



Resolution 1209 (2000)¹

Democracy and economic development

Parliamentary Assembly

1. The recent financial crises in various countries around the world - Mexico, Southeast Asia, Japan, the Russian Federation and Brazil - have not only caused major suffering for the populations affected, but they have also added to the instability of an increasingly integrated and volatile world economy driven by rapid technological development, especially in computers and telecommunications, vast amounts of instantly mobile capital and ever more liberalised trade and investment. In order that this development may benefit the largest number of countries and ordinary citizens rather than jeopardise the world economic fabric, the international community must jointly search for common principles and new solutions.

2. The Assembly notes that the crises in question have hit countries where democracy is weak, incomplete or even absent, while the more fully developed democracies have on the whole withstood their international impact. This points to the importance of democracy for lasting economic development, including respect for human rights, the rule of law, social justice and solidarity, transparency and accountability in public affairs, an independent judiciary, a free press and a firm stance against "cronyism", corruption and economic crime. Similarly, economic development can lead a country to a stage where more democracy will not only be possible but even necessary for economic development to go further.

3. Member states of the Council of Europe - an organisation founded on these very values - must work actively with other like-minded countries and international institutions to draw attention to the importance of democracy for economic and social development and the stability of the international economic system. They must also do their utmost, individually and jointly, to improve further the functioning of their own democracies in all the above respects.

4. The Assembly notes that international financial institutions gave insufficient advance warning to the world before the recent financial crises, and that even private credit rating and country risk agencies largely failed to do so - either because of faulty analysis or out of concern not to provoke the crises they feared. It is clear, however, that the damage to the countries concerned and the world would have been much less pronounced had early warnings been sounded.

5. With this in view, the Assembly calls on the international financial institutions - in particular the International Monetary Fund (IMF), the World Bank, the European Bank for Reconstruction and Development (EBRD) and the Council of Europe Development Bank - to reinforce their "early attention" role as regards any departure from democratic standards in individual countries especially as it may affect the soundness of an economy and its financial system or those of neighbouring countries or the world economy. In this context, it welcomes the Declaration at the June 1999 G-7 Summit in Cologne on strengthening the international financial architecture, as well as the IMF's recent proposals for country ratings on variables relevant to financial stability and for a code for governmental relations with the banking sector and investors. The Assembly also recognises the contribution made by the IMF and the World Bank to overcoming past financial crises and welcomes the recent increase in IMF funds so as to be in a better position to face any future emergencies.

1. Assembly debate on 24 January 2000 (1st Sitting) (see [Doc. 8458](#), report of the Committee on Economic Affairs and Development, rapporteur: Mr Elo). Text adopted by the Assembly on 24 January 2000 (1st Sitting).



6. Finally, the Assembly welcomes the new emphasis placed by Council of Europe member states and others on the need for adequate world-wide social, labour and environmental standards to be established through forums such as the World Trade Organisation, the World Bank, the IMF, the International Labour Organisation and the EBRD. It sees progress in these areas as essential for the strengthening of democracy, development and hence, world economic stability.