Statistics Faroe Islands

The Faroese External Debt Statistics 2003 &2004

Statistical Coverage, Methodology & Data presentation

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- **Overview**

The Great Economic crisis that took place on the Faroe Islands in the first half of 1990's has shown the importance of having reliable, comprehensive and comparable data information on external debt. Its importance is even more reinforced nowadays due to the nature of the international financial markets and their impact on our small, but nevertheless open economy. The previous compilation of external debt statistics has shown its usefulness and as our experience has shown, external vulnerability might have widespread economic costs, not to mention intergenerational effects. Against this background, the Faroese Statistical Agency – Hagstova Føroya, is determined to provide a comprehensive conceptual data statement in regard to the external debt position that might serve policymakers, financial markets and public at equal basis. Further on, we regard the measurement of gross external debt of the public and private sectors as vital component of macroeconomic policy making. The same should be able to assist us with identification of potential vulnerable points that might arise from the gross external debt position. So, this paper will provide conceptual guidance along the latest results just to add further analytical and methodological improvements.

The Gross External Debt is compiled by the Faroese National statistical agency- Hagstova Føroya which is determined to follows the international standards and requirements as noted in the "*External Debt Statistics: Guide for Compilers and Users, 2003*" and in the "*Balance of Payments Manual*", IMF, 5-th edition, 1993. Such procedure will ensure at the first instance international compatibility of the data and will help creating consistency between the external debt statistics and the balance of payments, international investment position and national accounts. The data on the gross external debt (ED) are compiled for the first time according to the above-mentioned manual for years 2003 and 2004. Given the fact that at the present (2005) only Current Account is produced, ED must be seen as very important source of information with the regard to the forthcoming fully developed Faroese balance of payments statement and its the international investment position.

The core definition as agreed by four international organisations IMF, The World Bank, OECD and The Bank for International Settlements reads as follows:

”Gross external debt is the amount, at any given time, of disbursed and outstanding contractual liabilities of resident of a country to non-residents to repay principal, with or without interest, or to pay interest, with or without principal”[1]

A certain degree of explanation and commentary is required in relation to such a compact definition from above. The reader can notice sole focus on gross debt as opposed to the net position. However, such concentration on gross debt is mainly due to two reasons; i) direct relation and problem creation of debt service to the gross debt, and ii) creation of the first step towards the more sophisticated statement of external debt. In relation to a net debt position, it must be said that the same is regarded as useful analytical concept, which however involves an additional dimension of complexity. To start with, it is still not clear which assets should be considered in order to offset liabilities part of the gross external debt. For example, a question mark is put on inclusion of all or part of the bank/non-bank assets, all or part of the foreign exchange rate as well as consideration of maturity structure and currency composition. Further on, it is important to have in mind asymmetry in parties that provide data information on assets and liabilities abroad in such way that owners of assets abroad might not be willing to repay other individual’s debt from abroad. Nevertheless, we list external debt statistics on both gross and net basis and it is up to a reader to make further analytical conclusions.

As far as the main criterion for a liability is concerned, the gross external debt of the country classifies as such once the debt is realised by a resident and is owed to a non-resident, regardless of whether it is issued on domestic or international, money or capital markets. Residence concept as found in BPM5 and the 1993 SNA focuses on the centre of economic interest as the determining point, which means that location, has won over nationality. From such point of view, residence is incorporated within the terms ”economic territory” and ”centre of economic interest” that gives rise to an institutional unit – and entity such as a household, corporations, local or central government that is capable, in its own right, to engage in economic transactions with other entities both domestically and internationally and at the same time is willing and capable to acquire both assets and liabilities, both at home and abroad.

[1] IMF, WB, OECD, BIS, “External Debt, Definition, Statistical Coverage and Methodology”, Paris, France, 1988, p. 19

- **Conceptual framework**

Institutional sectors

The structure of the gross external debt is based on classifications of institutional units and the financial instruments that can be used for transactions. In regard to the former, four institutional units are recognised to have profound importance on the nature of transactions and they are given as:

1. General Government
2. Monetary Authorities
3. Banks
4. Other sectors

Further on, Other sectors are defined by the subsections: non-bank financial corporations, non-financial corporations, and households and non-profit institutions serving households. General government that usually finance its activities (provision of goods and services and redistribution of income and wealth) by taxation or other compulsory transfers includes along the government units at the local and central level, also social security funds and non-market non-profit institutions controlled explicitly by government units. Any public corporations are excluded from the General Government and are allocated to the financial or non-financial corporate sector.

