
# Global imbalances: is there really cause for concern?

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## Introduction

Every day, the United States borrows around three billion dollars from the rest of the world.

As the G7 meets in mid-June 2026, the issue of global imbalances is being raised with renewed urgency. On the one hand, the US deficit continues to widen, financed by increasingly fragile capital. On the other, China's surplus is growing, driven by significant industrial overcapacity. Against this backdrop, the European economy – an island of stability – is struggling to mobilise its savings and attract foreign investment in future-oriented technologies. The global economy thus appears to be under strain.

How did we arrive at this situation? Can we hope to resolve these imbalances, or should we expect a sharp correction?

To discuss this, we are joined by Agnès Bénassy-Quéré, Deputy Governor of the Banque de France, who is contributing to the G7's work on this major issue of global imbalances. Welcome to *Dialogue & Co*.

## Part 1: Global imbalances are not necessarily a problem as such

**Lucile Rives: Hello, Agnès. The concept of "global imbalances" can cover a wide range of issues. Could you explain exactly what these imbalances consist of?**

**Agnès Bénassy-Quéré:** Hello, Lucile. These imbalances are, in fact, current account imbalances – that is, the difference, for each country, between its revenue and its expenditure.

Revenue corresponds to exports of goods and services, as well as income from foreign investments, in the form of interest or dividends. Expenditure covers imports of goods and services, as well as interest and dividend payments to foreign investors.

The difference between these two figures can be positive or negative. When it is positive – that is, when revenue exceeds expenditure – this is referred to as a current account surplus, as is currently the case for the euro area and China. Conversely, when expenditure exceeds revenue, this constitutes a deficit, as is the case for the United States. In both cases, therefore, there is an imbalance.

This mechanism can be compared to the management of personal finances: a surplus arises when income exceeds expenditure, while a deficit arises in the opposite case.

**Lucile Rives: But isn't the coexistence of countries with surpluses and others with deficits inherent in the very principle of the free movement of capital?**

**Agnès Bénassy-Quéré**: Indeed, it is one of its cornerstones. Without the international mobility of capital, no country could spend more than it earns over the long term. Similarly, savings could not be invested optimally due to a lack of investment opportunities.

The international movement of capital thus allows for a temporary mismatch between revenue and expenditure, which can prove beneficial. Take, for example, a country with strong population growth, offering significant investment opportunities but with insufficient savings: recourse to foreign capital makes it possible to finance these investments and sustain growth, even though this results in a current account deficit.

Conversely, in more mature and ageing economies — such as Japan or, today, South Korea — savings are often abundant, or even in excess, relative to domestic investment capacity. In such cases, investing abroad may offer savers better returns.

One might conclude that these imbalances do not pose a problem. However, they become problematic when they exceed what would be justified by structural factors such as demographics or investment needs. When they are particularly high and persistent, they lead to an accumulation of debt in deficit countries and of assets in surplus countries, with the risk of financial crises or other major imbalances. It is precisely this kind of situation that economic policies seek to prevent.

## Part 2: Why are global imbalances on the G7 and G20 agendas?

**Lucile Rives: Are we in such a situation today? As you pointed out, these imbalances are not necessarily a problem, since they stem from the free movement of capital. Moreover, they are not new. So why is addressing them one of the priorities of the French G7 presidency? What makes the current imbalances a cause for greater concern today?**

**Agnès Bénassy-Quéré:** There have indeed been many such imbalances throughout history. A striking example is that of the first wave of financial globalisation, which occurred from 1870 to 1914, leading up to the First World War. This period was characterised by very significant imbalances, in particular a British current account surplus associated with abundant savings, much of which were invested in the colonies at the time — which have since become countries such as Canada, Australia and Argentina.

These imbalances, albeit significant and long-lasting, were not necessarily a cause for concern: they reflected structural investments — land clearance, the construction of infrastructure such as railways — which underpinned the development and growth of these economies. While there may have been occasional crises, notably in Argentina, the overall trend did not appear problematic.

The current situation is of a different nature. The cause for concern today is that these imbalances reflect divergences in growth models. In the United States, growth is largely driven by two factors. On the one hand, a high budget deficit, which contributes to raising public debt. Contrary to other countries, the dollar's international status gives the United States a capacity to take on debt, but this situation is not without risks. On the other hand, the very strong dynamics surrounding artificial intelligence is supporting stock market valuations, at the cost of high expectations which, if necessary, may well be disappointed.

Thus, US growth appears to be largely driven by these two factors, while the rest of the economy is showing more moderate growth. It is therefore not so much the existence of a deficit in itself that poses a problem, but the imbalance in the growth model that it reflects.

