



Trade Imbalances and exchange rates:

Conditions for the unwinding of global trade imbalances

Presenter: Matthieu Bussiere (European Central Bank)

Discussant: Massimo Suardi (European Commission, DG ECFIN)

29 June 2009, 12:45 to 14:30, at Bruegel

The paper to accompany this seminar can now be downloaded by clicking on [this link](#). If you have not yet registered for the seminar and would like to attend, please respond to matt.dann@bruegel.org

The ongoing crisis has revealed important weaknesses in the world economy. It has further revealed shortcomings in our understanding of the interrelations between different markets, institutions and macroeconomic aggregates. Two particular linkages have come to the forefront of the discussion. One, global imbalances, considered to be at the heart of the current crisis; and two, international trade, with the slowdown in economic activity reflecting itself in lower trade and reminding the world that complete decoupling of the emerging world was not possible.

Matthieu Bussiere (ECB), in his recent paper with Alexander Chudik (ECB) and Giulia Sestieri (University of Rome Tor Vergata), discusses a trade model that would help understand these interactions and analyse the conditions for the unwinding of existing imbalances. In particular, the authors analyse whether a dollar depreciation or a fall in US output be more effective in reducing the imbalances and what the consequences are for the production levels of the rest of the world. If international imbalances are unsustainable, the question for policy makers is about the least painful way of getting out of them. This paper offers a framework to think about different alternatives.

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Participation in the seminar is by personal invitation only and the Chatham House Rule will apply for the discussion. A sandwich lunch will be provided at 12:45 pm before the session starts punctually at 1pm.

Bruegel is located at Rue de la Charité 33, B-1210 Brussels (Metro: Arts-Loi or Madou; see our web site for directions, www.bruegel.org). Please confirm participation to Matt Dann (matt.dann@bruegel.org).