Debt Risk Research Topic

Sovereign debt problems of developing countries: a systematic, comprehensive and effective comprehensive solution framework

Xu Qiyuan, Sun Liangying, Xiong Wanting

Abstract: Under the impact of the COVID-19 epidemic, intensified geopolitical conflicts, and sudden policy changes by the central banks of major developed countries, the sovereign debt of developing countries is facing more severe challenges. This puts forward higher requirements for the debt resolution mechanism to play a greater role. requirements. However, the effectiveness of the debt resolution mechanism itself has been facing huge challenges: old mechanisms such as the Paris Club have flaws, and the G20 common framework has not played its due role. Especially in the past 20 years or so, the international creditor structure has undergone changes. There have been major changes. The proportion of commercial creditors' claims has increased significantly, and the importance of bilateral official creditors has correspondingly decreased. Under these conditions, the debt resolution mechanism that puts more pressure on bilateral official creditors will be difficult to fundamentally improve the debt plight of developing countries. It may even damage the ability and willingness of existing creditor countries to continue to provide new financing. This article proposes a comprehensive framework for solving the sovereign debt problems of developing countries: from the perspective of the development financing concept, it proposes a systematic solution mechanism, emphasizing that debt crises are not only Financial problems, and more importantly, development issues, put forward the comprehensiveness of the resolution mechanism from the perspective of the scope of participants, emphasized that the resolution mechanism should include the participation of all creditors, and finally proposed the effectiveness of the resolution mechanism from the perspective of the debt resolution process, emphasizing the role of the creditors

committee. It plays a leading role and proposes a plan that combines various debt disposal methods.

Keywords: developing countries' sovereign

debt, development financing, creditor structure, debt problem solving mechanism.

Author: Xu Qiyuan, Ph.D. in Economics, Institute of World Economics and Politics, Chinese Academy of Social Sciences Researcher: Sun Liangying, Ph.D. in Economics, Assistant Researcher, Institute of World Economics and Politics, Chinese Academy of Social Sciences; Xiong Wanting, Ph.D., Economics, Assistant Researcher, Institute of World Economics and Politics, Chinese Academy of Social Sciences;

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Since 2020, the COVID-19 epidemic, the intensification of international geopolitical conflicts, and the sudden shift of major developed countries from long-term low interest rate policies to high interest rate policies have had a huge impact on the global economy and financial stability. The sustainability of the debt of developing countries has also been affected. Facing more severe challenges, especially the vulnerability and risks of the sovereign debt of some low- and middle-income countries have increased significantly. ÿ As of the end of January 2023, 9 of the 70 low-income countries have fallen into debt distress and 28 countries are at high risk. status, accounting for 53% of the sample low-income countries ÿÿ

This has put forward higher requirements for the international debt resolution mechanism. At the same time, the international debt resolution mechanism itself is also facing some new challenges. In the past few decades, especially since the beginning of the 21st century, traditional creditor countries such as Europe and the United States, as the sovereign debt of developing countries, have The status of bilateral creditors in China has gradually declined, while China's status has increased significantly. In 2020, China's position in low-income countries (Low-Income Countries) and lower-middle-income countries (Lower-M) The proportion of all bilateral creditors Reached 57 0% and 36 3% ÿÿ

However, in the past 20 years or so, the overall proportion of all bilateral creditors in the sovereign debt of developing countries has dropped significantly. In 1996, the creditors of the 37 countries that participated in the "Heavily Indebted Poor Countries Initiative" (HIPC) were bilateral creditors and multilateral creditors. Development banks and commercial creditors accounted for only about 10%. By 2020, the proportion of commercial creditors, mainly bondholders, increased to 46%. Development banks and bilateral creditors ÿ simultaneous multilateral accounted for 30% and 24% respectively, and developing countries Similar conclusions ÿ Looking at emerging economies beyond China can be drawn. Therefore, although China accounts for a relatively high proportion of bilateral creditors, it only accounts for 15.1% and 9.4% of the public debt and publicly guaranteed debt of low-income and lower-middle-income countries. It can be seen that ÿ In the overall sovereign debt settlement mechanism of developing countries, the role that bilateral creditors can play in solving the debt problems of developing countries is very limited.

However, in international public opinion and various multilateral consultation mechanisms, the pressure on the sovereign debt issues of developing countries is mainly concentrated on bilateral creditors. China is the most important bilateral creditor, so it faces the greatest

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ÿ Xu Qiyuan, Xiong Wanting, Luan Xi: "The Risk of Global Stagflation Debt Crisis: Global Economic Outlook in the Post-Epidemic Era", published in "Financial Forum",

ÿ Issue 1, 2022, Pages 3-8, IMF "List of LIC" DSAs for PRGT ÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿ 31ÿ 2023 ÿÿÿÿ: // ÿÿ w imf org / ÿÿÿÿÿÿÿÿ / ÿÿÿÿ/ ÿÿ / ÿÿÿ / ÿÿÿÿÿÿÿ ÿÿÿ [ÿÿÿÿ ÿ ÿÿ ÿ ÿÿ]

ÿ Reza BaqirÿIshac Diwanÿ and Dani Rodrikÿ "A F ramework to Evaluate Adjustment - cum - Debt Res ÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿ ÿ ÿÿÿÿ: / / ÿÿÿÿÿÿÿÿÿÿ ar harvard edu / files / dani - rodrik / files [2023 - 03 - 06]ÿThe data comes from World Bank International Debt Statistics Database (IDS), data as of the end of 2020, published in 2022.

ÿ Reza BaqirÿIshac Diwanÿ and Dani Rodrikÿ "A F ramework to Evaluate Adjustment - cum - Debt Res ÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿ ÿ ÿÿÿÿ: / / ÿÿÿÿÿÿÿÿÿÿ ar harvard edu / files / dani - rodrik / files pdf. [202 3 - 03 - 06]ÿ Its data Comes from the World Bank's International Debt Statistics Database (IDS). The data is as of the end of 2020 and will be published in 2022.

