



INTERACTION COUNCIL

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**InterAction Council
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Final Communiqué

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The Current Situation of the World

1. Since the breakdown of the Bretton Woods system of fixed exchange rates, the world has seen a series of financial crises – most recently in East Asia. While the InterAction Council believes that there are a number of actions which need to be taken to reduce the risks of financial crises, none of these will be successful in the long-term without a more stable relationship between the world's major currencies. Currency speculation and rapid roundtrips of short-term money pose a real risk to the stability of the international financial system.
2. The East Asian crisis has highlighted the fact that in a globalized economy getting the economic fundamentals right is no longer enough. Asian economies enjoyed good fiscal balances, sound monetary policy, an outward orientation, together with high savings rates. In a globalized economy, however, much more attention needs to be paid to issues of transparency, good corporate governance, and a proper separation between politics, business and banking.
3. In the wake of the crisis, the Council urges members of the G-7 meeting in Birmingham later this month to strengthen the surveillance and early warning capability of the IMF and seriously explore measures to reduce the risks associated with short-term capital flows, especially for developing countries. The IMF must also be much more transparent in its activities, and must tailor its recommendations to the political, social and economic realities prevailing in different countries.
4. But international institutions alone cannot bear the burden of supervision. Governments and central banks must play a much larger role in surveilling and supervising the activities of private financial institutions. Private financial institutions also have a responsibility to sound asset-liability management and the disclosure of information.
5. Governments should also explore the creation of a fund which can be mobilized to forestall currency crises in emerging economies. Such a fund might be set-up using foreign exchange reserves held by countries in the region. Much greater inter-regional consultation and peer pressure would also help to stave off future crises. The Council recognizes that China's determination not to devalue the Yuan has contributed greatly to containing the crisis.
6. Japan runs the risk of doing greater damage to the economic structures of the world than anything we have yet seen from Asia. Japan must stabilize its own financial system, implement *effective* recovery programs, and deregulate the economy sufficiently to boost demand and imports from the region.
7. The Council warmly welcomes the historic introduction of the Euro. Never before in the history of mankind has a group of countries voluntarily surrendered such powers to a supranational body. The Council believes that the Euro will quickly emerge as an important reserve currency and increasingly be used in private transactions, thereby contributing to the stability of the global financial system.
8. Despite the enormous progress made in economic and human development over the last 50 years, too many people are still not reaping the benefits of economic growth. Three billion

people continue to live on less than \$2 a day; 1.3 billion lack access to clean water. Across the globe, military spending undermines the fight against poverty. In 1995, world military spending totalled nearly \$800 billion. The Council calls on the G-7 and other major arms exporters to curtail the production and sale of weapons. The negative impact this might have on employment cannot be used as an excuse for inaction.

9. The Council also believes that Official Development Assistance (ODA) should not go to countries that a) spend more on their military, than on education and health combined; and b) do not take serious steps to enhance the education of girls and women, and provide access to family planning services.
10. In the light of the growing political and economic importance of economies outside the Euro-Atlantic area, the Council urges that Russia and China be admitted immediately as *full* participants in the G-7. China's admission to the World Trade Organization (WTO) must also be expedited. In addition, other major countries, as their impact on the global economy increases, should progressively be included as participants in the G-7.

Problems and Prospects of Latin America

11. The Council endorses the Report of the High Level Working Group chaired by Miguel de la Madrid on Latin America: Balance and Perspectives, Progress, Difficulties, Challenges.
12. Since the 1980s, Latin America has made important strides in creating formal democratic mechanisms. In many cases, however, democracy is only skin deep: democratic institutions are weak, and social exclusion is rampant. The education of civil society in the roles and responsibilities of democracy is a prerequisite for successful democratic governance.
13. Latin American countries are endeavoring to resume the growth rates enjoyed prior to the economic crisis of the 1980s. Too often, however, this has resulted in social inequity, degradation of ecological capital, and increased unemployment. As a region, Latin America has the worst income distribution in the world which threatens social stability and has led to an increase in violence across the continent. The challenge for Latin America is to balance competitiveness with social equity.
14. Education is key to the region's economic development. The Council welcomes the recent Communique by the Summit of the Americas and its focus on education, and urges the region to strengthen its educational processes at all levels.
15. The Council also encourages the continued regional integration of economic activities as demonstrated by Mercosur and notes the progress already achieved: 95% of trade among the four member countries is now subject to zero duty; a quadrupling of trade among Mercosur with an accompanying increase in total trade.
16. Demographic problems, however, remain. Although there has been remarkable progress in the reduction of population growth, there is still a grave imbalance between the number of people and the ability of economies to provide jobs and governments to deliver social services.

