

Developing nations say, 'general welfare' central to global financial reform

by Gail G. Billington

On Feb. 10-12, leaders of the Group of 15 developing nations met in Montego Bay, Jamaica, for their ninth heads of state summit since the group's founding in 1989. Slightly more than two weeks later, on March 1-2, in Dhaka, Bangladesh, the "Developing 8" (D-8) group of leading Islamic nations met in their second leadership summit. A central theme sounded from both groupings, which together represent a significant proportion of humanity: that the much-ballyhooed discussion of "new global financial architecture" must reflect the needs and aspirations of the entire community of nations, especially those nations most vulnerable to the whims and vagaries of today's globalized so-called "free markets."

Jamaican Prime Minister P.J. Patterson raised this theme in his opening remarks to the G-15 heads of state meeting on Feb. 10: "The vast opportunities that emerge from the forces of globalization and liberalization are equally matched by repercussions which threaten the very economic survival of many countries within the developing world. The pace and direction of globalization, which threaten defenseless nations and endanger millions of vulnerable people, will have to be curbed," he said.

The "Jamaica Consensus" that emerged from this meeting was described by Prime Minister Patterson as "one of the defining moments in our continuing struggle to overcome a history of external control and dependence."

Malaysia's Prime Minister Datuk Seri Dr. Mahathir bin Mohamad played a key role in bridging these two conferences, and in transmitting the G-15 consensus to the D-8 meeting, as reflected in the 33-point "Dhaka Declaration," issued at the end of the D-8 meeting, which identified "a compelling need for reforms to guard against possible recurrence of . . . crises," and underscored that "for the effective functioning of the market economy, governments must play a positive role in the development and management of international financial institutions, systems, and infrastructure."

The G-15, set up to promote South-South cooperation, brings together leading developing nations from Asia, Africa, and Ibero-America. Members are Argentina, Brazil, Chile, Mexico, Peru, Venezuela, Jamaica, Algeria, Egypt, Kenya, Nigeria, Senegal, Zimbabwe, India, Indonesia, Malaysia, and Sri Lanka.

The D-8, founded in 1997 as a project-oriented collaboration among Islamic countries, includes Bangladesh, Egypt,

Indonesia, Iran, Malaysia, Nigeria, Pakistan, and Turkey.

In the interests of furthering the spread of this "consensus," and informing a U.S. and European audience of what the majority segment of the world's people think is crucial to "new global financial architecture," *EIR* here excerpts Dr. Mahathir's speech to the G-15 meeting on Feb. 10, and the final communiqué, the "Jamaica Consensus."

Mahathir: the assault of the 'new capitalism'

Here is the statement by Prime Minister of Malaysia Dr. Mahathir bin Mohamad, on behalf of the Asian member-states, at the opening session of the ninth summit of the G-15 in Montego Bay, Jamaica, on Feb. 10:

... 3. This summit in Montego Bay comes at a very crucial moment in history. We are now at the threshold of a new century and a new millennium. If what is happening to the world today is an indication, the new century is going to bring a lot of challenges for us in the developing countries. We must therefore take stock of things and examine the trends and the systems which are being foisted on us in a unipolar world.

4. First the unipolar world itself. We had welcomed the end of the Cold War believing that peace and freedom would now be ours. But unfortunately we find that losing the option to defect to the other side has deprived us of the little leverage that we had in defending our interests.

5. The defeat of Communism and Socialism means that only one politico-economic creed is allowed. When Communism and Socialism were contesting with Capitalism, the latter modified itself in order to be more acceptable. Today capitalism finds little need to compete for acceptance. As a result, the worst aspects of the system have been bared. Anything done in the name of capitalism must be accepted on pain of being labelled a heretic.

6. In East Asia we experienced the new capitalism in the form of the free flow of capital across our borders. We had welcomed foreign capital in order to boost our growth. We



Malaysian Prime Minister Datuk Seri Dr. Mahathir bin Mohamad tells the Group of 15 summit in Jamaica, "I feel a need to shout my warnings. I know I will be ridiculed, but that is a small price to pay."

still do, but now we realize the damage to our economy when that capital is suddenly withdrawn. From being miracle economies, we have now become impoverished nations.

7. The great Asian tigers are now no more. Reduced to whimpering begging, they are but a shadow of their former selves. Their people are starving, rioting, and looting. Their governments have been overthrown and their political system so undermined that they cannot govern effectively. They have to accept foreign direction of their internal affairs.