On the other hand, multilateral development banks and commercial creditors account for a very high proportion of the sovereign debt of developing countries and are much higher than bilateral creditors. However, due to various reasons, these entities have not fully participated in the current international debt settlement. Mechanisms include the Debt Service Suspension Initiative for the Poorest Countries (the Debt Service Suspension Initiative) and the Common Framework for Follow-up Debt Treatment of the Debt Suspension Initiative (the Common Framework) launched on the G20 platform in 2020.) and other mechanisms. In the past few decades, the scale of bilateral claims of traditional creditor countries such as Europe and the United States has declined. To a considerable extent, this is because these countries have provided services for developing countries. The way countries provide debt financing has changed, from a bilateral sovereign lending model to a multilateral model that provides initial capital for lending by multilateral institutions or a market model in which the private sector directly purchases sovereign bonds.

In this context, China, as an important bilateral creditor, is facing more international pressure. In fact, China is also actively seeking to work with the international community to solve the debt problems of developing countries. China has become an observer country of the Paris Club and has In fact, the debts of developing countries should be handled with reference to the principles of the Paris Club. In 2020, on the G20 platform, China and other member states actively promoted the "Debt Suspension Initiative" and the "Common Framework", and made progress in debt disposal. Main contributions. As of the end of 2021, China is the country that has implemented the largest amount of debt suspension among G20 members, and has won recognition and affirmation from the international community. However, China's own efforts cannot play a decisive role in the debt problems of developing countries . To this end, this article analyzes the reasons why developing countries face debt problems, and then analyzes the challenges existing in the international debt resolution mechanism. Finally, on this basis, it attempts to propose a systematic, comprehensive and effective comprehensive solution to the debt problems of developing countries. Solution frameworkÿ

1. Debt problems faced by developing countries and their causes

As the famous economists Barry Eichengreen and Ricardo Hausmann mentioned, developing economies cannot Using domestic currency to borrow money in overseas markets is the "original sin" on their economic development path. This is This prevents developing economies from fully having the opportunity to diversify risks. The current debt crisis faced by developing countries is not only due to its inherent internal reasons, but more importantly, it is impacted by the turbulence of the external environment.

(1) The current debt problems of developing countries present three characteristics:

First, the scale of debt continues to expand, and the demand for debt restructuring has greatly increased. In recent years, emerging markets and development

ÿ International Department of the People's Bank of China: «Research on Sovereign Debt Restructuring Mechanism», Beijing: China

ÿ Financial Press, 2022, Page 159, Barry Eichengreen and Rica rdo Hausmannÿ Other People's Money: Debt Denomi natural and financial

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The total external debt of Chinese economies continues to grow, reaching US$1.22 trillion in 2022, an increase of US$16 trillion from 2019, an increase of up to 15%. Against the background of increasing downward pressure on the economy, emerging market and developing economies The debt repayment capacity has declined, and the need for debt restructuring has increased significantly. As of August 2022, the total number of loans issued by the International Monetary Fund (IMF) through 44 programs during the year reached 140 billion U.S. dollars, which is higher than that in 2020 and 2020. The amount of outstanding credit at the end of 2021 and the scale of rescue reached a record high.ÿ

Second, the bond repayment peak is coming, and systemic debt risks are intensifying. In the past decade or so, developing countries have been in an economic upward cycle and have issued large-scale international bonds. In the next few years, relevant bonds will mature intensively. ÿ Emerging markets and developing economies will thus usher in a peak debt repayment period. From 2023 to 2025, African countries will have more than 106 billion in sovereign bonds due. ÿ Since 2020, countries such as Argentina, Zambia, and Sri Lanka have matured. Debt defaults have occurred one after another, and the trend of debt defaults may further spread to other countries in the future.

Third, compared with historical highs, the current debt burden of developing countries is relatively low. Although the debt risks faced by developing countries are rising rapidly, from the perspective of debt burden levels, they have not yet reached the historical highs of the 1990s. ÿ According to World Bank data, the average external debt of low- and middle-income countries in 2020

The ratio of gross national income is 29.1% ÿ Still lower than the historical high of 36.8% in 1994.ÿ

(2) Internal causes of debt problems in developing countries. The debt

crisis faced by developing countries is usually the result of the superposition of multiple factors. Among them, the imbalance of domestic economic structure and insufficient government governance are important internal causes. On the one hand, the economic structure of some debtor countries is imbalanced. ÿ They have long relied on industries that are easily affected by the external environment, such as primary product exports, tourism or remittances. Once external turmoil occurs, it will easily cause the depletion of their foreign exchange reserves and a sharp depreciation of the exchange rate, and affect their external solvency. Moreover, once affected, these countries The macroeconomic policies of some debtor countries lack response capabilities and available resources. On the other hand, the foreign debt of some debtor countries has long-term imbalances in total volume and structure. In the process of borrowing money to develop their economies, debtor countries have underestimated risk factors and their economic development has failed. Lack of autonomy and resilience ultimately led to the inability to repay accumulated foreign debt during times of crisis. In addition, the debt structure was unbalanced It is also an important reason. There is an inappropriate mix of long-term, low-interest development financing loans and short-term, high-interest bonds.

ÿ «"National Bankruptcy" incidents are coming one after another, and the IMF's rescue scale has hit a record high this year», Wall Street News website, September 2022 Monday 26th https: / / wallstreetcn com/ articles/ 3671151 [2023 - 03 - 06]

ÿ Tang Xiaoyang: «The Trap of Financial Capital: The Impact of International Bonds on the Sustainability of Sovereign Debt in Developing Countries», website of the Department of International Relations, Tsinghua University, August 2022, http:// www dir tsinghua ed ucn / jinrongzibendexianjingZ pdf [2023 - 03 - 06] World Bank International Debt Statistics

Database (IDS), data as of the end of 2020, published in 2022. ÿ

Structural factors such as excessive bond ratios and excessive bond ratios will increase debt service costs. Some debtor countries have raised debt-financed funds. The funds have not flowed into productive investment areas, which has greatly affected the economic development potential of debtor countries.

