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SOUTH AFRICA AND THE LONDON G20 LEADERS' SUMMIT: A BRIEFING

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BACKGROUND

This briefing considers how South Africa should position itself in relation to the G20 Leaders' summit in London, scheduled for April 2nd, 2009. In answering this question it first attempts to establish how effective the G20 is as a vehicle for developing country interests, in relation to the more established G8 and its associated Outreach process with Brazil, China, India, Mexico, and South Africa. The key results from the inaugural November 15th, 2008 Washington summit are then outlined, as a prelude to a detailed discussion of South Africa's interests in the G20 process going forward. Those interests are encapsulated in the areas of: choice of forum in which to represent core interests; potential for pursuing fiscal and monetary stimulus; South African interests in resolving global macroeconomic imbalances; an African agenda concerning IMF reform and related financial regulatory reform; and in sustaining the open global economy.

In essence we make the case for sustained participation in the G20 process, favouring formal establishment of a Leaders' summit whilst committing technical work to Finance Ministers and Central Bank governors. Within this we see core South African interests as being:

- Embarking on a limited fiscal stimulus through corporate tax reductions;
- Supporting reform of Asian fixed currency management regimes, and greater multilateral oversight of macroeconomic policies amongst G20 members in particular;
- Supporting reform of the IMF and related regulatory oversight institutions, through increasing African and emerging market voice and representation where feasible and minimising conditionalities associated with accessing IMF liquidity facilities;
- Supporting maintenance of the open international economy through ameliorating our own protectionist tendencies.

THE G20 AND DEVELOPING COUNTRIES

The G20 was established in the wake of the Asian and broader emerging market crises of the late 1990s. At the time the G8 countries were dissatisfied with their ability to adequately manage the fallout from the crisis, involving as it did primarily developing countries. The G8 itself was and is viewed as insufficiently representative or effective; yet the changes to financial management it sought arising from the Asian crisis required the cooperation of developing countries. Hence the G8, in particular Canada and Germany, took the initiative to establish a more inclusive group comprising the G8 and "systemically significant" (and mostly developing) countries. After several iterations, the G20 – which includes the G5, its five Outreach partners, six other "systemically significant" countries[1], the European Union, and the heads of the IMF and World Bank – was established in 1999.

It consists of a core of democracies, both developed and developing countries, one monarchy and a one-party state; oil exporters and importers; one regional organization (the EC) and two multilateral organizations, and countries at different levels of development. Consequently the extent to which these countries share perspectives on the pressing issues in global economic governance is not obvious.

How Effective is the G20 for Developing Countries?

Accounts of the effectiveness of developing country participation in the G20 are varied. Martinez-Diaz[2] argues, on the basis of an analysis of communiqués issued by the G8, G20, and G24[3] since the inception of the G20, that the G8's policy preferences dominate the G20's formal resolutions. This leads her to conclude that the G20 is not an effective vehicle for developing country influence; moreover because it does not seem to represent the G24 in which key developing country members of the G20 also participate. This argument reflects a broader disquiet amongst developing countries in engaging with the North, especially the G8, in such settings – the danger of cooption into Northern agendas.

This danger is also reflected in Kirton's analysis[4], in which he traces the G20's origins and evolution. He stresses the group's origins in G8 desires to more effectively manage the global financial system and broader economy through engaging with key emerging powers, with the ultimate objective being the extension of what he takes to be the G8's core normative project of "embedded liberalism"[5] through binding those emerging powers to the Western-built multilateral economic system. Against this yardstick he judges the G20 to be increasingly successful and a suitable basis for establishing an L20 (in other words a heads of state grouping comprising the same or similar countries to the G20) to replace the G8.

Interestingly, both Kirton and Martinez-Diaz attest to the growing significance of the G20 in issues of global economic governance; and to the increasing voice of developing country actors within it. Both also stress that the forum is new, but has found its feet and established its broader relevance. And, in light of our opening discussion concerning global trends and their implications for global governance reform, this pattern of evolution fits with how we would expect such an innovative North-South forum to evolve. However, Kirton's[6] observation that the G7 remains relatively cohesive, and that this explains much of their dominance of the G20 discussions, is valid.

