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Mr. Chairman,

I want to thank you particularly for the documentation provided before this meeting. It gives us an excellent background to the very critical issues that we are discussing and provides a common basis of understanding. Now, one point that has not been made today is the way these issues are being debated in the developed world. There is a massive debate going on, particularly in the London Financial Times, about the nature of the crisis, its systemic character, and the paper even carried a series of articles on the future of capitalism. For the London Financial Times to raise the issue of the future of capitalism is quite unique and, of course, it attracted my attention because it seemed to be going beyond the normal financial reporting.

Indeed the debates in the Financial Times are very profound, very deep and we need to understand them. We need to understand them because my job today is to talk about mitigating the impact. Now we cannot talk about mitigating the impact if we do not understand how the origin of the crisis is analysing itself. And indeed there is an extraordinary amount of self-examination, particularly in the developed world, in London and also in New York, about the nature of the crisis, its origins, its sources and where it is taking us. Indeed I would go so far as to say that there is a reversal of theory and opinion in the developed world about the nature of the international financial system. There is a reversal to the point where, those of us who are in the South - forgive me for using that word but it's shorthand for developing world or emerging countries - who have been very obedient to the requirements of orthodox macroeconomic policy, suddenly find that the ground is shifting below us as these very orthodoxies are being challenged in the developed world.

What is being challenged, for example, is what the public sector must spend. This is a reversal of previous positions. There is partial nationalization of banks - unheard of a year ago - there are calls for stimulus - also unheard of previously - there is the requirement of creating demand partly by social payments, and even the unemployed are asked to increase demand by virtue of social spending by governments, and perhaps most interesting of all, there is a new focus on good governance in the financial sector.

In this regard, I want to ask a question about the rating agencies. Standard & Poor's and Moody's rated the hedge funds AAA, meaning that they were very sound investments and that led to a great deal of financial flows to the hedge funds because of that rating. Now the question I wanted to ask is whether the United States Government and European governments provided guarantees to the rating agencies such that the AAA rating had backing from

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governments. If that is so, it means that not only the rating agencies which rated hedge funds AAA - and don't forget many hedge funds are actually worthless assets; a bubble - but we must ask whether certain governments do not bear some responsibility for the bubble which arose partly due to the rating agencies' approval of hedge funds, derivatives, etc. So there is the question of good governance of the financial sector. In the developed world it's now high on the agenda and I wanted to bring that to the attention of the meeting.

The Financial Times of two weeks ago carried an editorial which said the US cannot solve its problems alone. I thought that was quite remarkable because I was under the impression that that was precisely what Barack Obama is doing. The article goes on to say that US recovery is dependent on demand in India and China. Now this is a unique situation in the world system where the United States recovery is dependent on emerging countries' demand. That surely is a new situation for us and we have to examine very carefully the nature of the system, and what are the implications of a new market forces balance in which India and China seem to be playing such a big part. I come from South Africa so let us look at the situation there.

The situation in Africa is that the IMF and the World Bank are still dominant, still lay down policy as they have for a long time, and the rating agencies are very important. They are very important in my country, in South Africa, because we have a large infrastructure programme for which we have to borrow overseas. Now if the rating agencies rate our banks BBB or lower, the interest rates we are going to have to pay on raising bonds overseas will be much more costly. So the rating agencies are really quite critical because if you borrow overseas the interest rate you are going to pay will depend a great deal on what the rating agencies say about your capacity and your ability to repay. We are subordinate to the Bank and the IMF and the rating agencies and the consequence of that is that we exercise a great deal of prudence in Africa in macroeconomic stabilization policies and that is why I am so curious about the reversal of ideas in the developed world in the face of crisis.

All this is very important in terms of mitigating the impact of the crisis. Some say that financial recovery can happen without raising the systemic questions of extra funding, extra ODA, extra FDI, etc. Some predict that we might have recovery, the green shoots, without removing the systemic issues that underpin the current crisis.

Second, we might solve the economic crisis without solving the social consequences. There is a decoupling between the solving of financial issues and the solving of social issues, particularly the job issue, poverty, etc. It seems to me that if we address these issues together as a problem that we have to solve we can find common ground across the world, because these doubts, this self-examination in the developed world, enable us to say that there are weaknesses in the system which impact on the developing countries as well as the developed world and thereby creates a common bond between us on the basis of a common humanity. The United Nations has a very important role to play in that as well as the IPU.