Taking Sri Lanka as an example, the COVID-19 epidemic and the Ukraine crisis have led to a sharp decline in the country's tourism revenue, black tea exports and textile OEM industries, and a sharp decline in foreign exchange earnings. After 2019, Sri Lanka implemented three major domestic policies, namely tax cuts, Printing money and promoting green agriculture. These measures not only increased the fiscal deficit and triggered hyperinflation, but also ultimately affected food production, triggering an unprecedented food crisis and civil unrest. In the country's foreign debt stock, short-term debt and private creditors accounted for as much as 45% This part of the debt is most prone to capital flight and sharp fluctuations in interest rates, which also leads to a rapid increase in its debt ÿ and service costs. In June 2022, the country's debt crisis broke out, which can be said to be the result of historical debt accumulation, domestic policy imbalances and external negative shocks. The common result of

(3) External causes of debt problems in developing countries

In addition to uncertain events such as the COVID-19 epidemic, the Ukraine crisis and climate disasters, developed countries Monetary policies, financial innovation tools, etc. are important external causes of debt problems in developing countries.

First, financial institutions in advanced economies are the main private claims in many emerging and developing countries. People, the non-concessional financing provided by these institutions bear unshirkable responsibility for the blind expansion of debt and huge repayment pressure in some countries. Take Zambia, which has recently fallen into a debt crisis, as an example. The American BlackRock Group has It is the commercial financial institution with the largest holdings of the country's bonds known to the public, with an amount of US$2.2 billion, of which bonds account for nearly 7%. Although Zambia has fallen into crisis, BlackRock is expected to still invest in the country's bonds. Obtained huge profits of more than 110%. ÿ As a private creditor, BlackRock did not participate in the "Debt Suspended Initiative" during 2020, nor did it restructure or reduce any debt, and will still enjoy high interest returns of more than 8%. ÿ Secondly, from an interest rate perspective, for high-debt countries, the collective shift to tightening monetary policies in the United States and Europe will lead to a tightening of financing conditions in the international financial market, push up debt repayment

pressure and financing costs, and increase the difficulty of debt rollover. 2022 Since the beginning of this year, according to the J.P. Morgan Emerging Markets Bond Index (EMBI), U.S. dollar bond interest rates in some economies such as Pakistan, Kenya, and Ethiopia have increased by more than 10 percentage points.

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Thirdly, from the perspective of exchange rates and cross-border capital flows, a stronger U.S. dollar index and rising U.S. dollar interest rates will reduce the attractiveness of non-U.S. dollar assets, causing capital outflows, currency depreciation and asset price adjustment pressures on emerging markets and developing countries, thereby weakening related The country's solvency has even triggered a liquidity crisis. In 2013, many developing countries experienced "taper panic" because the Federal Reserve announced the withdrawal of quantitative easing. Not only did the prices of stocks, bonds and foreign exchange markets fall sharply, but the economic growth rate also fell

sharply. Finally, from the perspective of external demand, the shift in monetary policy in the United States and Europe will also exert downward pressure on the global economy, exacerbating the macro policy dilemma faced by relevant countries. On the one hand, if the U.S. and European economies experience recession due to the shift in monetary policy, developing countries will External demand will also decline. On the other hand, the shift in monetary policy in the United States and Europe to tightening will exacerbate the dilemma of monetary policy in developing countries: If the Fed does not follow the Fed in raising interest rates, large-scale capital outflows and exchange rate fluctuations may occur. If interest rates are raised, it may This makes the country's economic situation even worse in the context of declining external demand.ÿ

2. Why it is necessary to significantly improve the debt problem resolution mechanism

Currently, the debt structure of developing countries has undergone tremendous changes, and both internal and external factors causing debt problems have It has shown some new characteristics. Therefore, the international community should further improve the original debt problem settlement mechanism and provide new solutions for the debt

problem. (1) The debt problem settlement mechanism itself faces

challenges. The current debt problems of developing countries are urgent, but Both old and existing debt resolution mechanisms Faced with various problems to varying degrees.

First, there are a series of problems in the old debt resolution mechanisms, including the Paris Club. First, creditors are generally unwilling to grant large amounts of debt relief quickly. Since its establishment in 1956, the Paris Club has always followed the classic rules in debt negotiations (The Classic Terms only rolled over debt according to market interest rates. It was not until the introduction of the Naples Terms in the mid-1990s that the overall debt stock writedown for low-income countries really appeared. Secondly, in the past, the Paris Club coordinated It is a negotiation between various creditor entities within developed economies. At that time, the main entities of commercial creditors were domestic commercial banks of the Paris Club member countries.

ÿ Xiong Wanting: «Global Sovereign Debt Risk and Sustainability Assessment», edited by Zhang Yuyan, deputy editors Sun Jie and Yao Zhizhong: «World Economic Yellow Book—Analysis and Forecast of the World Economic Situation in 2023», Beijing: Social Sciences Literature Press, 2022,

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These commercial banks have jurisdiction and direct influence. Therefore, in actual debt negotiations, the Paris Club countries are not only the main contributors to multilateral development banks, but also represent sovereign countries and commercial banks. The coordination cost of debt negotiations is low. The progress has been relatively smooth. The Brady Plan is the product of the concerted action of creditors to deal with debt problems under the above-mentioned creditor's rights structure. Entering the 21st century, emerging creditors such as China, India, Saudi Arabia and other countries have appeared one after another. The commercial creditors of debtor countries have also gradually transformed from commercial banks. As a commercial bond holding institution, the number of game participants in debt negotiations has increased, heterogeneity has increased, and the Paris Club's ability to coordinate the current creditor structure has been greatly weakened. Finally, from the perspective of debt reduction effects, the Paris Club itself has a negative impact on the debt disposal of debtor countries. It is only part of the global debt reduction action. The Heavily Indebted Poor Countries Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI) under the multilateral cooperation framework have also played a very important role.