The Washington Leaders' Summit

In this light when former President Bush of the United States of America (U.S.), proposed that a formal summit of G20 heads of state convene in Washington on November 15th, 2008 to address the rapidly escalating financial crisis, expectations were high. This was the first time that the G20 had been convened at Heads of State level. The immediate backdrop to this important initiative is well-known: the financial crisis emanating in the developed world and the USA in particular, which is now spreading to emerging markets. Some observers[7] argued that the Bush administration was motivated by the need to be seen to be doing something in order to contribute to restoring market confidence. In this view the G20 Leaders meeting could not achieve much beyond foreign policy symbolism, a corollary of which is the view that Heads of State are not the right people to be discussing complex issues of international finance and management of the global economy (a job best left to Finance Ministers and Central Bank governors). Some saw it as an implicit recognition that G7/8 efforts are insufficient in the context of a changing global political economy. One variation on this theme regards the meeting as an attempt to sell G7 crisis management programmes to a broader group of "systemically significant" countries – both developed and developing. Another optimistic variation sees it as a golden opportunity to overhaul global financial governance, with the grandest proposal being that the summit be used to kick-start a "Bretton Woods 2" process equivalent in ambition to its illustrious predecessor which established the broad outlines of the current set of governance arrangements.[8]

The summit produced a surprisingly detailed communiqué[9] covering the dynamics which gave rise to the crisis; economic policy measures to address it; short and medium term financial regulatory reform issues and principles to inform such reforms; and an agenda for reforming multilateral institutions responsible for regulating global finance, including the International Monetary Fund (IMF), World Bank, and Financial Stability Forum. Overall assessments were positive, and the media consensus seemed to be that the G20 Leaders' summit had established an important precedent in the history of international economic diplomacy. This mood was cemented by the decision that the leaders would reconvene in London in April 2009.

Notwithstanding this apparent success, it is still too early to judge whether the G20 leaders' summit will, or even should, endure, although at least amongst participants the G20 Finance Forum seems to be regarded as useful and likely to continue. Four abiding questions remain to be answered in this respect. First, there is its relationship to the G8 Heads of State summit. It remains an open question as to whether the G8 leaders are committed to replacing their deliberations with the G20 forum, or for that matter whether they should since the two could exist in parallel[10], and if not how the G8 will relate to the G20. Second, and related to the first question, is U.S. President Obama's commitment to the process. This remains to be seen since he did not attend the November 2008 summit, albeit some of his key economic advisors were instrumental in establishing the G20 in 1998.[11] Thirdly, abiding questions remain concerning the membership of the G20. Is it sufficiently representative? If not, how should its membership be altered? Would it be possible to build consensus on this amongst existing members? Fourth, there remain some issues concerning the G20's processes. Given the capacity disparities between the various member states, especially developed versus developing, some observers advocate establishing a permanent Secretariat to coordinate the agenda and ensure continuity between past, present and future hosts. And finally, there is the not inconsequential matter of the G20's agenda. G8 summits have become enormous roadshows, covering many topics. With more members interests are more diversified, and consensus more difficult to reach.[12]

SOUTH AFRICA AND THE G8/G20 NEXUS

Given these uncertainties, how should South Africa position itself in relation to the G20 leaders' summit? The answer to this question is not obvious, since South Africa is already a "privileged" member of the G8 Outreach Forum under the Heiligendamm Process. This dual situation has generated a debate within the South African government over which institution to privilege in our international economic diplomacy[13], with the Department of Foreign Affairs apparently favouring the G8 Outreach process and the Treasury favouring the G20, although not necessarily at leaders' level owing to the technical nature of Treasury's work.

Which Forum?

The obvious solution is to participate in both, pursuing core interests in both forums to the extent possible. Considering that the G8 Outreach process is already established, South Africa should support the institutionalisation of the G20 leaders' summit. The countries in the G20 may not be the most representative grouping, but it is a good basis from which to proceed and more importantly the group has a track record. It also includes the four other developing countries involved in the Heiligendamm process, and other potentially like-minded developed countries such as Australia. In doing so, however, it is important to be cognisant of the fact that once the global financial crisis recedes this summit may lose its "glue". Therefore South Africa should be open to an expansion of the agenda to include the most pressing global economic priorities, notably climate change and maintaining the open international trading order.

Whilst Heads of State are not best equipped to negotiate the items on this agenda (Finance, Trade and Environment ministers are better placed) a regular summit at their level could provide the necessary pressure to advance discussions and broker key political compromises. South Africa is involved in establishing developing country groupings that offer the potential for countervailing the G7/8 on issues of broad developing country interest, and should start from a position of confidence that these formations will gain in strength as economic power shifts eastward. In this regard it is potentially significant that the Finance Ministers of Brazil, India, South Africa and China have recently established their own sub-group – the G4 – to coordinate positions in advance of G20 meetings. Of course it remains to be seen what the limits of such coordination are, as different interests are likely to assert themselves at some point.

