



INTERACTION COUNCIL

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The Current World Situation

1. As we look at the political and economic world today, it is becoming increasingly clear that globalization and the whirlwind of change that are accompanying it, is fast becoming the dominant forces framing political debate within and across whole continents. It is equally clear, however, that governmental responses to date are neither adequate nor coherent.
2. In its annual review of world issues that influence the well-being of humankind, the InterAction Council noted with considerable concern, for example, the continuing presence of circumstances that the Council has addressed for more than a decade: the still diminishing quality of the natural environment; the broad incidence of poverty in so many of the developing countries; the disturbing phenomenon of population growth in the developing countries, coincident with increasing material consumption in the industrialized countries; the proliferation of weaponry, including weapons of mass destruction; the uneven impact of economic change; the inadequate protection of human dignity, most particularly with respect to the participation of women and minorities. Singly, and in combination, these circumstances threaten the stability of societies worldwide.

The sustained and concerted attention of the entire international community is necessary if widespread turbulence is to be avoided. In particular, the Council recommends the reduction of military expenditures in all countries, as well as the limitation of arms exports to those countries that are non-democratic or that condone with the violation of internationally recognized human rights.

3. As this century draws to a close, the tenacity and ferocity of civil strife and ethnic conflict in three continents is evidence that the human species has not yet eliminated savage behavior. In regions of Africa, Asia and Europe, treasured concepts of civil behavior have been abandoned. Violence, destruction, and human suffering in these instances are so excessive and so offensive as to prompt disgust and recoil on the part of outsiders. A withdrawal of international concern and assistance is increasingly evident, a trend that dismays the Council.
4. Nowhere is the changing nature of states and international behavior more evident than in those countries and regions that are not yet fully engaged or adequately represented in many of the major councils of the world. The vitality and complexity of such major states as Brazil, China, India and Russia demand much more than mere curiosity or critical detachment on the part of the industrialized countries. The Council strongly recommends that the G-7 without delay organize at the Heads of State level systematic consultations with the leaders of China and Russia. Not to do so will risk dangerous discontinuity and tragic disjunctions.
5. Poverty remains acute today. Over a billion people struggle to live on less than \$1 a day. Two hundred million children die each year from poverty-related causes. Despite burgeoning private capital flows to developing countries over the last five

years, reaching over \$167 billion in 1995, 80 percent of private capital is going to just 12 countries. Private capital is not flowing into Sub-Saharan Africa where a child today is still more likely to go hungry than to go to school. Moreover, Official Development Assistance (ODA) has fallen to its lowest figure in real terms in 23 years. The council calls for the reversal of this downward trend and in order to maximize the effectiveness of aid, urges that ODA be focused on the poorest countries which cannot attract private capital and be made conditional on policies related to family planning and military spending.

6. A salient feature of the human race at this moment is the commonality of human interests and human needs. Only common responses will be successful in restoring human confidence and offering opportunity for widespread human accomplishment. Those societies that will flourish in decades to come will be those whose governments exhibit the insight and the dedication demanded by these new realities. In these respects an issue of deepest concern to the Council is the inability to date of governments, international institutions, and private sector actors to design their economic policies and activities to overcome the current high levels of unemployment, social disparity and political instability so evident in countries both industrialized and developing. A most disturbing consequences of the present trends toward globalization and privatization are the increasing disparities in income and economic well-being among countries and within countries. These must be contained.

In Search of Global Ethical Standards

7. Globalization of the world economy is matched by globalization of many of the world's problems already referred to. But globalization applies equally to a sphere that normally does not command the attention it deserves – the necessity for global ethical standards.
8. Because global interdependence demands that we must live with each other in harmony, human beings need rules and constraints. Ethics are the minimum standards that make a collective life possible. Without ethics and the self-restraint that are their result, humankind world revert to the jungle. The world is in need of an ethical base on which to stand. The Council is therefore grateful to the Parliament to the World's Religions which proclaimed in 1993 a declaration encouraging a "global ethic." This declaration the Council supports in principle.
9. Recognizing this need, the InterAction Council requested a report (attached) by a high-level experts group on the subject of global ethical standards. The InterAction Council welcomed the report of this Group, one that consisted of religious leaders from several faiths and experts drawn from across the globe. The Council accepted the findings of this Group that the world's faiths have much in common. The Council commends to the international community for reflection and appropriate action the various concrete measures suggested by this report. It invites the world media to reflect more fully in all publications these common values.

Education at all levels has a crucial role to play inculcating global ethical values in the minds of the younger generation. Curricula should include common global values and encourage an understanding of all major religions in a fashion that promotes “affirmative tolerance” towards other faiths. It is essential in these respects that the religions of the world cooperate closely with each other. Within the United Nations, there should be established a World Interfaith Academy that would bring together leaders, scholars and students from the world’s religions. The recent decision of the United Nations University to create the World Leaders Academy is commended.

10. The Council was firm in its view that ethics must precede politics and even law because political action is concerned with values and choices. Composed of former leaders well versed in the reality of power, the InterAction Council calls on world’s institutions to re-dedicate themselves to the primacy of normative ethical standards.

To Create a Stable Financial System

11. Many important developments have taken place in the foreign exchange and international capital markets over the last decade, imposing new constraints on the international economic system and providing new opportunities and challenges: a dramatic increase and the changing composition of capital inflows into developing areas; an explosion in the use of derivatives; and a continued increase in foreign exchange turnover. These developments have increased the risk of financial instability. Stability can be increased in three areas: developing countries, the financial system and the exchange rate system. (See the attached report of the Council’s Group of Experts.)
12. The integration of capital markets allows a better allocations of resources and has disciplinary effects. Yet, a major difficulty is to ensure that developing countries are not destabilized by capital inflows and capital flow reversals. Capital flows should be met by accountable and sustainable monetary and fiscal policies, which target price stability and balanced growth, as well as by timely dissemination of information. In this regard, the IMF’s “early warning system” should be supported.
13. Innovations in financial markets and expanded transactions increase the risk of financial instability. Yet the development of new financial instruments allows investors more adequately to identify, measure, segment, price and manage market risk, and hence could counter such risks. The risk related financial market innovation could be alleviated by addressing inadequate monitoring system, incomplete assessment of risk, compensation systems biased toward excessive risk-taking, and insufficient coordination among regulators.
14. Foreign exchange market developments continue to be among the most difficult to anticipate and potentially the most disruptive. The need for change is broadly recognized. Expectations directly influence exchange rates and should be based on appropriate and sustainable economic policies, both domestic and international. Nevertheless, stable policies would not be themselves guarantee exchange rate

stability. For this reason the Council recognizes the important contribution of the European Union's decision to introduce on January 1st 1999 a single European currency which will contribute a considerable measure of international monetary stability. This decision will permit the introduction of a "reference range" linking the U.S. dollar, the Japanese yen and the new European currency unit. This will, of course, require a high degree of political will and commitment which the Council strongly encourages.



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