



INTERACTION COUNCIL

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Globalization and Global Security

1. The end of the Cold War raised hopes that the global community was entering a period of sustained international peace, and that all nations would benefit from the reduction of East-West tension. While the threat of global war has indeed decreased, the post-Cold War era has experienced an increasing number of violent conflicts.
2. Economic, social, and cultural globalization has brought both opportunities and real challenges. States in the Balkans, Central and East Africa, the Middle East, and Asia now face internal conflict, and even the possibility of fragmentation – as the tragedy of Kosovo has illustrated. In particular, the frustrated hope of rapid economic progress may sometimes fuel nationalist and ethnic tensions in many regions of the world. Many of these conflicts pose a major threat to regional and global peace.
3. The InterAction Council is adamantly opposed to racial discrimination and xenophobia in every form. In particular, the international community should react vigorously to any form of ethnic cleansing. The systematic murder of large numbers of people from one ethnic group calls for an especially strong response from the international community.
4. Some members of the InterAction Council believe that without the United Nations' approval, unilateral or plurilateral intervention in internal conflicts must be avoided. Other members of the Council feel that a response should be undertaken even if such a response does not represent the complete consensus of the entire international community.
5. All members of the Council believe that the United Nations' capacity to anticipate crises and respond to them in a credible, timely way should be strengthened and the operations of the Security Council made more effective.
6. The international community should focus on resolving internal and international conflicts through diplomatic means. If there is a danger of a particular dispute breaching international peace, it should be referred to the Security Council, whose decision should be binding, respected, carefully monitored, and, if necessary, enforced.
7. In light of this responsibility, members of the Security Council should reconsider their use of the veto power, weighing their pursuit of direct national interests and the benefits of strengthening the peace-making power of the United Nations.
8. In responding to regional crises, the international community should take concerted efforts to involve all those states who feel that their national interests are at stake. The InterAction Council is particularly concerned that Russia and China be included in the creation of stable structures for international peace, and that these states continue to be integrated into international economic and political organizations.

9. The InterAction Council would like to praise the work of the Office of the United Nations High Commissioner for Refugees and other non-governmental organizations in helping the millions of persons displaced by internal conflicts throughout the world over the last decade. These efforts should be applauded, as should those of states who have taken positive steps to help those placed in danger by political, racial, and religious violence.
10. The InterAction Council calls on the international community to support the voluntary return of refugees to Kosovo and their economic rehabilitation.
11. A sustained effort at creating international peace will be a complex process. The InterAction Council believes that such attempts can only be successful in the presence of worldwide prospects for economic and social progress, in order to spread the gains of globalization among all states and their citizens.

The Insecurity of International Money

12. The InterAction Council endorses the Report of the High Level Working Group chaired by Malcolm Fraser and Helmut Schmidt on The Insecurity of International Money.¹
13. Global financial markets have, over the last 30 years, experienced an extraordinary increase in both the volume of international capital flows and the magnitude of exchange rate movements. This volatility has contributed to crises in many developing countries. Such crises pose a risk to the entire global economy. Political leaders bear responsibility for insuring that in the future such risks are better understood and dealt with more effectively.
14. It is difficult or impossible for developing countries with a convertible currency – particularly small, open, diversified states – to have a sustainable exchange rate policy if there is volatility in the exchange rates of the major world currencies.
15. Such developing countries should choose their own exchange rate regime – no one system is appropriate for all times and in all places, but all systems should aim to reduce volatility, encourage investment, and allow for the flexibility necessary to adapt to changing circumstances.
16. The stability of the exchange rates between the US dollar, the euro, and the yen is crucial for world stability. Representatives of the major world currencies should coordinate their fundamental economic policy, and, when necessary, consider pursuing unified, active market intervention.

¹ Chancellor Helmut Schmidt, The Rt. Hon. Malcolm Fraser, Dr. Muhammad Al-Jasser, Dr. Graham T. Allison, Dr. Jeffrey Carmichael, Dr. Stefan Collignon, Dr. Richard N. Cooper, The Rt. Hon. Lord Eatwell, Dr. Jeffrey A. Frankel, Dr. Benjamin M. Friedman, Prof. Ian Harper, Dr. Takatoshi Kato, Dr. Paul Mentre, Dr. Joseph S. Nye, Dr. Dani Rodrik, Dr. Stefan Shonberg, Dr. Teizo Taya, Dr. Paul A. Volcker, Jr.

17. An international framework for coordinating and eventually harmonizing prudential supervision is a pre-requisite for the creation of a robust international financial system. The principle of transparency – of financial institutions, national regulators, and international financial organizations – lies at the heart of international financial stability.
18. The Financial Stability Forum, created by the G-7 in February, is a valuable starting point. Participation in such international regulatory frameworks, however, should not be limited to members of the G-7.
19. An international regulatory authority should be established, building on the achievements of the Basle committees, to establish standards of best practice in financial regulation, monitor compliance with those standards, and coordinate mechanisms of enforcement.
20. An important means of maintaining order in international financial markets is reduced reliance on short-term and speculative capital. The IMF should not, in the near future, require full capital account convertibility for all member states, and should reconsider the proper sequencing of capital market liberalization in developing countries.
21. The InterAction Council welcomes the creation of the IMF's Contingent Credit Line. At the same time, the Council supports the development of appropriate regional approaches to financial crises, such as the creation of an Asian Monetary Fund.
22. Given the real problems of moral hazard, private sector lenders must, in the future, be made to share responsibility in any future crisis packages coordinated by the IMF. In designing such packages, the IMF also should consider fully their anticipated social consequences.