A similar analysis can be made for China. Its growth model remains strongly export oriented. At the same time, the household savings rate is high, largely due to the relative inadequacy of social protection and pension systems. Income from exports therefore does not fully translate into improved consumption and well-being for the population.

This model is now reaching its limits. The tensions it generates in importing countries are giving rise to protectionist tendencies, while China must now rebalance its growth by focusing more on domestic demand and the development of services. Generally speaking, the process of economic development focuses initially on agriculture and industry, then, at a more advanced stage, leads to the development of the services sector, thereby enhancing the population's well-being.

**Lucile Rives: As you have mentioned, two countries consistently dominate this debate: the United States, whose deficit is widening, and China, which is building up surpluses. What about Europe in this context? What are the effects of the imbalances you have just described on the European economy? Is Europe itself contributing to global imbalances?**

**Agnès Bénassy-Quéré:** Europe is a particularly interesting case, for two main reasons.

The first relates to the experience it offers in addressing undesirable imbalances. In the wake of the 2008 global financial crisis, followed by the sovereign debt crisis in the euro area, several countries — in particular in Southern Europe and Ireland — were forced to rapidly reduce their imbalances, whether these were budget deficits or external deficits. Spain, for example, was primarily facing an external deficit.

These countries therefore undertook a rapid adjustment. By contrast, countries running surpluses, particularly Germany and the Netherlands, did not reduce their surpluses to the same extent. Now, the current account balance represents the difference between revenue and expenditure. Initially, at an aggregate level, the euro area was broadly in balance. However, a reduction in deficits without a corresponding reduction in surpluses led to this balance being transformed into an overall surplus.

In other words, revenue remained broadly stable, while expenditure dropped. This fall in demand led to low inflation in the euro area — close to zero, though without slipping into outright deflation. Such a situation is detrimental to the economy, as it is generally accompanied by sluggish growth.

This phenomenon illustrates an idea already put forward by Keynes: the burden of adjustment falls mainly on deficit countries, which are forced to make corrections when external financing becomes scarce. Conversely, surplus countries have fewer incentives to adjust, which can lead to an asymmetric rebalancing, itself a source of imbalances.

To answer your question precisely, the euro area currently has a moderate current account surplus of 2-3% of GDP, which is building up. However, unlike other major economies, the European Union has embarked on a rebalancing strategy. Recent reports, notably the Draghi and Letta reports, have outlined an ambitious programme of investment in key areas such as the climate transition, artificial intelligence, cutting-edge technologies and defence.

Germany has already begun to reduce its surplus through a significant investment effort. Furthermore, the European Union is conducting a structural project to integrate its markets – whether in energy, transport or capital – which is likely to spur investment in the medium term.

While the euro area is still running a surplus, it appears to be headed towards rebalancing its current account. Conversely, the prospects for reducing the US deficit still appear uncertain. As regards China, despite repeated statements in favour of a rebalancing towards domestic demand, progress remains slow and is at times in conflict with this objective.

**Lucile Rives: At the start of the interview, you mentioned the possibility of an unfavourable outcome. What exactly does this mean? In other words, if these global imbalances are not resolved and no gradual adjustment takes place, what sort of developments might unfold?**

**Agnès Bénassy-Quéré**: Economic history offers numerous examples of imbalances that have been resolved abruptly. The 1997 Asian crisis is a prime example.

At that time, several Asian economies — notably Thailand, Indonesia, Malaysia and South Korea — had large external deficits and, as a result, were attracting foreign capital. One might have considered that these imbalances were not a problem as such. However, it became apparent that the capital inflows differed significantly from the outflows, both in terms of their nature and their use. Above all, they were financing activities whose profitability, with hindsight, proved to be insufficient.

When these capital flows reversed, the consequences were severe. Local currencies depreciated sharply, revealing a major vulnerability: banks had taken on debt in foreign currencies, particularly in dollars, to finance investments denominated in local currency. In such a context, currency depreciation affects the value of assets without reducing the burden of debt, which severely weakens bank balance sheets and can trigger a financial crisis.

More generally, these crises arise when capital flows display significant asymmetries — in terms of currency, maturity or risk level. If assets and liabilities were aligned along these dimensions, their variations would be more balanced during adjustments. However, this is not the situation we are seeing today.

For example, in the United States, a significant proportion of foreign investments — from Asia and Europe — is channelled into dynamic sectors, such as artificial intelligence, which contributes to raising stock market valuations. However, in the event of a market correction, the losses would be passed on directly to foreign investors. Furthermore, US debt is mainly denominated in dollars, which shifts the exchange rate risk to creditor countries.

Thus, adjustments linked to imbalances are not limited to a simple rebalancing of revenue and expenditure. They can have much broader financial and macroeconomic effects, which may destabilise the entire global economy.

