

If Not Now, When?

Three actions the G20 must take now to protect the world's poor from the economic crisis and build a new political and economic governance system

The time is now

The world's poor must not pay the price for the collapse of financial markets. Without immediate action, millions will suffer. Poor women and children will pay for the financial folly, failed ideology and crude self-interest that led to this crisis. Much of the burden will be borne by those least able to cope, whether it is poor families evicted from their homes in Detroit, or poor children dying in Mali for want of basic medical care.

As the leaders of 20 industrialised and emerging economies convene in Washington for their G20 Emergency Summit on 15 November, small-scale tinkering and limited financial regulation is not good enough. The world leaders gathered for the G20 meeting must heed the call of many around the world, including Ban Ki-moon, Kofi Annan¹ and others, to have the ambition and will to act now to help the poorest. The decisions cannot all be taken now, but an ambitious vision can be articulated and followed by work with the UN in the coming months to rapidly build from the ashes of this crisis a new 21st century political and economic system that is just and equitable. Oxfam is calling on the G20 leaders to do three things:

1. Honour the OECD pledge not to cut development assistance, and increase aid instead by an additional \$140 billion necessary to meet the UN target of 0.7 per cent of GNI immediately. In addition, urgently extend credit to emerging markets facing liquidity crises.
2. Rewrite global financial rules and regulations to make the market work for all and not just for the few, including tackling tax havens and moving towards a more stable exchange rate system.
3. Build a new representative global governance system so it can tackle the economic, food, and energy crises.

Poorest countries will be hit hard by the financial and economic crisis

There is increasing evidence worldwide that unless action is taken, the poor will pay a high price for the financial turmoil of recent weeks. The most likely scenario is that a deep and prolonged recession has already started to take hold in the US, Europe and Japan, and there are multiple ways in which this will hit the poorest countries and the poorest people. The International Labour Organization estimates that an additional 20 million people will be unemployed before the end of 2009, and the number of workers living on less than one dollar a day may increase by 40 million; those living on less than two dollars a day could increase by more than 100 million.²

The perfect storm just got more perfect

Poor countries are already reeling from the impact of meteoric food and oil price increases, and increasing droughts, floods and other climate-related weather shocks. Grain-price rises cost developing economies \$324 billion last year – more than three times what they received in aid.³ The World Bank estimates that the food crisis could push 100 million people into poverty.⁴ Food and oil prices have fallen in recent months, but food remains 51 per cent more expensive than two years ago.⁵ The intense volatility of prices is exceptionally hard to manage in economies that are hugely commodity-dependent and in households without savings and social safety nets.

Already, even before the current turmoil becomes a full-blown recession, developing countries are being hit in multiple ways.

Outflow of investments and falling currencies, credit drying up

In rich economies, institutional investors such as banks and fund managers are frantically clawing back money wherever they can to service their own significantly increased borrowing costs. The Institute of International Finance expects a 30 per cent decline in net flows of private capital to emerging markets.⁶ This is already apparent in South Africa, where the outflow of investors' money together with falling commodity prices has led to the Rand losing 30 per cent of its value against the dollar since the beginning of September.⁷ This in turn is compounded by currency speculation, which increases volatility. Stock markets in emerging countries have fallen further than in developed countries; the MSCI Emerging Markets Index has lost two thirds of its value in the last 12 months. Small businesses in developing countries will also find it increasingly difficult to get access to credit from domestic banks.

Credit also lubricates the wheels of international trade; as it dries up, so the wheels slow. Even with enough supply and demand, traders in developing countries in particular are finding it increasingly hard to secure the necessary letters of credit and insurance to support trade transactions. The Baltic Dry Index, which is a benchmark indicator of shipping costs and serves as a proxy for world trade flows, has lost over 92 per cent of its value since May.

