



**GROUP OF FIFTEEN**  
**The Summit Level of Developing Countries**

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**VIII SUMMIT OF THE HEADS OF STATE AND GOVERNMENT  
OF THE GROUP OF FIFTEEN**  
Cairo, 11-13 May 1998

**REPORT BY THE CHAIRMAN OF THE SIXTEENTH MEETING  
OF THE MINISTERS OF FOREIGN AFFAIRS**

**Note by the Chairman**

1. The Chairman is pleased to attach to the present note the report of the Chairman of the 16<sup>th</sup> Meeting of the Ministers of Foreign Affairs, H.E Mr. Amr Moussa, Minister of Foreign Affairs, Arab Republic of Egypt, to the VIII Summit of the Heads of State and Government of the Group of Fifteen.

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\* Reissued for technical reasons

**REPORT BY THE CHAIRMAN OF THE SIXTEENTH MEETING  
OF THE MINISTERS OF FOREIGN AFFAIRS**

1. The 16<sup>th</sup> meeting of the Ministers of Foreign Affairs of the Group of Fifteen was held on Friday, 9 May 1998, in Cairo, Egypt, under the Chairmanship of H.E Mr. Amr Moussa, Minister of Foreign Affairs, Arab Republic of Egypt.

2. The Foreign Ministers (FMs) received the report of the Chairman of the Personal Representatives (PRs), Ambassador Mounir Zahran of the Arab Republic of Egypt, on the work carried out by the PRs since the VII Summit in Kuala Lumpur, and on the conclusions of the 45<sup>th</sup> meeting of the PRs. In presenting his report, the Chairman of the PRs drew the particular attention of the FMs to four matters:

- The fifth draft of the Joint Communique was being transmitted to the FMs as a consensus text, without any brackets; he noted that a proposal that had been made for an amendment to paragraph 24 on terrorism had not met with the agreement of the PRs; the PRs had therefore recommended that the matter be raised at the level of the FMs;
- The PRs recommended that the request by Sri Lanka for membership in the Group of Fifteen be considered by the FMs under the item "Other business";
- Three issues had been proposed by the PRs for possible discussion by the Heads of State and Government (HOS/G) at their Retreat: the social repercussions of globalization, terrorism and expansion of the membership of the Group of Fifteen.
- The PRs had taken up the matter of the composition of the next Troika in view of the fact that Egypt is hosting the VIII Summit and will also be hosting the X Summit in the year 2000. The PRs recommended that, due to the nature of the VIII Summit, the membership of the Troika remain unchanged as Malaysia would still be the outgoing Chair, Jamaica the Chair, and Egypt the incoming Chair.

3. In considering the report of the Chairman of the PRs, the FMs reviewed the indicative provisional agenda of the VIII Summit of the HOS/G and agreed to recommend it to the HOS/G. They recommended the issues proposed by the PRs for possible consideration at the Retreat.

4. Upon the invitation of the Chairman, Malaysia presented to the 16<sup>th</sup> meeting of Foreign Ministers the paper by Malaysia entitled "The East Asian Crisis - causes, policies, responses, lessons and issues". Malaysia noted that this paper was being submitted to the VIII Summit at the initiative of Malaysia, as it had not been possible to convene the meeting of G-15 Ministers of Finance and Central Bank Governors. In his presentation of the paper, Malaysia highlighted some conclusions and recommendations. These are listed below :

- The financial crisis is not exclusively an East and Southeast Asian issue and has global impacts that cannot be ignored.
- The countries affected by the financial crisis had very sound macroeconomic fundamentals and there was no expectation that a crisis of such magnitude and speed would occur.
- There is a need to critically review the policy prescriptions implemented by the IMF, in particular the appropriateness of having a "one cure for all" policy package which hinges primarily on the assumption that financial crises are all similar in nature.
- There is also a need for greater global cooperation to enhance the operations of capital markets.

- The work commenced by the IMF on hedge fund activity should be continued.
- There is a need to undertake a comprehensive review of the present architecture of the international monetary system, with a view to developing a framework to prevent, manage and resolve future crisis.

5. Indonesia, as the other G-15 member country directly affected by the financial crisis in East and Southeast Asia, complemented the presentation by Malaysia with an analysis of the Indonesian experience. Indonesia stressed that the financial crisis which first emerged in East and Southeast Asia is an unprecedented global phenomenon with widespread contagion effects and therefore should be of the greatest concern to the international community. There is now general acknowledgement that both internal and external factors contributed to the crisis. Notwithstanding these internal factors, it is increasingly accepted that globalized trading in currencies played a major role in the crisis. Indonesia noted that the G-15 has been instrumental in drawing attention to the global systemic dimensions of the financial crisis. Since the VII Summit, many of the conclusions of the G-15 on the financial crisis have been acknowledged and repeated in other international fora.

6. Another major point stressed by Indonesia was that the affected economies were neither “free-spending countries”, nor were they implementing unsound macroeconomic policies. On the contrary, until recently these countries were considered as model developing country economies with open and liberal markets, and fully convertible currencies. Indonesia sounded a warning that other developing countries observing these developments may draw the conclusion that the inherent risks involved with liberalization are too costly. To this end, Indonesia called for more international cooperation in bringing about reforms for greater transparency and predictability in international financial markets.