Universal Declaration of Human Responsibilities

17. In a world transformed by globalization, common ethical standards as a basis to live together in an ever-shrinking world, have become imperative. To meet this need, in September 1997, the InterAction Council produced a draft Universal Declaration of Human Responsibilities as part of a ten year search for universal ethical standards which would be morally - though not legally - binding.
18. The Declaration has received strong support from a wide ranging group of prominent individuals, organizations and several governments. But some reservations have been expressed that the document may undermine the Universal Declaration of Human Rights, or encourage controls on the freedom of the press.
19. On the contrary, the Declaration of Responsibilities is intended to reinforce the Declaration of Human Rights. Rights and responsibilities must go hand-in-hand. Moreover, the Council strongly believes that no outside authority should control the media who must be self-regulating.
20. The Council calls on all governments to sponsor the Declaration for discussion in the United Nations. This is an issue which warrants widespread public debate and dialogue, especially within civil society.
21. The Korean peninsula remains in the grip of the Cold War. Ten million separated families are not even allowed to communicate with one another. The Council calls on the leaders of both Koreas to allow these separated families to at least communicate, as the first step toward a peaceful solution of the tragedy of the peninsula.
22. As it meets in Brazil, the Council deplores the absence of two of its members – Olusegun Obasanjo of Nigeria, and Kenneth Kaunda of Zambia – both detained by their respective governments for political reasons. The Council calls, once again, on the international community to secure their release.

PARTICIPANTS IN THE 16TH SESSION

Members

Helmut Schmidt	Chancellor of the Federal Republic of Germany, 1974 -1982
Andries A.M. van Agt	Prime Minister of the Netherlands, 1976 - 1979
Oscar Arias Sanchez	President of Costa Rica, 1986 - 1990
Miguel de la Madrid Hurtado	President of Mexico, 1982 - 1988
Vigdís Finnbogadóttir	former President of Iceland, 1980-1996
Malcolm Fraser	Prime Minister of Australia, 1975 - 1983
Kurt Furgler	President of the Swiss Confederation, 1977, 1981, 1985
Kiichi Miyazawa	Prime Minister of Japan, 1991 - 1993
José Sarney	President of Brazil, 1985 - 1990
Pierre Elliott Trudeau	Prime Minister of Canada, 1968 - 1979, 1980 - 1984
Ola Ullsten	Prime Minister of Sweden, 1978 - 1979

Special Guests

Persio Arida	former President of the Federal Reserve of Brazil
Jack Austin	Senator of Canada
Roberto Campos	Federal Deputy for the Senate of Rio de Janeiro, Brazil
Helio Jaguaribe	Professor, Institute of Political and Social Studies, Brazil
Song Jian	Vice Chairman of the National Committee of the Chinese People's Political Consultative Conference
Seung-Yun Lee	Former Deputy Prime Minister and Minister of Economic Planning Board of the Republic of Korea
Robert S. McNamara	former President, World Bank
Sergio Mota	General Coordinator, Foundation of Economic Culture, Mexico
Seung-Keun Rhee	Professor, The Catholic University of Korea
Antonio Olinto	Professor and author
J.J.N. Rost Onnes	Executive Vice President, ABN AMRO Bank, The Netherlands
Paulo Paiva	Minister for Planning, Brazil
Ruy Pereira	Representative of the Ministry for Industry, Trade & Tourism, Brazil
Paulo Rabello de Castro	President of the Atlantic Institute
João Paulo dos Reis Veloso	former Minister of the Treasury, Brazil
Seiken Sugiura	Member, House of Representatives of Japan
Vadim Zagladin	Director, Gorbachev Foundation

Invited Journalists

Flora Lewis	International Herald Tribune
Elio Gaspari	O GLOBO
Merval Pereira	O GLOBO
Nagaharu Hayabusa	The Asahi Shimbun

Secretary-General

Isamu Miyazaki	Former State Minister, Economic Planning Agency of Japan
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