Impact of recession on foreign direct investment, trade and exports

If, as seems likely, a deep recession takes hold in developed countries, then trade – which accounts for over half of global economic output⁸ and provides vital export revenues to many developing nations – will be further hit. Countries like Viet Nam, which relies on exports for 73 per cent of its GDP, will suffer most.⁹ As Chinese exports to the US and EU fall, so will demand for commodities, a huge contributor to recent growth in Latin America and Africa. While prompt action by China to increase domestic demand would help, as, for example, has its investment in public health care,

its growth rate is still likely to fall, with consequences for all its trading partners. Recession in the OECD will almost certainly lead to a fall in foreign direct investment to developing countries, which had been rising rapidly and was another major contributor to growth.

Collapse in remittances

A slowdown in developed countries will also adversely affect remittances. Migrants send large sums of money back home; recorded remittances to developing countries reached \$251bn in 2007, more than double the value of Official Development Assistance.¹⁰ But when job opportunities in developed countries dry up and living costs rise, remittances from economic migrants back to developing countries will be hit hard. This year is the first on record that the real contribution of remittances to households in Latin America and the Caribbean are projected to have decreased.¹¹ The Central Bank of Mexico registered a decline in remittances of 12 per cent in August 2008 compared with August 2007.¹² In El Salvador one in five people live on less than a dollar per day and remittances account for 18 per cent of GDP.

Safety nets weak or non-existent

The pressures faced in many developing countries resemble those in rich countries, but the resources to cope with them are much weaker. Many poor country governments facing lower growth rates and reduced sources of finance will be forced cut back their public spending. Among the public expenditure most vulnerable to cuts are investments in vital infrastructure projects and programmes such as health care and social protection mechanisms. These are the very social programmes that people living in poverty need during times of crisis. Without them, millions of people will not be able to meet their basic needs. Poverty and inequality will be exacerbated, and women and children will suffer most as they take over responsibility for providing the resources and services that their governments cannot provide. For example, when there is a shortage of basic health care or other social services, women, who usually care for the young, sick and elderly in a household, take on the burden of the extra care work. For younger women, this is often at the expense of education. And when school fees are introduced as a result of public spending cuts, girls lose out most: because a woman's role is generally seen as being 'in the home', and parents know that men get jobs more easily than women, cash-strapped families usually prioritise their sons' education over their daughters'.¹³ Without radical action, the repercussions of current sharp shocks to the economy will be long-lasting for the world's poorest and most vulnerable people. Five years after the 1997 East Asian crisis, half of the poor in Indonesia, the country hardest hit, had fallen into poverty because of the crisis.¹⁴ Millions of Indonesian women working in the export industry were fired before men, forcing them to go their back to villages, find work in the informal sector, or migrate.

Despite this bleak prognosis, immediate and decisive action by the leaders of the G20, based on the lessons learned from previous crises, would help to stave off the worst of these impacts and to mitigate the potential damage done.

Mobilise money and credit to support poor countries now

The head of the OECD in late October issued a call for rich countries to pledge to keep their aid commitments at this time of crisis, as have the World Bank, IMF, the UN Secretary General and President Bush. It is vital that OECD members do this, and use the forthcoming UN Financing for Development meeting in December to officially make the pledge. They must at a minimum do this, and in fact give more to help poor

countries weather the financial storm. The multiple bank bailouts of recent weeks are graphic proof that rich country governments can find trillions of dollars at high speed when they judge it necessary. These figures dwarf aid flows. Aid to all developing countries last year was \$104 billion. In comparison, the US and EU mobilised nearly 30 times this amount (around \$3 trillion) in the last few months to help bail out their banks. Increased aid is vital to help poor countries develop and to enable them to cope with the impact of the financial crisis on their economies. In the immediate term it is absolutely vital to help them avoid balance of payments crises brought on by the global crisis that they had no part in creating.

