SOME ASPECTS OF STATE EXTERNAL DEBT

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Abstract
After the collapse of the Soviet Union, foreign debt in the newly formed states is systematically rising. For example, the volume of the state debt of Georgia increased especially in 2003-2012: government sector - 2.8 times and the national bank - almost twice. In the same period of time, the total external debt volume increased by 4,7 times; in 2013-2016 the corresponding indicators were: 1.2, - 0.7 and 1.3. Especially in 2003-2012 external debts continued to grow in both public and private sectors (commercial banks, inter-companies loans ...). Most of the state external debts were spent on improving the infrastructure, and the real sector of the economy used minimal amounts. Through the similar approaches there are mainly created new seasonal jobs. Throughout the years, in Georgia the growth of the total debts, including the state foreign debts, was followed by the increase of percentage indicators of debts growth in GDP which exceeded the growth rates of the economy. Under such conditions, national economies have difficulty paying off debts.
According to the study in 2016 the percentage share of the gross external debt in GNP is the highest in Ukraine, then in Georgia and in Moldova. By these indicators In 2012, Georgia was the "leader" country; paying off external debt is rather difficult in transformational economy: In order to cover the gross external debt, Georgia will have to pay more than $ 5 million in the next one year. More than $ 0.5 billion - to pay off debts received by state and state guarantees, which is more than 35% of the GDP in 2016; foreign debt is a rather heavy burden for the countries with transitional economies, but without it the successful implementation of economy is impossible, but it is important to increase the interest earned by the debt and to create new jobs on this basis.

Keywords: *Foreign debt, post-Soviet countries, Georgia, Ukraine, Moldova, the Russian Federation.*

JEL Classification: *H60, H63, H68*

I. INTRODUCTION

The state debt includes domestic and external debts (Silagadze, A., Atanelishvili, T., Goshadze, G., Demetrashvili, T., Zurabishvili, V., 2005). According to the applicable legislation (The Georgian Law on State Debt 05/03/1998), in Georgia the state debt is the total amount of state domestic and foreign debt received from the financial resources approved for Georgia by the International Monetary Fund; received through the contracts concluded by the Ministry of Finance of Georgia and other organs and institutions under state guarantee, denominated in the national currency, or received from the state securities deposit denominated in the national or foreign convertible currency by the Ministry of Finance of Georgia.

In its turn: The state domestic debt is a constituent part of the state debt of the national currency denominated in the national currency, which is the sum of the main funds generated by direct obligations under the terms of the Ministry of Finance of Georgia, also with the funds received from the state securities deposit denominated in the national currency by the Ministry of Finance of Georgia. The state foreign debt is a component of the state debt of Georgia denominated in foreign convertible currency, the sum of the main funds, which were produced through the agreements and direct obligations concluded by Ministry of Finances of Georgia and other bodies/institutions under the state guarantee; also by the funds received from the state securities deposited in foreign convertible currency by the Ministry of Finance of Georgia and the funds received from the International Resource Fund approved by the International Monetary Fund for Georgia.

In addition, the country's total foreign debt includes the state (governmental sector, state enterprises and the national bank) and the external debt of the private sector (banking and other sectors).

II. GENERAL ANALYSIS

Many of the post-Soviet countries have not been able to enact their resources without foreign debt (Balcerowicz, L., Silagadze, A. 2002, Djibuti, A. Glonti, Iv., 2003); the doctrine of socio-economic development was not elaborated, whose implementation would maximally reduce the volume of foreign debts. (Basilia,T., Silagadze, A., Chikvaidze, T., 2001; Silagadze, A., Atanelishvili, T., Silagadze, N., 2010; Силагадзе, А.,2016; Силагадзе, А., Атанелишвили, Т., 2010; Tvalchrelidze, A., Silagadze, A., Keshelashvili, G., Gegia, D., 2011). The fact is that the volume of the state debt of Georgia increased especially in 2003-2012: the government sector - 2.8 times and the national bank – almost twice. At the same time, the total external debt volume increased by 4,7 times; in 2013-2016 year the corresponding indicators were: 1.2, - 0.7 and 1.3. (Table 1). (Silagadze, Nodari, 2011).

Table 1. The total foreign debt of Georgia (in thousands of USD)

	2003	2008	2009	2010	2011	2012
Governmental sector	1,520,530.1	2,088,980.6	2,746,041.2	3,345,861.9	3,695,194.7	4,250,557.9
National Bank	344,362.9	460,952.9	913,872.7	876,513.6	815,400.3	582,319.9
Banks	106,229.9	1,874,812.9	1,498,722.2	1,595,213.6	2,119,618.1	2,468,534.8
Other sectors	467,301.6	1,142,132.9	1,462,474.3	1,828,790.4	2,239,384.0	3,327,974.1
Direct investments: inter-companies loans	422,602.2	2,102,244.0	2,215,304.0	2,468,838.2	2,724,934.9	2,662,851.3
Total foreign debt	2,861,026.7	7,669,123.2	8,836,414.3	10,115,217.8	11,594,532.1	13,292,238.0

	2013	2014	2015	2016	2017
Governmental sector	4,190,598.9	4,255,819.2	4,390,341.4	4,677,798.4	5,154,788.3
National Bank	338,205.2	251,758.6	219,244.0	200,280.8	247,597.6
Banks	2,646,886.3	2,683,354.1	2,957,125.7	2,974,358.7	3,553,254.9
Other sectors	3,471,499.3	3,586,599.5	4,503,474.9	5,430,808.3	5,226,931.8
Direct investments: inter-companies loans	2,648,357.2	3,074,085.7	3,012,954.5	2,505,546.4	2,538,369.7
Total foreign debt	13,295,546.9	13,851,617.1	15,083,140.5	15,788,792.5	16,720,942.3

Computed: https://www.nbg.gov.ge/index.php?m=304 27.02.2018.