## Part 3: Solutions for addressing global imbalances

**Lucile Rives: You have mentioned several possible solutions at the national and regional level — whether it be supporting domestic demand in China, the US administration's use of tariffs — which are taxes borne by American businesses and households — or European investment plans. Are these local approaches likely to be sufficient to reduce the imbalances we are describing?**

**Agnès Bénassy-Quéré**: You are right to describe tariffs as taxes: that is precisely what they are. Those introduced by the new Trump administration since last April are, in reality, akin to levies on US economic agents. It is now established that they are largely passed on to prices, which means that their cost is borne not by foreign producers, but by importers, distributors, or even directly by US consumers.

In this sense, it is indeed a tax, which could, in theory, help to reduce the deficit. However, this effect is offset by a simultaneous increase in public spending, with the result that the US budget deficit shows no sign of narrowing at this stage. The argument that deregulation could lead to additional growth — and, consequently, higher tax revenue that would help reduce the deficit — remains uncertain. Such a scenario does indeed require lasting productivity gains, which do not necessarily materialise in the short term.

The case of artificial intelligence illustrates this ambiguity: the strong activity observed today may be partly due to a demand-side effect, linked in particular to investment in infrastructure (data centers, equipment), without significant productivity gains yet being fully apparent. While the United States may be able to sustain higher growth than other regions, such as the euro area, and thus support a higher deficit, the latter nevertheless remains very large — around 7% of GDP — and raises questions about the debt trajectory. At this stage, no clear strategy for reducing the deficit is apparent.

In China, policy guidelines are in place, but their implementation remains gradual. The new five-year plan highlights the need to support domestic consumption and to invest more in services for the population. Nevertheless, these developments remain limited.

Certain structural features are, in fact, holding back this rebalancing. For example, China's value-added tax (VAT) system creates distorted incentives: although it is a tax on final consumption, its collection and redistribution favour production rather than consumption at the provincial level. Consequently, local authorities have an incentive to support industrial activity — such as the construction of new export-oriented production capacity — rather than develop services or infrastructure designed to promote domestic consumption.

In addition, Chinese households invested heavily in property during the 2000s and 2010s, due to a limited number of investment alternatives, particularly abroad. The downturn in the property market resulted in significant losses for these households, for whom this asset often constituted a form of retirement savings. In a context of inadequate social protection and an ageing population, households feel compelled to rebuild their savings, which is weighing on consumption.

In the absence of deeper reforms — notably in the area of social protection — the shift towards domestic demand is likely to remain slow.

**Lucile Rives: So, what measures can we take to address these imbalances? While purely national responses are proving to have their limitations, how might we consider implementing a coordinated solution at international level?**

**Agnès Bénassy-Quéré**: The main objective of the G7's work is to raise awareness amongst the major economies concerned of the risks associated with these imbalances, by highlighting the fact that they largely reflect growth models that are unsustainable in their current form. This view now seems to be widely shared.

A second, equally crucial challenge is to demonstrate that these imbalances cannot be addressed by each country individually. It is in every economy's interest that others make adjustments at the same time.

Take the United States, for example. Reducing the budget deficit necessarily involves curbing expenditure. However, this excess spending helps to support global demand, in particular through imports, which indirectly benefit other economies, including China. A reduction in the US deficit would therefore weigh on global growth and, by extension, on Chinese growth.

In this context, it is not necessarily in China's interest that the United States make unilateral adjustments.

Conversely, if China were the only country to reduce its surplus – in particular by lowering its savings surplus – this would result in less capital being available globally. Even if Chinese households do not invest directly abroad, other players – such as sovereign wealth funds, companies and central banks – contribute to these flows. A decline in the global supply of savings would exert upward pressure on interest rates, particularly in the United States, which could strain public finances and financing conditions. In this scenario, it would not be in the United States' interest either for China to make an adjustment unilaterally.

These interactions illustrate the need for coordinated action. While the principle is relatively well understood, its implementation remains complex. It is precisely in this direction that the G7's work is focused. Although China is not a member of the G7, a dialogue has been established with it, and these exchanges then take place within a broader framework, notably that of the G20.

Beyond these two major economies, other countries may also be affected by the adjustments, which reinforces the need for a comprehensive approach. Discussions have already led to significant progress, both in understanding the mechanisms at work and in identifying certain contributing factors, such as industrial policies. In this regard, subsidies to the manufacturing sector in China — estimated at around 4% of GDP — are one factor explaining the imbalances, though they are not the sole cause.

While the economic assessment is now widely shared, the challenge now lies in translating this assessment into policy: the aim is to achieve reciprocal commitments towards a coordinated reduction in these imbalances. This is the most delicate stage, even though the conditions for reaching such an agreement appear to be gradually falling into place.