Even before this crisis broke, the majority of rich countries were renegeing on their previous commitments to increase aid, which has fallen for the second year in a row. Shamefully, Italy and France were leading the pack, agreeing tiny budget increases (France) or significant decreases (Italy), despite reiterating their promise to radically increase aid just two months before, in July at the Japanese G8 meeting. Italy has the chair of the G8 in 2009, yet Prime Minister Berlusconi is intent on slashing aid in the face of widespread criticism.¹⁵

There is a risk with recession at home in rich countries, that cutting aid budgets becomes a politically totemic issue, where politicians cut aid to show their commitment to domestic woes. Given the tiny amounts of money involved compared with rich country economies, this in fact is little more than playing to the gallery for political gain, at huge human cost. Cutting aid levels means less money for humanitarian crises such as those in Darfur or the Democratic Republic of Congo. It means less money to provide life-saving drugs for the millions living with HIV and AIDS; it means girls and boys not able to go to school; it means children risking their lives each day to drink dirty water.

There can be no excuse for countries not meeting the UN-agreed target to give just 0.7 per cent of GNI as foreign aid, let alone cutting current levels just when poor countries need it most. None of the G7 countries has ever met the 0.7 per cent target. For OECD Development Assistance Committee members, meeting the 0.7 per cent target right now would cost around \$140 billion dollars annually in additional aid: a fraction of the costs of bailouts, and a huge boost to developing countries when they most need it. Beyond this prompt action, a small tax on currency transactions of one per cent, as originally proposed by Tobin, should also be agreed as part of the process of financial reform to raise finance to assist developing countries; this would raise tens of billions of dollars.

Finance must be flexible and not tied to damaging policy conditions

Flexible balance of payments support must be given quickly to help boost demand, protect social spending and stimulate economic activity. This support should not come with the condition of economic policy reform; there should be no conditions other than a commitment to spend resources transparently and accountably. The IMF's own track record has too often illustrated that the impacts of forced economic changes are not fully assessed, with very damaging results for the poor. On no account should the IMF promote damaging deflationary policies or micro-manage economies, as was the case in the 1997 East Asian crisis. Despite publicly proclaiming the need for fiscal stimulus by governments, the conditions attached to the IMF's lending to Hungary look extremely similar to template programmes offered to East Asia: deep fiscal retrenchment.¹⁶ Nor should it force countries to deregulate their financial sector or dismantle capital controls. This is not only the right thing to do but it is the smart thing to do; there is a strong case in terms of stimulating demand, keeping the global economy afloat, and avoiding the conflicts, increased violence and insecurity that

economic shocks can trigger. The crisis also offers a critical opportunity to move countries onto a path of low-carbon development, a win-win situation which stimulates economies and tackles climate change. For the same reasons, those developing countries in the G20 with significant savings should also play their part in helping their fellow developing countries get through the economic crisis.

Rewrite the rules to make the market work for all, not for the few

Today's credit crisis has exposed systemic failures of financial markets. These markets should serve broad-based economic growth in the real economy by mobilising savings, allocating capital, and managing risk. Instead they have massively increased risk and brought the world to the brink of a prolonged economic depression.

This crisis throws into stark relief the perils of free-market fundamentalism. This ideology is not just about financial markets, but purports to offer a guiding set of principles for organising the whole of the economy and society. Governments are too often portrayed as inefficient and corrupt, and the private sector as always clean and effective. According to this view, what governments must do is privatise, liberalise and largely get out of the way to 'unleash the power of the market'.

Such views have bequeathed a world scarred by grotesque and rapidly growing inequalities, where two bankers can earn more in a year than Malawi spends on its entire health system.¹⁷

Because of this ideology, and the extremely powerful interests that it serves, for the last thirty years we have been letting the engine steer the car. The market should never have become an end in itself, and must be the servant of society not the master.

Economic growth and the market system have the potential to deliver prosperity, and an end to poverty will be impossible without them. However, to do this, the power of the market must be controlled and directed to deliver public and social goods. The state has a crucial and active role to play in ensuring economic stability, promoting trade, curbing market excesses and market failure, redistributing wealth, tackling inequality, providing quality free public services such as health and education, ensuring employment, and building a green and sustainable future for all citizens.