Monetary authorities would include the central bank or currency board as well as government institutions or commercial bank that carry other operations that are usually reserved for the central bank. In addition to the Monetary authorities, the Banking sectors includes along the financial corporate sector, also institutions such as savings banks, saving and loans associations, building societies and credit unions and co-operatives.

Under the Other sector category, insurance corporations and pension funds, other non-bank financial intermediaries and financial auxiliaries are allocated to the Non-bank financial corporations' subsection. The resident entities that are mainly involved in production of market goods or non-financial services are placed under the Non-financial corporations subsectors while the Households and non-profit institutions serving households (households and NPISH) sub-sector encompasses household sectors as well as political parties, trade unions, charities, etc.

In addition to the above presented gross external debt framework, additional inter-company lending as being standard component of the International Investment Position (IIP) is separately identified. Both liabilities to affiliated enterprises and liabilities to direct investors are identified, along all equity liabilities, however, these are *excluded from external debt*.

Instrument Classifications

In accordance with BPM5 functional categories, financial instruments in the presentation of the gross external debt position include Direct investment, Portfolio investment, Financial derivatives, Other investment and Reserve assets. Such a practice enables the compilers to derive the gross external debt position directly by relying on IIP statement. In relation to Direct investment, defined as ownership of 10% or more of the ordinary shares or voting power, and together with equity capital and reinvested earnings, they are not consider being a debt instrument and are excluded from external debt calculations. However, they are identified separately. In practice it might be difficult to distinguish between Direct investment and Other capital like Trade credits, and where such is not possible, these claims are consider being equity capital. In addition, any equity securities like shares, stocks, preferred stocks or shares, shares of collective investment institutions, e.g., mutual funds, investment funds and investment trusts are not regarded as external debt liabilities and are excluded from external debt calculations.

Bonds and notes that usually give the holder the unconditional right to a fixed money income are classified under debt securities and they might be issued with one year or more original maturity level. These instruments are recorded under the money market instruments and examples might include treasury bills, commercial and financial papers and banker’s acceptance. Also, any financial assets that are created through direct lending of funds by one or more parties being a creditor to a debtor, are included under Loans. Currency and deposits that represent a claim of a fixed nominal value usually on a central bank or government (excluding commemorative coins) are recorded separately. Trade and service credits are said to encompass all claims and liabilities that have been created under the extension of credit by suppliers for the relevant transactions. The same allocates any advance payments for goods and services as well for work in progress.

- **<u>The 2005 design of the External debt survey and current experience</u>**

The Hagstova Føroya has employed a survey to meet the international and national External Debt data requirements. At the first instance available human resources were considered and given the time framework it was decided to conduct the collection of the survey at the most efficient way having on mind the final product and its form. For such a reason, we have decided not to rely on previous form of the survey given its volume and structure. Also, our experience with such perhaps cumbersome survey has shown lower degree of providers' co-operation and willingness to deliver the data. Therefore, the need to change and to accommodate both ED manual and providers of data was recognised at the very early stages. Initial experimentation and consultation with the financial institutions has shown a more friendly response, not to mention easier and more compact end-user framework. The process leading to completion of design and context of the survey was successfully accomplished by the end of February 2005 and the frame survey has to be designed just prior to sending surveys.

It turned out that several sources will be used in order to gain fully developed gross external debt statistics and all in all we feel satisfied with the results. Accordingly, the frame survey is more or less arbitrary chosen and we are aware that the same can be expanded along many lines, not to mention quality check, which was not performed except for minor cases. However, given the both items covered and entities included we regard this statement as complete for the time being, just to make appropriate revisions in a due time.