8. But the assault on them is far from over. Whether it is planned or not their impoverishment has exposed them to the danger of losing their independence. A condition for getting aid from such institutions as the IMF is to open up their economies to unrestricted penetration by foreign businesses. They may not protect their indigenous banks and industries. These may be taken over or shouldered aside by foreign giants.

9. As if the foreign corporations are not big enough, they are now engaged in consolidating themselves. Banks and industries in the developed countries are merging into super-big entities, each bigger than the developing countries. When these super-big giants move in, their local counterparts will just suffocate to death.

10. I am sure it is not their intention to interfere in local politics, but we know that in the Banana Republics the managers of banana plantations wield more power than the Presidents of these countries. The temptation to interfere in local politics might be too much for the foreign giants to resist.

11. Globalization and a borderless world seem very attractive in this Information Age and advances in transportation and communication. We now live in a global village. We will

all be citizens of the Planet Earth. But apparently we are not going to be equal citizens.

12. While borderlessness is being interpreted as the right of capital to flow anywhere unconditionally, the poor people may not cross borders into rich countries with equal freedom. For them, the barbed wire fences and the border guards will remain.

13. Even as globalization is being promoted, the powerful are actively increasing the traditional basis of power, i.e., military strength. The defeat of the Communist was initially thought to end the arms race. But the quest for ever more destructive weapons has not abated. Huge sums are spent on research into destructive weapons and equipping vast armies in the use of these weapons.

14. To recover the money spent, the poor countries are persuaded to buy ever more sophisticated weapons. The result is not only tension and minor arms races, but misallocation of their limited funds. Less is being spent on the well-being of society.

15. While misbehavior on the part of the weak may attract rockets and bombs, the massive violations of human rights in such places as Bosnia-Herzegovina and Kosova, go on with impunity.

16. Power not only corrupts but it must also be free of any challenge. If anyone has the temerity to criticize those with power, the result can be very painful for the critic. Every weapon at the disposal of the power will be employed maximally against the critic.

17. Among these weapons is the media. If anyone criticizes the actions of the mighty, the media will demonize the critic and cause him to lose credibility. That way the

abusers of power will remain free to continue their abuses.

18. We are 17 countries scattered over three continents. We are weak. We are poor. And we are linked with each other only by thin and friable beliefs that we have something in common, that we have common problems, that we need to cooperate to enhance the little strength that we have and to use it to enable us to survive. I must say in all these we are not succeeding too well.

19. On the other hand the rich and the powerful are consolidating, forming powerful cohesive politico-economic alliances. They meet, they plan, and they execute strategies impacting on the world. Clearly, we want to safeguard our future; we have to be aware of the forces around us, to consult with each other more often and to have a common stand on most issues.

20. I have painted a very gloomy picture of the future, of the new century and the new millennium. Maybe I am over-pessimistic. Maybe I am exaggerating. I have been wrong before, and I may be wrong again. But I was right many times also, and it is possible that I will be right again this time, if not fully at least partly. And if I am partly right even, it is not going to be good for us in the developing world. We may find our newly won independence eroded away.

21. Malaysians took four centuries to liberate themselves. We have been independent just for 41 years. We do not relish losing that independence. Just as we struggled hard to gain independence, we will struggle equally hard or harder to retain it.

22. We have not just seen the signs, but we are actually going through a painful experience of the kind of world the future will bring. For the time being we have been able to retain our freedom, but we are not sure that we can successfully fend off future challenges.

23. Paradoxically, the greatest catastrophe for us who had always been anti-Communist, is the defeat of Communism. The end of the Cold War between East and West has deprived us of the only leverage we had, the option to defect. Now we can turn to no one.

24. As a member of the G-15, I feel a need to shout my warnings. I know I will be ridiculed, but that is a small price to pay. The world may not see a clash of civilizations, but the disparities between the weak and the strong is such that might will continue to be regarded as right. . . .

26. When I condemned the currency traders at the height of their attack on the East Asian countries, I was punished by having the currency of my country devalued further. I was told to cease and desist. I did not, and the currency and the stock market and the image of Malaysia suffered. What I have said today may attract other punitive actions.

27. That is a risk that I have to take. That is a risk that my own country will take. But I have to say what I have to say.

28. I hope and pray that our Summit will result in a greater understanding of the problems which lie ahead and greater collaboration between us.

