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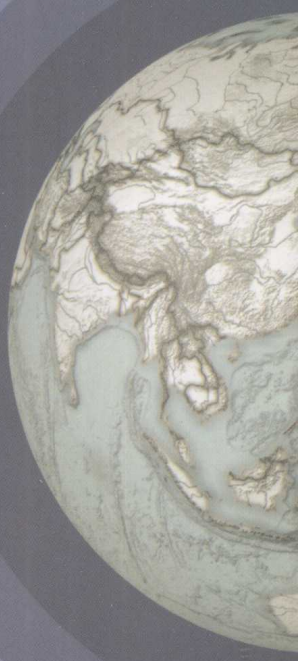
全国高等院校商务英语专业规划教材（本科）

国际金融（英文版）

International Finance



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前　言

国际金融是一门研究国际间货币和资本运动与交换关系的学科。随着世界经济一体化进程的不断加快，国际金融正日益成为世界经济中最活跃的因素。进入21世纪以来，国际金融市场发生了巨大变化：金融产品的创新层出不穷，金融体系的结构重新整合，金融组织的功能迅速加强，金融监管的重点不断调整。所有这一切正在深刻地改变着世界经济发展的进程和国家间的利益格局。

如何培养既精通国际金融专业知识又熟练外语技能的复合型人才，如何使学生既掌握国际金融学科所要求的基础理论和基本技能，又具备紧跟国际金融领域发展前沿的综合素质，已成为当今中国学界相关学科和跨学科建设与教学的一大课题。“金融＋外语”的双语教学方式正是实现上述教学目标的重要手段和途径。

本《国际金融（英文版）》教材的编写，试图帮助读者在英语语境中系统学习、感悟和掌握当今国际金融学科的要义，增强直接使用英语从事国际金融市场实际操作的能力和把握国际金融理论精髓的水平。在我国学界，不同风格、类型的《国际金融》教材俯拾即是，但它们大都是用中文编写的，既无法充分满足培养专业加外语的复合型人才模式的需要，也无法完全实现该模式的培养目标。因此，本英文版《国际金融》教材的编写正是这一时代浪潮催生而成的产物，相信广大读者会从中体会其所被赋予的使命。

本书的编写体例含关键词、正文、小结和问答题，最后附有试卷范例。本书在编写过程中力图脉络清晰、结构完整地勾勒国际金融这一学科的发展轨迹和现状，突出逻辑性、前沿性和国际性并举的特点，既有基础知识的详尽介绍，又有金融理论的重点评述，还有相关法规的必要解读。思维连贯一致、语言练达通畅、内容详略有致、重点突出鲜明是本教材追求的编写目标。本书适用于高等院校经贸、金融、财务和商务英语等专业的学生、经贸金融界专业人士及相关从业人员学习使用。

本书由对外经济贸易大学国际经贸学院博士生导师刘园教授主编（负责通稿总审并撰写第一、二、三、四章），胡雅珊为副主编（负责撰写第九、十、十一章）。第五章作者为孙彦平，第六章作者为张晓芳，第七章作者为李志斌，第八章作者为郭君。此

外，孙美丹、牟铁钢、朱旭鹏、叶蕊、王帅荣、刘敏、李焯等也对本书的最后成稿作出了贡献，在此一并表示感谢。

由于编者水平有限，错误疏漏在所难免，恳请学术界同行专家与读者不吝赐教。

刘　园

2008 年 1 月于北京

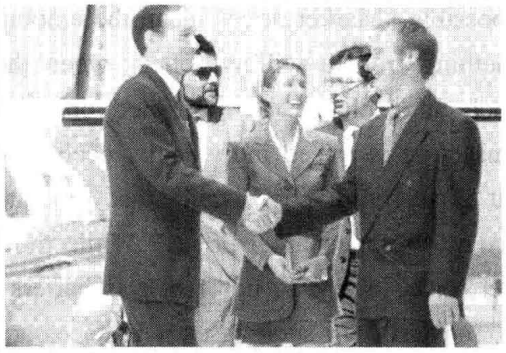
Contents

1 CHAPTER

Balance of Payments

Key Words:

current account	capital account
change in reserves	counterpart items
net errors and omissions	trade balance
current account balance	official settlement balance
relative inflation rate	real GNP growth rate
relative interest rates	spot rate of exchange



This chapter shows what the balance of payments is and how it relates to the exchange rate and overall economic activities. We begin with a general presentation of the balance of payments and the major transactions to which it refers. We examine the principles guiding its structure and the interpretation of each type of transaction that is included. Particular attention is paid to concepts of surplus and deficit. Finally, we look at the functional relationship between the balance of payments and the overall economy.