<u>A survey process</u>

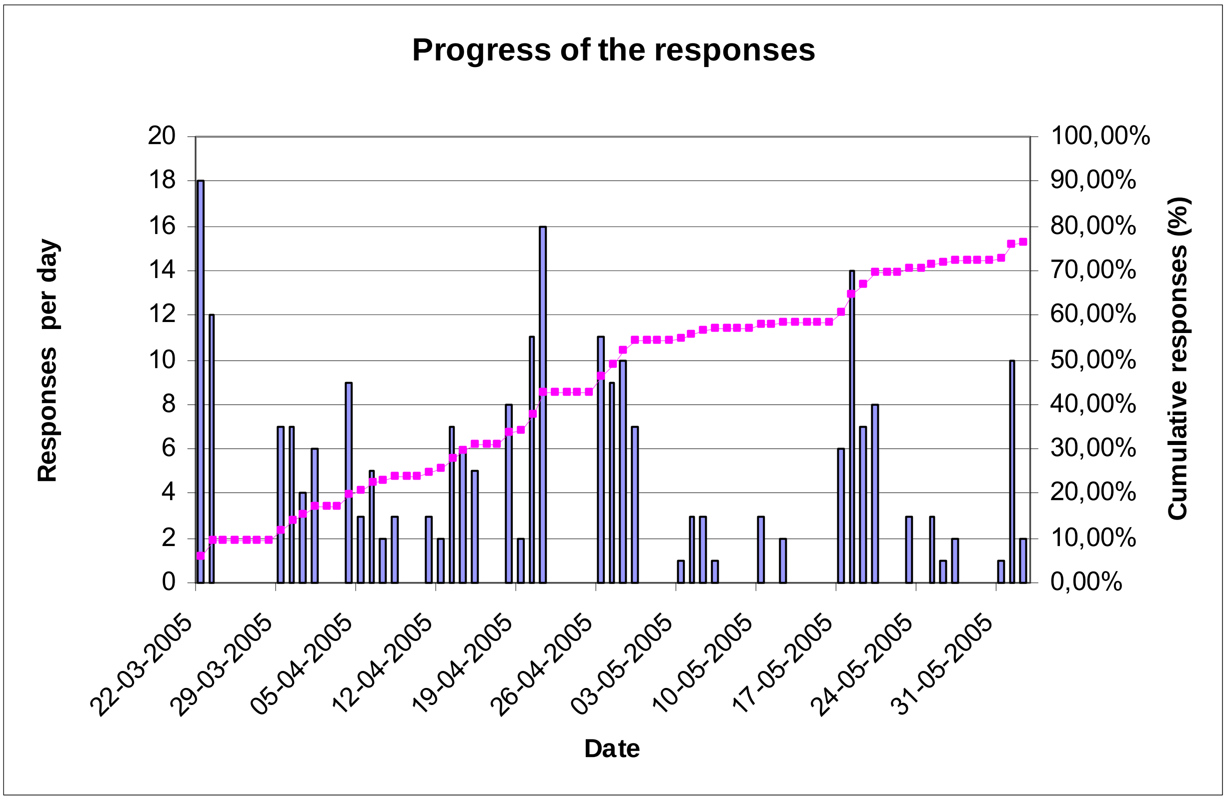
The collection and compilation practice for ED purposes are discussed below so that responsible consolidation and dissemination of the entire ED statement can be digested. The responsibility for accuracy of the statement is the sole function of the Hagstova Føroya, however, it must be noticed that the same institutions does not have power nor resources to check the quality of data provided, and for such a reason the data had to be taken at the face value. Having said that, we do not undermine the data providers' integrity, nor are we questioning their honesty in any way. As with the quality composition we need to be aware that due to perhaps either methodological nature or other business of the day occurrences, data provided might have been biased in one way or another. Our experience has shown so far in only a handful cases that bias do take place, and same were corrected when and if were detected. Needless to say, the full process of collection of data is interconnected and we have tried to the best of our ability to avoid the double counting as well as keep possibility for wrongdoing at the minimum. In a view of the previous, we feel that full statistical activity of the survey process can be presented along the following lines.

Overall, creating the sample has been achieved by looking at both analytical and other available information that might arguably render our data in most meaningful way. To start with, 1919 entities were consulted in one way or another and the same can be broken at the levels like:

1. Business Register 2003
2. Central Government & Municipalities
3. Households
4. Ship's Register
5. Pension Funds in Denmark

<u>Specific experience</u>

Business Register from 2003 with all associated information was initially consulted and wages payment above 2 mill. DKK per enterprise was arbitrary chosen as the minimum threshold. Given such criteria stratified sampling has taken place that has reduced potential number of providers from 449 to 323 definite cases. After acquiring postal addresses for all 323 enterprises we have sent our surveys on 17. March 2005, giving a deadline for an answer to be 13. April 2003. It has to be said that the response up to the deadline was as expected, since many enterprises were busy producing their yearly accounts. At the same time, we have deliberately chosen this period of the year to send our surveys with the hope that yearly accounts and information on ED might be compatible or at least can be done parallel. Our hope materialised in most of the instances and we have satisfied ourselves with the 80% response leaving the rest or around 70 enterprises to be estimated.



