

# More prudence needed in economic crisis response

South Africa has joined the call by emerging markets and developing countries for more carefully considered global collective action in response to the economic crisis, ahead of its participation in the G20 Leaders' Summit later this week.

It has also called for more inclusive and representative governance arrangements in the management processes of international institutions.

This comes after speculation that the US Federal Reserve will soon cut back on the US\$85bn it has been pumping into the financial markets every month, which has caused increased turbulence in global financial markets.

"Emerging economies like South Africa have benefited from the actions of the Federal Reserve, as foreign investors have bought huge amounts of South African government bonds at fairly low yields and equities.

## The 'three-speed' global economy

"Therefore, the prospect that the Federal Reserve will cut-off these flows of funds has resulted in emerging market currency volatility, which has been yet another reminder of the risks and the potentially destabilising and negative effects that policies and shocks in major economies can have on other countries and regions," the Presidency said on Monday, ahead of the summit.

The summit also takes place against the backdrop of a fragile and uneven economic recovery - hence the talk of the "three speed" global economy.

"As the current volatility of emerging market currencies shows, decisions taken by countries based solely on their own national interest can have serious implication for other nations.

"There must be a greater recognition that we live in an interconnected world. 'Decoupling' is not an option for either developing or developed economies. The solution to all these challenges - turbulence in financial markets, the fragile and uneven economic recovery - lies in better global coordination of efforts."

## Joining the call

The Presidency said it was for this reason that South Africa joins a call by emerging markets and developing countries for more carefully considered global collective action in response to the crisis; and more inclusive and representative governance arrangements in the management processes of international institutions.

President Jacob Zuma, accompanied by the Minister of Finance Pravin Gordhan and the Minister of International Relations and Cooperation Maite Nkoana-Mashabane, will attend the summit in St Petersburg on Thursday and Friday.

South Africa hopes to promote and strengthen the interests of Africa and of the South on the understanding that, if managed carefully, the G20 does present meaningful opportunities for advancing much-needed global governance reforms and orienting the international development agenda.

A BRICS Leaders' meeting will also be held on the margins of the G20 Leaders' Summit.

The meeting will afford BRICS leaders an opportunity to reflect on the progress made with regards to the implementation of the Durban Declaration, especially as it pertains to the New Development Bank and the Currency Reserve Arrangement.

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