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 wil 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.

Andrew K. P. Leung, an international and independent China specialist, is chairman of the China Interest Group of the Institute of Directors' City Branch

Japan – they've been through it all before

The world's second-biggest economy, dragged into the global crisis via trade rather than a ruptured financial system, is keen to hammer out a global solution on several fronts.

Behind the big questions – how best to cope with the financial crisis and rebuild confidence in credit markets – Japan hopes that world leaders can revise regulatory and accounting standards.

Top of Japan's agenda, however, is protectionism (ironic, seeing as Japan was the country that objected to European imported skis because its snow is different). But Japan is an export-dependent nation and it has been here before. Detroit's Big Three used to whine that Japanese car makers such as Toyota Motor benefited from a manipulated lower currency.

With Washington moving to bail out US car makers and banks, the boot is now on the other foot. Japanese car makers, already suffering from tanking global demand and a higher yen, do not want to be further handicapped by protectionist agendas. The same goes for steel makers and other manufacturers.

Equally, however, Japan concedes that all countries walk a fine tightrope: using taxpayer's funds for fiscal stimulus and bail-out packages inevitably increases the pressure to protect jobs at home.

The credit freeze is also close to Japan's heart. Japan's financial crisis of the 1990s means its experiences and the lessons learnt are now being scrutinised by leaders and central bankers across the globe.

Japan lowered interest rates in that case, as the US and Europe have now done. It also pioneered quantitative easing. Mindful of criticism that it moved too slowly last time, the Bank of Japan is monitoring other countries as it again loosens monetary policy and buys assets such as commercial paper and corporate bonds.

Japan is also concerned about developing countries that followed guidance from entities such as the IMF and are now struggling. It is putting more funding into the IMF and supports its wider reform.

Louise Lucas is part of the Financial Times *Lex team and is based in Tokyo*