The massive interventions by governments in recent weeks have graphically shown that in times of crisis, rich country leaders do not practice what they have preached to others for decades. When the financial crisis hit East Asia in 1997, countries were forced by the IMF to cut spending, deregulate and liberalise; the exact opposite of the actions taken in recent weeks by rich countries to pursue expansionary fiscal policies, tighten regulation and increase government intervention.

Global regulation, and tackle tax havens

Global leaders should take immediate action to develop a new international regulatory institution with teeth, aimed at preventing future financial crises and protecting the interests of workers, consumers, and the environment. Organisations or arrangements such as the Financial Stability Forum,¹⁸ or Basel II,¹⁹ are clearly neither adequate nor representative. This new institution should act counter-cyclically, ensuring money is put aside during good times, and is released during slowdowns in order to minimise boom and bust. It should also be comprehensive; new rules should cover not just banks but also the parallel financial system, including hedge funds and private equity funds. Some first steps should include applying stricter international capital reserve requirements and stronger transparency rules. Countries will also need to review and

revise the dozens of trade agreements and hundreds of bilateral investment treaties that currently restrict governments' ability to implement capital controls and apply other sensible conditions on foreign investment. The G8 should also demonstrate goodwill by reducing rich country demands on developing countries in the WTO to enable a new trade deal to go forward. A fair and transparent arbitration mechanism for dealing with sovereign debt must also be agreed, to prevent future debt crises.

Greater regulation and transparency will be fiercely resisted, but they will be unlikely ever to have greater public support than now, and the proponents of secrecy and deregulation have never been weaker. Leaders must act in concert to tackle tax havens across the world, which have encouraged a regulatory race to the bottom.²⁰ Regulation in other countries will never work while such havens allow laws to be circumvented. Tax evasion is certainly not just a rich country issue: as a result of tax havens, developing countries alone lose \$350 to \$500 billion of vital tax resources every year, resources that could be spent on teachers, nurses and doctors.²¹ Finance ministries in developed and developing nations have a shared interest in stopping this haemorrhaging of tax revenue. US President-elect Obama has said he wants to act on tax havens, as have the French and German governments. Firm action on this will be a test of Gordon Brown's resolve, as it will mean taking on the might of the City of London, but it will be essential to building an effective global financial system.²²

Number the days of exchange rate volatility

Beyond regulation, the world should move to tackle global imbalances, and should seek to limit the volatility of exchange rates. The crazy imbalances of the current global system, where China has savings of \$2 trillion dollars (almost double the GDP of Canada²³), and the USA a debt of \$10 trillion, can be traced in part to the dollar's use as the world's reserve currency, allowing the US to become the borrower of last resort, and Chinese and Indian savers to be lending their money to rich country consumers. A less volatile exchange rate underpinned the successful growth in developing countries in the first three decades after the World War Two, due largely to the agreements reached at the Bretton Woods Conference. Investment, trade and development greatly benefit when economic activity can be based on accurate forecasts for the medium to long-term. Mechanisms to reduce volatility in exchange markets should be a fundamental component of a new economic system.²⁴

The Washington Consensus has failed even in Washington

Beyond reform of financial markets, this break with free-market fundamentalism should be reflected in other key areas of the economy. Free-market fundamentalist policies to liberalise, privatise and reduce government spending have left developing countries vulnerable and even less able to cope with the crisis facing them. In agriculture for example, the disastrous wholesale liberalisation of the 1990s should be reversed; developing country governments should be enabled once more to intervene in agricultural markets through measures such as price control, public purchase, subsidies on food and agricultural inputs, and ensuring wherever possible there is enough food to feed their citizens. Similarly in health care, the practice of charging fees for basic health care in the poorest countries and the promotion of expanded private provision should be abandoned in favour of free public provision. China has already moved in this direction following the disastrous part-privatisation of its health system that contributed to a reversal in falling infant mortality rates in poor rural areas.²⁵ In these vital areas and others, a more sane view of a mixed economy where the state has an active role to play in fostering development should be the outcome of this crisis. The Washington Consensus has failed even in Washington, and must no longer be foisted on the poorest countries.

