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Imperatives for Transformation of the International Monetary System in the Conditions of Multipolarity

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ABSTRACT

The neoliberal model of globalization promoted the outstripping growth of financial assets over the development of the real sector. The functioning of the international monetary system (IMS), based on one key national currency — the US dollar, has led to the financialization of the world economy and the formation of global imbalances. The purpose of the article is to substantiate the need to replace US-centric financial institutions with new institutions at the regional level and to transform the IMS in the direction of monetary polycentrism and regionalization. The paper discusses the mutual responsibility of the core and periphery countries for the formation of global imbalances. The financial and economic indicators of sovereign states, transnational companies and transnational banks are compared according to the "scale" of globalization. The study shows chronic disproportions between the dynamics of global capital growth and economic growth rates, leading to the state's loss of control over the reproduction process. It is substantiated that the current transformation of the IMS in the direction of monetary polycentrism and regionalization is a natural reaction to these imbalances. The article reveals a negative relationship between the implementation of procyclical and anti-crisis monetary policies by the central banks of developed countries and the competitive positions of developing countries in international financial and commodity markets. The factors of using the oligopoly of the Big Three credit rating agencies as a "soft power" to maintain the US global hegemony and the status of the US dollar as a key reserve currency are systematized. The author concludes that in order for developing countries to form their own international liquidity, it is necessary to stimulate the internationalization of their currencies by developing pan-Asian financial institutions and encouraging competition between them and the existing institutions of the IMS.

Keywords: international monetary system; crisis of globalization; monetary polycentrism; regionalization; global imbalances; financialization; developing countries; center-peripheral model; international liquidity; credit rating agencies

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INTRODUCTION

The neoliberal model of financial globalization, sponsored by the United States and Great Britain, has led to the fundamental unreformability of the Bretton Woods institutions. Despite their supervisory status and statutory obligations to act as multilateral financial and macroeconomic regulators, these institutions have effectively become agents of instability in the foreign exchange markets and passive observers of the spontaneous movement of global capital. The inability of global institutions to prevent risks in a timely manner gives rise to new risks, which primarily negatively affects emerging financial markets and the economies of developing countries. Consequently, the existing institutional structure of the IMS forces developing countries to protect their domestic market by introducing protectionist measures in financial policy, which, with their insignificant participation in international financial intermediation, leads to their exclusion from the process of financial globalization. The rejection of emerging markets as equal partners in the global financial system confirmed the financial sanctions imposed on the Russian banking system by the US, EU, UK and other global financial centers in February-March 2022 after the armed conflict in Ukraine. The consequence of the exclusion of emerging markets from the process of financial globalization is the escalation of global imbalances and the afterburner of the unproductive financialization of the world economy. In this regard, it seems relevant to study the objective and subjective factors of the transformation of the IMS in the context of the formation of a multipolar economic world.

SIGNS OF SYSTEM TRANSFORMATIONS

2008–2009 global financial crisis and the COVID-19 pandemic have caused serious damage to the world economic order based on free competition, open markets and respect for the rules of the game [1, p. 5]. During 2009–2021 the largest trading powers were in the lead in the number of new protectionist measures introduced against other countries: in the USA their number increased from 148 to 2554, in China from 245 to 2963, in Germany from 245 to 1991.[1] Since the 2010s there has been a decline in the ratio of growth in world merchandise trade to world GDP.[2] A similar state of affairs was characteristic of the sphere of international investment. Global stock of FDI increased only in 2011, 2015, 2016 and 2019, while it declined in other years.[3] A post-COVID surge in international trade and investment activity in 2021 may have a short-term effect (following the example of 2010), given the sharp aggravation of the geopolitical situation in the world caused by the events in Ukraine.

After the global financial crisis, the development of world trade and investment was accompanied by increased trends in regionalization [2, 3] and transregionalism [4, 5]. During 2009–2022 the number of registered regional trade agreements that violate WTO principles has increased from 287 to 577.[4] Over the past few years, a number of mega-regional trade agreements have come into force, such as the EU — Canada, CCI-11 and RCEP. Such a reaction of market participants to the crisis of globalization can be regarded as a belated response to the ineffectiveness of the IMS, which, after the collapse of its Bretton Woods format, continues de facto to be based on one world currency — the US dollar [6].

As for the second most important currency, the euro, over two decades its global use has remained virtually unchanged or has declined in almost all segments of the global

[1] Global Trade Alert. The 27th Global Trade Alert Report. 2021. P. 71, 79, 127. URL: https://www.globaltradealert.org/reports (accessed on 29.07.2021).

[2] WTO. World Trade Statistical Review. URL: https://www.wto.org/english/res_e/statis_e/wts_e.htm (accessed on 29.07.2021).

[3] UNCTAD. World Investment Report 2021. URL: https://unctad.org/webflyer/world-investment-report-2021 (accessed on 29.07.2021).

