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**PART 1: How large are  
contemporary current account  
imbalances? Why do they persist?**



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## 2 Adjustment in global imbalances and the future of trade growth

**Caroline Freund**  
*World Bank*

*Trade collapsed after the onset of the financial crisis. So too did global trade imbalances, falling 26% from 2007 to 2009. This article disentangles the direct effect of the trade drop on imbalances from the effect of rebalancing export and import growth. Measured several different ways, the bulk of the decline in global imbalances is a result of countries rebalancing export and import growth. This is good news because direct effects are very likely to be reversed as trade growth resumes, while rebalancing is more likely to be sustainable. Trade fell in most countries from 2007 to 2009, but four large emerging markets bucked this trend. In particular, Brazil, China, India, and Indonesia recorded positive import growth. These big, rapidly-growing countries are likely to be the engine for robust global trade growth in the coming years. This shift is consistent with investment seeking high returns in fast-growing economies—a more conventional pattern of capital flows.*

### Introduction

Global trade imbalances have surged since the early 1990s. Figure 1 shows an index of global trade imbalances—the sum of the absolute values of real trade balances across countries—and real global trade from 1970-2007.<sup>1</sup> Global imbalances grew by 11% a year on average from 1990 until 2007; in the previous 20 years, average annual growth was only 1%. In contrast, global trade grew at a strong and steady pace of about 6% a year over the whole period.

The expansion in global imbalances became a cause for concern in the new millennium, when they rose well above previous levels. The fear was that the immense capital flows associated with these imbalances could rapidly shift, leading to disruptive adjustments in importing countries. More recently, concern that imbalances reflected a global savings glut, resulting in an underpricing of risk, took center stage. This puts global imbalances as an important factor in the severity of the financial crisis (eg. Bernanke 2009 and Obstfeld and Rogoff 2009), and implies that a more stable financial system must involve more balanced capital flows.

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<sup>1</sup> Data are from the World Bank's World Development Indicators and are in constant dollars. They are available from 1970-2007 for a balanced sample of 73 countries that made up about 85% of global trade in recent years. Data are in logs and normalised to start from zero.

A world with more balanced capital flows has important implications for bilateral trade flows and global trade growth. With more balanced capital flows, the US can no longer be a rapidly growing market for the world's production and China cannot maintain export growth at pre-crisis levels. While the focus on global imbalances has been largely on the US and China, they are not alone in the recent pattern of capital flowing from the developing to the developed world. Many other East Asian nations, oil exporting countries, as well as a few Latin American countries have had large and rising surpluses in recent years; while several other high-income countries, such as Greece, Spain and the UK, have been running large and growing trade deficits. With more balanced capital flows, it is not obvious which countries will drive future trade growth.

Indeed, the financial crisis has already shocked trade patterns, leading to a reduction in real trade of 12.2% in 2009 (WTO 2010), a magnitude unseen since the great depression.<sup>2</sup> As trade fell global imbalances also retreated. An important question is whether this is a short-run phenomenon or a structural change brought about by the crisis.<sup>3</sup> If it is a short-run change, many of the same issues that plagued the financial system in recent years are likely to reemerge. If it is a shift to more balanced flows, it likely represents a move to a more stable global financial system. But in this case, trade patterns will look very different in the future and trade growth will need a new driver.

In this article, we examine the extent of rebalancing of trade that the crisis has generated and whether it is sustainable. Unlike other papers on current account adjustment, we approach the question from the real side.<sup>4</sup> First, we examine how trade balances have adjusted following the financial crisis. Specifically, we calculate how much of the adjustment is a result of the drop in trade and how much is a result of rebalancing between export and import growth. We argue that rebalancing likely reflects shifts in attitudes to saving and investment in these countries, while a shift due to the drop in trade is likely to be reversed as global income expands. We find that the bulk of adjustment is a result of rebalancing.

Second, we examine which countries are well positioned to drive future trade growth. We find four large emerging market countries have fared remarkably well in the crisis: Brazil, China, India and Indonesia. In these countries, imports in 2009 increased above pre-crisis levels. Standard economic models imply that these rapidly-growing emerging markets should be net importers of capital and goods; however, all but India have been running sizable trade surpluses in recent years. Conditions may have now changed such that more typical patterns of global trade and investment reemerge. This would imply rapid growth in imports in these large emerging markets, as they become the future of trade growth.

