
EXTERNAL STATE ECONOMIC DEBT

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Abstract

The article examines the impact of the level of external debt of the state on its economy and global financial stability. The authors consider the main causes of foreign debt, its consequences for the national currency, financial markets and international relations. The article also analyzes strategies for managing external debt, measures to reduce its level and possible risks associated with excessively high debt obligations. Let's also look at the statistics of countries with external debts.

Keywords: external debt, credit, loans, financial stability, economy.

Introduction

The external state economic debt is one of the key indicators of the financial health of the state, reflecting the amount of money that the government of one borrower country must repay to other countries or international creditors. It is the result of borrowing funds to finance various needs of the country, such as investments in infrastructure, development of social programs, improvement of education and health care, as well as to cover the budget deficit. External debt can be expressed in the form of loans, loans, bonds and other debt obligations. Currently, the growing public external debt is becoming a serious problem for many countries, and this is due to several factors. One of the main aspects is the budget deficit, which leads to the need to turn to internal and external sources of financing to cover it. Insufficient development of an effective economic policy exacerbates the situation, leading to excessively high social financial obligations. The problem is that, along with the payment of previous obligations, the government continues to borrow new ones. In most cases, the country is forced to resort to new borrowings due to limited repayment opportunities for previous obligations. The next aspect is the trade imbalance. If a country imports more goods and services than it exports, this can lead to a deficit in the current account of the balance of payments. To cover this deficit, the country may need to apply for external financing, which may lead to the emergence or increase of external public debt. Political instability, conflicts and wars can also lead to the creation of external debt to finance military operations or recovery from crises.

External debt is also of great importance for the state's economy and can have a diverse impact on its condition. Some are:

- Investment financing and development: External debt can be used to finance investments in infrastructure, education, healthcare and other priority sectors of the economy. This

contributes to the growth of production, the creation of new jobs and the improvement of the standard of living of the population.

- Labor market utilization and technological progress: The provision of borrowed funds from abroad can facilitate the import of technologies, equipment and expertise, which helps to improve production efficiency and increase the competitiveness of the economy. However, it can also lead to increased dependence on foreign suppliers and a weakening of domestic production.
- Maintaining the balance of payments: External debt can be used to cover the deficit in the balance of payments of a country when the volume of imports exceeds the volume of exports. This allows you to maintain the stability of external turnover and prevent a sharp reduction in currency reserves.
- Risks and vulnerabilities: High levels of external debt can increase risks to the economy. Rising interest rates or changes in exchange rates can lead to higher debt service costs, which reduces available resources for other purposes. In addition, crises in global markets can lead to an increase in the cost of debt repayment and financial difficulties for the country.
- Impact of a country's rating: The level of external debt can have an impact on a country's rating in international markets. High debt levels can reduce investor confidence and make it more difficult to access new financing on more favorable terms.
- High levels of external debt can make a country dependent on its creditors. This may limit its political freedom of action and expose it to the influence of foreign governments or international financial institutions. In some cases, this may lead to the loss of national sovereignty or interference in the internal affairs of the country.

External debt is a significant problem for all countries. Therefore, the most important task of the economic policy of states is to find the optimal solution to the problems of public debt. Public debt management is one of the most important elements of public financial policy. Public debt management means the development and implementation of strategies aimed at managing interest payments and repayment of the principal amount of debt, as well as finding solutions to conflicts between creditors and borrowers in case of problems with the implementation of agreements.

In modern conditions, many States face difficulties in fulfilling their debt obligations. To overcome such difficulties, they can resort to various debt management methods, such as refinancing (the process of paying off existing government loans by attracting new ones), restructuring (changing the terms of the contract, according to which the debtor is granted any benefit or preference), conversion, cancellation, consolidation (transfer of obligations under a previously issued loan to extend the loan term) and debt securitization, as well as to use deferred repayment of loans (postponement of contractual obligations), novation (agreement between the borrower and creditors to replace the obligation under this loan with another obligation) and unification (combining several loans into one, when bonds of previously issued loans are exchanged for bonds of a new one loan).

Let's look at the external debts of countries and their statistics. In 2022, the volume of loans issued by Russia to other countries amounted to \$28.86 billion, which was a record since 1999, when debt stood at \$32.8 billion. This is evidenced by data from the World Bank (WB), published in December 2023. By the end of 2022, 37 countries had debts to Russia. Belarus

remained the main debtor, but its debts to the Russian Federation decreased by 3% to \$8.2 billion by the end of 2022. According to the Bank of Russia, the external debt of the Russian Federation as of April 1, 2024 amounted to 304.0 billion US dollars, having decreased by 12.8 billion US dollars, or 4.1%, since the beginning of 2024.