Second, there are very few applicants for the G20 «Common Framework» and it has not yet played its due role. The G20 «Debt Suspension Initiative» and the «Common Framework» are currently the most important multilateral debt resolution mechanisms. The «Debt Suspension Initiative» allows debtor countries to temporarily suspend Debt repayment has greatly alleviated the liquidity risk of debtor countries. The "Common Framework" aims to achieve rapid and orderly debt restructuring, but there are not many countries that have applied. The sovereign credit rating constraints faced by debtor countries are an important factor that hinders debtor countries from applying. The reason is that this is a new situation that did not occur during the Paris Club. In the late 1980s, with the launch of Brady bonds, the rating scope of the three major rating agencies began to expand to the sovereign credit ratings of low- and middle-income countries. By the early 1990s ÿ More and more developing countries are aware of the importance of sovereign credit ratings to international capital market financing, and therefore pay more attention to the role of sovereign credit ratings. Considering that participating in debt negotiations may damage their own ratings in the international financial market and thus affect For subsequent financing, most debtor countries have serious concerns about applying to join the "Common Framework", which has also greatly reduced the operational efficiency of the "Common Framework". In addition, in the face of negative impacts such as the tightening of monetary policies in the United States and Europe and the food crisis, some "moderate" Debt Initiative» Countries may experience compound crises such as capital outflows, currency devaluation, political turmoil and debt defaults, which far exceeds the ability to cope with the initial design of the existing "Common

Framework". (2) Responsible macroeconomics of major developed economies Policy coordination is also crucial.

Major developed economies should implement responsible macroeconomic policies to maintain the stability of the global development financing environment. Compared with developed economies, emerging and developing economies are more likely to fall into trouble due to changes in the external economic and financial environment. Sovereign debt dilemma. For these economies, once the domestic economic cycle is significantly different from that of developed economies such as the United States and Europe, there will be differences in the direction of macroeconomic policy adjustments to adapt to the needs of the two economies, which will intensify the problems they face. capital outflows and currency depreciation pressure. If these countries follow the United States and Europe and other developed economies to raise interest rates at this time, then the country's debt repayment burden will be affec

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Increased due to rising interest rates, solvency will also decline due to demand contraction caused by tightening monetary policy. If the central bank does not follow suit to raise interest rates or implement monetary easing to maintain economic growth, then it may be due to conflicts with the United States and Europe. Interest rate differentials narrow, resulting in capital outflows and local currency depreciation, and even falling into a vicious cycle of mutual promotion of crisis events such as "domestic currency depreciation - runaway inflation - capital outflow - economic shrinkage - debt default". At this time, even if the country tightens monetary policy, it often It is difficult to restore investor confidence, and may even lead the economy to fall into

further recession. Moreover, since 2021, the monetary policy shift of developed economies has also been characterized by being “inflation-driven rather than recovery-driven.” In other words, the monetary policy of developed economies has contracted. The negative effects brought about will not be offset by the positive effects brought about by the recovery of external demand, and will have a greater negative impact on developing countries. ÿ From the perspective of historical experience, the Latin American debt crisis, the East Asian financial crisis, etc. also show that In response to negative external shocks such as the Federal Reserve's interest rate hikes, emerging economies are almost unable to stabilize their debt ratios with simple monetary or fiscal policy adjustments. Limited by emerging economies' governance capabilities and insufficient liquidity assets such as foreign exchange reserves, their exchange rates and capital Unconventional means such as regulation often fail to work.

(3) Changes in the creditor structure have put forward higher requirements for the participation of all parties in the

resolution mechanism. Over the past 20 years, the creditor structure has undergone tremendous changes, forming a diversified pattern. The United Nations Development Program report pointed out that in 1996, it participated in the Heavily Indebted Poor Countries Of the public debt and publicly guaranteed debt of all 37 countries participating in the Initiative, 90% of claims are held by bilateral creditors and multilateral development banks. By 2020, the proportion of private creditors has risen to about 1/4. In addition, for most debt For vulnerable developing economies, multilateral, bilateral and commercial creditor claims account for approximately 30% and 46% respectively. ÿ ÿÿÿ

ÿ The proportion of bilateral creditors is the lowest. The composition of bilateral creditors in different countries is also very different. Among the 54 economies counted, 16 economies account for more than 1/3 of their total debt to China, and another 11 The proportion of an economy's debt to Paris Club countries exceeds 1/3 of its total debtÿ

Changes in the creditor structure have brought triple impacts to the traditional debt resolution framework. The first impact is that the emergence of emerging bilateral creditors has put forward higher requirements for the traditional debt resolution framework. The new framework must be more inclusive and compatible. Both emerging bilateral creditors Belonging to developing countries, the concept of providing development financing is more based on the parallel paradigm of "South-South Cooperation". Therefore, it puts forward new requirements on how to view financing institutions and the nature of funds. This must be included in the new debt problem resolution framework. was resolved. The second impact was that the multilateral development banks (MDBs) represented by the IMF and the World Bank relied on their senior claims.

ÿ Yang Zirong, Xu Qiyuan: "The Fed's interest rate hike is almost a foregone conclusion", published

ÿ in "Finance", Issue 26, 2021, Lars Jensen, "Avoiding 'Too L ÿÿÿÿÿÿÿÿÿÿÿÿÿ ÿÿÿÿÿÿÿÿÿÿÿ October 2022 p 10 ÿÿÿÿÿ: / / ÿÿÿ ÿÿÿÿ ÿÿÿ / ÿÿÿÿÿ/ ÿ / ÿÿÿÿÿ/ ÿÿÿÿÿÿÿÿÿ / ÿÿÿÿÿ/ ÿÿÿÿ ÿ ÿÿ / ÿÿÿÿ ÿ ÿÿÿ ÿ ÿÿÿÿÿÿÿÿ ÿ ÿÿÿ ÿ ÿÿÿÿÿÿ ÿ ÿÿÿ ÿ ÿÿÿÿ ÿ ÿÿ ÿ ÿÿÿÿÿÿÿÿÿÿ ÿÿ ÿ ÿÿÿÿ ÿ ÿÿÿÿÿÿ ÿ ÿÿÿÿ ÿÿÿ [ÿÿÿÿ ÿ ÿÿ ÿ ÿÿ]