Fiscal and Monetary Stimulus

One area where coordination amongst the entire G20 will prove challenging is that of fiscal and monetary stimulus. Since the developed world is primarily responsible for causing the current crisis and constitutes the largest markets, it is not expected that emerging markets will open their fiscal and monetary taps. Consequently the Washington summit communiqué avers that countries should take fiscal and monetary measures "as appropriate".[14] Yet South Africa may have some flexibility to pursue reflationary policies. On the fiscal front the African National Congress (ANC) is committed to fiscal expansion to address the country's dire social challenges.[15] Yet whilst financial markets are concerned about the possible growth impacts of the spreading international recession on South Africa, there are also lingering concerns about the ANC's commitment to fiscal discipline. Consequently fiscal expansion, if pursued, will have to be carefully conceived. If funds are spent for investment purposes (judging from the ANC's election manifesto this will not be the case) there may be scope for escalating expenditures. However, if such expenditures are deployed to import capital goods to support infrastructure expenditures – as a substantial portion surely will be – this will place further pressure on our current account and thereby on the Rand.[16] The latter is particularly vulnerable in the midst of the financial crisis with capital flowing out of emerging markets. Therefore, a preferable fiscal expansion option is to cut taxes, however politically unpopular this may be. Of most concern are corporate taxes; since companies are in the forefront of the gathering recessionary winds, it makes sense to cushion them directly – a stance which would have the added benefit of positioning our corporate sector globally for the fiercely competitive global market place that the financial crisis will inevitably induce.

Inflation is likely to remain relatively high whilst the currency remains weak. That combination places a floor under the prospects for monetary easing via interest rates. On the flip side inflation has peaked as commodity prices, particularly oil, decline. In sum therefore, South Africa may be able to offer some contribution on the fiscal side, but there is little room for manoeuvre on the monetary front. A gesture on the fiscal front would serve both domestic political goals and afford some negotiating traction on other G20 Leaders' agenda items.

Macroeconomic Imbalances

The G20 Leaders will also have to confront systemic macroeconomic imbalances. It is clear that the massive expansion of leveraged debt was fuelled in the U.S. and elsewhere by relatively lax monetary conditions[17]. Partly this is owing to policies pursued by the U.S. Federal Reserve, which has maintained low real interest rates for most of this millennium. Behind this, the Bush administration practised deficit spending whilst U.S. consumers engaged in record consumption, with the result being that U.S. savings levels have been very low for years now. These conditions resulted in the U.S. running historically unprecedented trade deficits, funded by extraordinary capital account surpluses. In effect the U.S. has been borrowing from Asia and oil exporting countries in order to finance domestic expenditure. Thus U.S. credit markets in recent years have been pumped up by massive infusions of emerging market capital, which kept U.S. interest rates low. Substantially underlying this has been Asian governments' desire to run trade surpluses, which in turn require undervalued currencies effectively pegged to the U.S. dollar with the U.S. being the main export market too. Those currency pegs – China's in particular – inhibit market-led unwinding of macroeconomic imbalances, whilst at the same time fuelling protectionist sentiment in those countries with substantial manufacturing bases and flexible currencies (such as South Africa).

Global macroeconomic imbalances clearly form a critical backdrop to the credit market crisis, and will have to be addressed in any discussion about reform. South Africa with its floating currency and strong desire in the tripartite alliance to boost industrial growth through exports has a strong stake in Asian currency appreciation. Therefore, South Africa could broadly support the U.S. and EU position on this issue, accepting that we will run up against China in doing so. But this issue is unlikely to gain much traction whilst in South Africa there is some sensitivity around supporting a "northern agenda"; therefore South Africa could simply signal its position without holding too strongly to it. But in the medium term it remains in our core interest to push for Chinese currency reform – in our own but also the global interest.

