

## INTRODUCTION

- i. At their meeting in Mauritius in September 1997, Commonwealth Finance Ministers called upon the Secretary-General to convene an Expert Group to draw lessons from the East Asian experience and to recommend measures to protect countries from the destabilising effects of volatile capital flows, including those fuelled by speculation. This request was endorsed by Commonwealth Heads of Government at their 1997 meeting in Edinburgh.
- ii. Our Expert Group, which was constituted by the Secretary-General, met in London 15-17 June and 27-28 August 1998, under the Chairmanship of Mr Chris Liebenberg, the former Finance Minister of South Africa and currently Chairman of Nedcor Ltd (South Africa). The other experts were Dr Zeti Akhtar Aziz, Deputy Governor, Bank Negara (Malaysia); Mr Kofi Bucknor, Managing Director of CAL Merchant Bank (Ghana); Professor John Loxley of the University of Manitoba (Canada); Mr Percy Mistry, Chairman of Oxford International Associates (Britain); H E Mr J Y Pillay, High Commissioner for the Republic of Singapore to Britain (Singapore); Professor Richard Portes, President of the Centre for Economic Policy Research (Britain); Dr C Rangarajan, former Governor of the Reserve Bank of India and currently Governor of Andhra Pradesh State (India); Mr K Dwight Venner, Governor of the Eastern Caribbean Central Bank (St. Lucia); and Professor Robert Wade of Brown University (New Zealand/USA).
- iii. We also benefited from the valuable contribution of a number of resource persons and representatives of international financial institutions who participated in the discussions, namely: Mr Jack Boorman, Director, Policy Development and Review Department of the International Monetary Fund (IMF); Ms Joanne Salop, Director, Operations, Policy and Strategy and Mr Stijn Claessens, Principal Economist, Financial Sector Policy, of the World Bank; Mr Renato Filosa, Manager in the Monetary and Economic Department of the Bank for International Settlements (BIS); Mr Barry Herman, Chief of the International Economic Relations Branch of the UN; Mr Avinash Persaud, Vice-President and Head of Currency Research, J P Morgan; and Mr Brian Turner, Treasury Director, Henderson Investors. The Conclusions and Recommendations and contents of the Group's Report, however, reflect the views of the Expert Group and not necessarily those of the resource persons and representatives.
- iv. Dr Stephany Griffith-Jones of the Institute of Development Studies, University of Sussex, acted as Consultant and prepared the main report which formed the basis for the discussions of the Expert Group.
- v. We reviewed the causes of the East Asian crisis and key lessons, to be drawn from it for future policies. We also took up a number of specific issues that included an examination of the need for:

## Protecting against volatile capital flows

- better information on private capital flows including the development and strengthening of early warning signals;
- strengthening domestic financial systems and the role of surveillance;
- internationally agreed standards to monitor and regulate the behaviour of short-term capital flows, as well as measures that governments can take to stabilise exchange rates, fiscal positions and levels of investment and preserve market confidence;
- defining the conditions for capital account liberalisation and the feasibility of Chilean-type measures to influence the composition of capital flows;
- consideration of the usefulness and desirability of temporary controls on capital outflows and more comprehensive exchange controls in times of emergencies;
- greater involvement of private lenders and investors in crisis resolution through the establishment of orderly debt workout procedures, including the enforcement of standstills or temporary payment suspension in exceptional cases;
- encouraging the International Financial Institutions (IMF, the World Bank and BIS) to play a larger and more effective role in the prevention, management and resolution of financial crises, with appropriate conditionality that takes account of the nature of each crisis and the social impact of adjustment;
- creating social safety nets, with the World Bank playing a more active and supportive role in the early stages of a crisis; and
- intensifying efforts to develop a new architecture for the international monetary and financial system and strengthening regional measures, including the establishment of regional funds to complement global arrangements.

vi. The Conclusions and Recommendations which we have endorsed are summarised below for the consideration of Commonwealth Finance Ministers. The Annex contains the detailed Report which served as the basis for the Group's discussions.



Chris Liebenberg



Zeti Akhtar Aziz



Kofi Bucknor



John Loxley



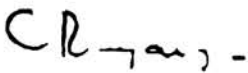
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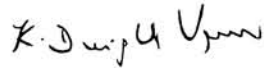
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