They refused to participate in debt relief as individuals. Historically, multilateral development banks have cooperated with the Paris Club to jointly promote debt restructuring programs through the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative. In the above-mentioned initiatives, the IMF and the World Bank provided assistance to low-income countries. It has provided relatively large debt relief support. Some low-income countries have benefited from these mechanisms and their economies have achieved considerable development. However, from the current stage, the willingness of multilateral development banks to participate in debt relief actions is not active. In the G20 and more In both meetings, they emphasized their status as priority creditors and refused to participate in debt reduction, which greatly dampened the enthusiasm of other creditors to participate in debt resolution negotiations. The third impact is that from the perspective of private sector creditors, the use of complex financial instruments (especially bonds) has led to The maturity time of sovereign debt in the form of sovereign bonds has been shortened, interest rates have increased, and short-term repayment pressure has significantly increased. The above impact determines the urgency and importance of commercial creditors participating in negotiations. However, the number and distribution of private sector creditors are also more extensive, and Making debt resolution more difficult

The existing debt resolution mechanism has major flaws. Since the beginning of 2020, the COVID-19 pandemic has spread across the world. Since the epidemic, new debt resolution mechanisms such as the "Debt Suspension Initiative" and the "Common Framework" have been proposed on the G20 platform. However, Georgieva, President of the International Monetary Fund, believes that the progress made under the "Common Framework" has been slow.ÿ Although the new resolution mechanism has included official bilateral creditors, including China, thereby partially solving the first of the three shocks mentioned above, there is still no progress in including official multilateral creditors and private sector creditors. ÿÿ This means that the existing debt resolution mechanism still faces two other important impacts. The absence of private creditors and multilateral official creditors has contributed to the formation of a "official bilateral creditors bear debt reduction losses, and other creditors receive disguised subsidies" It is an unfair situation. A debt reduction mechanism involving only bilateral

sovereign creditors cannot effectively reduce the debt level of debtor countries. It will not help debtor countries as a whole effectively get rid of debt difficulties. It will also reduce the willingness of official bilateral creditors to provide debt reduction assistance, and even It will also damage the ability of these creditor countries to continue to provide new financing in the future. Therefore, although the debt resolution mechanism of the G20 platform has made certain expansions of the Paris Club, fundamentally speaking, the existing debt resolution mechanism still has not adapted to the needs of the Paris Club. The huge changes in the creditor structure make it difficult to provide a comprehensive, systematic and effective solution to the existing debt problem.

ÿ International Department of the People's Bank of China: "Research on Sovereign Debt Restructuring Mechanism", Beijing: China Financial Press, 2022, No. 64 - Page 65

ÿ ÿÿÿÿÿÿÿÿÿÿ ÿÿÿÿÿÿÿÿÿ ÿÿÿ ÿÿÿÿÿ ÿÿÿÿÿÿÿÿÿÿÿÿÿÿ "ÿÿÿ ÿÿÿ ÿÿÿÿÿÿ ÿÿÿÿÿÿÿÿÿ ÿÿÿ ÿÿÿÿ ÿÿÿÿÿÿÿÿÿÿ ÿÿÿÿ ÿÿ ÿÿÿÿÿÿÿ ÿÿ"ÿ ÿÿÿ ÿÿÿÿ ÿ ÿÿÿÿÿÿÿÿ ÿÿ ÿÿÿÿ ÿÿÿÿÿ: / / ÿÿÿ ÿÿÿ ÿÿÿ / ÿÿ / ÿÿÿÿÿ/ ÿÿÿÿÿÿÿÿ/ ÿÿÿÿ / ÿÿ / ÿÿ / ÿÿÿÿÿÿÿÿÿÿÿÿÿÿ ÿ ÿÿÿ ÿ ÿÿÿÿÿÿ ÿ ÿÿÿÿÿÿÿÿÿ ÿ ÿÿÿ ÿ ÿÿÿÿ ÿ ÿÿÿ ÿÿÿÿÿÿÿ ÿ ÿÿÿÿ ÿ ÿÿ ÿ ÿÿÿÿÿÿÿ ÿ ÿÿ [ÿÿÿÿ ÿÿÿ ÿÿÿ]

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Taken together, the creditor structure of the sovereign debt of developing countries is more dispersed than before, and creditor concentration has dropped significantly. Under such circumstances, free-riding is more likely to occur, and it is more difficult for creditors to reach unanimous action. At the same time, debtors are more likely to undermine Debt discipline. What's more, some Western countries continue to politicize the sovereign debt issues of developing countries, vigorously promote the "debt threat theory" and "debt responsibility theory", and exert political influence on the debt relief and relief of emerging creditor countries represented by China. Pressure. This kind of political game among major countries has directly impacted the traditional sovereign debt governance paradigm, further exacerbating the governance dilemma of global sovereign debt.ÿ

A three-system, comprehensive and effective comprehensive framework for solving debt problems

Taking into account the unique external environment and global macroeconomic policy challenges faced by debtor countries, the new debt problem resolution framework needs to be systematic, comprehensive and effective, starting from three aspects: development financing concept, full participation of creditors and debt resolution process. perspective to build a new debt problem resolution framework.

(1) Systematic nature of the solution: From the perspective of development financing

The debt crisis is not only a financial problem, but also a development problem. Therefore, a systematic solution must be formed. Similarly, development financing is not just a financial problem. In a fundamental sense, development financing is to solve development problems. Ayi Scholars such as Khangos also pointed out that in the face of debt distress, ways to reduce debt can be divided into two categories: one is the orthodox option, including promoting economic growth, fiscal consolidation, privatization of public assets and increasing wealth taxes, etc., and the other is They are unorthodox options, such as inflation, financial repression, debt default and debt restructuring. ÿ Each policy choice has corresponding political, economic and social costs. Developing countries must make decisions based on their own debt types, economic conditions, legal costs, etc. Features for personalized selection

Guided by the concept of sustainable development, systemic debt solutions should include four pillars: promoting economic growth, ensuring stable and high-quality financing support, providing timely and appropriate debt relief assistance, and strengthening full-process debt management and supervision.