1.1 International transactions: the balance of payments

The balance of payments is the record of the economic and financial flows that take place over a specified time period between residents and non-residents of a given country. The time period is arbitrary, but it is common practice to supply balance of payments data on a monthly, quarterly and yearly basis. The residents of a country comprise the central government, individuals, private non-profit bodies serving individuals, and enterprises, all defined in terms of their residential relationship to the territory of that economy. Flows refer to income and expenditure or changes at levels of outstanding assets and liabilities. They are recorded in a double entry system of credits and debits or sources and uses.

The best way to understand this definition is via some simple examples, but first we have to have some general idea of what the balance of payments includes. Table 1.1 shows a shorthand presentation of how the International Monetary Fund (IMF) portrays the balance of payments. It is divided into two major accounts, the current account and the capital account. Each general account is then subdivided into categories such as exports, imports, direct investment and portfolio investment. When necessary, more details are available.

In order to make comparisons between different economies, a standardized method for compiling the accounts is necessary. The accepted practice is that the elements of both accounts should be recorded at market prices where possible. Market prices mean the amount of money that a willing buyer pays to acquire something from a willing seller, when the buyer and the seller are independent and when such an exchange is motivated only by commercial considerations. In this context, each transaction is priced individually according to the contract terms specific to that transaction. It is therefore conceivable that separate transactions, though identical in every way, could have different market prices. While most transactions lend themselves to this notion of a market price, many do not, such as barters, tax payments, transfers between affiliated enterprises and gifts. In such cases it is necessary to estimate their actual market values respectively.

Table 1.1 **Standard components of the balance of payments**

Current account	
	Exports FOB
−	Imports FOB
=	Trade balance
+	Exports of non-financial services
−	Imports of non-financial services
+	Investment income (credit)
−	Investment income (debit)
+ (−)	Private unrequited transfers
+ (−)	Official unrequited transfers
=	Current account balance
Capital account	
+ (−)	Direct investment
+ (−)	Portfolio investment
+ (−)	Other long-term capital
+ (−)	Other short-term capital
+ (−)	Net errors and omissions
+ (−)	Counterpart items
+ (−)	Total change in reserves
=	Capital account balance

With these general definitions in mind, we can move on to some concrete examples of how the balance of payments accounting works.

The current account

The trade balance

As we see in Table 1.1, the current account includes the trade balance, which comprises merchandise exports FOB minus imports FOB. Merchandise refers to all movable goods such as cars, textiles and appliances, and "FOB" means free on board. FOB implies that distributive services like transport and handling performed on goods end up at the customs frontier of the economy, from which the goods are exported.

Non-financial services

The next two items of the current account are exports and imports of non-financial

services. Non-financial services include such things as freight, insurance, passenger and travel services. Freight refers mainly to the carriage or transport of goods between economies. Insurance covers risks that may occur on movable goods during the course of shipment, on the carriers themselves, and other risks which endanger such as life and property. The transportation of persons represents the largest component of passenger services. It includes services for which passengers pay on board a carrier and for which they pay carriers. Travel covers the goods and services acquired from an economy by non-resident travelers for their personal use during their stay in that economy. The most common goods and services are lodging, meals, entertainment and transportation within the economy, together with gifts, souvenirs and personal articles that travelers take out of the economies visited.

Investment income

The next item in the current account is about investment income, derived from owning foreign financial assets. It includes interest and dividends from portfolio investment but excludes the earnings of incorporated enterprises that are not formally distributed. If, for example, earnings per share on a portfolio investment are GBP 10 and a GBP 5 dividend is declared, only the GBP 5 dividend would be counted in the balance of payments. The same is not true for non-distributed earnings on direct investments, which are treated as investment income. The distinction between portfolio investment and direct investment revolves around the investor's intentions concerning the managemant of the foreign company. When the investor's purpose is to have an effective voice in the management of the foreign enterprise, it is considered as a direct investment; when there is no such purpose it is considered as a portfolio investment. We will have more to say later on about this distribution.

Unrequited transfers

The final components of the current account are private unrequited transfers and official unrequited transfers. Private unrequited transfers refer mainly to resident immigrant workers' remittances to their country of origin as well as gifts, dowries, inheritances, prizes, charitable contributions, etc. Official unrequited transfers include voluntary subsidies, military aid, voluntary cancellation of debt, contributions to international organization, indemnities imposed under peace treaties, technical assistance, taxes and fines. Because of the non-market quality of unrequited transfers, adherence to the market price principle applied to the other accounts is often impossible. The general rule of thumb is that when unrequited transfers are offsets to real or financial resources, their value should be assumed to be the

same as that of the real or financial resources, to which they correspond. If these resources themselves have no actual market value, they should be valued at cost or some national value determined by one of the parties to the transaction.