From the G-15 heads of state summit

Here is the joint communiqué of the Feb. 10-12 ninth summit of the heads of state and government of the Group of 15, in Montego Bay, Jamaica:

1. We, the Heads of State and Government of the Group of Fifteen, meeting in Montego Bay, Jamaica, on 10-12 February 1999 for our Ninth Summit, reaffirm our solidarity, and our commitment to promoting growth, employment, and general welfare. We recognize that only through a "community of interests" between developed and developing countries that this can be achieved, and so shape a just and equitable global economy.

2. An overview of the world economy, at the end of this decade and century, points to the need for a more equitable share in the gains from the processes of globalization and liberalization. We must therefore identify and build convergences on those complex issues relating to the social and economic impact of globalization, and through a high-level dialogue and viable partnerships, meet the challenges facing the international community.

3. We remain committed to market-based policies. Equally, we recognize that for the effective functioning of the market economy, governments must necessarily play a strong and effective role in the development and management of institutions, systems, and infrastructure. The great leaps in scientific discovery and technological application in all spheres of human endeavor, especially in the information, communication, and health fields, if ethically directed, hold even greater promise of raising living standards across continents. To fully reap the benefits from these discoveries and innovations, developed and developing countries should place greater emphasis on, and increase their collaboration in, the fields of science and technology.

4. The most recent projections and scenarios for growth, development, and distribution of benefits require our most urgent attention. The systemic impact of the financial crisis, high levels of structural unemployment, widening income gaps within and among countries, and the threat of a resurgent protectionism have led to slower growth. In the most affected countries, the crisis is increasing poverty and, generally, social instability.

5. In concert with developing countries and other members of the international community, we approach the next summit in Egypt in the year 2000 confident that with timely and appropriate multilateral action, prospects for the world economy will be improved.

6. We have a better appreciation and understanding of the causes, consequences, and corrective measures required to deal with the still-unfolding international financial crisis. The present crisis has brought into focus the risks associated with speculative short-term capital flows, the harmful effects of which have disproportionately fallen on the developing countries, especially on the poor and vulnerable. The injection of liquidity both in international financial markets and through new financing mechanisms in the International Monetary Fund (IMF) and the World Bank, increased resources for social programs, and the development of regional financial instruments, are positive but need to be enhanced. We call on the IMF and World Bank, while responding to the liquidity needs of the most seriously affected countries, to ensure that their mandates are adequately discharged in providing the necessary support to redress current account imbalances and provide long-term development financing.

7. We support those measures which have been taken to increase transparency and accountability; strengthen national financial systems, including prudential supervision; and for the improvement of a multilateral approach to monitoring and management of the international financial crisis. We note the slow pace at which progress is being made in reforming the international financial system and urge that concrete steps need to be taken to develop *inter alia* the following:

- mechanisms and adequate rules to monitor and supervise the operations of large financial market players, including hedge funds and currency speculators. These should provide government with an international framework of principles to act as an early warning system, for the adoption of appropriate policy responses;

- greater coherence between the World Trade Organization (WTO) and relevant international monetary and financial institutions, respecting their mandates, confidentiality requirements, and the necessary autonomy. In decision-making procedures of each institution, and avoiding the imposition of additional or cross conditionalities;

- the inclusion of social safety nets as integral parts of development policies and programs, at both the micro- and macro-levels, ensuring that they meet the basic needs of the poorest and most vulnerable sectors of the population, and also safe-guarding the “human capital” of workers whose jobs are at risk.

8. These supportive and constructive responses demonstrate our “community of interests.” They are clearly not sufficient as the reverberations of the crisis continue to be felt in all parts of the world. The international community must therefore continue to pursue the reforms energetically. There must be institutional reform, more democratic, transparent, and accountable to its members, and a redesign of the policy framework, more appropriate to national circumstances. We welcome the ongoing consideration of steps to strengthen the international financial architecture, with a view to restoring stability and predictability in international financial markets.

The Interim and Development Committees of the International Monetary Fund (IMF) and the World Bank, among others, constitute key institutional mechanisms to carry through the reforms of a systemic nature. Additionally, the opening of the capital account must be carried out in an orderly, gradual, and well-sequenced manner, at a pace consistent with the strengthening of countries’ abilities to manage any unforeseen and unintended consequences.