[4] WTO. Regional Trade Agreement Database. URL: http://rtais.wto.org/UI/charts.aspx (accessed on 17.03.2022).

financial market.[5] The insufficiently strong position of the euro in the IMS is mainly due to the insignificant scale of the expansion of the eurozone economy and the weakening of the competitive advantages of European TNCs and TNBs in the world market [7]. Nevertheless, it was the introduction of the euro that served as the basis for creating competition for the US dollar and the foundation for the formation of a model of currency polycentrism and regionalization [8, 9].

According to the WTO, in 2018 the share of developing countries in international trade in goods increased to 44%, and in international trade in services — up to 34%,[6] which was largely due to the expansion of trade between the developing countries. A similar trend is also characteristic of the dynamics of international investment processes: in 2020, developing countries accounted for two thirds of incoming and more than half of outgoing foreign direct investment.[7] These data objectively confirm the need to increase the share of developing countries' currencies in the IMS. A new impetus to the development of currency-polycentric trends was given by the creation of Asian-centric international financial institutions [the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB)] and the inclusion of the Chinese yuan in the Special Drawing Rights (SDR), which marked the recognition by "classic" international financial institutions of the enduring importance of developing countries in the world economy.

Simultaneously with these trends, the dysfunction of the US dollar-centric IMS is increasing in terms of mobilizing world savings for production purposes, proportional distribution of credit resources between developed and dynamically developing countries, regulation of international monetary and financial flows to ensure balance, sustainable and inclusive growth [10]. Consequences of the belated transformation of the IMS towards currency polycentrism and regionalization — the financialization of the world economy and global imbalance.

FINANCIALIZATION OF THE WORLD ECONOMY

The transnationalization of production led to a significant increase in financial capital, which, under the strict rules of the Bretton Woods system, did not find a profitable placement outside the economies of its countries of origin. With the abolition of the basic Bretton Woods principles — the cessation of the exchange of the US dollar for gold, the introduction of a system of floating exchange rates and the removal of restrictions on the free movement of capital — the necessary institutional prerequisites for the transnationalization of financial capital in the IMS have been created.

At the same time, the limited value flow of international trade in goods and services led to the allocation of the financial sector to a separate area of the IMS, not directly related to production processes in the real sector of the economy. In connection with the change in the basic principles of the functioning of the IMS for insurance against sharp changes in exchange rates and prices for goods, manufacturers have increased demand for risk hedging instruments — derivative financial instruments.

Financialization has led to the disequilibrium of the modern world economy, which is determined by the following parameters. Firstly, the money supply has ceased to be determined directly by the state. Secondly, financial markets have learned to profit from both falling and rising prices. Thirdly, financial capital came off directly from operations in the stock market [11, p. 69].

The scale of financialization can be characterized by comparing the performance

[5] ECB. The International role of the euro, June 2021. URL: https://www.ecb.europa.eu/pub/pdf/ire/ecb.ire202106~a058f84c61.en.pdf (accessed on 29.07.2021).

[6] WTO. World Trade Statistical Review 2019. P. 14–15.

[7] UNCTAD. World Investment Report 2021. P. 248.

of world trade, the global stock market and the derivatives market. For example, in 2019, the volume of global exports of goods and services amounted to $ 25.0 trillion, the turnover of the global stock market was $ 60.4 trillion, and the daily turnover in the global derivatives market exceeded $ 6.5 trillion.

As a result of the financialization of the world economy, the bulk of international liquidity began to be formed by banking and non-banking financial institutions outside the national regulatory space — in the offshore segment of the IMS [12, p. 16; 13, p. 8]. The countercyclical mechanism for creating offshore liquidity is regular swap agreements with the participation of six leading central banks — the US Federal Reserve, the European Central Bank, the Bank of Japan, the Bank of England, the Bank of Canada and the National Bank of Switzerland.[8] Through these agreements, each of the offshore participants can create, in addition to US dollars, pounds sterling, Canadian dollars, euros, Swiss francs and yens [14, p. 17]. The volume of liquidity created in the offshore segment of the IMS significantly exceeds the volume of liquidity under official international agreements in the onshore segment of the IMS.

The development of financialization processes has led to the emergence of alternative decentralized forms of money, created using digital technologies in private and not regulated at the state level. In this regard, a number of leading central banks are preparing to launch sovereign digital currencies, which are designed to maintain centralized control over the national currency space.

