio of foreign debt to GDP (Table 02).

Table 02. External debt of Russia and the BRICS partner countries to GDP for 2010-2017, % (Shaimardanova, Udovik & Kostenko, 2017)

Country	Threshold Values	2010	2011	2012	2013	2014	2015	2016	2017
Russia	25.0	28.3	27.6	28.2	31.1	28.0	36.3	42.0	42.0
Brazil	25.0	16.2	15.7	18.5	20.5	23.5	23.4	23.6	24.5
India	25.0	17.2	18.6	21.8	23.2	22.7	23.4	23.7	23.9
China	25.0	3.7	14.1	13.5	15.6	17.2	13.1	11.8	10.2
South Africa	25.0	29.5	28.8	37.5	39.2	41.4	45.2	47.4	48.7

Among the countries represented in Table 02 the dynamics of this indicator has been unstable over the past 10 years. Russia remains the leader in exceeding the threshold value. The value of the indicator in 2015 is above the threshold level in Russia, Brazil, and South Africa and below the threshold level in China and India.

One can identify a number of factors affecting the foreign debt of the world among which are as follows: natural disasters, political factor, fluctuations in prices of export goods, gap in production volumes, real effective exchange rate, real interest rate, imbalances in monetary policy, soft fiscal and foreign politics, etc. Political factors have a particular influence: excessive spending on elections, transfer of responsibility when changing governments, etc.

Such indicator as the ratio of payments on foreign debt to annual exports is a related qualitative indicator of the financial security of a country. The indicator depends on both export volumes and payments

on the country's foreign debt as a whole. This indicator is a key one in assessing the solvency of the country as it gives an idea of how much of the country's export earnings will be used to service external debt (Table 03).

Table 03. Foreign debt ratio of payments to annual export volume of Russia and the BRICS partner countries, % (Shaimardanova, Udovik, & Kostenko, 2017)

Country	Threshold Values	2010	2011	2012	2013	2014	2015	2016	2017
Russia	15.0	11.6	7.2	7.8	8.0	14.5	23.3	25.4	26.8
Brazil	15.0	18.4	18.7	15.7	28.1	22.5	38.1	41.2	43.5
India	15.0	6.8	6.4	6.7	8.1	18.5	10.9	12.8	15.4
China	15.0	3.0	2.9	3.1	3.0	2.9	4.7	5.2	5.8
South Africa	15.0	5.6	4.8	7.9	10.6	6.7	7.7	8.1	8.7

An analysis of Table 03 shows that the leaders in exceeding the threshold values for such indicator as the ratio of payments on external debt to annual exports for the period presented are Brazil and Russia. In Russia this indicator has gradually increased and amounted to 26.8% from 2011 to 2017. It should be noted that one of the ways to reduce this indicator for Russia and Brazil is to increase the export volumes. The lowest figure for the entire period under review is observed in China and South Africa.

Table 04. Foreign debt ratio to the annual export volume of Russia and the BRICS partner countries, % (Shaimardanova, Udovik, & Kostenko, 2017)

Country	Threshold values	2010	2011	2012	2013	2014	2015	2016	2017
Russia	220.0	87.1	88.4	92.8	105.4	90.1	108.6	108.9	109.7
Brazil	220.0	138.3	141.1	128.1	152.0	165.8	201.1	202.7	204.6
India	220.0	81.1	73.2	86.5	89.1	91.8	108.2	110.3	112.2
China	220.0	12.7	48.5	48.6	57.9	64.1	53.4	45.6	41.2
South Africa	220.0	96.4	88.5	117.1	116.6	120.5	131.6	137.5	141.8

According to the Table 04 such indicator as the ratio of foreign debt to annual exports over 10 years in Russia stays within 87.1, i.e. 109.7%, with the maximum value of this indicator should not exceed 200.0% of GDP. Among the countries represented, the lowest value for this indicator in China is within 12.7, i.e. 41.2%. The highest value is observed in Brazil in the range of 128.1, i.e. 230.4%.

Table 05. The ratio of international reserves to the external debt of Russia and the BRICS partner countries for 2010-2015, % (Shaimardanova, Udovik, & Kostenko, 2017)

Country	Threshold values	2010	2011	2012	2013	2014	2015	2016	2017
Russia	100.0	106.1	83.4	82.2	70.2	61.7	68.4	71.2	75.5
Brazil	100.0	81.5	86.7	83.9	73.6	64.8	65.2	62.4	63.3
India	100.0	94.8	81.1	68.9	64.7	66.3	69.7	68.2	69.8
China	100.0	1287.2	306.7	292.7	260.9	218.0	235.9	231.4	236.2
South Africa	100.0	35.2	36.4	30.4	32.1	31.4	30.2	31.1	29.4

According to the data in Table 05 the indicator called the ratio of international reserves to foreign debt describes the level of total external debt amounting to 100% (at least).

The considered foreign debt indicators of Russia characterize the country as a reliable borrower. In addition, one should take into account not an easy current international situation, where Russia finds itself under the sanction restrictions. In this regard, the problem of Russia's foreign debt is very sensitive and the assessment of its debt sustainability is ambiguous. Basing on data presented in Table 05, it is only China that stands out against the background of other countries over the period presented; the value of indicator is over 200.0%. In Russia, the value against this indicator was above the threshold value in 2010, then there was a decrease down to 61.7% in 2014 and in 2017 the figure was 75.5%.