An African Agenda, IMF Reform and Financial Regulation

The next set of concerns for South Africa revolves around an African agenda, particularly sustaining access to finance for the poor countries on the continent and the conditions under which this occurs. Critically, the entire African continent, with the exception of South Africa, is not represented at what could amount to the most critical economic governance forum for the next few decades. Yet the gathering economic crisis has major economic implications for the continent, through inter alia three channels:

- Direct financial contagion, specifically capital flight from emerging markets, including trade and project finance, and associated macroeconomic dislocations (weakened exchange rates; increased domestic interest rates and increased debt payments). It is unlikely this financial squeeze will be offset by increased inflows of official development assistance from the donor community since many developed countries need to recapitalise domestic banking systems and provide fiscal shock therapy to domestic economies. Therefore, already vulnerable revenues are likely to come under great stress in many African countries in the months ahead.
- Reduced remittances from African diasporas resident in the developed world. In recent decades these financial inflows have alternately cushioned the ill-effects of macro-economic mismanagement or underpinned positive structural transformation stories. This will exacerbate foreign exchange shortages, dampen domestic growth prospects through reduced consumption, and heighten revenue pressures.
- Reduced prices and volumes of major commodity exports, induced by recessionary conditions in the developed world now spreading to China, India and other Asian countries. This will reduce economic growth across the continent, although some countries will benefit from lower commodity prices and hence less pressure to raise interest rates to curtail inflation.

Altogether, a gloomy scenario is unfolding across the world's most vulnerable continent. Therefore, the International Monetary Fund (IMF) has moved back into the frame as the "lender of last resort". However, with the exception of a recently announced facility for loans to systemically significant developing countries exhibiting sound policies[18], the IMF still imposes stringent conditionality's on those countries forced to turn to it in difficult times. In a world of globalised financial capital in which many countries are exposed to risks they did not have a hand in creating, yet are acutely vulnerable to the fallout, this seems iniquitous.[19] Furthermore, there are doubts about whether the IMF has sufficient capital to assist emerging markets likely to be overwhelmed as the devastation caused by the financial crisis spreads.[20] And it is not the only lender in town: the U.S. Federal Reserve has extended currency swap lines to several large developing countries[21]; China and Japan are sponsoring an East Asian initiative to establish a crisis fund which builds on the Chiang Mai initiative of currency swap-lines established in the aftermath of the Asian financial crisis[22]; and there is talk in Europe about setting up a stability fund to assist crisis-exposed East European countries.[23] But Africa, parts of Latin America, and other small, poor countries are excluded from these independent crisis response mechanisms meaning that, should trouble strike, they will probably be obliged to turn to the IMF – unless China opens its credit taps to them.[24]

The dynamics around the IMF's potentially increased role in a rapidly changing global political-economy context reinforce the need for the institution to be reformed. In this regard the G20 leaders' Communiqué[25] contains a number of hortatory statements concerning the necessary medium-term steps to be taken. From an African perspective the established voting patterns governing both the IMF and World Bank need to be changed to more accurately reflect underlying global economic realities; yet in such a scenario Africans will have to put their faith in China, India, and other rapidly growing emerging markets to represent their interests since a realignment must be based on relative economic weight – and Africa is thin indeed. Furthermore, conditionalities imposed on crisis lending in situations where African countries are not directly responsible for those crisis conditions must be reviewed and eliminated where feasible.[26]

Another area where the IMF may be more involved in future is oversight of financial regulation. Much of the G20 Leaders' communiqué is concerned with this issue. Whilst there is broad agreement that reforms need to be undertaken, there is less consensus, if not disagreement, on what exactly needs to be done. It would appear that the U.S. and UK favour some reforms, but nothing too radical that would undermine their competitive advantages in global finance, including subjecting their financial systems to supranational control. Those advantages have brought enormous benefits to each economy, and will not be lightly conceded. In addition, both the U.S. and UK seem to be relatively well-placed to manage the crisis and ensuing recession, compared to their EMU counterparts and possibly Japan. Consequently they are even less likely to make major concessions.[27] The EMU countries, on the other hand, are agitating for wholesale regulatory reform. It is likely that they will receive some support from developing countries most exposed to the crisis. However, it is not clear which way China will lean, since China's financial system is largely insulated from the contagion aspect of the crisis – albeit the economic impacts are being felt via a growth slowdown. And it is not clear which way smaller developed country G20 members such as Canada and Australia will lean. But if they were to support the European position it is unlikely to tip the scales in favour of wholesale regulatory reform, given the likely opposition of the U.S. and UK.

While more coordination and tighter regulations are clearly necessary and not in dispute, this should not be taken so far that the outcome is to strangle global capital flows. Many countries, especially in the developing world and including South Africa, have benefited from capital inflows albeit the association is difficult to prove. The trick is to manage such inflows well, and not to pursue precipitate liberalisation.[28] In short, whilst better and more coordinated regulation is necessary, the baby should not be thrown out with the bathwater.