GLOBAL IMBALANCES

The problem of global imbalances, described, in particular, in the works of G. Soros [15] and B. Eichengreen [16], arises due to the specific configuration of international settlements serving the world economy, consisting of a core and periphery. Global imbalances arise from the core having excessive privileges in issuing the reserve currency. To gain access to international liquidity, the periphery is implementing a strategy of export-oriented growth at the expense of an undervalued national currency. Excess export earnings are placed in assets denominated in the currencies of the core countries, mainly in US dollars. Further, these savings are converted into financial capital and returned to the periphery in the form of loans and investments. While the reserves of the periphery are formed in low-yield assets of the core, financial capital is placed in high-yield debt obligations of the periphery. The interest rate differential resulting from this unequal exchange causes a negative investment income balance in peripheral countries. During crises, there is a sharp outflow of capital from the volatile assets of the periphery to the highly liquid assets of the IMS core. To accumulate reserves to service external debt and stabilize exchange rates, especially during periods of crisis, periphery countries are forced to constantly accumulate a positive balance of payments (in the current account and/or capital account), while the IMS core countries, on the contrary, maintains a negative balance on these accounts. Thus, the existing format of the IMS, based on the national currency of the United States, which performs the functions of world money and a protective asset, inevitably leads to the accumulation and deepening of global imbalances that undermine the stability and increase the dysfunctionality of the IMS. At the same time, both the core countries and the countries of the periphery are responsible for the formation of global imbalances (*Fig. 1*).

The institutional body responsible for the smooth functioning of the center-periphery model is the IMF, which, through the system of official reserves, obliges the periphery countries to place their savings in the

[8] Federal Reserve Bank of New York. Central Bank Swap Agreements. URL: https://www.newyorkfed.org/markets/international-market-operations/central-bank-swap-arrangements (accessed on 29.07.2021).

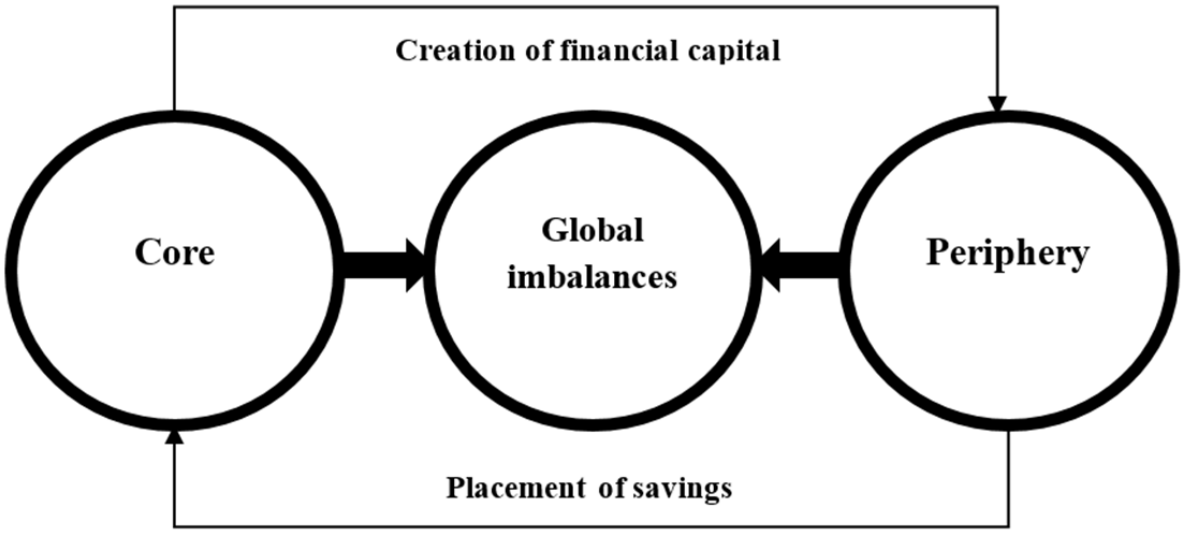

Fig. 1. **Formation of global imbalances in the world economy**
Source: developed by the author.

currencies of the core countries, mainly in the US dollars.

As a result of the COVID-19 pandemic, a sharp increase in global external debt, mainly at the expense of developed countries, has led to a significant expansion of the external financing imbalance. Thus, according to the IMF, in 2020 the size of the total international investment position of all countries amounted to about 22% of GDP in terms of external assets and about 26% in terms of external liabilities, while in 2010 it was 14% of GDP for external assets and 16% for external liabilities.[9]

The increase in the activity of multinational enterprises (MNEs), which are unregulated at the global level, contributes in many respects to the multiplication of global disproportions. According to the authoritative French economist T. Piketty, the main contradiction of capitalism is that in the long run, the return on capital exceeds the rate of economic growth [17]. During the period from 1990 to 2019, the size of the assets of foreign affiliates of MNEs increased from 6 to 112 trillion dollars, and the size of the world GDP during this period increased from 24 to 87 trillion dollars. Thus, the growth rate of assets of foreign affiliates of MNEs was 6.5 times higher than the growth rate of world GDP, despite the fact that foreign affiliates of MNEs employed only about 2.5% of the total number of employed in the world (*Fig. 2*).

