

**DESTABILIZING EFFECTS OF CAPITAL INFLOWS  
IN A MONETARY UNION:  
EVIDENCE FROM THE EUROZONE**

**ДЕСТАБИЛИЗИРУЮЩЕЕ ВЛИЯНИЕ ПРИТОКОВ  
КАПИТАЛА В УСЛОВИЯХ ВАЛЮТНОГО СОЮЗА  
(НА ПРИМЕРЕ ГОСУДАРСТВ ЕВРОЗОНЫ)**

Обосновывается, что влияние, оказываемое притоками иностранного капитала на национальную экономику, определяется формой, в которой реализуются потоки капитала, и способностью экономики использовать их производительным образом. В качестве примера рассматриваются последствия притоков капитала в экономики периферии Еврозоны в 2001–2009 гг., которые обусловили нарастание дисбалансов, приведших к кризису суверенного долга в Экономическом и валютном союзе ЕС.

One of the core and widely recognized principles of monetary integration is the free and unrestrained capital movement among the member economies. It becomes possible due to the abolition of capital controls, integration of financial markets, elimination of the exchange rate risk, reduction of transaction costs, and improved price transparency. Free capital flows are deemed beneficial because they ensure the distribution of capital among the member economies that maximizes the return on capital throughout the monetary union. In theory, they should thus enhance labour productivity and become the basis for sustainable economic growth.

However, these positive developments are often dependent on the implicit assumption that foreign capital takes the form of foreign direct investment (FDI) and hence brings not only financing, but also new production technologies, management expertise and access to foreign markets. If these conditions are met, capital inflows will certainly boost national income in a sustainable way. On the contrary, if capital inflows represent exclusively financing (e.g. if these are loans attracted by the public or private sector from non-residents), their actual effects on the economy depend on the economy's ability to make productive use of this capital. Evidence from the Eurozone appears to be highly relevant in this regard.

Establishing the euro in 1999 accompanied by financial markets integration caused the unification of nominal interest rates across the monetary union. However, the differences in inflation rates persisted across the union, with the Eurozone periphery (including Greece, Ireland, Italy, Spain, and Portugal) being exposed to much higher inflation than the Eurozone core. It resulted into low and even negative real interest rates in the periphery, which created strong incentives to borrow for both pub-

lic and private sectors. Therefore, the periphery economies experienced large capital inflows following the euro adoption. The capital inflows did not take the form of FDI but rather were attracted as bank credit and private loans.

These massive capital inflows were not in line with the periphery's ability to make productive use of them. Therefore, they fostered consumption, but not investment, and augmented imports, but not exports. The periphery experienced strong booms in construction spending (Ireland, Spain), consumption spending (Portugal) and government spending (Greece). The booms pushed up the prices as well as salaries, which translated into soaring unit labour costs. The result was the significant real effective exchange rate appreciation which undermined national competitiveness relative to the rest of the Eurozone. The Eurozone periphery became simply too expensive to carry out any production. These developments led to what proved to be Eurozone sovereign debt crisis which burst out in 2009.

Therefore, in the wake of the euro adoption, the Eurozone periphery enjoyed rapid growth and also nominal income convergence with the higher income countries in the EU which proved to be unsustainable. The strong economic growth was debt-fueled and masked a wide spectrum of inefficiencies related to low investment, poor use of labor and capital, a large inefficient public sector, weak banking system etc.

Given the lack of monetary and exchange rate instruments, the periphery economies were unable to prevent the growing imbalances by tightening the monetary policy and to make any subsequent adjustments by currency depreciation. The euro thus proved to be a sort of a trap for the Eurozone economies. It indicates the urgent need for developing new policy instruments for managing international capital flows to ensure the stability of monetary unions.

*А. В. Галстян  
БГЭУ (Минск)*

## **ТЕНДЕНЦИИ РАЗВИТИЯ МИРОВОГО РЫНКА МЯСА И МЯСНЫХ ПРОДУКТОВ**

Мировой рынок мяса и мясных продуктов — это система экономических, товарно-денежных отношений между субъектами, складывающихся в сфере обмена по поводу купли и продажи мяса и мясных продуктов; обмен, посредством которого складываются отношения между потребительской стоимостью продукции и стоимостью, которую планирует производитель товара.

Исследование позволило выделить основные тенденции развития международной торговли мясом и мясными продуктами.