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2 This drop so stunned trade economists that a good deal of research has gone into understanding why the decline was so spectacular (Francois and Woerz (2009), Freund (2009), Eaton et. Al. (2010)).

3 Baldwin and Taglioni (2009) argue that a strong recovery has followed the sharp drop in trade, and that it is likely to be accompanied by the same worrisome global imbalances that defined previous years.

4 For example, Blanchard and Milesi-Ferretti (2009) examine how imbalances have adjusted based on changes in savings and investment patterns across countries.

## **The decline in global imbalances: Rebalancing versus the trade collapse**

The financial crisis brought about a reversal in the large and growing global imbalances that characterised trade in the years that preceded it. In part, this is purely mechanical. The large drop in trade that occurred in 2009 will cause trade imbalances to retreat if it affects exports and imports proportionately. This suggests that if conditions improve, the worrisome pattern of growing imbalances is likely to re-emerge.

Part of the contraction in imbalances is not mechanical but is due to rebalancing of imports and exports. Countries with large trade deficits have reduced imports to a far greater extent than exports, while countries with large surpluses have reduced exports by relatively more. This type of adjustment is more likely to be sustainable, as it reflects changes to rates of savings and investment.

Finally, in some countries trade flows continued diverging as global trade fell (eg. the smaller flow shrank by relatively more). To examine the importance of the drop in trade, rebalancing and diverging flows, we calculate the contribution of each to the decline in global and country imbalances.

We use aggregate trade data from various sources in nominal dollars for 86 countries, with data through 2009, which together account for over 85% of world trade. Total exports from this group dropped by 11% and total imports by 12%, suggesting that net exports should also drop by at least 11% in the average country.

First, we examine how the global trade imbalance was affected. As noted in the introduction, the global trade imbalance is defined as the sum across countries of the absolute values of their trade balances. For the sample, the global trade imbalance fell by 26%, from 2007 to 2009. Given that aggregate trade fell by about 11%, the trade drop contributed to about 42% of the decline in the global trade imbalance. This means that together rebalancing and diverging flows made up the other 58%. If we separate diverging trade growth from rebalancing, we find that rebalancing contributed to 78% of the reduction of the global trade imbalance. Diverging trade growth contributed to expanding the global trade imbalance by 20%.

Looking at the global trade balance puts more weight on large countries. It also reflects the magnitude of the “global savings glut” well. However, it could be that only large countries are adjusting, and others countries are still increasing imbalances. We next examine what adjustments look like across countries and in the typical country.

Table 1 shows for each country how much of the adjustment in the trade balance is due to the drop in trade, how much is a result of rebalancing, and how much is a result of diverging trade flows. We split the countries into two groups, those where trade imbalances improved and those where they worsened from 2007 to 2009.

In 59 out of 86 countries (or 69%) there was a reduction of imbalances, i.e. smaller surplus or smaller deficit following the crisis. We find that in the typical country, over two-thirds of the improvement in the trade imbalance is a result of

rebalancing, no matter if we define the trade drop as a country's average change in trade ( $(\% \Delta \text{imports} + \% \Delta \text{exports})/2$ ) or the average change in global trade. Moreover, in countries of special interest, such as the US and China, we observe significant rebalancing occurring. Several other large surplus countries, such as Chile, Germany, Indonesia and Singapore, also recorded sharp rebalancing effects; while large deficit countries, such as Spain, the UK, and many Eastern European countries saw major shifts away from imports. These are positive signs because as trade expands after the crisis, rebalancing is required to maintain global balances. An adjustment in trade balances that is entirely a result of the drop in trade is unlikely to be sustainable.

In the remaining 27 countries imbalances swelled. In these countries, the trade drop caused imbalances to shrink by 10-34% in the typical country, but this was more than offset by diverging trade growth.

