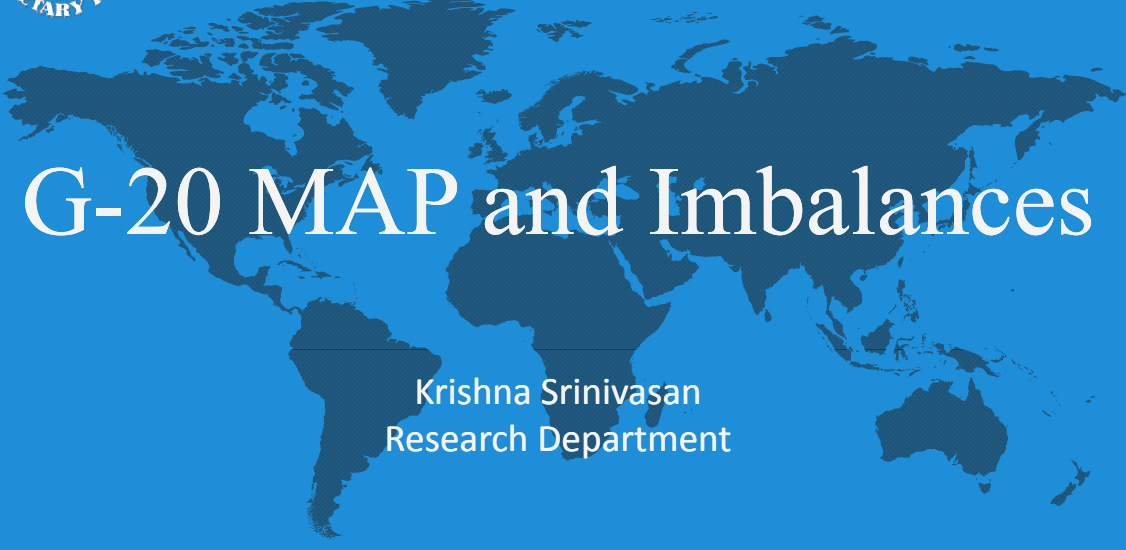


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# G-20 MAP and Imbalances

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## Overview

### Genesis of the MAP

- Created from the crucible of the crisis
- Followed a remarkable period of global cooperation

### Key Motivation

- Addressing global fault lines
- Maintaining a spirit of collective action

### Evolution

- The process evolved toward a greater focus on “external sustainability”
- Two-step approach to assess the root cause of imbalances

### Assessing Sustainability

- Focus on “imbalances” and root causes—not on sustainability
- Approach based on country-specific analysis

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## Key Motivation for the G-20 MAP

### Addressing global fault lines

- Broad recognition that pre-crisis vulnerabilities had not been resolved, and still mattered for post-crisis global evolutions
- Specifically—factors underpinning pre-crisis imbalances had not been addressed and raised the spectre of their renewal
  - Risk of disruptive adjustments and concerns that lack of rebalancing might hinder global recovery

### Maintaining a spirit of collective action

- Recognition that collective action at the peak of the crisis had helped escape a second Great Depression
- .... and that the spirit of collective action was needed to ensuring a stable global order in a post-crisis context—will involve a multilateral undertaking by both advanced and emerging economies

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## Evolution of the MAP

Initial emphasis on assessing whether G-20 policy and macroeconomic frameworks could deliver the growth objectives

Following the Seoul Summit, sharpened focus on “external sustainability”—reduce excessive imbalances and maintain current account imbalances at sustainable levels

Procedurally, a two-step process:

- Step 1: Indicators and guidelines to identify imbalances
- Step 2: Analyze root causes of imbalances and policy imperatives

By implication, the analytical attention had moved to the country level

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## The Analytical Approach

Focus on identifying and assessing both (internal) and external imbalances, not sustainability

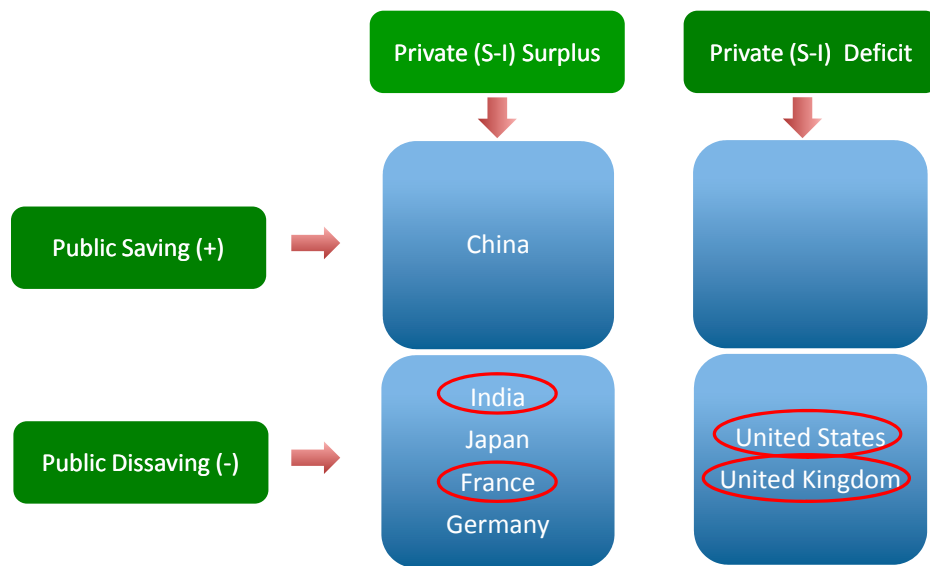
Country-specific analysis (no thematic groupings)—if each country did what was expected, the world would be better off

Begin with the notion that imbalances are not prima facie “bad”, and warrant remedial action only to the extent that they are driven by distortions, market failures, and structural shortcomings.

Conceptual framework—examine saving-investment balances to identify key distortions and/or market failures

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## Imbalances - In a Nutshell



Source: IMF staff estimates.

Note: Countries circled in red denote those with current account deficits.

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