During the above mentioned period (especially in 2003-2012) foreign debt grew in both public and private sectors (commercial banks, inter-companies loans ...). (Atanelishvili, T. 2013, Atanelishvili, T., Silagadze, N., 2016). The most of state external debts were spent on improving the infrastructure, and the real sector economies used minimal amounts. Only new seasonal jobs were created through such approach. (Zubiashvili, T., Silagadze, L., 2016; Kharaishvili, E., 2018; Nedelea, Al., Grosu, V., Elmazi, L., 2018).

Over the years, the growth of the gross state debt in Georgia was followed by the increase of percentage indicators of debts in GDP which exceeded the growth rates of the economy. Under these conditions, national economies have difficulty paying off debts. (Table 2). (Silagadze, A., 2017a, 2017b, 2016, 2014, 2013a,b,c,d; 2012; 2011; Ismailov, E., Papava, V., 2008; Silagadze, A., Zubiashvili, T., 2014, 2015, 2016; Silagadze, A., Atanelishvili, T. , 2014; 2011, 2010 a,b; Silagadze, L., 2018; Chikviladze, M., 2015, 2018; Shengelia, T., 2018).

Table 2. Georgia's total foreign debt and its share (%) in GDP

Year	Total foreign debt	GDP	Share (%) of the total foreign debt in GDP
2003	2.149	3.991	53. 9
2004	2.317	5.125	45.2
2005	2.151	6.411	33.6
2006	2.573	7.745	33.2
2007	2.987	10.173	29.4
2008	7.722	12.795	60.4
2009	8.673	10.767	80.6
2010	9.656	11.639	83.0

2011	11.36	14.435	78.7
2012	12.398	15.846	78.3
2013	13.467	16.14	83.5
2014	14.035	16.509	85.0
2015	14.817	13.994	105.9
2016	15.987	14.378	111.2

Computed.: https://data.worldbank.org ; https://www.nbg.gov.ge/index.php?m=304 05.03.2017.

Consider the study problem taking into consideration the current situation in the nearest neighbor of Georgia and the new associate member states of the European Union. In this regard, the percentage share of gross external debt in 2016 is the highest in the GNP in Ukraine, then in Georgia and in Moldova. In 2012, Georgia was the "leader" country. (Table 3. Graphs 1 and 2). Obviously, such a situation will complicate the achievement of domestic and foreign goals of the countries.

Table 3. Total external debt share with GNP (%)

Countries	2003	2007	2012	2016
Georgia	53.7	29.3	79.0	118.0
Azerbaijan	28.4	14.0	15.7	39.8
Armenia	68.7	31.7	69.2	92.4
Russia	44.6	32.8	28.2	42.0
Ukraine	52.2	57.4	77.3	127.8
Moldova	95.6	70.0	68.7	92.0
Turkey	47.0	38.9	39.0	47.8

Computed: https://data.worldbank.org/indicator/DT.DOD.DECT.GN.ZS?end=2016&locations =TR&start=2003 10.03.2018.

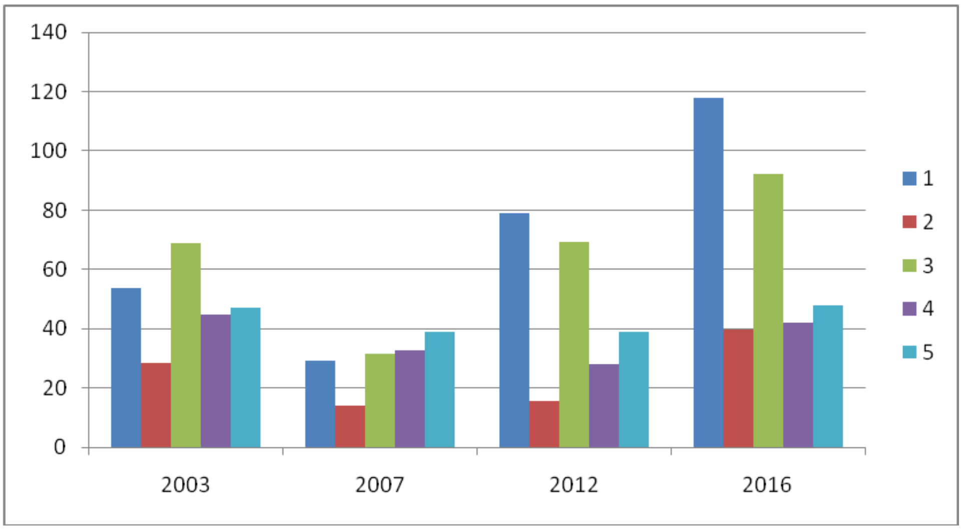

Figure 1. The share of the total external debt in Georgia and in its near neighboring countries (%)
1. Georgia; 2. Azerbaijan; 3. Armenia; 4. Russia; 5. Turkey.
Computed:https://data.worldbank.org/indicator/DT.DOD.DECT.GN.ZS?end=2016&locations=TR&start=2003 10.03.2018.

