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REGIONAL AND LOCAL CAPITAL MARKETS IN A MODERN WORLD

1. The high mobility of capital, as a result of internationalization and globalization.

We have lived already a little more than a decade in the XXI century. and all this time most of us even have not noticed how many people, regions, states and the world as a whole have become, as to say more closely tied together, more integrated into this process of unification, globalization. We perceived it as something ordinary, that was happening without our participation and had no significant impact on our daily lives, but that was a false perception. All political, social, economic and cultural development of our world, especially in the period of the 1980s had been occurring in the light of globalization.... Its economic component associated primarily with the sources, factors and forms of economic development. It is about capital flow, investments, workforce, technology, intellectual resources and about management and marketing. There took place growth in international trade and investments, also the process of diversification of world financial markets and the workforce reached unprecedented proportions. Substantially increased the role of MNCs in global economic processes, global competition became a new, more active and sharpened character, appeared a system of global strategic management. So, let's consider the globalization, its main characteristics and features as the socio-economic process.

Globalization - the product of the era of postmodern transition from industrial to postindustrial stage of economic development, forming the foundations of the new period of our civilization where the main value will be knowledge, or as some scientists call it - noosphere and space era. The qualitative and quantitative traits and indicators of the deployment of this process therefrom. Among the most important should be called the growing interdependence of economies of different countries, increasing the integrity and unity of the world economy also increases the threat of global nuclear catastrophe, the onset of the greenhouse effect, interference with nature through genetic engineering, cloning and more. The growth of new global communication networks through the introduction of advanced information technology, electronic communication systems leads to the implementation of many of them outside state control. Modern

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scientific and technological advances lead to reduced costs of international and intercompany business contacts. Thus, if the 1 minute call between New York and London in 1930 cost $ 100. Now it is about $0.5. Until recently a special dynamism characterized the "new industrial countries" of Asia and some Latin American states. Has been developed a tendency to form a global civilization with common tastes, values and social consciousness also has been created the structure of global elites. The growing westernization of world cultural space and the opposition to this process, especially from Muslim countries.

At the forefront of world economic life put forward new subjects of the global economy processes, along with traditional are now key. There are 8 of them:

- international organizations (IMF, World Bank, UNCTAD, FAO, ILO, WTO);
- countries ‘Group of Eight ‘;
- regional organizations, which about 60;
- multinational corporations (almost 50 thousand);
- institutional investors (pension and investment funds, insurance companies);
- non-governmental organizations;
- major cities;
- some prominent personalities (scientists, Nobel laureates, university professors, famous financiers, entrepreneurs and others.).

Someone may ask, do those big cities provide such a great impact, which should be considered as a separate subject? On the meaning of big cities it is enough to recall that in Tokyo they produce twice more goods and services than the whole Brazil, moreover the capital city of Japan is so large that it is not oficially called a “city”, but an “administrative capital district”. That’s why in my opinion the right of big cities to be in this list should not be denied. The economy is globalizing because of the emergence of new forms of competition, when a growing number of entities of the world economic relations has no nationality. Thus, globalization becomes a permanent factor in both domestic and international economic life.

There are two main approaches to stages of economic globalization. According to the first, it started even before the period of great geographical discoveries in the form of sluggish fluid globalization when economic relations between states were sporadic and had a discrete character, limited to certain local areas and territories. By the mid-nineteenth century globalization becomes a slow progression of the stage when emerging global market, growing international division of labor, emerging profile of specialization of individual countries and regions. The next stage (mid-nineteenth century - 80 years of the twentieth century) was named structural globalization, which is associated with economic redistribution of the world, the collapse of the world economy in opposing systems and its confrontation. The second approach links the genesis of globalization in the last quarter of the twentieth century. When it becomes the determining factor for both national and international development, becomes the dominant trend of world economic processes.

International division of labor and the international socialization of production are finding its expression in international specialization, cooperation, combination, concentration of production and so on. These processes form an important element of the economic mechanism on an international level. Development of partial division of labor occurs both within the national states and internationally through the market and beyond-market relationships between companies that produce products mutually. In this regard, in the process of international socialization of production are developing constant and close ties between companies that are co-operating. And it little depends from the process of goods exchange in the world market. About sustainability and growing dynamism of these processes show evidence of increased parts, assemblies and components in total imports of machinery and equipment in developed countries. All this testifies to the Act of internationalization of production, its varying intensity in certain regions of the world economy, it expresses the process of transformation of productive forces and economic relations, the boundaries of a national countries and their gradual internationalization in each of the spheres of social reproduction (in direct production , exchange, distribution and consumption).