The current account as an income statement

This completes the components of the current account. We can see that the current account resembles the income statement of a private company. Exports of goods and non-financial services plus credits of unrequited transfers correspond to sales. Imports of goods and non-financial services plus debits of unrequited transfers correspond to non-financial expenses such as cost of goods sold, selling expenses and general administrative costs. Investment income corresponds to dividends and interest. One major difference does exist, however, in that there is no distinction between costs accruing to operations and costs associated with capital investment. Consequently, to the extent that there is no provision for depreciation and that imports of non-financial goods and services can include investment expenditure, it is not clear from the balance of payments whether there is a profit or loss. This type of question can only be answered in the context of the overall economy, a problem we will take up in the following chapter.

The capital account

Direct investment and portfolio investment

As mentioned in the discussion of investment income, the difference between direct investment and portfolio investment revolves around whether or not the investor intends to take an active role in the management of the enterprise, the assets of which are being acquired. In many cases there is no ambiguity. Bonds, debentures and the like are clearly portfolio investment insofar as they confer no management or voting rights on their owners. On the other hand, foreign branches, wholly owned subsidiaries and joint ventures are clearly direct investments. Since ownership of at least some voting stock is usually seen as a requirement for direct investment status, it is increasingly difficult to establish the distinction between direct investment and portfolio investment as the proportion of foreign ownership falls or is dispersed among various owners and economies. Most countries solve the problem based on the percentage of foreign ownership by a single investor in the enterprise. If foreign single investor ownership is above a certain percentage, the investment is considered as direct investment; below this percentage it is considered as portfolio investment.

Other capital

The next component of the capital account is referred to as "other capital", which is a residual category that groups all the capital transactions that have not been included in direct investment, portfolio investment and reserves. It is divided into long-term and short-term capital and, because of its residual status, can differ from country to country. Generally speaking, other long-term capital includes most non-negotiable instruments of a year or more like bank loans and mortgages. Other short-term capital includes financial assets of less than a year such as currency, deposits and bills.

Change in reserves

A key element in international economic and financial analysis is the amount of international liquidity or "reserves" held by the central authority of individual countries. Reserves include monetary gold, special drawing rights (SDRs), the reserve position in the Fund and foreign exchange. Monetary gold is gold held by the authorities as a financial asset. SDRs are reserves created by the International Monetary Fund (IMF) as bookkeeping entries and credited to the accounts of IMF member countries according to their established IMF quotas. A decision to create SDRs requires the approval of a majority of the member countries holding 85% of the weighted voting power of the IMF. Once created they may be used in the settlement of balance of payments imbalances among countries participating in the Special Drawing Account administered by the IMF. More will be said about SDRs and the IMF when we look at the organization of the international financial system. The reserve position in the Fund is basically the difference between the member's quota plus other claims on the Fund less the Fund's holdings of that member's currency. Foreign exchange is by far the largest component of total international liquidity. It includes monetary authorities' claims on non-residents in the form of bank deposits, Treasury bills, short-term and long-term government securities, and other claims usable in the event of balance of payments need, including non-marketable claims arising from inter-central bank and inter-government arrangements, without regard to whether the claim is denominated in the currency of the debtors or the creditors.

The evolution of international reserves in balance of payments accounting is recorded in the account called "change in reserves." This account differs from the other accounts in the balance of payments insofar as it is the only account that records transactions with residents as well as non-residents.

Counterpart items

So far nothing has been mentioned about the accounts labeled counterpart items and net errors and omissions. Counterpart items are analogous to unrequited transfers in the current account. They arise because of the double entry system in balance of payments accounting and refer to adjustments in reserves owing to monetization or demonetization of gold, allocation or cancellation of SDRs and revaluation of the various components of total reserves.

When monetary authorities add to their holdings of monetary gold by acquiring newly mined gold or existing gold offered on the private market, their reserves increase which creates a debit or use on the capital account. The offsetting source for the same amount as the increase in reserves is applied to the counterpart account. When monetary authorities sell gold to the private sector (demonetization), the resulting source is offset by a use entry for the same amount in the counterpart account.

