



**MINISTRY: FINANCE
REPUBLIC OF SOUTH AFRICA**

South Africa is very concerned about this week's decision by the United States of America (USA) to launch a second round of buying government bonds. Developing countries, including South Africa, will bear the brunt of the US decision to open its flood gates without due consideration of the consequences for other nations.

We are also disappointed that this unilateral step was taken a week before leaders of the Group of 20 nations meet in Seoul, South Korea, to find a multilateral solution to repair the global economy. The USA's decision undermines the spirit of multilateral cooperation that G20 leaders have fought so hard to maintain during the current crisis. It also runs contrary to the spirit in which G20 Finance Ministers and Central Bank Governors met recently in South Korea, where they agreed that, given the high interdependence among nations in the global economic and financial system, uncoordinated responses would lead to worse outcomes for everyone. They also undertook to "move towards more market determined exchange rate systems that reflect underlying economic fundamentals and refrain from competitive devaluation of currencies".

The move by the USA will force developing nations to take more steps to mitigate the impact of the increased flows into their financial markets. As has been the case so far, most of the \$600 billion that the Federal Reserve will pump into the USA's economy will find its way into the financial markets of emerging market countries, where these dollar flows will have the effect of strengthening emerging market currencies, with devastating consequences for exports from developing countries.

If we are to repair the global economy, all nations must find the right balance between measures aimed at protecting national interests and globally coordinated policies.

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