As far as the Government and Municipalities are concerned we have relied both on internal (financial statements as recorded by the Hagstova) and external sources (Governmental Bank and VP-Værdipapircentralen A/S). Both sources were consolidated in order to ensure accuracy of our statement given the considerable amount in hand, especially on the Liabilities side and we are satisfied that data information is at its best given the nature of public domain.

One of the most challenging areas of acquiring data information was and still is the domain of the households. While data on NPISH was relatively easy to construct, the data on households is notoriously more difficult to come across. The first attempt was made with the financial institutions but since such data set would prove to be a "minefield", not to mention enormous cost to providers we have decided to rely on perhaps more reliable pool of data as provided by the Faroese Tax office. As it is practice for such institution to not only collect taxes, but also check and recheck its financial obligations towards our citizens, the same institution compiles on the regular (yearly) basic households' ownership surveys from which is possible to make some estimates in regard to ED data requirements. Sampling frame of 40756 has been reduced to 934 definite cases for year 2003, while data for 2004 had been estimated using time trend (financial assets at home), that was identified between two periods in question.

To provide for an additional assurance to our data set quality, and given the nature of our main industry that at the times can acquire huge capital investments in either fishing or cargo vessels, it was decided to conduct investigation into their balance sheets. The ships' owners in some instances may have decided due to a lower availability of domestic capital for their more than often high-risk adventures to seek investment capital across the border. In most instances, this is realised through a loan provided either by the foreign financial institutions or ship's yards that have built the vessel in the question, where collateral in terms of vessels itself usually take place. The Faroese ship's registrar, which is under the Faroese Ministry of Fisheries and Maritime Affairs, was kind to provide us with the printout of all records under their domain, which numbered 607. Our manual investigation of such records concluded 42 definite cases that were further recorded as found appropriated.

On the end, the three pension funds from Denmark were contacted in order to gain data information on our assets abroad. Given the fact that this is in principle postponed nature of payments, normal practice is to record current payments from such funds to the Faroese residents under the Current Account statement, while the stock values are recorded under our ED statistics, as there are no liabilities from our side.

"The Guide recognises the *debt liabilities* of pension funds and insurance companies to their non-residents participants and policyholders. The debt liability for a defined-benefit pension schema is the present value of the promised benefits to non-residents: while for a defined-contribution scheme the debt liability is the current market value of the fund's prorated for the share of non-residents' claims vis-à-vis total claims."[2]

[2] IMF, "External Debt Statistics: Guide for Compilers and Users", Washington D.C.,USA, 2003, p.15

A Currency Board Question

Prior to giving our final results it is worth perhaps putting a more light to what is usually regarded as a Currency board arrangements and its classification in regard to ED data statement. We start by quoting the law extract from 1949 as found at the Danish National Bank web site.

- **1949 Færøerne får egne pengesedler**
- "**Færøerne var under krigen isoleret fra Danmark, men i november 1948 blev de atter en del af det danske møntområde. Ved lov af 12. april 1949 om pengesedler på Færøerne blev det bestemt, at Færøerne skulle have egne pengesedler, *der skulle dækkes fuldt ud ved indbetaling af danske kroner på en særlig konto i Nationalbanken.* De færøske sedler fremstilles i Nationalbankens seddeltrykkeri og sættes i omløb af Nationalbanken via to kontantdepoter hos de færøske pengeinstitutter.**"

As it stands the circulation of the Faroese notes by the 30. December 2004 was 369 mill. DKK.

In regard to such an amount the most appropriate question to ask is if and whether this amount of money consists a legitimate claim on the Danish National Bank (DNB)?

The compilation practice up to now has considered such an amount as the Faroese assets abroad and it is our intention **to continue** with such practice for the consistency reasons. However, it might be a very useful mental exercise to take a step back and consider the big picture in relation to the ED manual and its requirements towards the currency and deposits recording.