7. The analysis and conclusions contained in the paper by Malaysia and in the intervention by Indonesia were strongly supported by the meeting. It was generally agreed that the volatility of international capital flows has increased the risk of financial crises impacting on any country. In this connection, the meeting highlighted that for the first time all in the international community accept that some kind of regulation of capital markets is required. The meeting reaffirmed the point made by Indonesia that the G-15 have played an important role in focusing world attention on global financial issues.

8. The meeting drew the following conclusions:

- The East and Southeast Asian crisis goes beyond previous crises and greater international and regional cooperation is required to revise and strengthen the existing architecture of the international financial system and to assess ways and means of reducing the threat of future crises.
- To assist affected countries to recover from the crisis, world markets have to be kept open. Maintaining markets open is however only part of the solution. To this end, greater trade finance assistance is needed.
- The social cost of the crisis has been extremely high and greater attention needs to be focused on analyzing and remedying the social consequences of the crisis.
- Given that the perspective from which the crisis is analysed is important for determining solutions, developing countries need to participate fully in the relevant fora.
- Greater dialogue and cooperation is required between developed and developing countries. To this end, the proposal by the G-24 to establish a Task Force of developing and industrialized countries was welcomed.

- More effective surveillance of international financial and capital flows, including the improvement of national economic information systems and greater exchange of reliable financial and economic information between parties, is required.
- Private creditors and debtors have to be held equally responsible for their actions.

9. A number of countries also related their national experiences in preventing, managing and resolving past financial crises. A number of common elements were noted such as greater transparency, liberalization, and close monitoring of financial and economic variables. A proposal was made for the G-15 to study the crisis in greater depth by having G-15 financial experts addressing the relevant issues at a first stage and transmitting their conclusions and recommendations to a meeting of G-15 Ministers of Finance.

10. Malaysia introduced its report on the possible establishment of a permanent secretariat for the Group of Fifteen, by highlighting that the recommendations contained therein called for the strengthening of the Technical Support Facility (TSF). In this context, Malaysia added that it would be useful for the FMs to request the PRs to consider the different options for strengthening the TSF contained in the paper and the deliberations of the 45<sup>th</sup> of the PRs, and report to them at their next meeting. It was agreed that the FMs would recommend to the HOS/G that consultations should continue among the member countries as to the strengthening of the TSF, since the time was not ripe for considering the establishment of a permanent secretariat for the G-15.

11. Under item 4 of the agenda, the Ministers took note of the Report of the Meeting of the Ministers of Trade and Economics and also had before them a document containing information submitted by India on the projects under its coordination. Views were expressed about the need and the enormous potential for the enhancement of technical and economic cooperation, including in the areas of trade and investment, among G-15 members, and also with other developing countries. The Chairman summed up the views expressed noting that the forthcoming Second Ministerial Conference of the World Trade Organization (WTO) offered a timely opportunity for the international community to evaluate the MTS as it coincided with its fiftieth anniversary. To this end, many developing countries have been disappointed at the implementation of the Uruguay Round Agreements by the developed countries, particularly in areas of export interest to developing countries. Therefore, developing countries should take a proactive role at the Second WTO Conference and in pursuing a positive agenda for the MTS that fully reflects the development dimensions of trade. It was also agreed that further steps should be taken to promote cooperation among G-15 countries in the areas of trade and investment.

12. The Ministers also noted the importance of further enhancing the South-North dialogue in general, and the communications between the G-15 and the G-8 in particular. To this end, they recommended that the G-15 Chairman should convey to the Chairman of the G-8 the concerns of developing countries on the financial crisis in East and Southeast Asia and its global economic and social repercussions, as well as the need for the development dimension to be fully reflected in international economic relations.

13. The FMs reviewed the sixth draft of the Joint Communiqué of the VIII Summit and agreed to amend paragraph 24 so as to denounce the perpetrators of terrorism and those who support them under whatever guise. The FMs agreed to transmit the draft, as amended, for consideration by the HOS/G.

14. Under other business, the Chairman brought to the attention of the FMs the formal request by Sri Lanka for membership in the Group. The Ministers discussed this issue and there was a consensus on the admission of Sri Lanka to the Group. It was agreed that the FMs would recommend to the HOS/G to endorse this recommendation and that Sri Lanka be invited to the IX Summit in Jamaica. In the context of the discussion, some FMs also indicated that, although it was necessary to take into account the need for geographical balance, it was also important to address the question of expansion in terms of the enhancement of cohesion and effectiveness, and of the contribution that new members may make to the Group.

15. The incoming Chair, Jamaica, proposed the following set of dates for the IX Summit in Kingston, Jamaica :

4 February 1999	Personal Representatives
5 February 1999	Governing Council of the Committee on Investment, Trade and Technology
6 February 1999	Ministers of Trade and Economics
7 February 1999	Free day
8 February 1999	Ministers of Foreign Affairs
9 February 1999	Arrival of Heads of State and Government
10 - 12 February 1999	IX Summit

16. On the proposed date for meeting of G-15 Ministers of Trade and Economics, one delegation stressed that it should not be taken as given that the Ministers of Trade and Economics would meet whenever there is a Summit, and that they would only meet as and when deemed appropriate. The Chairman noted that the Organization of African Unity (OAU) normally holds its Ministerial meeting in the first half of February and that care should be taken to ensure that the dates for the IX Summit do not conflict. The meeting took note of the dates proposed by Jamaica and recommended that the PRs should follow up on this issue with a view to finalizing the dates for the IX Summit.

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