Overall the news on rebalancing is positive. In over 75% of the countries for which 2009 trade data are available, imbalances improved. For these countries, about two thirds of the reduction in global imbalances that has occurred in the typical country is a result of rebalancing. This is not just a small country phenomenon. Examining the global trade imbalance, which puts more weight on larger imbalances, we also see that three-quarters of its decline stems from rebalancing. In sum, the trade drop was not the main reason behind the improvement in trade balances in 2009; rather, the majority of countries tended to rebalance trade flows significantly.<sup>5</sup>

## Rebalancing across countries and future trade growth

This section examines how rebalancing is happening and the implications for future trade growth. Rebalancing can happen in three different ways. (i) both imports and exports decline, and the larger flow decreases by relatively more than the smaller flow, (ii) the larger flow declines and the smaller flow increases, or (iii) both flows expand, and the large flow expands by relatively less than the smaller flow. The three modes have different impacts on global trade growth. The first and second suggest that trade growth may stagnate in the near term as trade flows adjust, while the third offers a future with both positive trade growth and declining imbalances.

Table 2 shows the change in exports and imports from 2007 to 2009, for deficit and surplus countries separately. For most countries, both flows decreased and trade imbalances declined by relatively more because the bigger flow fell by a larger amount, the rebalancing effect. However, in some countries, we observe an increase in exports, imports, or both exports and imports following the crisis. And several of these are big countries. Imports increased in Brazil and China. And in India and Indonesia both exports and imports increased. These are four of the five largest countries in the world by population, and together make up

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<sup>5</sup> This is consistent with Blanchard and Milesi-Ferretti (2009). They examine global imbalances during the crisis from a macro perspective and find that significant adjustment in savings and investment patterns have occurred.

over 40% of the World's population. These are fast growing countries that should (in theory) be running external deficits and importing heavily for future growth. Together, they account for 15% of the global trade imbalance in 2009.

To see how these countries diverged from the rest of the world, Figure 2 shows imports on a log scale and adjusted to begin at the same point in 2006. These four countries have seen a strong and similar bounce back in imports, one that is much sharper than has been observed in the rest of the world.

Together with the rebalancing of imports and exports that has occurred, this is a very positive sign. These large emerging markets are the future for trade growth. In a textbook world, capital should flow from rich to poor countries. These fast-growing emerging economies should be importing raw materials, intermediate inputs, and machinery to fuel their growth—and, as they grow, ever more consumer goods. More reliance on domestic demand and less on export-led growth is likely to be good for their economies as well as for global trade.

## **Conclusion**

In the coming years, global imbalances must be limited to ensure financial stability. This has important implications for trade patterns and trade growth.

Fortunately, a new system of global trade is already emerging, with large and growing emerging markets absorbing capital and goods from the rest of the world. In particular, Brazil, China, India, and Indonesia have demonstrated resilient import growth through the financial crisis. They have done this despite sizeable exchange rate depreciation in some countries when the crisis began (e.g. Brazil, Indonesia), and without extensive fiscal support.<sup>6</sup> Financial stability and continued trade growth rely on this being the beginning of a new and more conventional global system. The fast growing economies will attract global investment with higher yields, and increasingly import raw materials and machinery for future growth.

While the adjustment process from a trade perspective is moving in a positive direction, some risks remain. Among these are a return to low savings in the US and a reemergence of large imbalances. In China, there is a danger that the import strength is temporary, as relatively cheap natural resources are purchased for future use, and domestic consumption does not expand in a sustainable way. Without these two countries participation, the new pattern of trade cannot take hold.

A market-driven exchange rate in China would help reduce these risks. A real appreciation of the Renminbi would make imports more affordable and exports less competitive, and China's large trade surplus would decline. China has already facilitated some real appreciation during the crisis through fiscal stimulus and ultimately rising wages and prices (Barboza 2010). A gradual move to more exchange rate flexibility will keep domestic demand on track and promote stable prices. This would be a win-win for both China and the rest of the world.

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<sup>6</sup> Only China has a large stimulus in 2009 (2.% of 2008 GDP). In Brazil, India, and Indonesia rates are 0.3, 0.5, and 1.3, respectively (Prasad and Sorkin 2009).

Lastly, a comment on trade policy and imbalances. While some policymakers see protectionism as a tool against trade deficits, it is highly unlikely to be effective. Unless trade barriers affect savings and investment, they cannot alter the trade balance. In a similar vein, more trade liberalisation will not lead to expanding imbalances. As shown in Figure 1, trade has expanded steadily with and without growing imbalances. Opening markets to goods and services facilitates the movement of resources to their most productive uses, raising income levels. It also raises income growth by expanding returns to investment in high-productivity firms and sectors. It is important that efforts to liberalise—unilaterally, multilaterally, and regionally—are kept on track during this period of global uncertainty.