At the present stage of globalization, MNEs directly compete with states (integration associations of countries) for access to global resources. According to the conditional "scale" of globalization, the capitalization of the largest MNEs is comparable in size to the economies of the third-tier countries, whose GDP is in the range of $ 1–2 trillion and is very close to the second-tier countries with a GDP of between $ 2 trillion and $ 10 trillion. In turn, the assets of some individual multinational banks (MNB) are already comparable to the size of the GDP of second-tier countries and exceed the total GDP of the largest regional blocks of developing countries (*see Table*).

For nation states, the growth of transnational capital creates significant sovereign risks. In fact, at the present stage of globalization, transnational capital

[9] IMF. World Economic Outlook, April 2021: Managing Divergent Recoveries. URL: https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021 (accessed on 29.07.2021).

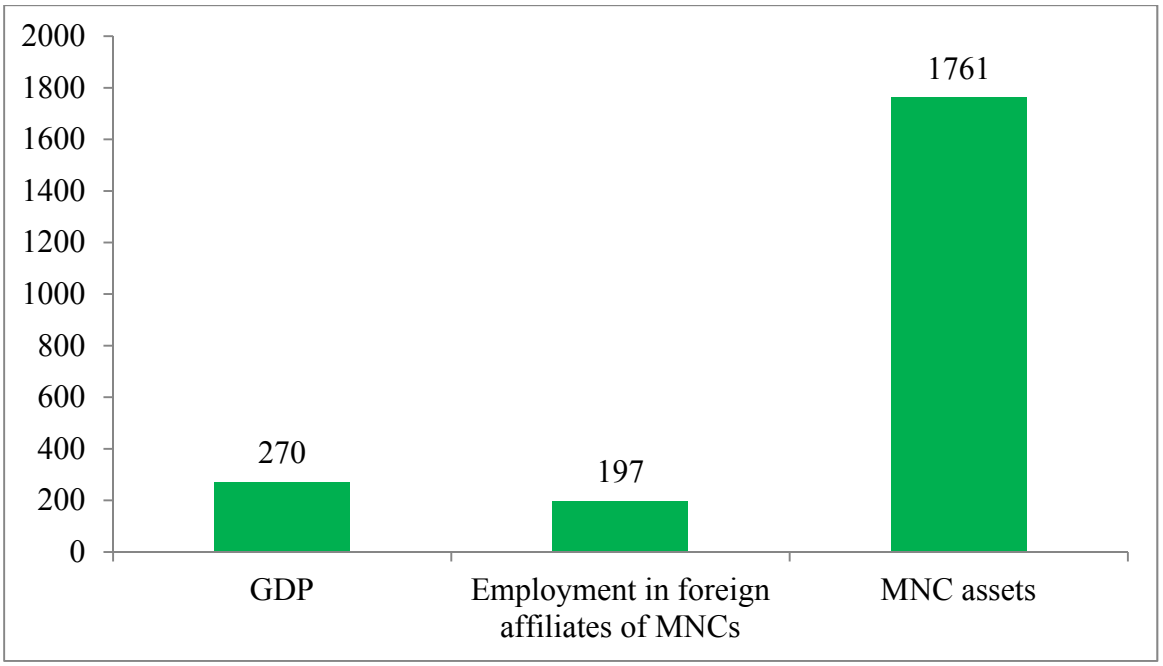

Fig. 2. **Comparative dynamics of world GDP, assets and employment in foreign affiliates of MNEs (1990–2019 growth), %**

Source: compiled based on UNCTAD. World Investment Report 2020. p. 22.

replaces the state everywhere as the main subject of economic relations. Further implementation of the neoliberal model of the world economy (democratic in form, but not equivalent in content) may eventually lead to the elimination of the most important social gains of the 20th century and a loss of control and regulation of the reproductive process by the state. A peculiar response to this challenge is the modern transformation of the IMS towards currency polycentrism and regionalization.

FINANCIAL INSTABILITY IN DEVELOPING COUNTRIES

Due to the implementation of market reforms and outpacing economic growth over the past two decades, the importance of the most dynamically developing countries in the world economy has been steadily increasing. By 2030, China may overtake the United States as the world's largest economy, and the share of developing countries in global GDP may reach 50% [18, p. 17–18].

However, the COVID crisis resulted in a 3.3% decline in global GDP in 2020, a deeper drop than during the 2009 global financial crisis, which was 0.4%. In a global recession, attracting resources from the global financial market is an important source of financing for developing countries, most of which are experiencing acute budget deficits. At the same time, according to IMF experts, the uneven recovery of the world economy is an obstacle to the full return of developing countries to capital markets. The situation may be aggravated by the tightening of monetary policy by the central banks of developed countries. A sharp rise in interest rates in developed countries could jeopardize the significant external financing needs of developing countries (*Fig. 3*).

It should be emphasized that, as part of the implementation of anti-crisis stimulus measures, the debt of the G7 countries increased from 85% of GDP in 2005 to 140% in 2020, while the cost of servicing it decreased from 2 to 1.5% of GDP.[10] The

[10] The Covid-19 Pandemic Has Added $ 19.5 Trillion to Global Debt. Bloomberg, 27 January 2021. URL: https://www.bloomberg.com/graphics/2021-coronavirus-global-debt/ (accessed on 29.07.2021).

