



MINISTRY: FINANCE
REPUBLIC OF SOUTH AFRICA

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**OPENING COMMENTS TO THE MEETING OF THE
COMMITTEE OF 10 (C10)**

**TREVOR A MANUEL, MP, MINISTER OF FINANCE, RSA
CAPE TOWN, 16 JANUARY 2009**

- Welcome to South Africa and to Cape Town for this first-ever meeting of the African Committee of 10.
- This Committee arises from a meeting of African Finance Ministers and Central Bank Governors convened in Tunis on 12 November 2008 by our 3 Pan-African institutions - the African Union, the African Development Bank and the UN Economic Commission for Africa.
- Apart from these three institutions we have a Finance Minister and a Central Bank Governor from each of Southern, Eastern, Northern, Western and Central African Regions.
- At a formal level, our remit is fairly simple - firstly, to take stock of the impact of the current economic recession on Africa; secondly, to explore such actions derived from the observations that would inform the African Heads of State and thirdly, to make a case for governance reform in the

multilateral economic institutions for enhanced African participation.

Essentially, we are charged with ensuring that the African voice in global economic affairs is amplified.

- Our first meeting was occasioned by the reality of a steep economic downturn in the global economy and the impending meeting of the G20 Heads of State, convened for the first time by President George W Bush.
- Since then, we know how much deeper the economic recession now bites, we have seen the collapse of commodity prices, huge currency volatility, the collapse of equity prices across all stock markets, the virtual inability of most of our firms to access trade finance and the dawn of a period when capital markets are effectively closed to all developing countries.
- We have also witnessed how the rich world has speedily moved to reflate their financial sectors, with most G7 countries now in an environment of negative real interest rates - the UK, for example, now has interest rates at the lowest level in the 314 year history of the Bank of England, whilst we remain trapped in poverty.
- Furthermore we are witnessing almost daily announcements of additions to fiscal stimulus packages in the rich world – the USA for example will run a fiscal deficit of \$1.2 trillion before the announcements by President-elect Barack Obama; whilst we remain paralysed because of our dependence on the Bretton Woods Institutions for fiscal support.
- Our concern is that those countries that have had their power enhanced

by the economic growth model with its emphasis in financialisation of the past three decades have found the means to try and dig themselves out, whilst we remain trapped in a cycle of poverty. People find it strange that we cannot have huge deficits in the same way as the wealthy countries can, yet we need additional financing to provide even elementary services.

- Our call has to be for equity and change.
- There are some impacts of the global downturn that we can measure in almost each of our economies. Let me share some of these:
 1. Many of our countries are witnessing significant outflows of capital as recent investors retreat to square their positions in their domestic markets.
 2. Increasingly, African states are encountering significant fiscal pressures as our revenue sources dry up, as expenditures rise to meet the most elementary levels of service provision and as we battle to retain expenditure levels in the face of significantly reduced GDP growth.
 3. We are witnessing that the export markets developed with enormous sacrifice are suddenly closed to imports from our countries, as a result of falling consumer demand and increased protectionism.
 4. We are seeing the leading edge of aggressive marketing of products into our markets. Often, these imports bypass the customs system through which we might collect some revenue as a respite. The absence of the conclusion of a development round accentuates this problem.
 5. We are living through intense liquidity pressures as our domestic banking

- sector battles to secure the finance to on-lend. Significant changes to financial regulation must be undertaken.
6. Many countries are witnessing the drying up of remittance flows which have, over the past number of years, been a reliable source of finance which offsets impact to the skills drain.
 7. We are seeing the first wave of unemployment as many foreign direct investors scale back or shut down their operations.
 8. We are likely to witness a continuing decline in ODA flows to support, amongst other things, the delivery of the MDG's. Already there is a cumulative shortfall of \$240 billion on the Gleneagles commitments.
 9. The mainstay of recent developments in sectors such as tourism are already in decline as the numbers of tourists rapidly diminish.
 10. We have not yet recovered from the severe impact of high food and fuel prices that we have lived through over the past 15 months.
- This is not a session to lament our misfortunes. Instead, we want to take collective stock, understanding fully that the impact of these and other features will vary with country and circumstance.
 - We are, however, duty-bound to raise these matters. To ask each of our Heads of State to evaluate the specific impact within their country and to advise the collective.
 - We are saying that we will be in serious dereliction of responsibility if we

failed to equip ourselves of the detail, to share these observations and to plan to be heard.

- Ours is a history of a battle for a fairer, more equitable world. This period is one where we must amplify the call - neither for alms nor charity, but for an opportunity to deliver to our citizens that which they deserve.
- To attain this, we must evaluate every aspect of what we do, each institution that takes decisions that affect our lives and make the case for fairness and opportunity.
- This meeting is the beginning of such African collaboration. We offer no apologies for doing what we must.

Let our discussions begin in earnest.

Thank you.