Firstly, the Guide defines "Currency and deposits consists of notes and coin and both transferable and other deposits. Notes and coin represent claims of a fixed nominal value usually on a central bank of government; commemorative coins are excluded. Transferable deposits consists of deposits that are 1) exchangeable on demand at par and without penalty and restrictions, and 2) directly usable for making payments by check, giro order, direct debit/credit, or other direct payment facility. Other deposits comprise all claims represented by evidence of deposit – for example, savings and fixed-term deposits sight deposits that permit immediate cash withdrawals but not direct third-party transfers; and shares that are legally (or practically) redeemable on demand or on short notice in savings and loan associations, credit unions, building societies, etc. Depending on national practice, gold that is borrowed (without cash being provided in exchange) from a non-resident could be classified by the borrower as a foreign currency deposit”[3]

Secondly, “A special case arises where an economy uses as its legal tender a currency issued by a monetary authority of another economy – such as U.S. dollars – or of a common currency area to which the economy does not belong. While this currency is to be classified as a foreign currency, it has some attributes of the attributes of a domestic currency because domestic transactions are settled in this currency. With this in mind, information could be separately provided on external debt payable in and/or linked to a foreign currency used as legal tender in the domestic economy, and other foreign currency external debt.”[4]

Before proceeding with our analysis it is useful to clearly state the objective of this fact-finding mission in relation to the currency board question. As mentioned above, the Faroese circulation of notes *is continued* to be recorded as the Faroese assets abroad for the consistency reasons. Secondly, since this matter goes beyond simple statistics it is not our attention to get involved with the political economy discussion that more than often takes place at home. Our primary focus is to raise the issue by stating the facts, which as far as author of this line is concerned are not very well defined, neither documented. That includes all party involved starting from the DNB, the Faroese financial institutions and IMF Guide. When left in such a doubt, the best one can do is to raise the issue hoping that some sort of consensus will be reached in a due time. At the mean time, the author of this line gives itself freedom to state that the “second-best” approach was applied in recording of such notes, that is to say, the Faroese notes in circulation *are recorded* under the External Assets in Debt Instruments - Monetary Authorities – Currency and deposits.

To continue, the law from the 1949 has not explicitly stated who is bound to deposit the reserves on such account. In a normal currency board arrangements, it is a currency board that becomes a monetary authority that issues notes and coins that are convertible into a foreign anchor currency at the fixed rate, as opposed to the central monetary authority usually the

[3] IMF, “External Debt Statistics: Guide for Compilers and Users”, Washington D.C.,USA, 2003, p.31
[4] IMF, “External Debt Statistics: Guide for Compilers and Users”, Washington D.C.,USA, 2003, p.55

central bank. In our case, the simple convertibility assures that *1 Faroese Krones = 1 Danish Krones* at all time. Further on, the Faroese notes are not legal tender at the main land Denmark, and must be converted to the Danish krones before any transactions can be made. At the same time, both the Faroese and Danish notes are legal tender on the Faroe Islands. That also implies, that the formal anchor currency has been recognised as the Danish Krones which has its international acceptability and its expected stability. What is more, the currency board's reserves are equal to the amount of notes and coins in circulation to ensure convertibility of notes at all times. That is to say, reserves are equal to 100 % or slightly more of its notes as set by law, and in many cases, currency board holds perhaps 105 or 110% percent of their liabilities to protect the values of bonds investments.

Additional dimension of the discussion from above becomes perhaps perplexed when we try to discover who has deposited the reserves at the DNB. At first it seems that going back in time, the Faroese financial institutions have deposited money on such account to assure convertibility. However, at the present such practice does not exist anymore as none of the Faroese financial institutions deposit any Danish krones in exchange for the Faroese one. Moreover, DNB has treated such amount (369 mill in 2004) as passive, which further assures convertibility from their side. Also, the Faroese financial institution which have obligation to keep the Faroese notes in their boxes at all time, are recording such notes as both assets and liabilities in order to balance their books. In principle, they are having actual liabilities towards the DNB up to the amount that is present at their cash deposits.

Given all this, it is not hard to see that facts of the matter do not put enough light to make definite decision. On the one hand, if we are to follow the IMF Guide, 369 mill in 2004 should be recorded as liabilities, since it appears that Denmark is only involved in the printing of notes, which are further put in circulation in the Faroe Islands. Once there, they should become a liability of the Faroese authorities, either the central bank or central government. As it stands, they are Faroese Banking sector's liability and such should be recorded under the category; currency in circulation. On the other hand, and given the history of currency board on the Faroe Islands, regular transfers from the DNB in relation to seignorage have taken place over the years. Further on, the DNB verbal support for an asset type recording from our side was expressed, which provides us with an arrangement that should consider such an amount as the Faroese assets abroad. Also, a new set of guidelines in regard to currency board arrangements is expected to be issued by IMF no later than 2008, so we decided to wait for a new Guide before making any changes.

