

CAPITAL ACCOUNT CONVERTIBILITY: CURRENT ISSUES AND THE FUTURE

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ABSTRACT

Capital account convertibility issues are quite often considered to be very important issues that are dealt with at the highest diplomatic level, by the varied economies of the globe. This is quite important from the trade perspective as though current account convertibility between the trading countries is important, as the availability of foreign currency for the trade, in merchandise category and invisibles category, is practically the pressing issue but then the balance of payments scenario and the development of the economy, especially its infrastructure development is often positively affected by the flow of foreign funds through the investment track or the loan or external assistance tracks. Therefore, the ploughing back of the profits or redemption of the loan money into the source country's currency is to be perceived with care and due caution, with the sudden effect it could have on the currency valuation and the downturn in trade that it could generate.

The dual aspects of currency convertibility and capital account convertibility need to be structured through a better understanding of the contemporary global settings and a better alignment of resources focused towards sustainability of the economy and the future globalization requirements.

KEYWORDS: Capital Account Convertibility Factor (CACF), Currency Re-convertibility Factor (CRF), Balance of Payments Portfolio Management (BoPPM).

References

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