Beyond the geopolitics of regulatory reform, there are many technical and institutional challenges involved. Howard Davies, formerly Chairman of the UK's Financial Services Authority (FSA), notes[29] that when he assumed his post in 1997 the FSA was a member of 75 international bodies and committees; when he left that number had doubled. Nonetheless, he notes that the global regulatory system is built in three "silos" – banking, securities, and insurance – and that risks are transferred between all three. Therefore, he argues that simpler structures are needed. And there may be considerable room for crafting compromises on some of the technical issues in play, such as proposals for countercyclical capital adequacy requirements. But how to pursue such proposals is a vexed issue.

Regarding the institutional questions Davies notes that both the key multilateral regulatory forums confront legitimacy problems: the Financial Stability Forum and the Basel Committee. To this we would add the IMF. In all three institutions European countries are over-represented and Asia is under-represented, relative to their current and potential weights in the global economy. How could this representational problem be resolved? It is difficult to see European states agreeing to diminished influence at a time when they are strongly pushing the regulatory reform agenda.[30] One possible bargain could be for the U.S. and UK to agree to substantial regulatory reform in exchange for expansion of Asian influence in these three multilateral institutions, which would be gained at European expense. However, three obstacles are immediately apparent. First, it is not clear what such a negotiating approach would deliver to the U.S. and UK, beyond fulfilling a longstanding desire to integrate China more closely into Western designed institutions of global economic governance[31], since China is likely to resist the issue dearest to the U.S.: currency reform. Second, the U.S. regulatory system is complex, and tied up with the balance of power between the federal government and states. Whilst President Obama may have a unique window of opportunity to centralise regulation at the federal level, it is by no means obvious that Congress will acquiesce in this. It is also not obvious that President Obama will decide to deploy his political capital in this manner. Third, does China really want more multilateral finance responsibilities? Its financial system is relatively insulated; assuming more responsibilities may bring obligations to reform; it has many domestic challenges to deal with; and it is fully capable of deploying its financial muscle bilaterally and on its own terms.

So what concessions would China (and other developing countries) extract should the Europeans and U.S. agree to an expansion of its role? It may be possible to obtain agreement to open up the process whereby the heads of the IMF and World Bank are appointed; in other words to abolish the *ancien regime* arrangement whereby the U.S. appoints the latter and the Europeans the former. Furthermore, and in light of the emergence of competitors to the IMF in the "bail-out game", it may be possible to secure less intrusive conditionalities attached to those bailouts – at least for those countries that are reasonably well-governed. And as Davies argues[32] it may also be possible to secure a greater role for the IMF in linking its current macroeconomic surveillance mandate to regulation, although the U.S. in particular will not acquiesce to this being too intrusive. In this light and assuming China is willing it may also be possible to accord the IMF more oversight of currency regimes. But this U.S.-China potential bargain does not seem politically possible presently – in either China or the U.S..

The South African financial system has emerged relatively unscathed from the crisis to date, largely owing to sound financial regulation. Accordingly South Africa should support the Europeans in pursuing this objective. In doing so, however, we should be mindful that the Europeans are the principle obstacle in the way of reforming the IMF and other multilateral institutions concerned with regulating global finance, and that ambitious reform proposals are unlikely to succeed. Furthermore, such reforms are unlikely to benefit South Africa and Africa directly, albeit supporting greater Asian representation is "the right thing to do". Therefore, South Africa should hold the line on maintaining a minimum African representation in those institutions, or a threshold below which their representation should not subside. Furthermore, South Africa should continue to push for reform to the IMF's Board in order to increase African representation. In the absence of favourable movement on these issues South Africa should withhold support for proposals to increase the oversight powers of the IMF in domestic financial regulation, but for reasons explained below not on currency management.

Sustaining the Open Global Economy

Finally, there is the matter of sustaining the relatively open global economy. The economic situation of African countries could get considerably worse if some developed world lobbies get their way and ratchet up protection.[33] That scenario depends in turn on two related issues: how bad will the recession be (depth; duration), and how will the developed world respond to it? The former is difficult to predict and the subject of much angst – and unfortunately beyond the scope of this paper. The latter raises the spectre of increased protectionism in the context of a constipated multilateral trading system characterised by a stalled Doha Round.