The same procedure holds for the allocation of SDRs. SDRs, as a pure creation by the IMF, give rise to a debit in the reserve account when they are allocated. The offsetting source is credited to the counterpart account. When SDRs are cancelled, the resulting source in the reserve account is offset by a debit in the counterpart account.

The floating exchange rate system, which was in place since the early 1970s, and the fact that an official gold price no longer exists, mean that in the absence of a fixed price unit of account the various reserve components can show valuation changes relative to each other. When the monetary authorities adjust the value of their reserves upwards or downwards in response to these changes, the offsetting credit or debit is applied to the counterpart account.

Net errors and omissions

The errors and omissions in balance of payments accounting arise in large part from the statistical difficulties involved in gathering balance of payments data. Because officials do not have the necessary information to make the double entries they make single entries based on the information available to them. This information often comes from multiple sources that vary in coverage and reliability. For example, merchandise trade figures are derived from customs documents, freight charges from reports by shipping organizations, and the resulting changes in international bank accounts from either banks' balance sheets or from transaction records compiled by banks or others. Short-term capital movements are particularly difficult

to track, especially when there is an intent to evade exchange controls, taxes and other restrictions. Capital movements may also lead or lag the transactions they are meant to finance. For example, an export shipped in the month of November or December may not be paid for until January or February of the following year. The net errors and omissions account offsets the cumulated net difference in the other accounts.

1.2 Balance of payments surplus and deficit

The balance of payments always balances since each credit in the account has a corresponding debit elsewhere. However, this does not mean that each of the individual accounts that make up the balance of payments is necessarily in balance; for instance, the current account can be in surplus while the capital account is in deficit. When talking about a balance of payments deficit or surplus economists are really saying that a subset of items in the balance of payments is in surplus or deficit.

Economists make a distinction between autonomous (above the line) and accommodating (below the line) items. The former are transactions that take place independently of the balance of payments, whilst accommodating items are those transactions which finance any difference between autonomous receipts or payments. A surplus in the balance of payments is defined as an excess of autonomous receipts over autonomous payments, while a deficit is an excess of autonomous payments over autonomous receipts.

Autonomous receipts > autonomous payments = surplus
Autonomous receipts < autonomous payments = deficit

We shall now review some of the most important of these concepts and consider their usefulness as economic indicators.

The trade account and current account

These two accounts derive much of their importance because estimates are published on a monthly basis by most developed countries. Since the current account balance is concerned with visibles and invisibles, it is generally considered to be the more important of the two accounts. What really makes a current account surplus or deficit important is that a surplus means that the country as a whole is earning more than that it is spending vis-à-vis the rest of the world and hence is increasing its stock of claims on the rest of the world; while a deficit means that the country is reducing its net claims on the rest of the world. Furthermore, the

current account can readily be incorporated into economic analysis of an open economy. More generally, the current account is likely to quickly pick up changes in other economic variables such as changes in the real exchange rate, domestic and foreign economic growth and relative price inflation.

The basic balance

This is the current account balance plus the net balance of long-term capital flows. The basic balance was considered to be particularly important during the 1950s and 1960s period of fixed exchange rates because it was viewed as bringing together the stable elements in the balance of payments. It is argued that any significant change in the basic balance must be a sign of a fundamental change in the direction of the balance of payments. The more volatile elements such as short-term capital flows and changes in official reserves are regarded as below the line items.

Although worsening of the basic balance is supposed to be a sign of a deteriorating economic situation, having an overall basic balance deficit is not necessarily a bad thing. For example, a country may have a current account deficit that is reinforced by a large long-term capital outflow so that the basic balance is in a large deficit. However, the capital outflow will yield future profits, dividends and interest receipts that will help to generate future surpluses on the current account. Conversely, a surplus in the basic balance is not necessarily a good thing. A current account deficit which is more than covered by a net capital inflow so that the basic is in surplus could be open to two interpretations. It might be argued that because the country is able to borrow long run there is nothing to worry about since it is regarded as viable by those foreigners who are prepared to lend it money in the long run. Another interpretation could argue that the basic balance surplus is a problem because the long-term borrowing will lead to future interest, profits and dividend payments which will worsen the current account deficit.

Apart from interpretation, the principal problem with the basic balance concerns the classification of short-term and long-term capital flows. The usual means of classifying long-term loans or borrowing is that they are of at least 12 months to maturity. However, many long-term capital flows can be easily converted into short-term flows if need be. For example, the purchase of a five-year US treasury bond by a UK investor would be classified as a long-term capital outflow in the UK balance of payments and long-term capital inflow in the US balance of payments. However, the UK investor could very easily sell the bond back