To give space for the application of this law, should first create the appropriate conditions:

1. the presence of a developed credit system and stock exchange

2. Place of a country in world economic system, economy and its monetary and economic conditions

3.moderate tax burden

4. preferential currency legislation that opens up to foreign borrowers, stone access to the national market of money and capital and foreign securities - to the commodity exchange price

5. good geographical position

6. relative stability of the political regime

These factors limit the range of domestic money and capital markets engaged in international operations. As a result of competition appeared global financial centers - New York, London, Zurich, Luxembourg, Frankfurt am Main, Singapore and others.

Internationalization circulation (external)

The effect of the internationalization of production organically related to the processes that take place on the world market, including internationalization of the market. In trade, acts the "law" of the accelerated growth of foreign trade compared with the growth of production, so for the period 1966-1981 the growth of international trade was 5.2% annually, which is 1.5 times faster than production. The "law" of the internationalization circulation expresses the gradual internationalization of the process of buying and selling goods and services within the regional economic associations and the world economy and formation of the international market relations in the sphere of circulation. Rapid growth of world trade is an important factor in the growth of industrial and agricultural production, development of scientific and technological progress, efficiency and quality of production, increased competition on the international arena. This competition, in turn, contributes to reducing the monopoly and lowers commodity prices on domestic market. In the U.S., as you know, about 74% of industrial production is undergoing external competition. In areas where no such competition and protectionist measures are protecting businesses from foreign competition, consumers have to spend much more money for the purchase of local goods. Let's take as an example protectionism for the U.S. footwear industry will increase prices by more than $ 60 billion annually or more than $ 1 thousand per family of 4 persons within 1 year.

2. Actual features of the interregional capital movements.

Interregional movement of capital - is the movement of capital between the regions in search of more lucrative field of application.

Export of capital is a unilateral migration of capital from one region to another, targeting to receive benefits. Exports of capital can be classified as follows:

1. Export of business capital - a long-term foreign investment on the period of 1 year

2. Export of loan capital - refers to the international credit relations and acts in the form of the international credit.

3. International economic assistance - a provision of capital in cash or goods form by the subjects of one country in another country's subject ownership under terms of free of charge, no return, means no refund.

Entrepreneurial investments are divided into:

- Direct investment, mainly in stocks of industrial, commercial, banking enterprises, plantations, etc., providing complete control over the activities of an enterprise;
- Portfolio that does not formally provide their owners complete ownership and system control.

International economic assistance has two forms:

- Financial support - is to provide funds in the form of free credit or no refund financing by the subjects of one countries to the subjects of another countries for certain social, economic and technical projects.
- Financial aid - is free of charge transfer by the subjects of one countries to the subjects of another countries of products and services for industrial and domestic purposes.

The advantage of direct investment for an exporter of capital in comparison with other forms of investments linked to the fact that it fully manages its capital during the period of direct investment, while the loan capital for the entire term of the loan becomes fully available to the importer..

Today export of capital more often takes form of patents and licensing export for new scientific and technological developments, inventions and innovations. Major exporters and importers of patents are U.S., Japan, Switzerland, United Kingdom, Netherlands, Sweden, Germany. Investments in science and technology are profitable that's why monopolies invest large capitals both domestically and abroad. . Growth of exports of patents and licenses is linked also with strengthen of integration processes and interstate binding of capital. Interregional migration of capital started actively develop yet in the making of the world economy and gradually turned into a crucial feature of modern international economic relations. . Growth of exports of patents and licenses is linked also with strengthen of integration processes and interstate binding of capital. Interregional migration of capital started actively develop yet in the making of the world economy and gradually turned into a crucial feature of modern international economic relations.

With regard to the purposes of export of capital, they can be reduced to the following four groups:

- desire to control the activities of enterprises of the local market.
- a business profit.
- receive interest on loan capital.
- desire for a long period to ensure the satisfaction of their economic, political and other interests in the territory of a country.

Direct investment from the region in the economies of other countries by economic activity at the end of 2010 amounted to 1916.2 mln dollars U.S., namely in light industry (textiles, for industry, tailoring, manufacture of leather and leather shoes) 26.2 mln $, and engineering (production of machinery, electrical, transport and electronic enforcement equipment) 1890 mln $.

