The G20 wish-list

What are the national and regional interests of those attending the summit? The first of six pieces looks at China, protectionism and the IMF

Last November, the Washington G20 adopted an immediate and medium-term action plan to address the global financial and economic crisis. Leaders supported more consistent and co-ordinated macro-economic policies and improved structural reforms. They also sounded warnings against protectionism. The London meeting is to review implementation in enhancing transparency, accountability, regulation, integrity, co-operation, and in revamping institutions.

As the global recession deepens, countries are seized by the need to protect their own jobs. Recent provisions such as "Buy America" may be questioned as lip-service is paid to free trade, but China is unlikely to overplay its hand in this area. China's job market is reeling from the global economic meltdown – a fall-out that resulted, in its view, from the west's unbridled market fundamentalism.

China may instead emphasise the need for effective market regulation, in the world's leading reserve currency countries particularly, and also the accountability of regulators and the impartiality of credit rating agencies.

In Washington, President Hu Jintao promised to play a constructive role in reforming the international financial system. In London, China may promote the expansion of the Financial Stability Forum to include more emerging economies. China should welcome a bigger role in a revamped IMF and may, as a result, consider a moderate increase in her financial contribution.

China's current IMF voting weight is around 4 per cent, against her proportion of the international market of 5 per cent based on exchange rates and 11 per cent in terms of purchasing power parity. This weighting contrasts with the US's 17 per cent and the EU's combined weight of 41 per cent. As major IMF decision-making requires at least 85 per cent of the vote, the US has an effective one-vote veto. So long as these rules prevail, there will remain a great deal of caution against a large Chinese financial contribution.

The G20 sees most leaders still up to their necks in domestic woe and a worsening recession. This does not bode well for the bold decisions that will be required in the quest for a sounder global financial infrastructure. It would be sad if this were to be proved the case. China is anxious to push through fundamental reform, but it cannot do so on its own.

A valuable opportunity may be lost for China to suggest how best to guide the invisible hand of the market using the visible hand of the regulators. In a speech given at Cambridge University on 2 February, Wen Jiabao, the premier, passionately said that this was China's intent.

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