Table

Comparison of sovereign states, multinational enterprises and multinational banks by the main financial and economic indicators

	Comparative scale, USD	Sovereign states (nominal GDP), 2020	MNE (market capitalization), 2020	MNB (assets), 2019	Regional blocks of countries (nominal GDP), 2020
Tier 1	More 10 trillion	US (20.8) China (14.7) – ***2***	–	–	USMCA (23.5) – ***3*** EU (14.9) – ***27***
Tier 2	2-10 trillion	Japan (4.9) Germany (3.8) UK (2.6) India (2.6) France (2.6) – ***5***	Apple (2.1)	ICBC (4.3), CCBC (3.7), Agricultural Bank of China (3.6), Bank of China (3.3), Mitsubishi (2.9), HSBC (2.7), JPMorgan (2.7), Bank of America (2.4), BNP Paribas (2.4), Credit Agricole (2.3) – ***10***	ASEAN (3.1) – ***10*** African Union (2.3) – ***55***
Tier 3	1-2 trillion	Italy, Canada, Korea, Russia, Brazil, Australia, Spain, Indonesia, Mexico – ***9***	Microsoft (1.6) Amazon (1.6) Alphabet (1.2) – ***3***	19	MERCOSUR (1.8) – ***4*** EAEU (1.7) – ***5*** GCC (1.4) – ***6***
Tier 4	0.5-1 trillion	Netherlands, Switzerland, Saudi Arabia, Turkey, Taiwan, Iran, Poland, Sweden, Thailand, Belgium – ***10***	Facebook (0.8) Tencent (0.7) Alibaba (0.7) Berkshire Hethaway (0.5) Tesla (0.5) – ***5***	18	–
Tier 5	Less 0.5 trillion	169	493	953	–
	Total (qty)	83.9 trillion ***(195)***	50.0 trillion ***(500)***	123 trillion ***(1000)***	48.7 trillion ***(7)***

Source: compiled based on IMF World Economic Outlook Batabase. URL: https://www.imf.org/en/Publications/WEO/weo-database/2020/October; Forbes. The World's Largest Public Companies. URL: https://www.forbes.com/global2000/list/; The Banker. Top 1000 World Banks. URL: https://www.thebankerdatabase.com/index.cfm/search/ranking; 2020 Hurun Global 500. URL: https://www.hurun.net/en-US/Info/Detail?num=E 6VM7L8L4I15; The world's 100 largest banks, 2020. S&P Global. URL: https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/the-world-s-100-largest-banks-2020–57854079 (accessed on 18.03.2021).

