The Articles of the Economic Alliance

PART A: PRELIMINARIES

1. Identity

The Economic Alliance (EA) is an affiliation of countries working together to foster economic prosperity and resilience among themselves. Member countries share common objectives and adopt common forms of economic and financial management.

2. Objectives

The objectives of the Economic Alliance (EA) are to:

(a) attain full employment;
(b) sustain economic growth;
(c) facilitate price stability;
(d) avoid undue foreign debt;
(e) assist balanced fiscal outcomes;
(f) nurture all industries;
(g) make possible economic independence and self-reliance;
(h) enable unfettered international movement of capital;
(i) achieve financial stability;
(j) foster economic stability;
(k) ensure justice in economic policy;
(l) apply sound governance over economic policies;
(m) support democracy in economic institutions; and
(n) promote supportive economic relations between nations.

3. Purpose of the Alliance

The purpose of establishing an alliance of countries is to:

(a) facilitate international economic cooperation between countries;
(b) build a strong monetary identity;
(c) ensure economic policy institutions are democratic;
(d) facilitate trade with exchange rate stability;
(e) establish a common basket of currencies against which currencies are stabilised;
(f) facilitate international economic stability by building foreign currency reserves;
(g) balance international payments;
(h) advance standard banking procedures;
(i) integrate monetary systems; and
(j) adopt a common functional framework for the provision of financial services.

4. Membership

(a) Prerequisites for Membership

A country may be a member of the EA if its national government is democratically elected and it issues and controls its own currency.

(b) Inaugural Member

The Inaugural Members of the Economic Alliance are those nations that first agree to adopt these Articles. By doing so they establish the Economic Alliance.

(c) Application for Membership

A country may apply to any existing member of the EA to be a member of the Alliance. The member to which the application was made, the sponsor, must obtain the consent of all the other members

of the Alliance before the applicant may join the EA. Once agreed, the sponsor may enter into an agreement with the applicant to abide by these Articles. By doing so, the applicant becomes a member of the Alliance.

(d) Secure Member

To qualify as a Secure Member of the Alliance, a member must:

- have the equivalent of at least 6 months' imports in foreign currency reserves;
- the recurrent, or operating expenditure, of the national government of the member must have been balanced or in surplus over the last 3 years; and
- the nation's currency be tied to the Economic Alliance Currency Unit (EACU).

The member may remain as a Secure Member while its foreign currency reserves remain greater than the equivalent of 3 months' imports. A Secure Member is entitled to exchange its currency with other Secure Members at a published and predetermined exchange rate.

(e) Transitional Member

Countries that are members of the EA and do not qualify to be a Secure Member are classed as transitional members.

(f) Small Country Member

A "Small Country" member is a member of the EA for whom a change in the exchange rate is not sufficient to raise employment. Small Country Members may use measures such as taxes on imports to change the relative price of imports to domestic products and to generate revenue for the government to provide employment. They are not required to use the exchange rate as an instrument of economic policy.

(g) Companion Economies

Companion Economies are economies that are not members of the Alliance but choose to apply the principles of the Alliance. They may choose to link their currencies to the Alliance Currency Unit or to the currency of a member country. A member of the Alliance may invite a Companion Economy to the Assembly. However, the Companion Economy may not vote in the Assembly. The Alliance supports economies that hold similar objectives and choose to adopt and/or adapt the principles and policies of the Alliance in their economies.

(h) Chapters of the Alliance

Members of the Alliance and companion economies may form themselves into sub-groups or Chapters. These may be regional groups or be based upon other common factors. Chapters are free to make their own rules and determine their own membership. The Alliance recognises that members may choose to form Chapters and encourages such links where they support the objectives of the Alliance.

5. Obligation of Members

Members of the Economic Alliance shall:

(a) Establish an Economic Policy Council;
(b) Establish or nominate a National Monetary Authority;
(c) Abide by the principles and procedures in these Articles of the Economic Alliance; and
(d) Agree to providing at least 28 days notice before withdrawing from the Economic Alliance.

PART B: INSTITUTIONS

6. The Economic Policy Council

(a) The Economic Policy Council (EPC), or other entity established to perform its functions, is responsible for determining policies for the nation's economic growth, employment, price stability, foreign debt, industrial development, financial stability and economic stability.

(b) The members of the Economic Policy Council shall be elected members of a national or regional governing body such as a parliament or council and be nominated to the EPC by those governing bodies.

(c) The members are to include the elected members of a national government responsible for the monetary and fiscal policy of the nation.

(d) The number of members on the EPC shall be a minimum of 6 and a maximum of 20.

(e) The EPC shall elect a Chairman and a Secretary.

(f) The Chairman shall be responsible for calling and the conduct of meetings, including the approval of the agenda.

(g) The Secretary shall be responsible for the administration of the EPC, including ensuring that the decisions of the EPC are put into effect.

(h) The EPC may appoint Directors responsible for sectors of the economy and for the operation of the EPC (such as a treasurer).

(i) The EPC shall meet at least two times each year, one meeting being the annual general meeting at which the budget of the EPC for the following year shall be approved.