Since, statistics are usually not matter of life and death; we leave things as we found them yet allowing ourselves to question both IMF Guide instructions and our ED recording practices.

- **The outcome – analytical perspective**

Given the different survey structure that was applied to and including the year 2002, and in relation to a new survey implemented this year (2005) for statistical periods 2003 & 2004, we find it very difficult if not impossible to make any meaningful comparative analysis at the present state of data. To start with, both size of the sample and structure of the questionnaires are very much apart and it will be very costly exercise to adapt pre-2003 data methodology to a new structure. Also, it is not clear if such exercise would contribute anything new to a previous policy making, since this was the end of what is generally consider being an upward trend of our economy. Latest developments in the exports of goods, mainly almost non-existent exports of salmon, lower than average catches, lower prospects of increased demand at the German markets due to a more than exceptional unemployment rates and not the least weak dollar fused with the above the trend of oil prices can all contribute to a lower revenue expectation, both for businesses and the government. The question than is how did these developments affected composition of our financial assets and liabilities abroad?

A priori, we might expect that many enterprises making losses or at least contemplate tougher times ahead might rely on their reserves if deposited abroad. In the best case, such occurring might be of the temporary nature, lasting a year or two. However, prolonged downturns might affect business confidence and offset capital investments in the short-run, which usually leads to the below average economic growth in the long run. Secondly, and given the still high gross external debt ratio to GDP, country as a whole is committed to earn a fixed amount of the revenue which will enable it to repay its international debt obligations. In the absence of the appropriate level of the revenue creation, temporary solution can be expected in form of reaching the reserves either at home or abroad. If the downswing persists in the longer run, some companies and perhaps to the same degree the government should be forced to either borrow more, issue more bonds, raise the capital or consider exit strategy usually available to enterprises only, since one assumes perpetual society and its governments (default options ignored here).

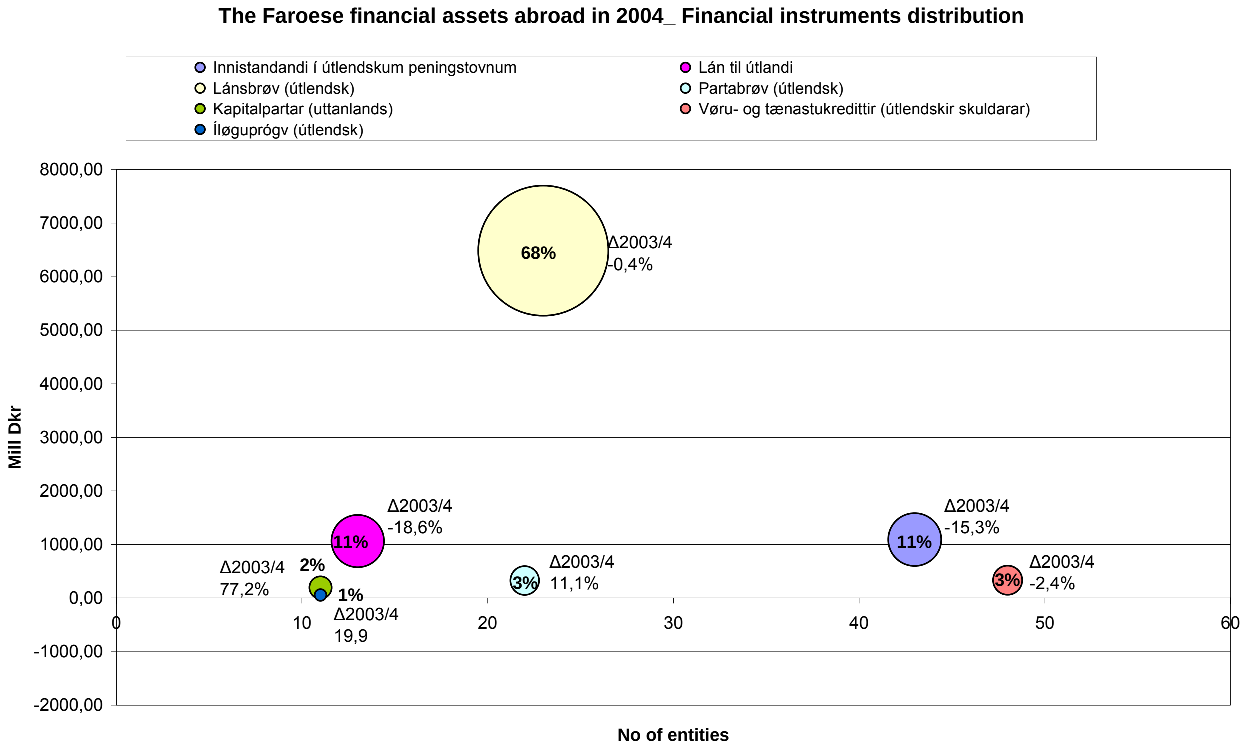
More concrete, it is possible to observe throughout the Faroese economy that the companies in the fish-farming industry have been making capital losses in the last two years, as well as government has been running the budget deficits. At the same time, we observe CA deficit for the year 2003 as being the first recorded deficit since 1998. As an economy goes through such a phase we should expect ED statistics to follow such macroeconomic imbalances, as economy of ours is highly integrated with the rest of world, and both households, businesses and not the least our government is said to be affected by the ever-changing economic conditions both at home and abroad.

