

# Rebalancing the Global Economy: A Primer for Policymaking

Edited by  
Stijn Claessens, Simon Evenett  
and Bernard Hoekman



A VoxEU.org Publication





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# Foreword

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 preconditions 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.

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