

CONFERENCE ON CURRENT ACCOUNT SUSTAINABILITY: RECENT METHODS AND POLICY ISSUES

1330 New York Ave., N.W., Washington, D.C. 20577 * Enrique V. Iglesias Conference Center, Room CR-2

AGENDA

APRIL 18th, 2017

8:30 a.m. – 9:00 a.m. Coffee and light breakfast

9:00 a.m. – 9.15 a.m. Welcome Remarks

José Juan Ruiz (General Manager and Chief Economist, Research Department, IDB)
Hernando Vargas (Deputy Technical Governor, Banco de la República de Colombia)

9:15 a.m. – 10.15 a.m. Opening Lecture: How does fiscal policy affect current account sustainability?

How is current account sustainability affected by the boom-bust cycle in emerging countries? Does fiscal policy exacerbate or smooth out current account variability over the business cycle?

Chair: **Hernando Vargas** (Deputy Technical Governor, Banco de la República de Colombia)
Lead Speaker: **Ruy Lama** (Senior Economist, IMF)

10:15a.m. – 10:30 a.m. Coffee Break

10:30 a.m. – 12:30 p.m. Session 1. How to assess current account sustainability?

What are the models and methodologies currently used to assess external accounts' sustainability? What are the strengths and limitations of existing methodologies?

Chair: **Alejandro Izquierdo** (Senior Advisor, Research Department, IDB)
Panel: **Eduardo Cavallo** (Lead Economist, Research Department, IDB)
Oscar M. Valencia (Researcher, Banco de la República de Colombia)
Shaghil Ahmed (Associate Director, International Finance Division, Federal Reserve Board)
Luis Cubeddu (Chief, Open Economy Division, IMF)

12:30 p.m. – 1:45 p.m. Lunch Keynote: Current Account Sustainability: The Case of Turkey

Current account sustainability issues in emerging markets constitute serious challenges more than ever for the emerging market policy makers in the age of low global interest rates. A case in point is Turkey, who received a substantial amount of capital inflows during the last decade when advanced countries run extremely expansionary monetary policies. Turkish Central Bank's response and the effectiveness of this response involves several illuminating lessons that this speech will focus on.

Host: **José Juan Ruiz** (General Manager and Chief Economist, Research Department, IDB)
Speaker: **Şebnem Kalemli-Özcan** (Professor of Economics, University of Maryland)

2:00 p.m. – 4:00 p.m. Session 2. Policy Roundtable

What are the challenges that policymakers face regarding external accounts sustainability? What monetary policy dilemmas are generated with factors that affect current account sustainability? How central banks deal with those policy trade-offs?

Chair: **Eduardo Borensztein** (Former Regional Economic Advisor, IDB)
Discussion Panel: **José Juan Ruiz** (General Manager and Chief Economist, Research Department, IDB)
Franz Hamann, (Director of Dept. of Macroeconomic Modeling, Banco de la República)
Daniel Chiquiar (General Director of Economic Research, Bank of Mexico)
Pablo Andrés Neumeyer (Deputy General Manager of Economic Research, BCRA)
Alberto Naudón (Director of Research, Central Bank of Chile)

4:00 p.m. – 4:30 p.m. Coffee Break

4:30 p.m. – 5:30 p.m. Closing Lecture: Policies for Managing External Shocks in Commodity-Exporting Countries

What fiscal and monetary policies could do a better job of maintaining external balance in the case of commodity-exporting countries that are especially prone to terms of trade shocks? Four policy proposals are: (i) use options to hedge commodity export proceeds; (ii) issue bonds denominated in the commodity price; (iii) Fiscal policy: delegate forecasts of what is transitory vs. permanent to an independent committee; (iv) Monetary policy: adopt as currency regime a nominal anchor that accommodates terms of trade shocks

Chair: **Eduardo Cavallo** (Lead Economist, Research Department, IDB)
Lead Speaker: **Jeffrey A. Frankel** (Professor of Capital Formation and Growth, Harvard University)

5:30 p.m. – 6:00 p.m. Closing Remarks