What is to follow is based only on ED statistics for years 2003 & 2004 as previous recording of the same data is in our opinion not fully compatible and ready for analytical purposes in its present form.

Assets

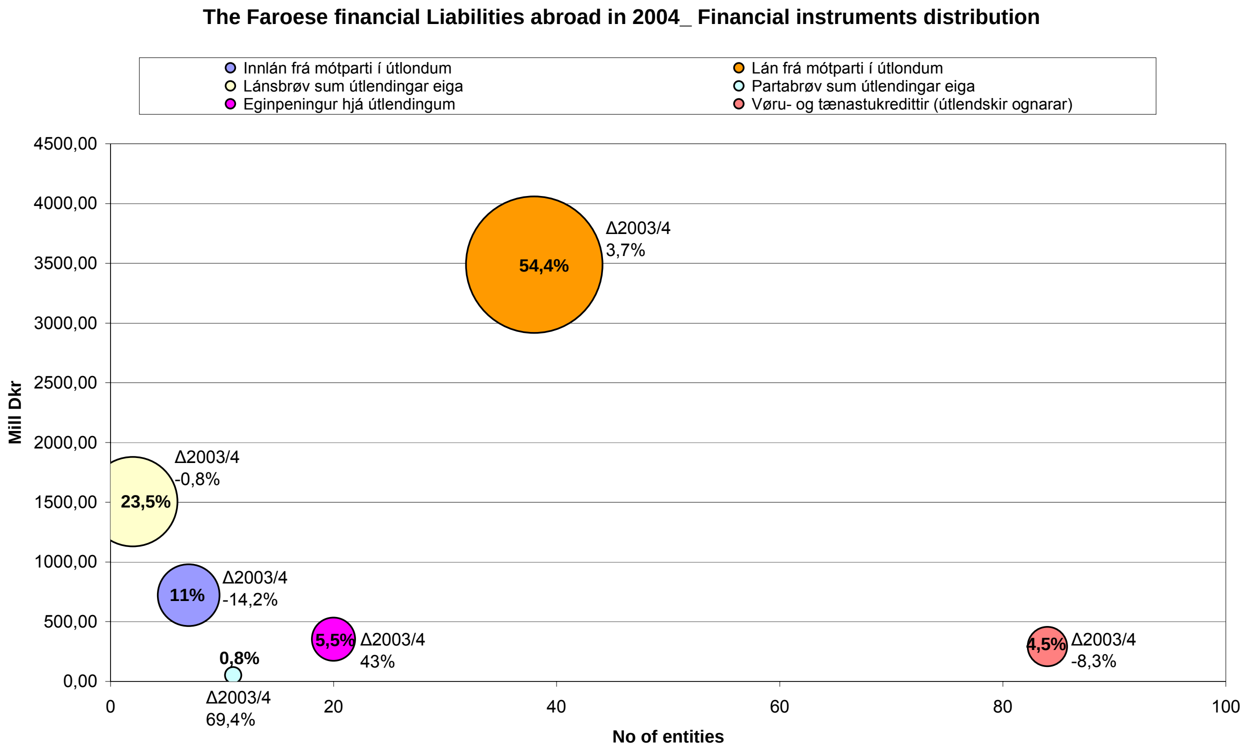
To start with, it is clear from composition of our assets abroad that the Faroese agents are playing safe. At the same time, one can argue that composition of assets abroad reflects rational decision-making given the amount of risk that the Faroese main industry bears over the time. More than 68% of our assets abroad are in form of treasury bills – form of debt securities that guarantee safe returns but perhaps not much above the line of inflation. Our survey estimates has identified 19 and 22 entities for 2003 & 2004 respectively, that have deposited their assets abroad relying on such monetary instruments, yet the decrease of absolute value of -0,4% has taken a place. Similarly, we have also noticed slight increase of entities that have their money (cash deposits) abroad, from 38 to 43, however, relative increase has led to a decrease of 15,3% in absolute values. At almost equal share of total assets as cash holdings (11%), borrowing to foreign entities remained same (13) but has decreased by 18,6% in absolute terms. Perhaps a positive consolidation comes from the increased direct investment abroad which in relative terms had share of total assets abroad at around 2%, but have nevertheless managed to increase at the 77% due to acquisition of the financial institution. Together with the increase of equity capital abroad (11,1%), this two instruments have contributed to a total increase of our assets abroad for around DKK 117 mill.