*The views presented here are the views of the author and not the views of the Board of the World Bank.*

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Table 1. Change in imbalances due to trade drop, rebalancing, and diverging growth

Share calculated using: Country	Country average trade growth		Global trade growth		dNX (MI U\$)	dNX/ NX	NX07/ GDP07
	Trade Drop	Rebalancing	Trade Drop	Rebalancing			
Algeria	-10.5	110.5	14.3	85.7	-26,600	-82	23.21
Australia	-7.2	107.2	16.6	83.4	11,600	-70	-2.01
Austria	1.4	98.6	1.1	98.9	-5,564	-1,044	0.14
Bolivia	-56.4	156.4	37.5	62.5	-403	-31	9.93
Bosnia and Herzegovina	58.1	41.9	90.0	10.0	724	-13	-37.12
Brazil	-0.7	100.7	30.6	69.4	-15,300	-38	3.08
Bulgaria	38.8	61.2	26.8	73.2	4,392	-44	-25.00
Canada	17.7	82.3	10.4	89.6	-44,600	-113	2.83
Cape Verde	-334.9	434.9	102.3	-2.3	82	-11	-51.29
Chile	36.8	63.2	28.1	71.9	-9,960	-42	14.94
China	-7.5	107.5	47.5	52.5	-64,600	-25	7.71
Colombia	-4.4	104.4	12.1	87.9	2,804	-97	-1.38
Croatia	81.8	18.2	57.4	42.6	2,746	-20	-22.88
Cyprus	98.1	1.9	119.4	-19.4	709	-10	-34.45
Dominican Republic	164.9	-64.9	129.0	-29.0	735	-9	-19.75
Ecuador	-0.6	100.6	2.9	97.1	-1,724	-403	0.93
El Salvador	39.8	60.2	43.6	56.4	1,270	-27	-23.64
Estonia	34.8	65.2	15.2	84.8	3,580	-77	-22.19
Faroe Islands	11.3	88.7	12.7	87.3	248	-92	n.a.
Finland	38.4	61.6	16.0	84.0	-6,105	-73	3.33
Germany	47.5	52.5	40.8	59.2	-76,800	-29	8.09
Honduras	-2.7	102.7	59.5	40.5	814	-20	-34.49
Hungary	0.4	99.6	0.3	99.7	5,758	-4,089	-0.10
Iceland	25.5	74.5	9.6	90.4	2,378	-122	-9.73
Indonesia	-31.9	131.9	23.3	76.7	-19,900	-50	9.21
Israel	26.3	73.7	24.1	75.9	4,951	-49	-6.00
Italy	37.5	62.5	22.5	77.5	6,024	-52	-0.55
Japan	21.3	78.7	17.0	83.0	-63,200	-69	2.09
Jordan	-18149.9	18249.9	26152.3	-26052.3	4	0	-53.21
Kazakhstan	807.7	-707.7	828.5	-728.5	-212	-1	15.00
Latvia	34.9	65.1	16.4	83.6	5,208	-71	-25.23
Lithuania	19.4	80.6	15.5	84.5	5,498	-76	-18.65
Luxembourg	379.4	-279.4	231.1	-131.1	310	-5	-12.24
Malta	289.1	-189.1	143.1	-43.1	145	-8	-23.90
Mexico	30.2	69.8	21.9	78.1	5,396	-54	-1.01
Moldova	77.6	22.4	95.5	4.5	348	-12	-64.60
Netherlands	62.2	37.8	79.6	20.4	-8130.3	-15	7.09