Build a new representative global governance system to tackle the economic, food, climate, and energy crises

The economic crisis has also thrown into stark relief what had already become painfully apparent: the multilateral institutions of the 20th century are woefully unsuited to the 21st century world, and are simply unable to deal with the multiple crises that are now upon us, whether related to finance, food, fuel, or climate. We are now faced with the greatest collective-action problems of human history, and a new age of scarcity that will have profound repercussions on the way we live. Our ability to take decisions as a human race and act on them in the next decade and beyond will literally determine whether or not we have a future.

Some commentators are now forecasting that China, already set to become the world's largest economy by 2025,²⁶ could, as a result of this crisis, overtake the Euro area and become the world's second largest economy as early as 2013.²⁷ We are rapidly moving to a more economically integrated and interdependent world, with multi-polar geopolitics. Leaders of the world's nations have a choice: retreat into a deeply divisive, dangerous and unsustainable political and economic isolationism, or act to create a new global politics to manage the economy, fight climate change, and consign poverty to the history books.

The G20 is not a legitimate body of global governance, but it is an improvement on the G8, and can be an important informal forum for co-ordination and speedy action between the most powerful actors in the world economy. The era when the leaders of China, South Africa, Brazil and other developing nations could simply be summoned to the G8 for that year's photo opportunity are long gone. The new world urgently needs structured and regular economic and diplomatic dialogue and full integration of the major developing countries into an expanded G8. At the same time, these meetings must not seek to undermine, but instead supplement the reform and reinforcement of the United Nations General Assembly as the only legitimate source of global governance, based on principles of transparency, accountability and representation. The UN taskforce on the financial crisis should play a leading role in drawing up proposals for reform.

The mandates and powers of the World Bank and IMF should be thoroughly reviewed and reformed, and more competencies delegated to regional institutions. Not only have they not been part of the solution, for many years they have been a central part of the problem, as two of the most proactive advocates of the free-market fundamentalism that has led to the current crisis. The boards of the Bank and Fund should be radically overhauled. The reforms of the last year, which saw developing countries increase their share of votes by just two per cent were embarrassingly inadequate. The current situation, where Belgium and the Netherlands together have more votes on the board of the IMF than China, is untenable. The US must give up its veto on the boards of both the Bank and Fund. The Europeans, who now occupy one third of the seats on the boards must make major concessions in favour of developing countries. China and other developing nations should settle for nothing less than these reforms in return for granting access to their huge reserves. Only with this radical overhaul of its governance, and a corresponding departure from the failed economic policies it has been pressing for the last thirty years, could the IMF begin to play a constructive role in regulating global imbalances and become a true lender of last resort.

Strengthened international institutions must not only enhance the voices of major new economies, but should also give a stronger voice to low-income countries, including those in sub-Saharan Africa. The African Union must have full membership of the G20 for example, in the same way as the European Union. The poorest countries will continue to be the biggest customers of the World Bank in particular for years to come, and must have a far greater say in the governance of both that institution and the IMF.

Conclusion

None of this will be easy. In particular it will require far-sighted steps by US President-elect Obama and Japanese and European leaders to share some power now in the interests of building a stable, just and equitable world for future generations. The arguments for such enlightened leadership are identical to those that saw the New Deal emerge from the Great Depression, but this time the response must be both global and green.

Crises can reduce leaders' willingness to take risks, but equally they can breed creativity and willingness by both publics and leaders to take dramatic and hitherto unthinkable steps, as demonstrated ably by the G7 in recent weeks in effectively nationalising their banks. Now is the time for ambition and collective action. So far, we have heard strong rhetoric from many leaders and some welcome broad principles outlined by the Europeans at their preparatory summit. What we need now is rapid action to boost demand and minimise the depth of the recession, followed by fundamental reform.