The benefits of capital imports:

1. Getting new technologies at relatively low costs.
2. Relatively rapid development of production.
3. Improved classification of employees.
4. New jobs.
5. Expansion of export development services, acquisition of foreign expertise in management.
6. Replenishment of the national budget.

Harmful side of imports

1. Possibility of export of the raw materials.
2. Foreign interference in domestic banking.
3. Capture foreign capital key areas of the economy.
4. Removal of the hidden form of profits from the country.
5. Some loss of political freedom.

The world market of loan capital - is a system of relations of accumulation and redistribution of debt capital between countries, through a combination of demand and supply for loan capital by debtors and creditors in different countries.

The economic structure of world capital market:

Global money market - providing short-term loans mainly for service of international trade, and acts as deposits. The capital market is formed in organic connection with the development of national and world economy as well as credit system. Capital market goes beyond the individual countries and as an important component of world economy plays a significant role in the creation of new regional economic systems, maintains the structural changes in economy, serves the foreign trade, export of capital, international payments. The global capital market creditors and borrowers act mainly as large multinational firms, states and banks, governmental municipal authorities, IMF, World Bank, EBRD.

Basic indicator for capital market is the interest rate. The structure of interest rates includes discount rates, interest rates, interest rates on loans, treasury bills, interbank rates "LIBOR" and others. Interest rates of national and international markets are interdependent. National capital markets are influenced by fluctuations in economic conjuncture and economic policies of governments. Government influence on the capital market takes the form of intervention purchases and sales of securities and by the means of credit policy: setting the central bank discount rate, identifying the amount of bank reserves. In periods of economic boom and inflation, the government, as a rule, increases the discount rate, which leads to reduced demand for capital. It should be for-note that although the export of capital abroad is often more profitable to the side that exports, it also interests countries in which the capital is imported, since they receive an inflow of money resources, which of course has to be paid out of the future income.

A very significant part of the inflow of foreign capital accounted for direct investments, which are the most complete form of inclusion in activity in the foreign market with the help of creation of one's own means of production and even businesses. Export of capital affects the economy of the countries exporting and importing capital. In exporting countries export capital distract from domestic investment significant resources, slows the development of their productive forces. In countries that import capital, continue developing raw material and commodity industries. Export of capital is being primarily made in economically underdeveloped countries which is as a result of lack of equity, low land prices and raw materials, low-wages makes the rate of return much higher there than in the countries of the developed capitalism.

The main directions of development of capital markets in Ukraine to date are:

1. The growth of portfolio investment
2. Solvation of the problem of conceptual definition and structuration of the financial intermediaries and their activities. Their purpose is directing the movement of capital to the most efficient users. Financial intermediaries help reduce the risk of investment of small savings, providing them constant incomes.
3. Attraction to participate in the market of state loans of non-bank financial institutions, especially insurance companies and pension funds.
4. Expansion of the network and ensure efficiency of work of joint investment institutes, es-

pecially investment funds. Their purpose is accumulation of significant capital, first of all, free money of households. They can become the main suppliers of investment resources, creating a good competition to banks.

Developing these areas, subject to specified conditions, the Ukrainian capital market will get more dynamic perspective and ensure proper development of the national economy.

3. Regional and local capital markets under uncertainty.

At the time of the global financial crisis investment firms were forced to reduce seriously their investing activity. As a result, the competition for financial resources on the international capital market has been seriously deteriorated. Many experts decided to find out from the leading investing companies in the world, in what projects they are willing to invest their money and what sectors of economy may count on the attention of investors.

Global financial crisis of 2007 negatively affected all types of investments. Reduced profitability of transnational companies, due to recession in the countries of basement, led to the outflow of capital from their foreign subsidiaries and the collapse of investment programs to acquire new assets under expansion programs to local/international markets. Difficult economic conditions and uncertainty in the target markets forced the top management of most companies to focus on improving the operational efficiency, while pushing into the background tasks related to development of business. As a result, the hardest hit took the market of merges and acquisitions (M&A), the volume of which in 2009 totaled $ 1.97 trillion., 32% less than in 2008 (minimum figure since 2004).

In 2009, Chinese companies came on the second place in the world for the money spent on acquisitions of foreign companies ($ 45 billion), beating the Europeans in this index. U.S. companies kept their championship, having spent for the purchase of foreign assets $ 94 billion. The amount of cross-border M&A in 2009 was about $ 528 billion - minimum since 2003.

