

Future Research

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In future research, first, I will continue to seek expertise in issues of international finance and, in particular, in issues of sovereign debt. My next big agenda for the years to come is on the political economy of the Paris Club debt restructuring, and I plan to write a set of papers on three related topics. Specifically, I am interested, first, in the issue of recidivism of debt restructuring at the Paris Club. A debt workout is intended to induce insolvent debtor countries to make efforts to adjust their behaviors, and yet, some countries, relapsing into a prodigal behavior, repeatedly returned to Paris to have another debt restructuring agreement. This puzzling phenomena involves complicated strategic interactions among debtors, Paris Club creditors, and the IMF, and I seek to solve this puzzle by highlighting diverging interests between creditor countries (the principal) and the IMF (the agent). Second, the global sovereign debt regime is undergoing a significant transformation as many debtor countries now default on bonds whose holders are thousands of individual investors. Recent debt restructuring cases, in which different rules and procedures such as the collective-action clause are adopted and experimented, provide an excellent research opportunity to explore how different rules written in a debt covenant affect the behaviors of debtors and creditors differently. I will conduct a comparative case study on this issue. Third, I will evaluate the role of the IMF in ensuring orderly operations of international finance. In particular, I will focus on its initiative of proliferating the data transparency standards and examine whether, and under what conditions, adopting such standards helps developing countries avoid financial crisis.

Second, in addition to issues of sovereign debt, I will continue to explore the area of international laws and institutions. I am particularly interested in understanding how strategic considerations shape the diffusion processes of new international rules and standards such as the IMF's data transparency standards and bilateral investment treaties. I will propose three new angles to analyze who adopts first and who follows. First, I submit that it is important to view the act of subscribing to new standards as a signaling device for those who lack credibility. Second, at the same time, one should take strategic interdependence among countries into account and model it explicitly. Social Network Analysis tools have proven powerful in capturing direct and indirect linkages, and I plan to apply latent social space models to account for higher-order interdependence. Last, but not least, most diffusion processes exhibit a large degree of unobserved heterogeneity in that there are inherent innovators at the one end and laggards at the other, more so than predicted by a set of observables. As such, I suspect that some factors matter more to those early adopters while others are more important to those who fall behind. To incorporate these perspectives into a coherent framework, I plan to embed a game-theoretic model in a network analysis to fully model interdependence and to utilize quantile regressions to capture the underlying heterogeneity in variations in time to adoption of a new institution. Given the prevalence of institutional diffusion in international relations, this research project can make a significant contribution to our understanding of the evolving nature of international regimes.