9. The efforts in managing the crisis in the immediate term and the initiatives to reform the international financial system in the longer term, need to recognize and take into account that the global economy comprises countries with diverse backgrounds. We therefore emphasize the need for both the developed and developing world to have a voice in this process. An international consultative process needs to be established to ensure that the reform architecture of the international financial system accommodates these differences. In addition, the regime and approach for crisis response should have a degree of flexibility to differentiate between and take into account the viability of alternative options depending on the particular country circumstances. The G-15 represents an important group that can and must contribute toward achieving this objective.

10. The international community’s focus on systemic issues must be balanced also by urgent attention to those developing countries, particularly in Africa, who have little or no access to private capital markets, and where Official Development Assistance (ODA) and other concessional flows are critical to achieving their development objectives. The international community must therefore move expeditiously beyond the Heavily Indebted Poor Countries (HIPC) initiative by assisting them to achieve meaningful reductions in both the stock of debt and its servicing—bilateral, multilateral, official, and commercial. We welcome recent initiatives on debt forgiveness for the poorest developing countries by the presidency of the European Union and the G-7, which need to be implemented speedily, to give real hope to the world’s poorest countries.

11. We are deeply concerned at the structural factors which have led to significant falls in prices across all commodity sectors. The international financial crisis which has constrained aggregate world demand and impacted on the terms of trade of commodity exporters has exacerbated the situation. We urge the developed countries to join with us in the appropriate international institutions to adopt remedial measures as part of a comprehensive and integrated approach to restart growth and development.

12. We agree that international trade in general, and particularly the expansion of exports from developing countries, would be facilitated by the reduction of trade restrictive measures, the dampening of excessive volatility, particularly of exchange rates, the avoidance of sudden reversals of short-term capital flows and disruption to trade credits. We are convinced that to stave off any threat of world economic re-

cession, countries must resist the pressures for protectionism and markets must remain open, foreign direct investment must be increased, and access to capital markets, both private and concessional, must be available to developing countries on safe and predictable terms.

13. The severe and serious social consequences of the financial crisis have manifested themselves in dramatic reversals of job creation and increased levels of poverty. At the global level, despite increases in productivity, innovation, and enterprise, the absolute numbers of those living in poverty have increased, and in some countries, this source remains deeply entrenched. We underscore the urgency in dealing with their immediate needs, and indeed call on the international community to give this the highest priority, not only on moral and ethical grounds, but as a means for ensuring international peace and stability. We support the renewed awareness by the Bretton Woods Institutions in addressing longer-term structural aspects of social policy and productive employment in the context of market opening. The commitments taken at the historic World Summit for Social Development invite all people in all countries, and in all walks of life, as well as the international community, to join in our common cause to alleviate poverty, unemployment, and social exclusion.

14. We note with satisfaction that the ILO [International Labor Organization] is undertaking an in-depth analysis of the negative social repercussions of the financial crisis with a view to formulating the necessary responses. We call upon the ILO to launch a comprehensive employment strategy during the ILO governing body and conference at the ministerial level later this year. We will collaborate with all social partners in the ILO tripartite framework, to achieve this objective. An employment strategy, including the right to work, should strengthen our respect for international, recognized fundamental ILO Conventions on workers rights.

15. We commit to, and urge all members of the international community to implement the commitments of the several United Nations world conferences, high-level meetings and summits. We commit ourselves further, to work toward the success of the several summits and UN conferences to be held in the year 2000, including the South Summit in Havana, the UN Conference on Financing for Development, and the UN Millennium Summit in New York and UNCTAD Ten in Bangkok.

16. We reaffirm the importance of a transparent, fair, and equitable rules-based multilateral trading system under the World Trade Organization, effectively integrating all countries and leading to the realization of the objectives of "raising standards of living, ensuring full employment and steadily growing volume of real income and effective demand, and expanding trade in goods and service." To this end, we reiterate again, that unilateral measures with extra-territorial effects are incompatible with the multilateral trading system and threatens to undermine it.

17. We agree to continue our participation in the WTO, in the implementation of its current work program and the ongoing discussions and consultations leading up to the Third Ministerial Conference later this year, when we will join in deciding on its future work program, including further liberalization sufficiently broad-based to respond to the concerns and interests of developing countries. We will consult with our trading partners in the WTO, as the preparatory process unfolds, keeping the following principles in mind, *inter alia*:

- the legitimacy of the development objectives of developing countries and, consequently, the need to preserve economic spaces within the multilateral trading system to implement market-oriented development policies, as well as the need for the full implementation of the special and differential provisions in all spheres provided for in the agreements, as deliberated at the recent G-15 Symposium on Special and Differential Treatment for Developing Countries in the Uruguay Round Agreements;

- the importance of redressing the difficulties faced by developing countries in the implementation of the WTO agreements, to enable them to participate more effectively in the multilateral trading system;

- the lack of implementation or non-fulfillment of obligations of the Uruguay Round Agreements by developed countries can not be used by them as bargaining instruments for obtaining further concessions from developing countries.