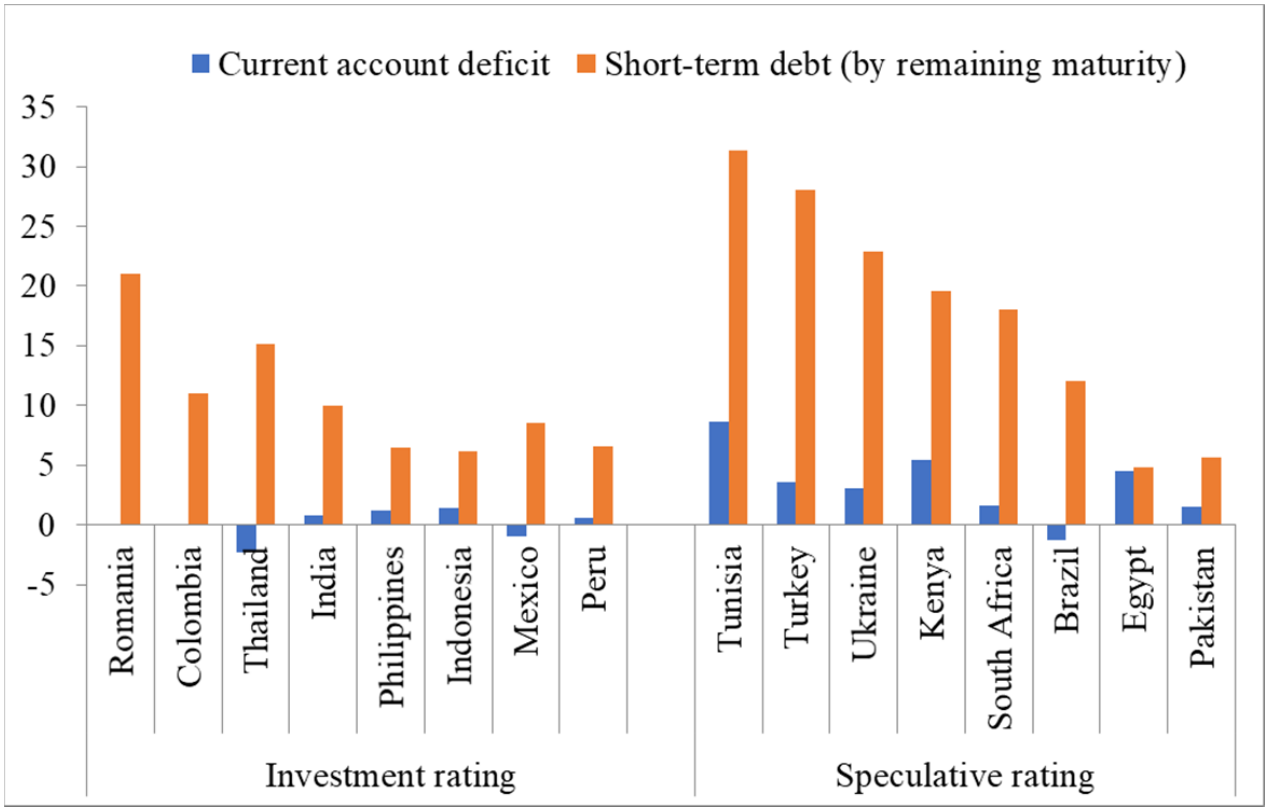

Fig. 3. **Gross external financing needs of some developing countries in 2021, % of GDP**

Source: Global Financial Stability Report Update, January 2021. IMF. URL: https://www.imf.org/en/Publications/GFSR/Issues/2021/01/27/global-financial-stability-report-january-2021-update (accessed on 18.03.2021).

fall in the yields of debt securities of advanced economies increased the demand for bonds in emerging markets. According to *The Economist*, on average, the share of developing countries' external public debt owed to multilateral institutions fell from 43% in 2008 to 34% in 2019, while the share of commercial creditors (mostly bondholders, not banks) increased from 29% to 45%.[11] Thus, as a result of the pandemic, interest rates on external debt obligations rose by 0.124% in India, by 1.5–2% in Indonesia, Mexico and Russia, and by 3.1% in Brazil, although before the crisis their level had already averaged about 6% [19]. Due to the inability to service external debt obligations in 2020, Zambia, Argentina, Belize, Ecuador, Lebanon and Suriname defaulted.

Capital outflow caused by the COVID-19 pandemic, lower commodity prices and falling external demand have weighed heavily on emerging market currencies. In February 2021, the decline in the value of currencies against the US dollar in annual terms was 19.3% in Brazil, 15.1% in Turkey, 11.3% in Russia and 6.5% in Mexico. The US rescue plan, approved by the US Congress on March 11, 2021, provided for an additional injection of $ 1.9 trillion into the US economy. This step, on the one hand, led to some depreciation of the US dollar, and, on the other hand, to a surge in commodity price inflation, to combat which the central banks of developing countries raised interest rates. Initiated by the United States and supported by other Western countries, a new package of anti-Russian sanctions in connection with the armed conflict in Ukraine, including unprecedented freezing of foreign exchange reserves of the Bank of Russia and the disconnection of a number of Russian credit institutions from *SWIFT*, led to a sharp increase in prices for energy

[11] Debt diplomacy: Here we go again. The Economist, March 6th 2021. p. 57.