Half-hearted acceptance of piecemeal financial regulations cooked up by rich countries alone is not acceptable. Brazil, China, South Africa and the other developing country members of the G20 must not sell themselves short in Washington – they must call for fundamental reform of global governance and a radical cleaning up of global finance. They must stand in solidarity with all developing countries, including the poorest, and recognise the demands of citizens North and South to build a just world that puts people and planet before short-term profit and long-term disaster.

Notes

- ¹ See www.ft.com/cms/s/0/c9c35622-a6a6-11dd-95be-000077b07658.html
- ² **International Labour Organization** (2008) 'ILO says global financial crisis to increase unemployment by 20 million', www.ilo.org/global/About_the_ILO/Media_and_public_information/Press_releases/lang-en/WCMS_099529/index.htm
- ³ **Oxfam International** (2008) 'Climate Wrongs and Human Rights', Oxfam Briefing Paper 117, www.oxfam.org.uk/resources/policy/climate_change/downloads/bp117_climatewrongs.pdf
- ⁴ **World Bank** (2008) 'Food Price Crisis Imperils 100 Million in Poor Countries, Zoellick Says', <http://go.worldbank.org/5W9U9WTJBO>
- ⁵ **FAO** (2008) 'World Food Situation', www.fao.org/worldfoodsituation/wfs-home/en/
- ⁶ **Institute of International Finance**, see <http://www.iif.com/>
- ⁷ **Economist** http://www.economist.com/world/mideast-africa/displaystory.cfm?story_id=12516656
- ⁸ **World Bank** (2008) 'World Development Indicators 2008'
- ⁹ **World Bank** (2008) 'World Development Indicators 2008'
- ¹⁰ **D. Ratha, S. Mohapatra, K.M. Vijayalakshmi, and Z. Xu** (2008) 'Revisions to Remittance Trends 2007', http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/MD_Brief5.pdf
- ¹¹ **Inter-American Development Bank** (2008) 'IDB estimates of 2008 remittance flows to Latin America and the Caribbean', <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=1662094>
- ¹² **V. Gomez Sparrow** (2008) 'Remesas a México sufren peor caída mensual en agosto', http://espanol.news.yahoo.com/s/reuters/081001/negocios/negocios_economia_mexico_remesas
- ¹³ **Jubilee Debt Campaign** (2007) 'Debt and Women', www.oxfam.org.uk/resources/policy/debt_aid/downloads/jubilee_debt_women.pdf
- ¹⁴ **M. Ravallion** (2008) 'Bailing out the world's poorest', Policy Research Working Paper 4763, World Bank, http://econ.worldbank.org/external/default/main?pagePK=64165259&piPK=64165421&theSitePK=469372&menuPK=64166093&entityID=000158349_20081029084618&cid=decresearch
- ¹⁵ If the cuts go through, the Italian Ministry of Foreign Affairs's Official Development Assistance appropriation will be €321 (\$407). In 2006/07 Oxfam International's total programme expenditure, excluding management costs, was \$705 million. (www.oxfam.org/files/OI-annual-report-2007-en.pdf)
- ¹⁶ Bretton Woods Project, pers com.
- ¹⁷ Malawi spends \$118 million per annum on its health system (Source: Government of Malawi Ministry of Health) Barclays employees Bob Diamond and Roger Jenkins were reputedly collectively paid at least £61 million in 2007 including bonus and shares (www.guardian.co.uk/business/2008/oct/10/executivesalaries-creditcrunch). At the December 2007 market exchange rate this equates to \$123 million.
- ¹⁸ The **Financial Stability Forum** is a group consisting of major national financial authorities such as finance ministries, central bankers, and international financial bodies. The Forum was founded in 1999 to promote international financial stability. Its founding resulted from

discussions among Finance Ministers and Central Bank Governors of the G7 countries, and a study which they commissioned.

