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## **BANCO CENTRAL DE VENEZUELA**

### **COMUNICADO**

#### **FINAL STATE OF INTERGOVERNMENTAL GROUP OF TWENTY FOUR OF INTERNATIONAL MONETARY AFFAIRS**

The Asian crisis has clearly shown that today, what happens in the developing countries affects the global economy, the industrialized countries and the developing countries. Costs, especially for countries with a high level of indebtedness, in addition to awareness of the interdependence of markets, highlight the risks we must confront and which pose a challenge to greater stability in the future.

It is necessary to alert - and I use this term conscientiously - that the international financial markets today are totally different from the financial markets of the past. Certain aspects of securitization, the growing use of derivatives, the participation of investment funds are cause for much concern. On the one hand, many of these products or transactions are not subject to any kind of supervision, and moreover their exact volume, price or value and mobility are not known. On the other hand, the speed of capital movement, combined with technology and market integration, in turn calls for prompt and in-depth attention.

Multilateral financial institutions must generate a process of inner reflection in order to take all these aspects into account and adapt to today's and tomorrow's situation. Likewise, there is clearly an urgent need to supervise financial and capital markets in order to face up to this new reality.

There is growing concern over the economic growth and behaviour of international trade. Because of the circumstances created by the Asian crisis, economic contraction world-wide must be avoided. This requires a new architecture for the international financial and monetary system. I do not believe there is any sense in looking for culprits to answer for the shortcomings in preventing and overcoming the crises, because those deficiencies are systemic. These lie in the very architecture of Bretton Woods, which was designed for entirely different circumstances.

Uncertainty continues to exist and confidence continues to be lacking. This situation stresses the risks of globalization even more than its benefits.

We therefore wish to propose to the international community that a joint working team team., comprised of industrialized and developing countries, be set up to analyze these new realities and gauge their implications on the economies of all nations, and the need to adapt the international financial institutions to the new paradigms.