18. We note the negotiations on accession in the WTO, and the agreement to review progress. In light of our commitment to the early accession of developing countries, we agree that their terms of accession should be in accordance with the WTO agreements, including the special and differential provisions.

19. We urge the full implementation of the measures agreed at the WTO High-level Meeting for Least Developed Countries (LDCs) and the work program being elaborated to integrate small economies into the multilateral trading system. We also encourage the increased cooperation between the WTO and UNCTAD, to strengthen the institutional capacities of developing countries and thereby enabling them to participate more effectively in negotiations and maximizing benefits from the multilateral trading system.

20. Labor standards shall continue to be set and dealt with within the ILO. We reaffirm our opposition to its inclusion in the WTO work program. The label "trade-related" shall not be used as a pretext for the establishment of standards in one institution and their enforcement in the WTO or any other institutional framework.

21. The relationship between trade and environment is an important and complex issue that requires further analysis. We support the ongoing analytical work on clarifying the relationship between trade and environment in several institutions. This work should continue. We oppose the use of trade measures for achieving environmental objectives and vice versa, and disguised protectionist measures by developed

countries on the grounds of “multifunctionality” in trade sectors.

22. We welcome India’s offer to host a meeting of G-15 countries, at an appropriate level, in preparation for the Third WTO Ministerial Conference. We welcome the further proposals taken to strengthen cooperation among developing nations. . . . We agree, under the coordination of Mexico, to intensify G-15 cooperation in science and technology, and to establish effective and self-sustaining research and development mechanisms. We endorse the proposal made by India to evolve a new, strategic-sectors approach for South-South cooperation, focusing on biotechnology, information technology, and infrastructure development. We welcome also the new project proposed by Jamaica for G-15 collaboration on environmental and nuclear sciences. These projects, like all G-15 projects, will continue to be open to all developing countries. We note with satisfaction the recently concluded Bilateral Investment Treaties (BITs) among several members of the G-15. We commit ourselves to assisting those G-15 and other developing countries most vulnerable to natural disasters, other geographical constraints, and external shocks.

23. We discussed the threat posed by terrorism to peace and stability at national, regional, and international levels. Terrorist acts undermine political and territorial integrity of countries, destroy social fabric, and disrupt democratic institutions. They also undermine economic growth and development. We therefore strongly condemn all kinds of terrorism, their perpetrators, and all those who support them under whatever guise. We call for enhanced regional and international cooperation to prevent and combat this menace, and call upon all states to become parties to multilateral conventions for the elimination of specific acts of terrorism in accordance with the applicable resolutions of the United Nations General Assembly. We also call for the urgent conclusion and the effective implementation of a comprehensive international convention for combating terrorism.

24. We welcome the initiation of the official level dialogue between the Chairman of G-15 and the Presidency of the G-8. We believe this is a positive step at this opportune moment which appears conducive to such a dialogue and which gives effect to the recognized “community of interests.” We look forward to the continuation and deepening of dialogue and constructive collaboration at all levels on the priority issues on the international economic agenda.

25. We welcome Sri Lanka as the seventeenth member of the Group of Fifteen, convinced that it will contribute greatly to furthering the achievement of our objectives and future work.

26. We express our deepest appreciation to Jamaica for its able and effective leadership of our Group during its Chairmanship. . . . This ninth G-15 summit, before the millennium, has allowed us to take stock of our past cooperation and to renew our commitment to continued cooperation in the 21st century. . . .

**Former Mexican President
José López Portillo:**

**‘And it is now necessary
for the world to listen to
the wise words of
Lyndon LaRouche.’**



An EIR Video

The Eurasian Land-Bridge: Ally with China, Not London

EIR’s hour-long video features speeches by Lyndon LaRouche and Helga Zepp-LaRouche, and by former Mexican President José López Portillo. Here, Mr. López Portillo is shown with Mrs. LaRouche (right) and Mexican political leader Marivilia Carrasco.

Order Today!

EIE-99-002 **\$25**

Call Toll-free **888-EIR-3258** (888-347-3258)