Such was the concern about the adverse consequences for the world economy of “imbalances” that G-20 Leaders, meeting in Pittsburgh in September 2009, adopted a Framework for Strong, Sustainable, and Balanced Growth. This step followed a growing body of expert opinion that took the view that large, persistent current account imbalances in the major industrialised economies and emerging markets since 2000 had, at the very least, contributed to the global financial crisis witnessed in 2007-8 and to the subsequent Great Recession. The purpose of this electronic book is to provide policymakers and their advisers with up-to-date, comprehensive analyses of the central facets of global economic imbalances and to identify and evaluate potential national and systemic responses to this challenge.

To break down the many facets of this collective economic challenge, leading experts were asked to address one of the following policy-relevant questions.

1. How large are contemporary current account imbalances? Why do they persist?
2. What are the systemic costs of imbalances?
3. What are the lessons from previous attempts to rebalance the global economy?
4. What would rebalancing entail? Which policies must change? Is collective action needed?
5. What is the political viability of proposals to rebalance national economies?
6. Are new system-wide accords needed to promote rebalancing or to discourage persistent imbalances?

This volume will be of interest to policymakers, their advisers, senior officials, as well as to anyone interested in the matter of limiting global economic imbalances.
Rebalancing the Global Economy: A Primer for Policymaking

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As the world economy recovers, developing countries will need to rely on international markets – including dynamic emerging markets – as a source of demand to revitalize economic growth. Despite recent calls to reconsider the merits of openness, trade integration remains key to economic growth. It is well known that China and other emerging markets, which account for over 40 percent of the world’s population, are growing at an unprecedented pace, pulling much of Asia and the rest of the world with them. East Asia has become the third most integrated region in the world after North America and the European Union. South-South trade expansion is helping to drive global trade recovery.

A key lesson looking forward is that markets must remain open so that less developed countries tap into the more dynamic emerging markets. Resurgent global current account balances pose a threat in this regard. There is much debate about the importance of current account imbalances and the role they played in creating the prerequisites for the global economic crisis that erupted in 2008. But it is clear that there are strong political forces and economic imperatives that require countries with large current account deficits and high levels of debt and fiscal stress to increase net exports substantially. Conversely, countries running persistent large current account surpluses need to take action to increase domestic absorption.

As is clear from the papers included in this eBook, there are strong differences in views regarding the global welfare implications of global imbalances and efforts to re-balance the world economy. Whatever one’s views, the implications of the policy responses to large imbalances will have major repercussions for developing economies. Recourse to protectionism on the part of large deficit countries should be avoided at all costs. Coordinated responses – such as a concerted effort to further liberalize access to goods and services markets – are among the options discussed in this volume that have not attracted much attention by policymakers to date, as illustrated by the impasse in the Doha Round negotiations.

We are delighted to have sponsored this eBook and are grateful to Stijn, Simon, and Bernard for their initiative in organizing it; and to Viv Davies, Anil Shamdasani and Samantha Reid for their help in seeing it through to publication. We should also acknowledge support from the “Global Trade and Financial Architecture”, a DFID-funded project; and from “Politics, Economics and Global Governance: The European Dimensions”, a collaborative research project funded by the European Commission under its Seventh Framework Programme for Research (contract no. SSH-CT-2008-217559).

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