Let us now summarize everything what has been stated above. In 2017, Russia was in favorable position in terms of the main indicator of debt sustainability compared to the BRIC countries. The ratio of total foreign debt to GDP slightly exceeded 30%. The external debt was covered by 75.5% of the country's international reserves, which is much better than similar indicators of other BRIC countries other than China. In broad terms Russia is a sovereign debtor of the world with a rather adequate correspondence of the structure of its foreign debt to modern trends in the development of the international debt market.

Nevertheless, many scientists have suggested that external borrowing of the Russian Federation is ineffective. This is due to the fact that most government loans are used to repay debt, resulting in a debt problem. This situation does not contribute to the economic growth, but exacerbates the problem of external debt.

In order to solve the debt problem, it is necessary to overcome the debt obligations.

First, it is necessary to change the debt strategy and move from deferred payments to debt reduction.

Secondly, it is necessary to limit new borrowing.

Thirdly, the situation with the debt of former USSR must be reconsidered in order to reduce the foreign debt.

One of the best ways to adjust the foreign debt is the debt conversion, i.e. the exchange of foreign debt on national assets. This method would ease the debt burden and attract foreign capital for the economic growth and economic restructuring.

To increase the economic efficiency of Russian foreign loans, it is necessary to create and improve the system of external public debt management. For Russia, the primary importance of solving debt problems assumes the existence of a long-term strategy focused on ensuring the sustainable development of economy.

Under the conditions of current restrictions on the access to foreign borrowing markets, it is reasonable to suggest the following ways of managing foreign debt of the Russian Federation:

- it is necessary to ensure maximum efficiency of using the funds raised from public external borrowing (in particular, for structural restructuring of economy on the basis of innovative approach);

- it is essential to preserve the value of public debt at a level safe for the economy, which includes proper planning or limiting the level of debt fixed by the federal law on the federal budget for the next fiscal year and planning period;
- it is necessary to cover foreign debt at the lowest possible exchange rate or foreign currency against the ruble, which significantly reduces the cost of servicing the public external debt of the Russian Federation;
- it is necessary to consistently reduce the dependence of both the economy and federal budget on oil and gas revenues and increase the competitiveness of national goods in the long run, which would positively affect not only the management of public debt of the Russian Federation, but would also contribute to the economic development of the country;
- it is essential to use the opportunity to restructure the foreign debt of the Russian Federation on reasonable conditions for those later periods aimed at the expectation of depreciation of foreign currency to the ruble.

7. Conclusion

The presence of foreign debt of the Russian Federation is not a positive or negative factor for country's economy. If the economy is stable, then the legal framework clearly regulates the area of this relations and foreign debt does not adversely affect the international reputation of the country; the external borrowing can contribute to rapid innovative development of a country.

A combination of several methods of public debt management for regulating the size and the structure of foreign debt of the Russian Federation in the medium and long terms is presented. *тыт* be the most effective for regulating the size of them and the structure of public external borrowings of the Russian Federation in the medium and long term, it combines several methods of management of public debt. that

For example, similar to the improvement of the situation in the economy it is necessary to use early redemption of debt obligations or conversion; under less favorable conditions it should be the securitization instruments, exchange of debt from shares of state companies or fiscal consolidation. In this case, the state should choose the methods that would be financially less risky for the economic subjects and would ideally contribute to their development on a mutually beneficial basis. *тыт* For example, as with the improvement of the situation in the economy, it should use the early redemption of debt obligations or conversion, under less favorable conditions or securitization instruments, exchange of debt from shares of state companies or fiscal as consolidation. In this case, the state should choose the methods they use that would least expose economic risks or subjects to financial risks, and would ideally contribute to their development on a mutually beneficial basis.

To settle the situation with the volume of foreign debt, the Russian government needs to make efforts to develop the domestic credit market. It is necessary to control the scale and structure of borrowings used by companies and banks with the state participation, to put under a ban the use of assets as collateral for loans, and also to establish control over the acquisition of assets abroad.

At the same time, in order to increase the efficiency in managing and using the financial resources of public administration sector, it is advisable to create non-state independent organizations that would be entrusted with the functions of managing external loans.

It is also necessary to develop a well-thought-out policy, including the formation of macroeconomic mechanism that can control the volume and the structure of external borrowing by the corporate sector. Besides, it would be worth to develop the effective system for monitoring volumes of external borrowing and the policy of attracting foreign loans, as well as external debt in comparison with the economic indicators of the company.

At present the level of foreign debt of Russia is not critical. However, in case of an external shock in the prevailing conditions, the capital flows of Russia can suffer significantly.

Summing up, it can be said that the efforts made by the Government of Russia to cover the foreign debt are justified. It is not necessary for the policy to be aimed at writing off the debt. To reduce the Russia's debt burden, it is necessary to develop a debt management system. Without solving this important task, it will not be possible to provide conditions for maintaining the stability of the entire social and economic system of the country.

In addition, the issues of both economic and political nature are largely concentrated in the matters of servicing and reducing public external debt of the Russian Federation associated with the active role of our country in modern economic world; therefore, competent management of the foreign debt of the Russian Federation has to become one of the priority area of economic policy of the Government of the Russian Federation in modern conditions.

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