China's external debt at the end of 2022 was \$2.45 trillion. This figure is relatively low compared to other major economies such as the United States or Japan. China as a whole is characterized by a low level of external debt compared to the size of its economy. The level of external debt may change over time depending on various factors such as economic development, trade balance, currency exchange rate and political decisions. China is actively involved in international financial relations and investments, which also affects its external debt.

At the beginning of 2022, France's external public debt amounted to about \$6.4 trillion. France is one of the largest economies in the world and a member of the European Union. The level of France's external debt is relatively high, but generally manageable due to the country's stable economy and financial policy. France is actively involved in international financial transactions and has a reputation as a reliable borrower in global markets.

In 2022, the UK's external public debt was about \$8.7 trillion. The UK is also one of the largest economies in the world and has significant influence on the global financial market. The level of the UK's external debt is relatively high, but, as in the case of France, it is manageable due to the stable economy and financial policy of the country. In the UK, external debt is part of the total debt that must be repaid to creditors outside the country.

Japan's external debt reached \$4.3 trillion in 2022. Analysts attribute this to a sharp increase in budget expenditures to support the population during the COVID-19 pandemic. At that time, the introduction of large-scale lockdowns and all kinds of restrictions caused serious damage to business, as well as pretty much emptied the pockets of ordinary Japanese. The

debt mainly consists of government bonds, through the sale of which the government covers the budget deficit.

At the beginning of 2022, the external public debt of the United States amounted to about \$20.3 trillion. At this time, the United States, like most European countries, is in a difficult economic situation. Inflation is at its highest level in recent decades. In the process of fighting rising prices, the US Federal Reserve began to raise its key interest rate, which made loans even more expensive. In the USA, one of the richest countries in the world, there is no money in the budget.

Among the Central Asian countries, Kazakhstan has the largest debt. In the structure of Kazakhstan's external debt, according to the initial maturity, 90.0% is accounted for by long-term external debt. The debt of the Republic of Kazakhstan is more than \$160 billion, which is ten times more than in other countries. Almost 70% of the debt is corporate debt of large companies and banks. At the same time, the state's debt is not so large and does not exceed \$ 20-25 billion.

Uzbekistan came in second place in terms of the amount of foreign debt with a figure of \$23.2 billion. The main creditor of the Republic of Uzbekistan at the time of debt calculation was the Asian Development Bank — \$5.4 billion. The sources of public external debt are quite diversified. About 40.1% (42.6% at the beginning of last year), or \$9.3 billion, of this debt is owed by foreign state financial institutions.

In Kyrgyzstan, by the end of October 2022, the national debt of the republic amounted to \$5.2 billion. Including \$4.2 billion in foreign debt and \$1 billion in domestic debt. However, the external debt decreased by \$28.5 million, and the internal debt by \$27.8 million. Most of all, the republic owes bilateral concessional loans — \$ 2.1 billion (51% of the external debt). The total amount of the republic's external debt, according to the Ministry of Finance of Tajikistan, for the third quarter of 2022 amounted to \$3.2 billion. The main external creditor of Tajikistan remains the Chinese Export-Import Bank, to which the republic owes more than \$1 billion. There are debts to the World Bank (\$357 million) and the Asian Development Bank (\$291 million).

Now let's look at the states of the Middle East and their debts at the end of 2022, according to a World Bank report.

Egypt's external debt amounted to \$143.3 billion, compared with \$129.8 billion in the previous year. Egypt has spent most of its borrowed money on infrastructure.

Iran's foreign debt amounted to \$10.4 billion. This is almost twice as much as 5.4 billion dollars in 2020. The reason for this is that Iran is facing severe economic constraints due to international sanctions, which makes it difficult to access financial resources and makes it more difficult to repay debts.

Turkey's external debt amounted to \$435.5 billion, which is less than \$441.2 billion last year. In June, the New York-based S&P Global rating agency reported that Turkey is vulnerable to a lack of liquidity due to high debt and economic problems. Extremely high inflation in Turkey, in particular, is a problem.

Thus, the main public debt has a negative impact on the economy: it deepens social inequality and slows down economic growth, and the cost of paying it off increases the budget deficit.

The external public debt is repaid at the expense of export revenues, which can also negatively affect the pace of economic development.

To solve these problems, it is extremely important to review unstable government spending and transform intergovernmental relations. The main priority is to achieve positive changes in the budget structure through tax reforms.

Effective management of external public debt is a key factor in ensuring the country's debt security and a significant tool for influencing socio-economic development. In the process of managing public debt, it is important to solve the tasks of attracting the necessary financial resources for the socio-economic development of the country at minimum costs and risks on the best terms, ensuring financial stability and security of the country, as well as taking into account the interests of all participants in debt relations. The management of external public debt should be based on a developed debt policy and use modern market methods.

To improve the management of external public debt, the following is proposed: increasing the validity and effectiveness of debt policy, improving the model of public debt management, optimizing the structure of public debt by reducing the volume and weight of external public debt, as well as increasing the share of long-term loans.

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