

Group of 24: Reform the monetary system

Here are excerpts from the communiqué issued in Hongkong on Sept. 20 by the Ministers of the Intergovernmental Group of 24 on International Monetary Affairs. The group included representatives from Venezuela, Algeria, Sri Lanka, the People's Republic of China, Saudi Arabia, and South Africa, as well as from the IMF, World Bank, International Labor Organization, and other international agencies.

I. World economy and monetary system

1. Developments in recent years confirm the leading role assumed by the developing world in the growth of the global economy and its significant input to the expansion of world trade. This increasing contribution reflects the stabilization and reform efforts that many countries have pursued in order to maintain sustainable growth with price stability. Ministers consider that this trend of faster growth of the developing world, relative to the industrial countries, should be appropriately reflected in the decision-making processes of the Bretton Woods Institutions (BWIs).

2. Growth prospects in Asia are being affected by the adverse shock to the dynamic South-East Asian region resulting from the recent turmoil in financial markets and by the effects of this turmoil on Japan's recovery, given that this region provides large markets for Japan's exports and capital. While recognizing that domestic policy weakness contributed to this crisis, Ministers emphasize the need to acknowledge the role of speculative activities and other factors in the external environment that provided the backdrop against which the financial crisis spread, through contagion effects, to a number of countries both within and outside the region, including those with sound macroeconomic fundamentals. Ministers underline the need to explore the interplay of domestic and external factors in the onset and containment of crises. . . .

4. Recognizing the potentially adverse impact of large fluctuations among the major international currencies on developing countries, Ministers consider it imperative that the Fund fully exercise its powers to ensure effective surveillance over the macroeconomic policies of the countries involved in management of these currencies. They believe that, in the perspective of an emerging tripolar system, the issue of reform of the international monetary system should be brought forward on the agenda of the world community.

II. Capital account liberalization

5. While recognizing the benefits for the world economy of greater freedom of capital movements, Ministers emphasize that the capital account liberalization process could put additional stress on the economies that are already straining

to adjust to globalization. Ministers agree that, in particular circumstances, precautionary and price-based measures could help countries protect economic stability and sound macroeconomic management.

6. Ministers agree to support further work on the orderly liberalization of capital movements as a prelude to any amendment of the Fund's Articles. . . . They also emphasize the need for adequate technical assistance and financial assurances to help countries to move toward capital account convertibility. In addition, they stress that: a) the liberalization of the capital account should not be made a condition for the use of Fund resources; b) restrictions arising from measures taken by members for prudential and financial market development purposes should benefit from flexible approval policies; and c) the treatment of foreign direct investment and restrictions for security reasons should be outside Fund jurisdiction.

III. Governance

7. Ministers reiterate their commitment to the principles of good governance—which include transparency, accountability, and the rule of law. While noting the recent efforts of the Fund and the World Bank to clarify their potential roles within their respective mandates in the strengthening of governance and reduction of corruption at the national and international levels, they re-emphasize the need to avoid the application of conditionalities based upon subjective judgments in these areas and to ensure uniformity of treatment of members based on objective criteria. Ministers express full support for cooperative international efforts to combat transnational bribery, money laundering, and other forms of economic crime. . . .

Support grows for Asian Monetary Fund

by Mary Burdman

On Sept. 23, the Japanese delegation at the World Bank-International Monetary Fund meeting in Hongkong, proposed the creation of a new Asian Monetary Fund, with a capital base of \$100 billion—half to be supplied by Japan itself—to support Asian nations' balance of payments, currency reserves, and other important economic mechanisms.

In a radio interview with "EIR Talks" on Sept. 30, Lyndon LaRouche welcomed the proposed Asian Monetary Fund:

"At the end of 1995, I made a trip to Japan, during which I met with representatives of various groups of influentials, top people there, behind the scenes, and some in the scenes, and laid out what was going to happen, and indicated what the remedies should be; what I thought the common interests of the United States and Japan were in this matter, and indicated the kinds of measures which should be taken to defend