**Lucile Rives: Before moving on to the issue of decisions and their implementation, I would like to return to a point you raised: China is not a member of the G7. Today, the G7 no longer represents the majority of the global economy. In these circumstances, can this forum still provide a relevant framework for developing sustainable rebalancing solutions, given that China is not at the table?**

**Agnès Bénassy-Quéré**: It is true that China is not a member of the G7. Nevertheless, it remains essential that the member countries of this forum share a common understanding of the issues at stake. This convergence of analysis is now largely achieved and it represents a significant achievement. Thus, when the G7 countries take part in G20 discussions, they offer a coherent and structured view of global imbalances.

This common framework is also valuable in bilateral exchanges with China: although these dialogues take place separately, they are based on a shared analysis, which enhances their coherence and scope.

Furthermore, it is equally important to involve other economies that are not members of either the G7 or China, but which take part in the G20 and may be directly affected by the ongoing adjustments. These countries may, for example, benefit from a rebalancing of the Chinese economy towards a strengthening of domestic demand: an increase in consumption in China would automatically lead to a rise in imports – which are currently sluggish – thereby boosting their own economies.

At the same time, these countries remain mindful of the potentially adverse effects of such an adjustment, particularly in terms of financial conditions. A reduction in China's surplus could lead to a global shortage of available savings and, consequently, a rise in interest rates, which is a source of concern for certain economies.

In this context, the connection between the G7 and the G20 appears to be relatively well established. The G7's preparatory work helps to structure analyses and prepare positions, which are then discussed within a broader framework at the G20, generally during the second half of the year. These two forums thus complement one another in a coherent manner.

**Lucile Rives: What decisions or actions can we reasonably expect from the G7 and the G20 to address these imbalances? And above all, what is the timeframe for taking such actions? How much time do we have before a possible sharp adjustment?**

**Agnès Bénassy-Quéré**: Ideally, it would be desirable to agree on quantified targets. Such an outcome is no doubt difficult to achieve at this stage. However, the adoption of clear commitments, even if they remain broadly indicative, would already constitute a significant step forward.

The French presidency of the G7 has placed this issue on the agenda, but it is also being addressed within the framework of the G20, which is currently under US presidency. This continuity is crucial. Furthermore, the United States will hold the G7 presidency next year, while the United Kingdom will take the helm of the G20, and both have expressed their intention to continue the work already undertaken on this subject.
Thus, the momentum that has been built up is not limited to the French presidency alone: it is part of a broader context, making it possible to envisage gradual and coordinated action over time.

**Lucile Rives: Will this international cooperation remain fully effective, particularly in the context of the new US administration? In 2018, Donald Trump withdrew the United States' signature from the G7 final declaration. Should the fact that the United States will soon hold successive presidencies in this context be seen as a cause for concern?**

**Agnès Bénassy-Quéré**: The G7 Finance track, which met in Paris in May, succeeded in adopting a joint statement. In fact, two documents were published: a strictly G7 statement and a statement involving several guest countries. The United States signed both documents.

A close reading of these statements shows that they do indeed include a section on global imbalances, emphasising the need for coordinated action. However, it should be borne in mind that this issue, although it is important, is not the G7's sole priority.

Other issues were the subject of in-depth discussions, in particular extreme weather events and insurability issues arising from the consequences of global warming. While differences of opinion remain regarding the causes, and even the scale, of the phenomenon, there is a consensus on the reality and increasing frequency of extreme events — floods, tornadoes, droughts and forest fires — as well as on their high economic cost.

These events have a significant impact, not only on insurers and public finances when insurance mechanisms are inadequate, but also on households, businesses and, more broadly, on the stability of the financial system. In this regard, the signing of a joint document on this subject represents a significant step forward.

Furthermore, cooperation is also taking place in other areas. For example, the G7 conducted a simulation of a major international cyberattack — a fictional scenario — in order to test collective response capabilities. This exercise enabled ministers and governors, in particular, to examine the coordination of responses and communication procedures, especially in a context where information spreads rapidly on social media.

## Conclusion

**Lucile Rives: In conclusion, should we be concerned about these global imbalances?**

**Agnès Bénassy-Quéré**: Yes, global imbalances call for greater vigilance. It is not so much their existence in itself that poses a problem as their accumulation over time. For some countries, this results in rising debt, while others accumulate claims on economies that are becoming increasingly fragile.

Above all, these imbalances point to deeper misalignments: they reflect growth models that remain unbalanced and, in the long run, unsustainable.

**Lucile Rives**: Thank you very much, Agnès Bénassy-Quéré. Join us again soon on "Dialogue &co".