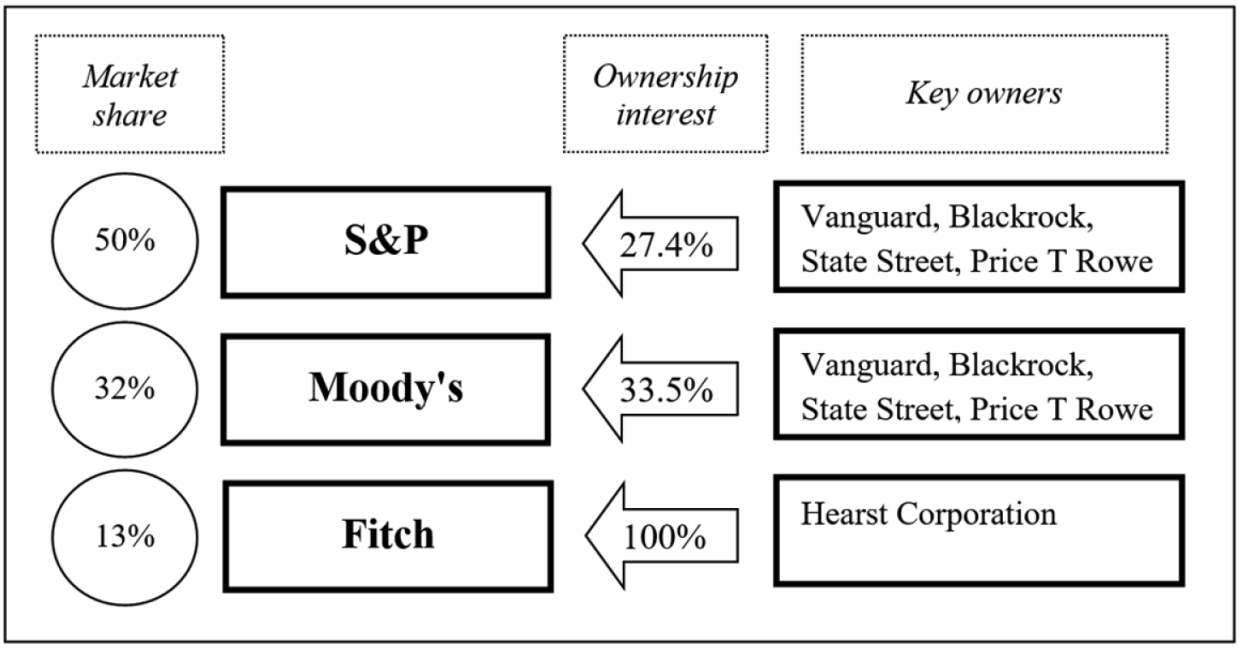

Fig. 4. **Market shares of US rating agencies (as of 31.12.2019) and their key owners (as of 14.03.2021)**

Source: compiled based on Annual Report on Nationally Recognized Statistical Rating Organizations. U.S. Securities and Exchange Commission, December 2020. URL: https://www.sec.gov/files/2020-annual-report-on-nrsros.pdf; S&P Global Common Stock. NASDAQ. URL: https://www.nasdaq.com/market-activity/stocks/spgi/institutional-holdings; Moody's Corporation Common Stock. URL: https://www.nasdaq.com/market-activity/stocks/mco/institutional-holdings; Fitch Ratings. URL: https://www.fitchratings.com/about-us#company-history (accessed on 14.03.2021).

resources and other goods and the need to introduce protective measures of financial regulators. The obvious consequences of this policy have been a further devaluation of currencies, downgrading of credit ratings, higher risk premiums, capital outflows and destabilization of the stock markets of developing countries.

Thus, in the post-COVID recovery of the global economy, developing countries continue to be exposed to external shocks emanating from the issuer of the key global currency. In addition to the problems of financialization and global imbalances, the functioning of the IMS in the interests of developing countries is complicated by the current rules for access to international liquidity. We will consider this question in more detail.

OLIGOPOLY OF CREDIT RATING AGENCIES

Characteristically, the modern Jamaican IMS inherited its institutional framework from the Bretton Woods system, the central elements of which are the IMF and the World Bank. These specialized UN agencies are called upon to ensure international monetary and financial cooperation between member states. However, in the context of the removal of restrictions on the international movement of capital, the bulk of international liquidity is formed in the global financial market, the rules and standards of access to which are determined by credit rating agencies (CRAs), which are outside the direct control of international organizations and governments of sovereign states. The functioning of the CRA is not bound by obligations under intergovernmental agreements, and their activities are characterized by a high degree of anonymity and non-transparency. Let us analyze how the activities of US rating agencies — S&P, Moody's and Fitch (the Big Three) — affect the competitive positions of developing countries in the IMS.

Despite the abundance of rating agencies around the world, only the "Big Three" have a truly global reach — together they control 95% of the credit rating market. All three agencies are headquartered in New York (Fitch is the only agency with two headquarters in New York and London). In 1975, the US federal government designated these agencies as Nationally Recognized Statistical Rating Organizations (NRSRO), whereby only ratings from these agencies are legitimate for determining the level of credit risk and investment grade securities to include, for example, in portfolio of insurance companies or pension funds. Despite the quasi-state status of these agencies, they are all controlled by the largest private US investment holdings (*Fig. 4*).

Credit rating agencies are an integral part of modern financial markets. Their ratings affect the cost of borrowing for issuers of corporate and government bonds, and the ability to manage financial flows. The international financial market is theoretically open to all subjects of the world economy. However, with virtually no ratings from the Big Three, sovereign borrowers and private sector companies are deprived of access to the international financial market — such is the essence of the US rating oligopoly. A higher rating means a lower cost of borrowing, which enhances the borrower's financial superiority and ability to use borrowed resources to take over competitors. It should be noted that since the beginning of the rating, the US has been in the highest investment category from all three agencies. Interesting fact: the rating agencies have never downgraded the US ratings, except for two one-stage sovereign downgrades in 2011 by S&P and Egan-Jones. The US government's response to these actions was quite harsh: within 18 months, the Egan-Jones rating agency was stripped of its status as a nationally recognized statistical rating organization, and the US Treasury threatened S&P with liability for a "huge disservice" to their country. Such actions by the US government motivate rating agencies to assign their country a higher rating than the corresponding macroeconomic and political indicators allow.