Share calculated using: Country	Country average trade growth		Global trade growth		dNX (MI U\$)	dNX/ NX	NX07/ GDP07
	Trade Drop	Rebalancing	Trade Drop	Rebalancing			
New Zealand	14.7	85.3	14.0	86.0	3274.1	-83	-3.02
Norway	190.3	-90.3	166.7	-66.7	-3925.9	-7	14.33
Pakistan	8.4	91.6	151.1	-51.1	1,189	-8	-11.00
Peru	-6.3	106.3	40.2	59.8	-2,413	-29	7.53
Philippines	297.4	-197.4	150.7	-50.7	392	-8	-3.61
Poland	14.1	85.9	22.2	77.8	13,500	-53	-5.98
Portugal	1269.0	-1169.0	1115.6	-1015.6	281	-1	-12.18
Romania	20.7	79.3	21.5	78.5	16,300	-54	-17.59
Russian Federation	96.7	3.3	79.3	20.7	-19,300	-15	10.08
Senegal	-71.9	171.9	61.8	38.2	630	-19	-30.23
Singapore	24.3	75.7	35.0	65.0	-12,100	-33	21.24
Slovakia	6.3	93.7	4.4	95.6	2,766	-263	-1.25
Slovenia	34.4	65.6	22.8	77.2	1,494	-51	-6.19
South Africa	18.4	81.6	14.6	85.4	7,796	-80	-3.47
Spain	36.8	63.2	24.1	75.9	66,000	-49	-9.71
Sweden	80.2	19.8	42.4	57.6	-4,280	-28	3.44
Tanzania, United Republic of	-302.7	402.7	114.1	-14.1	406	-10	-23.26
Turkey	28.7	71.3	30.6	69.4	24,000	-38	-9.66
United Kingdom	71.6	28.4	39.9	60.1	53,200	-29	-6.46
United States	40.0	60.0	31.9	68.1	290,000	-37	-5.65
Yugoslavia	45.5	54.5	56.2	43.8	2,027	-21	n.a.
Zambia	40.1	59.9	78.5	21.5	-91	-15	5.55
Median	28.7	71.3	31.9	68.1	629.6	-36.7	-3.6

Imbalance-Widening Countries	Trade Drop	Diverging Growth	Trade Drop	Diverging Growth			
Albania	42.6	57.4	-106.9	206.9	-341	11	-28.35
Argentina	-13.9	113.9	-23.5	123.5	5,614	50	4.35
Armenia	-83.0	183.0	-78.5	178.5	-333	15	-24.30
Azerbaijan	3.1	96.9	-0.5	100.5	8,224	2,376	1.05
Belarus	-9.9	109.9	-18.1	118.1	-2,863	65	-9.82
Belgium	-352.7	452.7	-284.4	384.4	718	4	3.80
Czech Republic	-11.4	111.4	-13.5	113.5	3,716	86	2.53
Denmark	-9.8	109.8	-9.2	109.2	5,685	128	1.44
Egypt	53.4	46.6	-11.5	111.5	-11,000	101	-8.38
Ethiopia	83.3	16.7	-12.5	112.5	-4,238	94	-23.85
France	-350.4	450.4	-322.8	422.8	-2,116	4	-2.25
French Polynesia	-19.7	119.7	-121.6	221.6	-138	10	n.a.
Hong Kong	-28.3	128.3	-50.6	150.6	-5,426	23	-11.19
India	41.9	58.1	-81.5	181.5	-10,000	14	-5.81

Share calculated using: Country	Country average trade growth		Global trade growth		dNX (MI U\$)	dNX/ NX	NX07/ GDP07
	Trade Drop	Rebalancing	Trade Drop	Rebalancing			
Ireland	-33.0	133.0	-23.2	123.2	18,000	50	13.73
Korea, Republic of	-3.3	103.3	-6.6	106.6	25,800	176	1.46
Macao	-299.3	399.3	-76.3	176.3	-565	15	-19.39
Macedonia, FYR	-45.5	145.5	-45.6	145.6	-480	26	-23.69
Malaysia	-100.0	200.0	-91.1	191.1	3,825	13	15.68
Mauritius	-154.8	254.8	-203.1	303.1	-96	6	-22.30
Mozambique	4.1	95.9	-7.6	107.6	-979	154	-7.97
Paraguay	78.2	21.8	-53.5	153.5	-677	22	-25.80
Switzerland	-2.3	102.3	-19.9	119.9	6,348	59	2.51
Taiwan, Province of China	-246.5	346.5	-153.0	253.0	2,044	8	6.79
Thailand	-7.7	107.7	-33.9	133.9	4,796	34	5.56
Uruguay	44.7	55.3	-24.6	124.6	-369	48	-3.23
Zimbabwe	-3.4	103.4	-2.8	102.8	-1,092	425	n.a.
Median	-9.9	109.9	-33.9	133.9	-333.3	34.5	-3.2
Median Full Sample	18.0	82.0	16.8	83.2	370.2	-14.8	-3.5

Source: Datastream, WITS, World Development Indicators, National Statistics-Republic of China (Taiwan), and author's calculations.