As we can see, according to graph 1, it is clear that Georgia and Armenia have undesirable indicators.

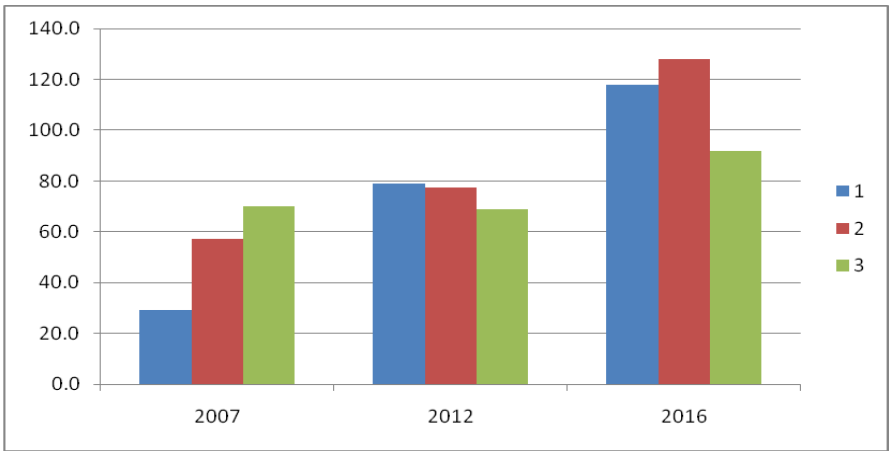

Figure 2. The share of the total external debt of the EU new members – post-Soviet countries with the GNP (%)

1. Georgia; 2. Ukraine; 3. Moldova.

Computed:https://data.worldbank.org/indicator/DT.DOD.DECT.GN.ZS?end=2016&locations =TR&start=2003 10.03.2018.

According to graph 2, Ukraine's indicator is clearly the most undesirable.

Let's consider what indicators Georgia has with respect to the state debt and the share (%) of the state foreign debt in GDP. (Table 4).

Table 4. Gross foreign debt taken by the state and state guarantee (billion current $)

Year	State foreign debt	GDP	Share of the state foreign debt in GDP (%)
2003	1.564	3.991	50.0
2004	1.622	5.125	39.2
2005	1.531	6.411	28.1
2006	1.526	7.745	23.1
2007	1.604	10.173	17.7
2008	2.974	12.795	17.7
2009	3.529	10.767	34.3
2010	4.141	11.639	38.5
2011	4.343	14.435	31.1
2012	4.876	15.846	34.5
2013	5.227	16.14	28.3
2014	5.454	16.509	28.9
2015	5.664	13.994	33.6
2016	5.907	14.378	34.0

Computed:https://data.worldbank.org/indicator/DT.DOD.DPPG.CD?locations=GE&view=chart 10.03.2018.

Following from table 4, the share of Georgia's foreign external debt decreased by 4.5 points in 2010-2016 (%). (Table 4).

An analysis of another indicator is given by table 5.

Table 5. Total external debt taken by the state and state guarantee (billion current $ as at percent in GDP)

Country	2003 (%-GDP)	2007(%-GDP)	2012(%-GDP)	2016 (%-GDP)
Georgia	1.564 (50.0)	1.604(17.7)	4.141(34.5)	5.907 (34.0)
Azerbaijan	1.354 (3.5)	2.284(4.0)	5.695(7.6)	10.518(9.5)
Armenia	0.878(2.3)	1.282 (2.2)	2.958 (4.0)	4.469(6.0)
Russia	85.0 (19.8)	125.3 (9.6)	210.0(9.5)	180.9(14.1)
Ukraine	8.9(6.3)	16.0 (11.2)	28.5 (16.2)	36.1(38.7)
Moldova	0.849 (42.9)	0.783(17.8)	0.965 (13.3)	1.212 (18)
Turkey	65.6 (21.1)	82.7(12.3)	100.2(11.5)	107.3(12.4)

Computed: https://data.worldbank.org/indicator/DT.DOD.DPPG.CD? locations=TR&view=chart 10.03.2018.

III. CONCLUSION

It is difficult to pay off foreign debt for a transformation economy. For example, in order to cover the gross external debt of Georgia, it will have to pay more than $ 5 million in the next one year. Over $ 0.5 billion - to pay for obligations taken by the state and state guarantees, which is more than 35% of the GDP in 2016.

Thus, foreign debt is a rather heavy burden for transitional economies, but without it the successful implementation of the economy is very difficult; against this background, it is important to increase the interest received by the debt and create new jobs on this basis.

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