- ¹⁹ **Basel II** is the second of the Basel Accords, which are recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision. The purpose of Basel II, which was initially published in June 2004, is to create an international standard that banking regulators can use when creating regulations about how much capital banks need to put aside to guard against the types of financial and operational risks banks face.
- ²⁰ As part of the financial market reforms countries should adopt and implement the UN Code of Conduct on Cooperation in Combating International Tax Evasion (ECOSOC) ensuring amongst other things greater financial transparency, comprehensive exchange of tax information between authorities and interdiction of trusts and other legal instruments enabling the origin and ownership of the capital to be disguised. In addition, MNCs should be required to undertake country-by-country financial reporting, expanding the model adopted by the extractive industry sector in the EITI (Extractive Industry Transparency Initiative).
- ²¹ According to Raymond Baker (Global Financial Integrity) and also according to the World Bank (<http://siteresources.worldbank.org/NEWS/Resources/Star-rep-full.pdf>), illicit flows from developing countries account for \$500 to \$800 billion a year. This includes 1) criminal, 2) corruption and 3) commercial flows. If you take only commercial flows (tax evasion, basically) this figure is 350–500 billion per year being lost by developing countries.
- ²² Opaque offshore tax havens offering minimal taxes and scant regulation have contributed to the current malaise by undermining regulation elsewhere in the world. As part of broader financial market reforms countries should adopt and implement the UN Code of Conduct on Cooperation in Combating International Tax Evasion (ECOSOC). This would ensure, among other things, greater financial transparency, comprehensive exchange of tax information between authorities, and the prohibition of trusts and other legal instruments enabling the origin and ownership of the capital to be disguised.
- ²³ Canada's GDP is \$1.2 trillion (**World Bank** (2008) 'World Development Indicators 2008')
- ²⁴ One potential idea could build on the proposal originally made by Keynes in 1944 for an International Credit Agency. This would hold the reserve assets of governments centrally to constitute a mix of currencies, weighted by the volume of trade with each country. This means that the US would no longer act as the world's banker. Loans to the US (treasury bills) would no longer serve as the main reserve currency. These low-cost loans have fuelled US consumption and the US deficit, and were financed in a large part by countries with millions of poor people, like China and India. The ICA would also act as an international 'lender of last resort' and would serve to reduce the volume of speculative flows between countries. For more on this idea see www.guardian.co.uk/commentisfree/2008/oct/21/globalisation-brettonwoods
- ²⁵ **D. Blumenthal and W. Hsiao** (2005) 'Privatization and Its Discontents — The Evolving Chinese Health Care System', *The New England Journal of Medicine* 353(11): 1165-1170, <http://content.nejm.org/cgi/content/full/353/11/1165>
- ²⁶ **J. Hawksworth and G. Cookson** (2008) 'The World in 2050: Beyond the BRICs – a broader look at emerging market growth prospects', PricewaterhouseCoopers LLP, [www.pwc.com/extweb/pwcpublishations.nsf/docid/146E4E4D52487154852573FA0058A179/\\$file/world_2050_brics.pdf](http://www.pwc.com/extweb/pwcpublishations.nsf/docid/146E4E4D52487154852573FA0058A179/$file/world_2050_brics.pdf)
- ²⁷ **PricewaterhouseCoopers LLP** (2008) 'Asymmetrical global economic downturn data tables 29.10.08', www.ukmediacentre.pwc.com/imagelibrary/detail.asp?MediaDetailsID=1282

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This paper was written by Max Lawson and Richard King. Oxfam acknowledges the assistance of Peter Chowla, Alex Wilks, Sebastien Fourmy, Celine Charveriat, and Duncan Green in its production. It is part of a series of papers written to inform public debate on development and humanitarian policy issues.

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For further information on the issues raised in this paper please e-mail advocacy@oxfaminternational.org.

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Published by Oxfam International November 2008

Published by Oxfam GB for Oxfam International under ISBN 978-1-84814-440-8