Due to the existence of a rating oligopoly, a differential in interest rates is formed between the yield of US debt securities and the yield of debt obligations of other countries, primarily developing countries, which demonstrate an increased demand for reserve assets. For example, despite being the world's largest net debtor, this interest rate differential allows the US to earn about $ 200 billion in annual net investment income. This income often arises from the deteriorating economic situation of developing countries. As the well-known US journalist Thomas Friedman put it, "Moody's can destroy a country by downgrading its bonds" [20]. Thus, the US uses rating agencies as "soft power" to maintain US global hegemony and the US dollar's status as a key reserve currency. Despite being directly involved in creating the crisis in the subprime mortgage market in 2008–2009 and the related criticism, the Big Three's global influence has not changed.

The bias and subjective nature of the work of the Big Three rating agencies is confirmed by the following facts.

First, the United States, as well as those countries with which the United States has close economic and military relations, receive significantly higher credit ratings compared to other countries [21, p. 690].

Second, the Big Three fail to anticipate economic crises and also contribute to deepening existing crises through sudden rating downgrades. In this regard, the most striking example is the history of downgrading the credit rating of Greece in 2010 [22, p. 291–292].

Third, the conflict of interest in the activities of the Big Three arises from the fact that the latter seek to increase profits and market share in the interests of issuers, and not investors. Current US law encourages conflicts of interest by offering a potential issuer a choice between three agencies. Until one of the Big Three agencies is actually

hired to assign the final credit rating, they all first provide the potential issuer with provisional ratings as close as possible to its requirements. This conflict of interest leads to deterioration in the accuracy of the ratings and the reliability of the investment choice of market participants [23, p. 2].

Fourth, empirical studies also confirm the presence of a statistically and economically significant bias of the Big Three towards international financial centers. For example, issuers from cities included in the Global Financial Centers Index (GFCI) are actually assigned a higher rating category than is justified by fundamental factors [24, p. 14].

Fifth, US rating agencies give preference to countries that have strong trade relations with the United States, as well as those countries whose positions on certain issues coincide with the position of the United States when voting in the UN General Assembly [25].

Sixth, the most dynamically developing countries receive relatively low ratings and very frequent downgrades. In particular, this is confirmed by the many cases of multi-stage downgrades in very short periods in East Asian countries during the Asian financial crisis, despite the fact that economic and political imbalances in these countries were not so severe as to justify multiple downgrades of sovereign ratings.

The imperfection of the activities of the Big Three can be summarized as follows:

- the method of assessing the CRA is not transparent enough;
- there is no competition in the CRA market;
- a conflict of interest arises from the current income model of CRA;
- CRAs are not able to foresee a crisis and often condone its further deepening;
- CRAs assign their country a higher rating compared to foreign countries;
- CRAs give preference to politically close countries;
- CRAs underestimate developing countries.

Many investors follow the advice of rating agencies. Therefore, an incorrect rating and especially underestimation of a country due to a biased attitude towards it can have serious consequences for capital inflows, which, in particular, negatively affects the internationalization of developing countries' currencies as part of the creation of a regional monetary and financial center. To address this problem, governments in developing countries need to encourage the development of national rating agencies, including by stimulating competition between local rating agencies and the Big Three.

China has been the most successful in this regard, ranking third in the world in terms of the volume of the bond market after the United States and Japan. Over the past decade, local Chinese agencies have competed quite effectively with the Big Three in the domestic market. An analysis of the partially owned Big Three CRA ratings in China's government debt market found that while Big Three-rated bonds have lower placement yields than CRA-rated Chinese domestic bonds, the Big Three ratings do not have greater predictive power for a future loan issuer performance than local Chinese CRA ratings. There was also no material relationship confirmed between the Big Three ratings and the credit risk of expected default. In addition, there were no significant differences between the reaction of stock and bond prices to the Big Three rating review and to the local CRA rating review. This finding confirms that the Big Three have no private information unknown to market investors [26, p. 16].

CONCLUSIONS

The modern IMS is unable to fulfill its functions of providing countries (primarily developing countries) with uninterrupted access to international liquidity, financing the balance of payments, and stabilizing foreign exchange and commodity markets. Some recovery of world economic development after the global financial crisis

of 2008–2009 was largely offset by the COVID-19 pandemic and the armed conflict in Ukraine, which exposed the entire complex of accumulated unresolved problems of the inability of the IMS.

The uncontrolled saturation of the IMS with huge volumes of foreign exchange, primarily US dollar, liquidity as part of the policy of quantitative easing and anti-crisis swap lines of central banks, the ongoing anti-Russian sanctions are causing an increase in prices for raw materials in the world commodity and financial markets. Rising prices for raw materials predetermine the inefficiency and, ultimately, the unprofitability of world production. With such a development paradigm, the imbalance between the financial and real sectors will rapidly deepen, and confidence in all reserve currencies will decline due to a permanent decline in their purchasing power. The difficult access of developing countries to international liquidity during crises, caused by the limited capacity of the Bretton Woods institutions, the bias of US rating agencies and the political involvement of the world's leading financial market operators, leads to the displacement of these institutions at the regional level. Thus, the transformation of the IMS towards currency polycentrism and regionalization seems inevitable.

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