Currently developed country protectionism takes the form of agricultural subsidies, high tariffs in certain areas, and standards protection covering industrial, consumer, health, and increasingly environmental regulations. Regarding tariffs, many countries have substantial "water in the tariff", in other words their ceilings significantly exceed actual applied tariffs. Consequently the potential for import tariffs to be substantially raised – and not just by developed countries – is substantial and perfectly WTO-legal. Meanwhile attempts to shield "national champions" from recessionary impacts and "unfair competition" using safeguards, anti-dumping duties, subsidies, and the like will grow. Concerning the standards agenda the scope for tightening them is substantial, and for introducing new standards, too, especially as global climate change negotiations may acquire traction under the Obama Presidency in the U.S.. In addition, financial services are being added to the pot, whilst exchange rate "manipulation" and taxation issues are being dragged towards it. All of these are likely to intensify in response to recessionary conditions, whilst compensatory financing flows to assist African exporters in overcoming regulatory hurdles are likely to decrease.

The G20 Leaders' communiqué recognises these dangers and exhorts members not to introduce new protection measures in the calendar year following the Washington summit. Yet pressure for such measures is rising inexorably, and will strain an already overloaded and constipated multilateral trading system. This is a matter of direct concern to African countries, given their vulnerabilities in the international trading system. Unfortunately, the trajectory of trade policy in South Africa reinforces these global tendencies and in turn is reinforced by them. Those who rejected the liberalisation of the 1990s have succeeded in placing industrial policy on the policy agenda and can now point to instances of protection and hypocrisy on the part of those developed countries advocating a liberal agenda. These dynamics are present in the ANC's election manifesto which advocates for a "developmental state" intervening actively in the economy through a "state-led industrial policy programme" with trade policy playing a "supportive" role.[34] As we argued above, there is a strong case for pursuing further trade reform in South Africa, but this is not likely to be pursued for the foreseeable future. Hopefully South Africa will not backtrack on its liberalisation commitments; here membership of the G20 provides a useful counterweight to such tendencies.

1| *Argentina, Turkey, Saudi Arabia, Indonesia, Australia, and South Korea.*
2| *Martinez-Diaz, L. (2007): 'The G20 After Eight Years: How Effective a Vehicle for Developing Country Influence?', Brookings Institution, Global Economy and Development, Working Paper 12.*
3| *A grouping of developing countries, of which South Africa and the BRICs (although China is an observer) are members, pursuing reform of the IFIs. See http://www.g24.org/members.htm.*
4| *Kirton, J. (2005): 'From G7 to G20: Capacity, Leadership, and Normative Diffusion in Global Financial Governance', paper prepared for the International Studies Association Annual Convention, March 1-5, Hawaii, March 2nd.*
5| *Signifying the Post World War Two consensus amongst the victorious allies that intervention in their domestic economies was acceptable provided they adhered to an international „regime', or set of rules. The term is attributed to Ruggie, J.G. (1982): 'International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order', International Organization, Vol. 36, No. 2, International Regimes (Spring), pp. 379-415*
6| *Kirton, op.cit, p.19.*
7| *This analysis is based on an extensive review of opinions concerning the meeting from the following sources: The Financial Times; The Economist; The Petersen Institute for International Economics; The Brookings Institute; The American Enterprise Institute; The Council on Foreign Relations; The Guardian Newspaper; Stratfor Consulting. Many articles were consulted and only a few are referenced below; interested readers are referred to the relevant websites via the hyperlinks provided with the caveat that some require subscriptions.*
8| *For a political economy analysis of the prospects for the summit see Draper, P. (2008): 'Towards a New Washington Consensus? South Africa, the G20 Leaders' Summit, and the Financial Crisis', SAIIA, Policy Briefing No 2, November.*
9| *Available on the Whitehouse website at http://www.whitehouse.gov/news/releases/2008/11/20081115-1.html.*
10| *Bradford C., Linn, J., and Martin, P. (2008): 'Global Governance Breakthrough: The G20 Summit and the Future Agenda', Brookings, Policy Brief No 168, December. They argue that the G8 will continue to meet for some time acting as a caucus group for industrial countries, and that increasingly industrial countries will ally with emerging markets on specific issues.*
11| *Cooper, A.F.: (2008) 'Going Bigger (on Agenda) and Smaller (on participation) in a Time of Crisis', in Kirton, J: (ed.): The G20 Leaders Summit on Financial Markets and the World Economy, available online at http://www.g20.utoronto.ca/g20leadersbook/index.html.*
12| *As Bradford et al (op.cit) note there is also the mundane, if important matter, of who exactly should be allowed in the room and to sit at the table, since large entourages discourage frank discussion.*
13| *Interview with a senior government official.*
14| *G20 Summit communiqué, op.cit.*

