



**Tenth Annual Conference of the Central Bank of Chile
“CURRENT ACCOUNT AND EXTERNAL FINANCING”**

Santiago, Chile, November 9 and 10, 2006

The objective of the Tenth Annual Conference of the Central Bank of Chile is to foster and discuss new economic research, relevant to central banks, on the optimality of current account and external financing decisions and the appropriate policy responses. To do so the conference will bring together policy makers and leading academics from Chile and abroad to present and discuss original research on this issue with particular emphasis on the policy implications of the empirical and theoretical results.

Website: <http://www.bcentral.cl/eng/stdpub/conferences/>

Venue: Hotel Crowne Plaza, Santiago, Chile.

Language: All sessions will be conducted in English, except for the first two sessions that will be conducted in Spanish with simultaneous translation to English.

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Thursday, November 9, 2006

Session I: Opening Remarks (*Session in Spanish*)

9:30-9:40 Opening Remarks, **Vittorio Corbo**, Governor, Central Bank of Chile

Session II: Keynote Address (*Session in Spanish*)

Chair: **Esteban Jadresic** (Central Bank of Chile)

9:40-10:30 “Sudden stops to Capital flows: Causes and Consequences” **Guillermo Calvo**, Chief Economist, Inter-American Development Bank.

10:30-11:00 Coffee break.

Session III: Current Account Dynamics

Chair: **Esteban Jadresic** (Central Bank of Chile)

11:00-12:50 “Financial Frictions and Business Cycles in Middle Income Countries”, **Jaime Guajardo** (IMF)

“The Role of Interest Rates and Productivity Shocks in Emerging Market Fluctuations”, Mark Aguiar (University of Rochester) and **Gita Gopinath** (Harvard University)

Comments: **Claudio Raddatz** (World Bank)
Manuel Marfán (Central Bank of Chile)

Emerging markets are characterized by counter-cyclical current accounts, high consumption volatility relative to current income and “sudden stops” to capital flows. The papers in this session will evaluate the factors behind these stylized facts, in particular whether they are due to the pattern of domestic shocks, external demand shocks or the consequence of imperfections in international financial markets.

12:50-14:30 Lunch

Session IV: Emerging Market Finance

Chair: **Jorge Desormeaux** (Central Bank of Chile)

14:30-16:20 “The Nature of Emerging Market Finance” **Graciela Kaminsky** and Ana Fostel (George Washington University).

“Financial Diversification and Sudden Stops”, K. Cowan, **José De Gregorio**, A. Micco and C. Nielson (Central Bank of Chile and Ministry of Finance Chile).

Comments: **José Luis Escrivá** (BBVA Madrid).

Norman Loayza (World Bank).

This session will characterize the operation of the international markets for emerging economy debt and equity and its consequences for small open economies.

16:20-16:40 Coffee break

Session V: Issues on International Capital Flows

Chair: **Frederic Mishkin** (Federal Reserve Board)

16:40-18:30 “On Current Account Surpluses And The Correction Of Global Imbalances”,
Sebastian Edwards (UCLA).

“International Reserves Management and the Current Account” **Joshua Aizenman**
(UCSC).

Comments: **Romain Ranciere** (IMF and Universitat Pompeu Fabra).
Klaus Schmidt-Hebbel (Central Bank of Chile).

Friday, November 10, 2006

Session VI: Key Note Address

Chair: **José De Gregorio** (Central Bank of Chile)

9:00-9:50 “Exchange Rate Policies and Development” **John Williamson** (Senior Fellow,
Institute for International Economics)..

9:50-10:10 Coffee break.

Session VII: Panel on Global Imbalances

Chair: **José De Gregorio** (Central Bank of Chile)

10:10-12:10 Panel on Global Imbalances and Their Consequences for Latin American
Economies
Michael Dooley (UCSC)
Barry Eichengreen (UC Berkeley)
Roberto Zahler (Zahler y Co.)

Since the late 1990s most of the poor regions in the world have run current account surpluses, while the advanced nations as a group – and in particular, the United States – have posted large current account deficits. This session will address whether the current situation is transitory or permanent and the policy implications of each scenario.

12:10-13:30 Lunch

Session VIII: Valuation Effects and External Adjustment

Chair: **Sebastian Edwards** (UCLA)

13:30-15:20 “Valuation Effects and External Adjustment” **Pierre-Oliver Gourinchas**
(University of California, Berkeley)

“Stocks, Flows and Valuation Effects of Foreign Assets and Liabilities: Do They Matter?” Alfredo Pistelli, Jorge Selaive and **Rodrigo Valdés** (Central Bank of Chile)

What are the implications of gross asset and liability positions for inter-temporal constraints in Chile? Do valuation effects help or hurt? How large are the magnitudes involved? Is Chile atypical compared to other emerging economies? Do assets positions or flows matter for reversals?

Comments: **Federico Sturzenegger** (Harvard University and Di Tella)
Luis Felipe Céspedes (Ministry of Finance Chile)

15:20-15:40 Coffee break.

Session IX: Country Experiences with Current Accounts

Chair: **Enrique Marshall** (Central Bank of Chile)

15:40-18:00 “Current Account Deficits: The Australian Debate” R. Belkar, L. Cockerell and **Christopher Kent** (Reserve Bank of Australia)

“What drives the Current Account in Commodity Exporting Countries? The cases of Chile and New Zealand” **Juan Pablo Medina**, A. Munro and C. Soto (Central Bank of Chile and Reserve Bank of New Zealand)

“Experiences with current account deficits in Southeast Asia”. **R. Moreno** (BIS)

Comments: **Miguel Fuentes** (Universidad Católica)
Nicolás Eyzaguirre (CEPAL)
Juan Echavarría (Banco de la República de Colombia)

The papers in this session will review and analyze experiences of different regions with their current accounts (last few decades). It will describe the main economic developments, underpinning the current account dynamics in these countries.