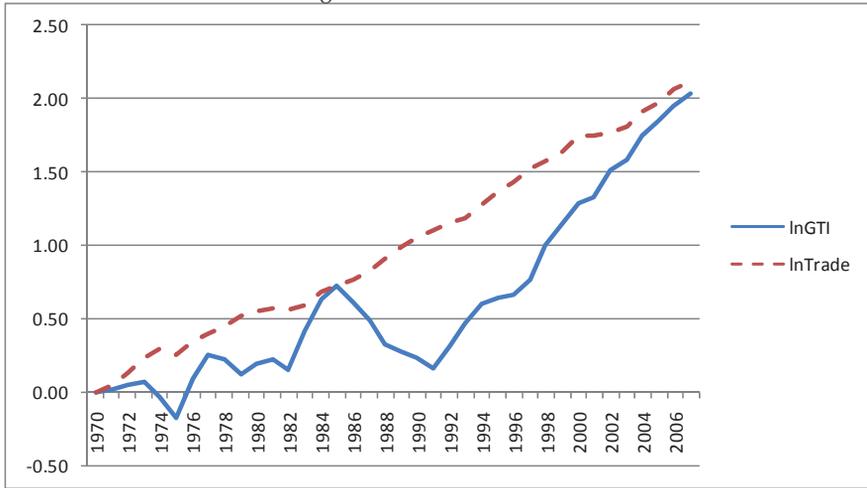
Table 2. Import and export growth 2007-2009, by country (sorted by import growth)

Deficit Country	NX07/ GDP07	dx/x	dm/m	Surplus Country	NX07/ GDP07	dx/x	dm/m
Iceland	-9.59	-15.78	-46.60	Ireland	13.67	-5.18	-28.11
Latvia	-25.43	-10.20	-39.49	Finland	3.39	-30.35	-25.96
Estonia	-21.73	-17.98	-35.49	Faroe Islands	0.00	2.08	-22.88
Lithuania	-18.71	-4.01	-25.34	Sweden	3.42	-22.42	-21.89
Spain	-9.44	-11.32	-24.49	Taiwan	6.79	-17.34	-20.39
Romania	-17.69	0.40	-22.92	Denmark	1.44	-9.36	-15.64
Bulgaria	-25.40	-11.24	-22.65	Canada	2.77	-24.52	-15.31
United Kingdom	-6.47	-19.58	-22.43	Malaysia	15.94	-10.47	-15.23
Philippines	-3.50	-23.84	-22.38	Norway	14.39	-11.73	-15.01
United States	-5.76	-9.10	-20.26	Belgium	3.81	-14.13	-14.90
Malta	-23.74	-27.05	-20.25	Russian Federation	10.11	-14.39	-14.18
Italy	-0.55	-19.17	-19.92	Yugoslavia	0.00	-5.44	-13.51
Slovenia	-6.17	-15.91	-19.41	Kazakhstan	14.30	-9.55	-13.27
South Africa	-3.42	-10.53	-19.04	Argentina	4.30	-0.56	-13.26
Slovakia	-1.25	-14.61	-18.57	Austria	0.14	-16.09	-12.58
Hungary	-0.10	-12.31	-18.36	Germany	8.07	-15.34	-11.94
Croatia	-23.00	-15.35	-17.98	Czech Republic	2.47	-8.16	-11.60
Turkey	-9.69	-4.79	-17.13	Japan	2.10	-18.42	-10.96
New Zealand	-2.92	-7.42	-17.08	Chile	14.61	-20.94	-9.71
Luxembourg	-12.28	-21.47	-16.97	Korea, Republic of	1.40	-2.14	-9.46
Mexico	-0.99	-15.51	-16.87	Netherlands	7.12	-9.49	-8.81