M&A transactions have brought investment banks in 2009 - $ 18.9 billion, a 46% lower than in 2008. Revenues from M&A operations made for banks not more than 27% of total amount of received commissions, and the main source of revenues were profits from mediation in organizing the placement of equity - $ 24.9 billion, or 36% of total revenue from brokerage operations. The failure of private companies to find resources for lending and business support which strengthened by further devaluation of some national currencies, forcing governments to spend more money to support the business. This led to the fact that the M&A market was a new active asset purchaser - a state. According to preliminary calculations of the leading analysts, M&A transactions involving the state capital in 2009 amounted to about 12% of the total world market. And it is - a record figure for the whole story. Much of the M&A transactions connected with attempts of the government to mitigate consequences of severe financial situation of large corporations, bankruptcy of which could cause a new wave of panic on financial markets and further deterioration of economic situation. This government support is focused mainly on the banking sector (e.g. the UK government has increased its share in The Royal Bank of Scotland to 84.9%, having invested $ 41.8 billion). Among the major transactions in other industries, one can see the participation of the U.S. government in rescuing of General Motors and the insurance company AIG.

In 2009, lending liquidity problems led to the fact that companies were more likely to involve capital through additional emission of shares, resulting in a volume of secondary offerings broke all records: the total amount of such placements in 2009 was $ 689 billion, representing 77.5% of the total placement and is an absolute record. The amount of the IPO in 2009 totaled $ 107.5 billion, which is 11% more than in 2008. While the IPO market in 2009 was able to avoid long-term records of minimal activity only through the fourth quarter since the beginning of which the company conducted an IPO on a total of $ 32.5 billion, more than the first three quarters together ($ 25.7 billion). Whereas in the late 2009 in preparation ("in the pipeline") were more than 430 IPO totaling $ 73 billion, one can only hope that the market will continue to recover in 2010. As a result of placements that have occurred, Asian stock exchange to the end of 2009 has passed confidently the former leaders - LSE, NYSE and NASDAQ. In the third and fourth quarter of 2009, the maximum amount of placements were in Shenzhen and Hong Kong Stock Exchanges - Asian companies during this period had IPO at $ 32 billion, which significantly exceeds the total amount of IPO by the European and American companies together ($ 20.7 billion).

As for the foreign direct investment, according to the assessment of UNCTAD, which was published in the quarterly monitoring of global investment trends, their volume in 2009 has decreased by 39% - to $ 1 trillion. It is worth of saying that this reduction of investment has affected all types of economies. Investments in developed countries in 2009 decreased by 41% (to $ 565 billion), in developing countries after six years of uninterrupted growth - 35% (to $ 406 billion), and into the transition economies - 40% (up to $ 69 billion).

The crisis has also changed the global investment landscape: in 2008 the share of transition economies, which are developing, in the total flow of capital has increased by 17% (43% of the total or $ 621 billion) and the share of developed countries fell by 38% (57% of the total, or $ 962 billion). In 2009, the share of countries in transition, developing countries increased to 46%, while developed countries have decreased by 4% to 54% of the total volume of foreign direct investment.

Investments rates are currently restrained by the uncertainty in the target markets and financial problems of investment companies. According to the "Global Capital Markets Survey" conducted by Appleton Mayer in the period from 10 to 24 May 2010, perspectives of recovery of investment activity in scope of direct investment are still disappointing. 51% of the managers of investment companies have noticed the deterioration in the target markets. Thus 50% of respondents said that in the next 6-12 months plan to stop investing in new projects, concentrating their attention on the current investment portfolio. Among the reasons that forced investment firms to abandon investment in new projects, 37% of respondents mentioned uncertainty in the target markets, the lack of available investment resources (33%) and problems with financial stability and liquidity (24%). 56% of companies that soon shall stop investing in new projects, are planning to restore their investment not less than 6 months and 24% - not earlier than one year. Among the factors that will play a key role in making investment decisions in the next 6-12 months, considering the current situation, respondents named: the presence of projects that can generate stable cash flow (55%); stable conditions of economic recovery and business (54%), domestic market size and dynamics of its development (44%), stable investment climate (38%) level of economic freedom (35%), the dynamics of prices on resources (29%).