First, promoting economic growth is the fundamental prerequisite for debtor countries to get out of the debt quagmire on their own.

ÿ Jerome Roosÿ "Why Not Default? The Structure ÿÿÿÿÿÿÿÿÿÿÿÿ ÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿ ÿÿ ÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿ l Dissertationÿ May 2016ÿ p 129

Wang Jinqiang, Huang Meibo, Cui Wenxing: «Analysis of the global sovereign debt governance

ÿ dilemma and its response under the new coronavirus epidemic »ÿ contained« country

International Economic Review », Issue 4, 2021, Pages 32-50, M

ÿ Ayhan Kose et al 2022, pp , "ÿÿÿ ÿÿÿÿÿÿÿÿ ÿÿ ÿÿÿÿ ÿÿÿÿÿ"ÿ ÿÿ ÿÿÿÿÿ ÿÿÿÿÿ ÿÿ ÿÿÿÿÿÿÿÿÿ ÿÿÿ ÿÿÿ

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It is also the optimal path with the least asset losses for creditors. The economic development of the debtor country is the basis for its repayment of external debts. According to the debt dynamics formula, as long as the economic growth rate is less than the interest rate, the ratio of debt to GDP will automatically fall into a "snowball" type. A vicious cycle of increasing growth. One of the major lessons learned by Latin America after the 1960s is that it fell into a series of structural imbalances in economic development. In the end, these consequences could only be digested in the form of debt crises, which in turn led to the modernization process. On the contrary , as long as the economic growth rate continues to be greater than the interest rate, an automatic stabilizer will be formed to reduce debt risks with economic growth. In addition, the increase in economic growth rate will also strengthen investor confidence, alleviate the pressure of capital outflows and currency depreciation, and even Bringing more new financing to developing countries that is beneficial to economic development. In short, compared with debt reduction methods such as debt default, debt relief and inflation, accelerating economic growth is the solution with the least loss for all parties.

Second, stable external financing sources are an important guarantee to avoid liquidity crises and support the economic development of debtor countries, especially development financing with the characteristics of patient capital and certain preferential treatment. On the one hand, increasing the proportion of patient capital can optimize the debtor countries' economic development. external financing structure, thereby reducing liquidity risks related to fluctuations in the external economic and financial environment. From a liquidity perspective, sovereign debt sustainability means It means that a country's government can continue to obtain new financing from actual or potential creditors to ensure debt sustainability.

can be rolled over. In other words, even if the country's economic fundamentals do not change, short-term violent fluctuations in external financing sources will make a country's debt unsustainable. Compared with official creditors and debtor countries with a high proportion of long-term debt, private Creditors and debtor countries with a high proportion of short-term debt are often more likely to fall into liquidity crises. On the other hand, development financing with patient capital and a certain degree of concessions is also a high-quality source of financing to fill the financing gap of debtor countries and support their economic development, especially It can provide financing for infrastructure construction projects that have large capital needs, long construction cycles, and high uncertainties but can have huge positive externalities on economic development. In short, it is possible to optimize the external financing structure by increasing the proportion of patient capital and the degree of fund concessions. Debt governance tools should also become an important part of the debt resolution mechanism.

Third, improving the system construction of the whole process of debt management and supervision is an important pavement to avoid future crises and reduce the losses of all parties. The best way to deal with the crisis is to avoid the occurrence of the crisis. Debt reduction actions that lack institutional norms and policy supervision may intensify Moral dilemmas, and eventually get into trouble, such as encouraging debtor countries to blindly borrow for expansion, malicious default on debts, or causing creditors to pass the buck, refuse to cooperate, and try to free ride. Therefore, it is necessary to improve and implement regulations on debt formation, fund use, Full-process management and supervision systems such as project evaluation and risk warning, including improving debt transparency and optimizing debt sustainability

ÿSu Zhenxing, Zhang Yong: «The transformation of Latin America's economic growth mode and the twists and turns of the modernization process», published in «Latin American Studies», Issue 5, 2011, pp. 3-12.

evaluation methods, strengthen financial and debt management knowledge training, etc.

Fourth, timely and appropriate debt relief assistance is the last resort to deal with the debt crisis. Although debt defaults and restructuring can directly reduce the debt burden, they may also have side effects, resulting in a decline in output, a decline in credit ratings, and a loss of international influence. Negative impacts such as financial market access qualifications and the transfer of national assets and sovereignty. In addition, debt relief aid will inevitably harm the economic interests of creditors, which will in turn affect the willingness and ability of these creditors to provide further financing support to debtor countries. Therefore, it is necessary to carry out debt relief before Before debt actions are taken, debtor countries and creditors should fully consider the negative effects of these actions and comprehensively weigh the options between reducing existing debt and ensuring new financing. In addition, different debt restructuring and relief options may cause different economic impacts and should be combined Choose the appropriate plan for specific national conditions. Research shows that ex-ante restructuring takes less time than ex-post restructuring, leads to lower debt reduction, and smaller output losses. ÿ Compared with present value reductions, nominal reductions have a stronger promotion effect on economic growth. ÿ

(2) Comprehensiveness of the solution: from the perspective of the scope of participants

First, strengthen macro policy coordination in developed economies to mitigate negative spillover effects. Strengthening macro policy coordination among different types of economies is crucial to maintaining the global development financing environment and avoiding the outbreak of systemic debt crises. From the perspective of macro policies in developed economies, Judging from the internal impact of the crisis, developed economies should try their best to avoid excessively rapid and excessive contraction of monetary policy that triggers a systemic financial crisis or global economic recession. The experience of the U.S. subprime mortgage crisis in 2008 and the European debt crisis in 2012 shows that due to the relatively low degree of financial development, High, there may be systemic risks within developed economies, especially in the non-bank financial sector that lacks supervision and in peripheral economies in the monetary union system. Systemic risks are more likely to occur. Since the beginning of 2022, developed economies such as Europe and the United States have closed too quickly. Tight monetary policy has also intensified and is exacerbating the turmoil in the international financial market, and continues to produce negative spillover effects.