Deficit Country	NX07/ GDP07	dx/x	dm/m	Surplus Country	NX07/ GDP07	dx/x	dm/m
El Salvador	-23.21	-4.69	-16.72	Singapore	21.62	-9.75	-6.51
Israel	-6.10	-9.23	-16.38	Zambia	5.35	-6.61	-5.35
Macao	-19.80	-77.88	-13.89	Thailand	5.63	-0.89	-4.40
Dominican Republic	-19.59	-17.41	-12.51	Switzerland	2.53	0.59	-3.32
France	-2.25	-13.52	-11.89	Mayotte	0.00	-13.22	0.51
Moldova	-64.56	-7.78	-11.23	Zimbabwe	0.00	-31.60	2.47
Poland	-6.04	-3.61	-11.20	China	7.76	-1.34	5.05
Portugal	-11.98	-15.85	-10.78	Brazil	3.00	-5.22	5.75
Cyprus	-33.73	-9.48	-9.75	Azerbaijan	1.05	142.46	7.12
Bosnia & Herzegovina	-36.57	-5.36	-9.74	Peru	7.71	-3.58	7.23
Cape Verde	-52.87	85.62	-8.95	French Polynesia	0.00	-11.24	7.44
Honduras	-34.53	9.90	-8.83	Ecuador	0.93	-3.66	8.63
Hong Kong	-11.34	-7.52	-5.57	Bolivia	9.84	10.06	25.19
Mauritius	-22.21	-12.93	-4.92	Indonesia	9.17	2.11	30.02
Macedonia	-23.61	-19.81	-3.53	Algeria	23.91	-24.88	42.08
Senegal	-29.37	30.47	-3.25	Median	4.06	-9.52	-10.34
Pakistan	-10.72	1.53	-2.84				
Belarus	-9.76	-12.33	-0.45				
Colombia	-1.40	8.94	-0.38				
Australia	-2.01	9.26	0.93				
Armenia	-24.29	-28.15	3.41				
Jordan	-53.20	12.23	4.02				
India	-5.92	4.42	7.62				
Albania	-28.79	0.95	8.38				
Tanzania	-23.50	51.78	10.34				
Paraguay	-25.33	15.37	18.81				
Uruguay	-3.19	19.21	23.37				
Mozambique	-7.93	-10.98	23.43				
Egypt	-8.33	42.35	66.07				
Ethiopia	-23.64	67.99	87.91				
Median	-11.98	-9.48	-11.89				

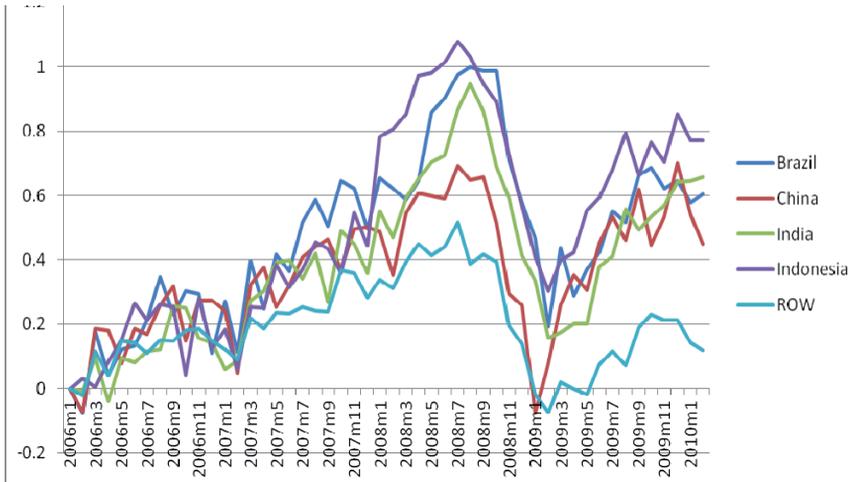
Source: Datastream, WITS, World Development Indicators, National Statistics-Republic of China (Taiwan), and author's calculations.

Figure 1. Global imbalances and global trade



Source: World Development Indicators.

Figure 2, Import growth in Brazil, China, Indonesia, and India versus rest of the World (ROW)



Source: Datastream, data in current dollars.

## **About the Author**

**Caroline Freund** is Lead Economist in the International Trade Team, Development Research Group, at the World Bank. She obtained a Ph.D. in economics from Columbia University. Before joining the World Bank, she was an Economist in the International Finance Division of the Federal Reserve Board. She has also served as a Peace Corps Volunteer in Ghana. She is currently doing research on regional integration, trade and growth, trade costs, and competitiveness.