15| ANC's recently released manifesto prioritises social spending on health, welfare, and education. See African National Congress (2009): 'Working Together We Can Do More', available at http://www.anc.org.za/elections/2009/manifesto/manifesto.pdf. Unfortunately this policy stance will almost certainly lead to tax increases, if not now then in the future, which would be contractionary.

16| See Draper, P., and Freytag, A. (2008): 'South Africa's Current Account Deficit: Are Proposed Cures Worse than the Disease?', SAIIA Trade Policy Report 25, September.

17| The Economist, October 9th, 2008, 'A Survey of the World Economy: A Monetary Malaise'.

18| Financial Times, October 28th, 2008, 'Reforms do not mean cash without strings'. Interestingly this report argues that South Africa is not eligible for this package – a view contested by one South African official interviewed.

19| This needs to be balanced against the obvious point that donor resources, which are ultimately sourced from developed country taxpayers, should not be frivolously expended.

20| Financial Times, November 6th, 2008, 'IMF reassures on its liquidity levels'.

21| Brazil, Mexico, Singapore, and South Korea. See Brad Setser's blog of October 29th, 2008 on the Council for Foreign Relations website.

22| Stratfor, October 27th, 2008, 'ASEAN+3: A Rainy Day Fund for the Region'. One proposal apparently sponsored by Japan, is that China, Japan, and Saudi Arabia should earmark a percentage of their foreign exchange reserves for use by the IMF as emergency liquidity funds. See Financial Times, November 9th, 2008, 'Asia looks to rework IMF relationship', and Financial Times, November 13th, 2008 'Japan to lend $100bn for emerging nations'. So far, Saudi Arabia and China have not committed any funds – see Financial Times, November 16th, 2008 'Saudis spurn chance to help IMF'.

23| Gros, D., and Micossi, S.: 'A call for a European Financial Stability Fund', VoxEU.org, October 30th, 2008.

24| That would most likely depend on whether the country concerned is a significant repository of resources the Chinese government desires for its industrial development.

25| G20 Summit Communiqué, op.cit.

26| Morris Goldstein argues for the resurrection of the Compensatory Financing Facility, an IMF lending window effectively retired in 1998 in favour of 'a more complicated and hardly-used successor'. This facility explicitly recognised that if a country suffered temporary shortfalls in export revenues arising from factors beyond its control, then IMF conditionalities would not apply, including judgements as to which countries have "good" policies. Goldstein, M. (2008): 'Dig into the IMF's tool box to tackle the crisis', post on the Financial Times' Economists Forum, November 11th.

27| We would do well to remember that financial crises are an integral feature of capitalism. See the authoritative account by Kingleberger, C. (1996) (3rd edition): Manias, Panics, and Crashes: A History of Financial Crises, New York: Wiley.

28| See the perceptive analysis by Prasad, E., and Rajan, R.: 'Capital account liberalisation: New thoughts on an old topic', VoxEU.org, August 11th, 2008.

29| Davies, H.: 'Five Ways to Fix Our Financial Architecture', Washington Post, October 23rd, 2008.

30| There is a view that should European states combine their current separate shares into one single seat on the IMF board comparable in size to the U.S. seat, their effectiveness in the IMF could actually increase. This view hinges on that single seat being the "swing voter" in key decisions, whereas currently "the" European vote is dispersed, and on intra-EU decision-making rules specifically the ease with which European consensus can be forged. See Ahearne, A., Pisani-Ferry, J., Sapir, A., and Veron, N. (2006): 'Global Governance: An Agenda for Europe', Bruegel Policy Brief 7.

31| For a penetrating analysis along these lines see Ikenberry, G.J.: 'The Rise of China and the Future of the West', Foreign Affairs, 87(1), January/February 2008.

32| Davies, op.cit.

33| See the articles in Baldwin, R., and Evenett, S. (eds.) (2008): What world leaders must do to halt the spread of protectionism, VoxEU.org.

34| African National Congress Election 2009 Manifesto Framework, 'Working Together we can do More', P2, available at www.anc.org.za.