Overall, the total decline of our financial assets abroad has taken place on year to year basis and expressed in monetary terms we have decreased our financial holdings abroad by DKK 476 mill. which answers to 5 %.



<u>Liabilities</u>

Overall, a small decrease of total liabilities took place of around 0,4% or around DKK 23 mill in total. Greatest decrease came from liabilities acquired by foreign holdings in the Faroese banks, decrease of 14,2% or DKK 120 mill. However, loan taking from abroad increased for around 3,7% or whole DKK 122 mill. As expected, the greatest part of our liabilities abroad are in form of the publicly guaranteed debt which is a by-product of the Great Economic crisis that took place in the early 1990's. Formally speaking, it is obvious that such a debt constrains the public sector structural changes not to mention confidence levels of the current and future governments. However, it must be also said that the government of the day has perhaps missed opportunity for the time being to capitalise on their publicly owned assets during the upward swing of our economy. At the moment, there are plans to sell certain assets and two questions can be asked 1) is face value of such assets affected by the downturn so that government will receive less than it might have, and 2) will proceeds of such eventual sale be used to repay external debt or will they finance budget deficit (expected to take place in 2006)?



Direct investment – inter-company debt

Direct investment both at home and abroad once established can consist of all financial claims of the investor on the enterprise, and vice and versa, and are separately identified. In general terms, this kind of capital expects conditional repayment, or more formally some kind of rate of return on their investment, and they are usually repaid conditional on profit base. Similarly, same profits can be re-invested in the enterprise in which case it should be recorded as credit under the CA, and as a debit in the financial account. In contrast, undistributed portfolio investors' shares in earnings should not be recorded in the balance of payments. Since we can only estimate re-invested earnings and since providers of data understood differently this financial instrument we would like for reader to bear in mind such occurring. Nevertheless, some kind of analysis can be made given the data set in hand.

Overall, direct investment at home increased year on year basis by 43% or DKK 121 mill, while our investment abroad increased by 28% or DKK 126,5 mill. If we are to exclude other investment component of the direct investment, than direct investment at home has increased by DKK 109 mill or 43%, while our direct investment abroad has increased for DKK 96 mill or 60%. Most of the increase at the both sides comes from acquisition of the single asset *per se*, both at home and abroad by two different but large investors.

- **Conclusions**

The Faroese high external indebtedness from the early 1990's has received a lot of attention from both policymakers and public opinion. For such a reason only, it is worth producing our external debt statistics in order to foreseen and perhaps prevent possible economic crises. The objective of this paper was to make a modest contribution to such important topic by informing the reader of what we thing are the most important analytical points one should have on mind before actually looking at our ED statement.

Various economic models have been used to prove the point that capital-scarce economy should borrow and invest, since its marginal product of capital is said to be above the global interest rate, which means international capital might find greater RoR. The common sense would support such models, usually up to the point where for different reasons a debt country is not able to repay its own obligations. Universal reason usually found across the world is that revenue expectations were not realised. Under such conditions, external debt will still be present for the generations to come.

That is to say, large levels of accumulated debt stocks might lead to a lower growth in the long-run. Is this applicable for the Faroe Islands? Perhaps.

We are of the opinion that the publicly accumulated debt stock is still large in relations to both GDP and total external debt, and should be decreased in relation to fiscal effects, if for nothing else. On the end, practical experience with the external debt should be more transparent and visible, and it should not be feared but welcome on the basis of its capacity to finance domestic investment opportunities and ultimately contribute much to the economic growth.

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