The question of political will was raised and surely the United Nations is the place where political will must find must find an expression as well as at the IPU. There has been a great deal of the discussion about the international dimensions of the crisis. One of the issues was the voice of the developing countries. But I want to turn now to the national dimension of mitigating the impact of the crisis. First, we need to examine what areas and what issues are in the control of governments in the developing countries. There are not that many but there are some. So we need to look at that because it's not all about global problems; there are domestic problems in our countries.

Now the first thing that a developing country government must do is provide public goods. In South Africa, because of the new emphasis on public goods – because we too are in crisis, we too are suffering in the financial sector but also in the real economy – the government is turning to the concept of a developmental State. It is trying to recover the idea that developing countries must promote development. It may sound odd, but in a way, because of our focus on the financial sector over the past 20 years, because of our stabilization programmes etc., we have neglected the real economy, we have neglected to promote development, and now certainly in South Africa, but I believe in other parts of Africa as well, the question of development has arisen again rather strongly and that's one thing the governments can do.

Can we also provide the stimulus? So far in South Africa, the debate has been about being prudent, about being cautious, and to not dip too deep into government spending. But if in the developed countries, if the United States can go so far as to create such massive stimulus, because they are in a crisis - as we are also in a crisis should we not also take the lesson of financial stimulus? And I believe that fiscal stimulus is important. We need to curb interest rates. When interest rates are too high, they suffocate the economy. In our country, interest rates are too high, and have been too high for a long time. The result is that it stifles the development of the economy.

Now a controversial issue: capital outflows. We are told that the developing world is suffering from capital outflow. And what is happening is that capital flows – which came from the developed world to the developing world previously – are now flowing out because that capital is required in the developed world. Now if developing countries take strong measures to improve their situation, they may be able to curb capital outflow. Some governments have imposed capital outflow restrictions. It's a very tricky thing to do but clearly in this environment, there could be some measures to ensure that capital outflows do not destroy our economies, because that could happen.

What else can a developing country do? It can "beneficiate". South Africa is one of the world's most mineral-rich countries. It has massive gold deposits, diamonds, platinum, and a lot of other minerals. Our beneficiation of those minerals is limited, as is the case of many other mineral-rich African countries. Those minerals may not be exploited and if they are, they are not beneficiated in Africa. They are beneficiated overseas. And so we have to ask the question whether in discussing mitigating the impact of this crisis, whether we should not adopt far stronger measures to work on our own minerals, beneficiate them so that value is added in our own economies, not overseas. As an example, if you want to buy coffee in Kenya you have to buy Nescafe produced in Europe.

Then there's the question of taxation. Mitigating the impact of the crisis means that our countries have to take taxation seriously. The lesson from South Africa is that because we have imposed a very efficient taxation system, we have had for over two years a budget surplus. We now have a budget deficit, but it is a small deficit and that is because of efficient tax collection. Africa in particular must instigate effective tax mechanisms and that will help to mitigate the global crisis.

Then there is the question of regional integration. NEPAD set out a clear programme of regional integration. We have done very little thereby but we need to expand our markets. We need to expand our domestic markets on a regional basis and that will also help to mitigate the impact of the international crisis.

Let me make the final point. In the report on the crisis, one of the most interesting issues that came up was that the IMF, which has a mandate to exercise oversight over the world economy, including the economies in the developed countries, failed totally to exercise oversight of the financial sector in the United States. Now clearly, they have been so busy exercising oversight in Africa that it did not exercise oversight in the United States, therefore they did not foresee the crisis. Even a month before the crisis the IMF did not anticipate it. So therefore we are saying if there is surveillance by an international monetary authority like the IMF, let them monitor all over the world. We need that and we need it to help us anticipate the crises, etc.

A new bank is being proposed called the Jung Mai Bank. This is an Asian bank which is meant to provide capital to Asian countries so that there is more than one bank which can provide finance to developing countries. And it seems to me that multilateralism might include the existence of a number of banks and that will mitigate and help us not to be victims of one authority alone.

So there are two issues before us. One is that the developing countries have got to do their own thinking and work out their own solutions. The other is that because the impact of the crisis is so universal, affecting people in the developing and the developed countries, let us try and find common interests and common bonds on the basis of a common humanity, because the foundations for unity are there in the common suffering of all peoples, both in the developed and the developing world, and I think that the IPU can help us there a great deal.

Thank you.