One shouldn’t forget that except the economic problems, in our globalized world the others not less important problems are exist. That without any doubts would impact the life’s of all people. I mean the world food crisis, loss of which in the world economy is approaching $ 1 trillion, recently provoked increasing interest of investment firms to agriculture and food industry. Confirm these trends and poll results. Among the sectors in which it makes sense to invest, considering the current situation, 42% of respondents named the food industry, and 41% - agriculture. During 2005-2008 world food prices increased on average by 83%. As reported in the report of the Food and Agriculture Organization, in the beginning of 2008 the world prices for most food commodities reached their highest level in 50 years. Dynamics of global food price index # 015 shows a sharp jump in prices for agricultural products since 2006. The second wave of growth in prices began in 2009. In December 2009 the FPI index reached a maximum year mark - 172. One of the main reasons for rise in agricultural products is growing world population and the consequent consumption of food. It is expected that the number of inhabitants on Earth from the current 6.5 billion people could rise more than twice. In addition, every year people in the world want a higher quality of life and consume more and more proteins. For example in 1989 the average Chinese person ate 15 kg of meat a year now - 51 kg. This trend directly affects the consumption of grain, because production of one kilogram of meat requires eight pounds of grain. Another reason is the rise in the growth of biofuels. Grain, particularly corn, for biofuels significantly influenced the growth of world prices for grains. For example, since 2005 the cost of corn has increased more than twice when the U.S. adopted a law to increase the use of ethanol fuel ("Energy Bill", Energy Policy Act of 2005). This caused a rise in prices not only for corn but also for sugar cane, soybeans, wheat, because of the growing demand for biofuels makes farmers to reduce the area under food crops and redistribute them for fuel crops. The increase in grain prices caused a rise in prices for meat, dairy products, poultry and eggs. As a result, focus on biofuels has made a considerable contribution to the growth of food prices not only on the local markets but on the global as well. An important factor is the annual reduction of lands suitable for growing crops, as a result of natural disasters and soil erosion caused by global climate change. "Agricultural production in the next 3-5 years will be the best investment" - said in one of his interviews Oliver Kratts, the head of the New York unit of Deutsche Bank, which manages assets of $ 10 billion ($ 3 billion of which fall on investment in agriculture). Considering the current situation it is really valuable advice. There is also worth of noting the investor’s interest in areas with less cyclical nature and economic sectors that continuing to show a dynamic growth (telecommunications, pharmaceuticals, food industry). As for the sectors most sensitive to business cycles (automotive, metallurgy, chemical industry), in the short term we should expect a substantial reduction in investment flows in these sectors.

It should be noted that in May 2010 compared with December 2009, by 40% increased the number of investors who find medium-term (5 years) investing as the best option. The choice in favor of "longer" time horizon investors are forced to do because at the moment there are limited opportunities for a "fast" (speculative) projects. That is why investment firms re-orientated on medium and long-term projects that guarantee to investor a stable cash flow. But among investors there are still remain more priority to the projects aimed at a short-term (up to 1 year) period.

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POST-CRISIS GLOBAL REBALANCING AND INTERNATIONAL CAPITAL FLOWS

***Summary**. After the global crisis, developed and emerging economies have to re-balance accumulated imbalances, which are interconnected with the international capital flows changes.*

Capital flows are driven by the number of factors, have contradictory implications, they inter-relay with pre-crisis and post-crisis global imbalances. Capital flows changes are influencing on the global re-balancing, should be considering while assessing a probability of financial crises in a future.

Key words: international capital flows, capital flows factors, capital flows structure, global imbalances, post-crisis rebalancing, capital inflows, capital outflows.

Ключові слова: міжнародні потоки капіталу, фактори руху капіталу, структура руху капіталу, глобальні дисбаланси, пост-кризове ребалансування, приплив капіталу, відплив капіталу.

Introduction.

Global crisis rapid spillover in 2008-2009 some researchers have explained as result of deeper international financial integration and cross-border capital flows. In post-crisis time international capital flows are changed in developed and emerging economies.

After financial crisis the global economy and financial markets does not show clear signs of restoring economic and financial balances, stable growth. Post-crisis picture looks like a complex interaction of the double- or multi speed recovery, global imbalances, sovereign debt and budget crises, commodities and asset prices volatility, structural changes of international capital flows. This requires to study the post-crisis specific of financial globalization, capital flows changes, international contagion, mixed trends on financial markets, prospects of financial stabilization or future financial crisis.

The research aim is to study the link between international capital flows and post-crisis rebalancing. The last is playing a systematic role in more sustainable economic growth and fi-

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