From the perspective of the spillover effects of macro policies in developed economies, in the process of monetary policy transition, developed economies should provide risk hedging mechanisms, debt relief assistance and refinancing support for their negative spillover effects. From the perspective of multilateral mechanisms, developed economies The entities can increase capital for international institutions such as the International Monetary Fund and the World Bank, promote the redistribution of Special Drawing Rights (SDR) from remaining countries to deficient countries, and participate in debt suspension and debt reduction actions under the G20 "Common Framework". ÿProvide public goods to developing countriesÿ

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The G20 can take advantage of its own coordination of fiscal and monetary policies to maintain a stable and predictable international macroeconomic environment. The G20 countries should join forces to increase macro policy hedging to prevent the world economy from falling into recession. In terms of monetary policy, they should prevent "beggar-thy-neighbor" " monetary policy to avoid causing serious negative spillover effects to other countries. When introducing fiscal policies, attention should also be paid to preventing and controlling debt risks. When strengthening financial credit policies, financial supervision should be taken into consideration to prevent and control financial risks. In addition, the G20 should also Strengthen policy coordination with various international organizations, properly handle the relationship between epidemic control and development, further improve and consolidate the G20 mechanism, and make joint efforts to improve the external environment of debtor countries. At the same time, developed economies can increase cooperation with Currency swap lines of other countries' central banks, fulfilling its historical commitment of setting the ratio of foreign aid to more than 07% of its gross national income and providing $100 billion in climate change financing to developing countries, and building national and regional structures for developing countries Financial safety nets provide technical and financial assistance. In the current absence of developed countries providing financial safety nets to developing countries, the currency swap network provided by China to some developing countries has eased the international financial crisis to a certain extent. Safety This kind of inequality faced by developing countries in the Internet.

Secondly, the new comprehensive debt resolution framework should allow all creditors to participate together. The current creditor structure determines that the resolution of debt problems must be solved by bilateral creditors, multilateral development banks and commercial creditors. In terms of bilateral creditors, the G20 "Common Framework" has agreed The principle of fair burden sharing between official bilateral creditors takes into account the interests of creditors and debtors. In addition, by absorbing and drawing on the experience of the Paris Club in debt resolution negotiations, the cooperation between the two mechanisms may further attract multilateral development banks and private creditors to participate in debtor countries. Debt disposal negotiations. However, before a comprehensive negotiation framework is reached, bilateral creditors may not be suitable for unilateral debt reduction. Unilateral debt reduction is not only ineffective in fundamentally solving the debt problem, but is also likely to cause the existing debt structure of the debtor country to become more distorted. As a As a responsible emerging creditor country, China should uphold the concept of "a community with a shared future for mankind" to deal with the debt problems of developing countries, insist on cooperating with other creditors, and support international debt governance actions under the multilateral framework.ÿ

In terms of multilateral development banks, after the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative, although the major members of the Paris Club have reduced their loans through bilateral channels to varying degrees, they have also provided loans through multilateral development institutions such as the World Bank, the International Monetary Fund and regional development institutions. The loans provided by banks continue to increase. Multilateral development banks are still dominated by sovereign creditors of developed countries. Therefore, multilateral development banks should clearly understand the reality of the current changes in debt structure and make rational and responsible debt reduction actions. In terms of debt disposal, Multilateral development banks should first, on the premise of meeting capital adequacy ratio requirements, increase their support for issuance as much as possible.

ÿXiong Wanting, Zhao Hai: «Research on International Debt Resolution Issues Under the Impact of the Epidemic», published in «Research on Development Finance», Issue 2, 2022, pp. 74-80.

development financing support for developing countries. According to statistics, multilateral development banks still have room for tens of billions of dollars in additional lending without damaging their AAA ratings. In addition, institutions such as the World Bank and the International Monetary Fund can consider increasing The capital method fundamentally increases the overall financing scale. The increase in capital matching the amount of shares held can better reflect the changes in the current pattern of development financing providers.

Multilateral development banks refuse to participate in credit cuts on the grounds that it will affect their credit ratings or cause capital losses. Debt negotiations do not have a legal basis. The credit ratings of multilateral development banks are different from those of ordinary financial institutions, but have super-sovereign characteristics: if major member states are willing to provide support by increasing capital and equity, then the participation of multilateral banks in debt reduction will not necessarily lead to a rating Historically, multilateral development banks have participated in debt relief many times. The International Monetary Fund and the World Bank have provided temporary debt relief to countries that have reached the decision-making point of debt negotiation under the Multilateral Debt Relief Initiative. In 2007, Liberia's debt During the negotiations, the World Bank, African Development Bank, and International Monetary Fund exempted Liberia from debts of US$400 million, US$25.5 billion, and US$88.8 billion respectively.ÿ

In terms of commercial creditors, the structure of commercial creditors for developing country debt has also undergone significant changes since the 21st century. It has gradually transformed from commercial bank loans to commercial bond holders. Currently, there are no relevant international legal regulations. Restrict commercial creditors from participating in debt negotiations in accordance with comparability rules. Compared with bilateral sovereign creditors and multilateral development institutions, the number of commercial bond holders may be large, which may cause difficulties in collective action and increase coordination costs. However, we must also be aware that commercial creditors have long-term It has always been an important participant in international debt negotiations. Even under the framework of the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative, the decision-making and completion points of debt negotiation measures also stipulate that debt relief requires the participation of 80% of creditors. This must include Commercial creditors. If we compare the current proportion of commercial creditors in most developing countries according to this standard, almost no debtors can complete debt negotiations in the absence of commercial creditors. In this regard, the international community needs to work together to accelerate the formation of new debt negotiations covering all aspects. It is quite feasible for commercial

creditors to participate in debt restructuring. From the perspective of the internal structure of commercial creditors, bond holding institutions account for a high proportion and the holding institutions are relatively concentrated. The three most important companies are Bayley Germany, Invesco and Vanguard. The above three institutions are not only sovereign bond holders, but also important asset management companies, holding a large number of shares of the world's top companies.

