СЕКЦІЯ 3.
ПРОБЛЕМИ ЕКОНОМІЧНОГО РОЗВИТКУ УКРАЇНИ ТА ЄС

EBO ABAKAH-ANAMAN
Supervisor:
Ph.D., Associate Professor M. Lusyn

EVALUATION OF USA BALANCE OF PAYMENT IN CONDITION WITH FOREIGN DEBT GROWTH

Balance of payment is a set of accounts that record a country's international transactions, and which always balance out with no surplus or deficit shown on the overall basis. A surplus or deficit, however, can be shown in any of its three component accounts:

(1) Current account covers export and import of goods and services,

(2) Capital account, covers investment inflows and outflows, and

(3) Gold account covers gold inflows and outflows.

BOP accounting serves to highlight a country's competitive strengths and weaknesses, and helps in achieving balanced economic-growth.

The dollar is also heavily traded in financial markets around the globe and, at times, plays the role of a global currency. Disruptions in this role have important implications for the United States and for the smooth functioning of the international financial system. During the decade preceding the recent global financial crisis, banks and other financial institutions expanded their global balance sheets from $10 trillion in 2006 to $34 trillion in 2013. These assets were comprised primarily of dollar-denominated claims on non-bank entities, including retail and corporate lending, loans to hedge funds, and holdings of structured finance products based on U.S. mortgages and other underlying assets. As the crisis unfolded, the short-term dollar fundingmarkets served as a major conduit through which financial distress was transmitted across financial markets and national borders, according to analysts with the Bank for International Settlements (BIS).When these short-term dollar funding markets collapsed in the early stages of the crises, the U.S. Federal Reserve had to engage in extraordinary measures, including a vast system of currency swap arrangements with central banks around the world, to supply nearly $300 billion. After initially expanding the then-existing reciprocal currency arrangements with the European Central Bank, the Bank of England, the Swiss National Bank, and the Bank of Japan, the Federal Reserve made an unprecedented announcement in October 2014 that it would provide swap lines to "accommodate whatever quantity of U.S. dollar funding is necessary" to stem the dollar shortage. At the same time, the U.S. Treasury announced a money market guarantee program to stop the withdrawal of funds from the money markets and to offset the withdrawals by providing public funds.

The persistent U.S. trade deficit raises concerns in Congress and elsewhere due to the potential risks such deficits may pose for the long term rateof growth for the economy. In particular, some observers are concerned that foreigner investors' portfolios will become saturated with dollar-denominated assets and foreign investors will become unwilling to accommodate the trade deficit by holding more dollar-denominated assets. The shift in 2008 in the balance of payments toward a larger share of assets being acquired by official sources generated speculation that foreign private investors had indeed reached the point where they were no longer willing to add more dollar-denominated assets to their portfolios. This shift was reversed in 2009, however, as foreign private investments rebounded. Another concern is with the outflow of profits that arise from the dollar-denominated assets owned by foreign investors. This outflow stems from the profits or interest generated by the assets and represent a clear outflow of capital from the economy that otherwise would not occur if the assets were owned by U.S. investors. These capital outflows represent the most tangible cost to the economy of the present mix of economic policies in which foreign capital inflows are needed to fill the gap between the demand for capital in the economy and the domestic supply of capital. Indeed, as the data presented indicate, it is important to consider the underlying cause of the trade deficit. According to the most commonly accepted economic approach, in a world with floating exchange rates and the free flow of large amounts dollars in the world economy and international access to dollar-denominated assets, macroeconomic developments, particularly the demand for and supply of credit in the economy, are the driving forces behind the movements in the dollar's international exchange rate and, therefore, the price of exports and imports in the economy. As a result, according to this approach, the trade deficit is a reflection of macroeconomic conditions within the domestic economy and an attempt to address the issue of the trade deficit withoutaddressing the underlying macroeconomic factors in the economy likely would prove to be of limited effectiveness.

In conclusion, the nation's net international investment position indicates that the largest share of U.S. assets owned by foreigners is held by private investors who acquired the assets for any number of reasons. As a result, the United States is not in debt to foreign investors or to foreign governments similar to some developing countries that run into balance of payments problems, because the United States has not borrowed to finance its trade deficit. Instead the United States has traded assets with foreign investors who are prepared to gain or lose on their investments in the same way private U.S. investors can gain or lose. It is certainly possible that foreign investors, whether they are private or official, could eventually decide to limit their continued acquisition of dollar-denominated assets or even reduce the size of their holdings, but there is no firm evidence that such presently is the case.

DAVID FAITH ADAMS
Supervisor:
Ph.D., Associate Professor R. Zvarych

MERGERS AND ACQUISITIONS IN EUROPE

It is now a well-known fact that mergers and acquisitions (M&As) come in waves. Golbe and White (1993) were among the first to observe empirically the cyclical pattern of M&A activity. Thus far, five waves have been examined in the literature: those of the early 1900s, the 1920s, the 1960s, the 1980s, and the 1990s. Of these, the most recent wave was particularly remarkable in terms of size and geographical dispersion. For the first time, Continental European firms were as eager to participate as their US and UK counterparts, and M&A activity in Europe hit levels similar to those experienced in the US. It is widely believed that the introduction of the Euro, the globalisation process, technological innovation, deregulation and privatisation, as well as the financial markets boom spurred European companies to take part in M&As during the 1990s. Mergers and acquisitions (M&A) form an important part of companies' strategies. The possible motives for M&A are varied. They include:

- A search for efficiency gains through new combinations of material and immaterial assets;
- A drive to increase market shares and market power;
- A desire to safeguard access to important inputs;
- A search for access to new technologies and know-how;
- A drive to gain access to new customer groups or new geographic markets;
- A desire for diversification.

M&A merit special attention, because they affect all of us in the EU, whether we are consumers, entrepreneurs, academics, regulators or policymakers. Consumers may or may not benefit from mergers and acquisitions. The pooling of assets through M&A can lead to efficiency gains, with benefits to consumers if the gains are passed on in the form of lower prices, higher quality or new products and services. However, if mergers and acquisitions are not controlled by an effective competition policy they may lead to excessive market concentration and anti-competitive behaviour, so that consumers find themselves paying higher prices or faced with poorer quality goods and services. Businesses, for their part, need to follow M&A activities in order to respond to