The Middle East Peace Process

23. After a period of lost opportunities in the peace process between Israelis, Palestinians, Syrians and Lebanese, the change of leadership in Israel offers new hope for progress. International agreements, which have been reached must be respected.
24. The InterAction Council considers the mandate for the new Israeli government as a mandate for peace. The year 1999 could and should become a year of real developments in the Middle East, paving the way for the historic reconciliation of the people in this region which over the centuries has been the cradle of three great monotheistic religions.
25. The groundwork of this peace process was laid down in the agreements of Madrid and Oslo, particularly in the principle of the return of land for peace. The InterAction Council encourages all parties involved to provide courageous

leadership to achieve these ends, even in the face of lingering prejudices among their own populations.

26. Peace will inevitably require lengthy, sustained commitment. It will need organization, formal mechanisms, and financial support. The InterAction Council calls for a concerted effort by the international community to contribute to these necessities and to provide active and firm support for all endeavors to create trust and confidence for the negotiated solutions.
27. The paradigm of security discussions should be changed: each party in the conflict must understand the security concerns of one another. An effective and sustainable peace in the Middle East will have to deal with the process of disarmament in the region. This process should include weapons of mass destruction.
28. The city of Jerusalem is a sacred place to the faithful of three religions. The InterAction Council encourages Israelis and Palestinians to investigate the concept of sharing this city as the capital of both their respective states.
29. The need for stabilization in the Middle East reaches beyond the peaceful solution of the Israeli-Palestinian conflict. To promote regional frameworks for overall peace, the lingering conflicts around the Gulf – particularly concerning Iraq – must be addressed. Negotiated solutions made it possible for Libya to return to the international community. Similarly, an agreement should be reached by which Iraq will comply with United Nations resolutions and the boycott will be lifted.
30. The InterAction Council believes that, after 25 years, it is high time that a peaceful solution – within the framework of the United Nations resolutions – be found to the problem in Cyprus.
31. Many conflicts have been exacerbated by attributing to them a religious dimension. For more than a decade, the InterAction Council has attempted to investigate and promote religions' shared ethical beliefs and common moral heritage. To this end, the InterAction Council has convened a High Level Expert Group, under the chairmanship of George Vassiliou, to examine the role of religion in the history and structure of the Middle East conflict. The Council endorses and supports this Group's findings.²
32. The InterAction Council has also, through a number of Expert Group meetings and extensive discussions during its annual reunions, developed and promoted a Universal Declaration of Human Responsibilities. In the spirit of these efforts, the InterAction Council warmly welcomes the initiative of a number of states, among them this year's host country, Egypt, to submit to the General Assembly of the United Nations a resolution to study in depth the implications of such a Declaration.

² Chancellor Helmut Schmidt, President George Vassiliou, Dr. Ziad Abu-Amr, Dr. Kamel Abu Jaber, Hosani Alikhani, Prof. John Esposito, Dr. Richard Falk, Dr. Yoshiaki Iisaki, Mrs. Flora Lewis, Father Thomas Michel, Dr. Farid Mirbagheri, Dr. Ahmad Moussalli, Ambassador Eric Rouleau, Dr. Colin Rubenstein, Dr. Abdul Azis Said, Prof. Amin Saikal, Prof. Gerald Steinberg, Dr. Azzan Tamimi, Ambassador Shemi Tzur, Bishop Vassilios, Dr. John Voll

PARTICIPANTS IN THE IAC 17th SESSION

Members

Malcolm Fraser, Prime Minister of Australia, 1975-1983
Miguel de la Madrid Hurtado, President of Mexico, 1982-1988
Kurt Furgler, President of the Swiss Confederation, 1977, 1981, 1985
Valery Giscard d'Estaing, President of France, 1974-1981
Vigdís Finnbogadóttir, President of Iceland, 1980-1996
Kenneth Kaunda, President of Zambia, 1964-1991
Mostafa Khalil, Former Prime Minister of the Arab Republic of Egypt
Abdul Salam Majali, Prime Minister of the Hashemite Kingdom of Jordan, 1993-95, 1997-98
Maria de Lourdes Pintasilgo, Prime Minister of Portugal, 1979-1980
José Sarney, President of Brazil, 1985-1990
Shin Hyon Hwak, Prime Minister of Korea, 1979-1980
Kalevi Sorsa, Prime Minister of Finland, 1972-1975, 1977-1979, 1982-1987
Hanna Suchocka, Prime Minister of the Republic of Poland, 1992-1993
George Vassiliou, President of Cyprus, 1988 -1993

Special Guests

Dr. Ziad Abu-Amr, President, Palestinian Council on Foreign Relations
Mr. Abdulaziz Al-Quraishi, Former Governor of Saudi Monetary Agency
Lord Eatwell of Stratton St. Margaret, President, Queens' College, Cambridge
Dr. Jeffrey Frankel, The Brookings Institution
Dr. Youssef Boutros Ghali, Minister of Economy, Egypt
Mr. Mohamed Issa, Ambassador of Egypt
Dr. Ibrahim Kamel, Egyptian businessman
Dr. Lee, Seung-Yun, former Deputy Prime Minister of Korea
Mr. Takeshi Ohara, Ambassador of Japan to Egypt
Mr. Omar Metwally, Ministry of Foreign Affairs, Egypt
Prof. Ahmad Moussalli, American University of Beirut
Mr. Hamdy Saleh, Ambassador of Egypt
Mr. Omar Sery, Ambassador of Egypt
Dr. Magda Shahin, Deputy Assistant Minister for International Economic Affairs, MOFA, Egypt
Mr. Mohamed Shaker, Ambassador of Egypt
Dr. Jian Song, Vice-Chairman, the National Committee of the Chinese People's Political Consultative Conference
Mr. Seiken Sugiura, Chairman, Judiciary Committee, House of Representatives, Japan
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