ÿ "Exclusive: G - 20 Report Says MDBs Are Holding Ba ck Hundreds of Billions". https: / / www devex com/ ÿÿÿ ÿ/ ÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿÿsays ÿÿÿÿÿÿÿÿÿÿÿÿÿ lding - back - hundreds - of - billions - 103673 [2023 - 03 - 21] ÿ Economic and Commercial

Section of the Embassy of the People's Republic of China in Liberia: "Liberia's debt relief process", October 5, 2008 ÿÿÿÿ: / / ÿÿ ÿÿÿÿÿÿ ÿÿÿ ÿÿ / ÿÿÿÿÿÿÿÿ / ÿÿÿÿ / ÿÿÿÿÿÿ / ÿÿÿÿÿÿÿÿÿÿÿÿÿÿ

Commercial creditors should play an active and constructive role in debt negotiations in more aspects. In addition, the above three companies are also American companies and are in the same legal and financial market environment. Therefore, when building a multi-party negotiation mechanism, consideration can be given to holding shares. In this process, the U.S. government should also actively promote the participation of the above-mentioned bond holders in debt negotiations and create a good environment for U.S. bond holders to participate in the negotiations through necessary administrative, legal and commercial means. Finally, comprehensive

The settlement framework can provide ideas for debt disposal of more middle-income countries. In 2020, the G20 launched the debt service suspension initiative. As of December 2021, it has suspended foreign debt repayments of 73 low-income countries totaling US$12.9 billion. ÿ In addition, the G20 cooperates with the Paris Club A common framework has been created and is further helping low-income countries involved in the Debt Suspended Initiative to restructure their debts to solve insolvency and long-term liquidity problems. Currently, middle-income countries are not within the scope of the Common Framework, but they can be compared in the future Common Framework » Build a multi-party debt reduction mechanism, include this part of the debt into the comprehensive debt negotiation framework, follow the principles of shared burdens and comparable debt reduction, and at the same time conduct debt disposal based on taking into account differences with low-income countries and heavily indebted poor countries. ÿ

(3) Effectiveness of the solution: From the perspective of the debt disposal process,

first of all, enhance the pertinence of the "one country, one policy" principle in debt negotiations. Although the Paris Club also stipulates the principle of "one country, one policy", it has not yet adopted the specific approach. The Central Committee will stipulate similar debt disposal clauses for countries with the same income type. For example, the Naples clause mainly targets the poorest countries and heavily indebted countries, and the Evian clause (Evian Approach) mainly targets middle-income countries. However, even if they belong to the same income type, The debt structure, debt maturity, endowments and economic structure of different debtors are also very different. The one-country-one-policy debt negotiation model can conduct targeted debt negotiations based on the specific conditions of the debtor country and provide the best debt solution. To improve the efficiency of debt negotiations, international financial institutions need to get rid of the "one size fits all" approach, which will excessively restrict the policy options of developing countries. For example, judging from the nature of the debt crisis itself, there are two types of solvency crises and liquidity crises. Different types and debt structures also have different types of debts due for repayment. These should be analyzed in detail on specific issues in debt negotiations, and targeted debt disposal plans should be adopted. The debt crisis of some countries mainly stems from the decline of the US dollar since 2022. Rising interest rates and external exchange rate fluctuations are short-term liquidity crises. There are no changes in economic or export fundamentals. In this regard, simply providing liquidity support can help debt

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For countries with energy export debt, the debt crisis they face will be greatly alleviated with the recovery of energy prices, and the need for debt negotiations will decrease. For other countries, they are facing the shortage of short-term bonds. There is a risk of concentrated repayment in the future. In this case, even if the sovereign creditors take debt reduction measures, it will not help the debtor country get rid of the predicament of being unable to repay the sovereign bonds.

Secondly, the creditors committee should play a leading role. Since there is no consensus-based debt reduction rules covering the three parties' creditors at this stage, the "Common Framework" does not make specific arrangements for the secretariat. On the basis of the principle of one country, one policy, creditors The committee can become a reasonable and convenient debt negotiation and subsequent debt disposal management organization, improving the efficiency of negotiation and the efficiency of implementation of negotiation results. The creditor committee provides a centralized negotiation platform for creditors and debtors, avoids the risk of secondary negotiation or renegotiation, and reduces the cost of negotiation games. ÿ Gain valuable time to resolve the debt crisis. In the current cases of several countries applying for debt negotiations under the "Common Framework", the Debt Committee has also played a major role.

Finally, the combination of multiple debt treatment forms allows creditors to adopt multiple debt treatment forms that are effective and take into account the actual situation of the debtor country. On the one hand, traditional methods such as debt suspension, debt reduction, interest reduction, interest exemption and extension can be adopted. Reduce the burden on debtor countries. On the other hand, new ideas for debt disposal such as issuing additional bonds or exchanging debt for bonds can also be flexibly and diversified to provide new liquidity for debtor countries and provide new momentum for investment in sustainable development. At present, the International Monetary Fund The organization has issued an additional US$650 billion in Special Drawing Rights. Debt negotiations can make full use of this additional issuance of funds to provide additional liquidity, promote credit enhancement and debt replacement similar to the Brady Plan, and help debtor countries achieve lower costs. Refinancing or debt restructuring. ÿ Financial instruments such as "debt-green investment swaps" and "debt-climate investment swaps" can convert claims into debtor countries' investment in sustainable development goals, thereby helping debtor countries facing vulnerability challenges or those with Ecologically important debtor countries, and leverage multi-party funds from public welfare institutions, international organizations, and environmental, social and corporate governance (ESG) investors, and at the same time have a good publicity and demonstration effect. At the same time, the International Monetary Fund and the world Banks should also improve the existing debt sustainability analysis method (DSA) so that it can better provide reference for policy practices to improve debt sustainability. In particular, tests of policy effectiveness should be added to provide guidance for debt resolution mechanisms. Better guidanceÿÿ

(Editor Shi Peiran)

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