



PBEC Resolution on the Economic Crisis — A PBEC Call to Action

The Pacific Basin Economic Council (PBEC), as a private sector organization representing the independent voice of business in the Pacific, continues to have long-term confidence in the ability of economies affected by the current economic crisis to make the necessary political and economic adjustments to overcome the crisis. PBEC members individually and collectively continue to invest in these economies and to have a strong interest in doing business with, and in, these economies in the coming years and decades.

PBEC is gravely concerned that the current economic crisis, which started in Asia in July 1997 and is now spreading to other parts of the world, is endangering the commercial and financial prospects of many of its members and of the public at large. Predictions for growth in the world's GDP during the next two years have already been reduced significantly, and deflationary tendencies and fundamental problems in the financial sector give rise to serious strains in the global economy. What started as a currency crisis in the Far East has turned into a global credit and confidence crisis.

PBEC believes that governments and the business community should work closely together to help shorten the duration of the crisis and to prevent it from turning into a global recession. PBEC is deeply concerned about the widespread suffering that this crisis has engendered. PBEC also recognizes that, although this is a global phenomenon, it has played itself out differently in each PBEC economy. PBEC applauds individual governments and multilateral institutions which have made efforts to address the underlying reasons for the current difficulties and are making determined attempts to devise solutions. PBEC understands that many of these solutions will take time to put in place.

PBEC issues the following call for action:

- Strong and courageous political leadership in the United States, Japan, the rest of the Pacific Rim, and Europe, and in supporting economic reforms and other actions essential to regenerating market growth and confidence in the affected economies.
- Creation of effective social safety nets as needed.
- Speedy structural adjustment to overcome institutional weaknesses and systemic shortcomings in the various national contexts to spur recovery. Such steps could include further privatization of state-owned enterprises, progress at deregulation and the privatization of government functions, effective anti-corruption

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tion policies and practices, the opening of previously closed sectors of national economies to foreign participation, the recapitalization of financial institutions, better accounting standards to increase transparency of financial and commercial institutions; better corporate governance, adequate bankruptcy legislation; and fair judicial and administrative proceedings.

- Determination to resist protectionist sentiments and policies, maintain liberal trade regimes, open markets, reduce administrative barriers to trade, avoid exchange controls, and enhance the rules of the multilateral world trading system. PBEC will also closely watch progress being made by the APEC process to achieve the stated APEC goals as well as support WTO efforts to broaden and deepen the multilateral trading system. PBEC member committees will work with their respective governments to encourage them not to waiver in this respect.
- Strengthening of early warning systems in order to recognize incipient national economic difficulties, including better and more standardized data collection and prompt dissemination, and improved surveillance of government actions and necessary publicity.
- Strengthening of domestic capital market infrastructures, the introduction of urgent measures, to allow borrowings by governments, especially in East Asia, and the development of domestic demand-led growth.
- Greater international cooperation in identifying and monitoring the magnitude and impact of volatile, short-term capital flows and developing appropriate regulatory responses, as needed.
- Enhanced effectiveness of the policies and programs of the IMF and other multilateral institutions to respond flexibly to the individual needs of affected economies, as well as better definition of the IMF's role and authority to reduce the moral hazard problem.

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