(j) Unless the EPC chooses otherwise, the entities nominating each member to the EPC shall contribute towards the financial requirements of the EPC agreed in the budget. Those contributions would be in proportion to the number of members they nominated to the EPC.

(k) The EPC will conduct an election of officers following every election of a national government. The EPC may fill any vacant offices at any general meeting. Any officer may resign their office at any general meeting. The EPC may remove any officer from office at any general meeting provided that all members have received 3 weeks notice of that proposed action prior to the meeting.

(l) Any member of the EPC that ceases to be a member of an elected government or council shall cease to be a member of the EPC. A member ceases to be a member if the body that nominated them withdraws their nomination and/or nominates an alternative person to replace the member.

7. The National Monetary Authority

(a) The National Monetary Authority (NMA) is responsible for:

- putting into effect the monetary policies of the EPC, including the bank lending to reserve ratio (BLRR);
- implementing exchange rate policy;
- holding foreign currency reserves;

- selling and buying domestic notes and coins;
- monitoring bank lending activities; and
- ensuring that banks comply with the rules and guidelines of the EPC.

(b) All banks are to establish reserve deposit accounts with the NMA. The reserve deposit accounts are to be used to make interbank settlements. Also, purchases and sales of domestic notes and coins are to be made through the reserve deposit accounts.

(c) The NMA will report regularly to the EPC on its progress in implementing its policies, upon the effectiveness of those policies and on any other matters that the EPC may require of it.

8. The Assembly of the Economic Alliance

(a) All members of the EA are entitled to attend and vote at the Assembly of the Economic Alliance. A general meeting of the Alliance shall be held every 3 years. A quorum of at least two thirds of members is required at a meeting of the Assembly to conduct any business other than to receive reports. Meetings may be physical or virtual. If the Assembly is to elect officers, there must be reasonable notice of such elections and calls made for the nomination of candidates. If there are more than two candidates, a preferential voting system must be applied.

(b) The Assembly may, with the support of two thirds of members representing at least half of the population of all members of the Alliance, amend the Articles of the Economic. Any member, or members, seeking to amend the Articles of the Economic Alliance must provide notice to all members of a such a motion at least six months prior to the meeting of the Assembly. The motion may be amended by correspondence following consultations with members. Members must be notified of the final form of the proposed amendment at least two months prior to the meeting of the Assembly.

(c) At a general meeting, each member shall be given the opportunity to present a report to the Assembly upon the state of their economy, their progress in achieving their economic objectives and their plans for the future.

(d) Each nation shall, in turn, appoint the Chairman of the Assembly. The Chairman shall serve a term of 3 years. Nominations shall be made in chronological order according to the date that the member joined the Alliance. If there are two or more members joining on the same day, those countries shall take their turn in alphabetical order. If the member government does not appoint the Chairman, the elected Chairman of the EPC for the designated country shall be the Assembly Chairman. If a member nation chooses not to appoint a Chairman, the members of the EA shall elect an alternative nation to provide a Chairman.

(e) The Chairman of the Assembly is responsible for calling, preparing for, and conducting the meetings of the Assembly. The Chairman may not vote at the Assembly. The nation appointing the Chairman may send a separate person as their representative to the Assembly and that representative may speak to, and exercise a vote in, the Assembly.

(f) The Chairman may call a Special Meeting of the Assembly. The Chairman shall call a Special meeting of the Assembly if two or more members, constituting at least twenty percent of the number of members of the Alliance, call for such a meeting. When calling a Special Meeting of the Assembly, the Chairman shall advise members of the reason for that meeting. Only matters pertaining to the issues raised in that advice may be considered at that Special Meeting.

PART C: POLICY INSTRUMENTS

9. Bank Lending to Reserve Ratio

(a) The EPC is to determine the Bank Lending to Reserve Ratio (BLRR). That may be defined as a range, or matrix of ratios, to apply according to the level of the NMA's Foreign Currency Reserves and the rate of inflation. The ratio will determine the additional amount of bank lending permitted relative to the growth in each bank's reserve deposits. The default BLRR is 4:1 while the NMA's Foreign Currency Reserves are less than the equivalent of 5 months' imports. If foreign currency reserves are greater than the equivalent of 5 months' imports, the default ratio will increase by 1 for every additional month of Foreign Currency Reserve equivalents, or part thereof. If inflation exceeds 3 percent then the default ratio will be reduced by one for every two per cent, or part thereof, that inflation exceeds 3 percent.

(b) For the purposes of the Economic Alliance, banks are financial institutions that accept, hold and transfer deposits. Financial institutions that accept and hold deposits but do not transfer deposits are not classed as banks for the purposes of the BLRR. It is the ability of the financial institution to transfer deposits which makes them negotiable instruments and determines that they are an entity that must comply with the BLRR requirement. Financial institutions that guarantee the securities of other entities are required to comply with the BLRR, also. In addition, any institution that issues securities that are not guaranteed by a bank, yet are negotiable, is subject to the same requirements as apply to banks. The policies applying to banks apply to these institutions, also, in so far as they are relevant.

(c) From the date that the EPC determines, each bank is to establish a Reserve Deposit Account (RDA) with the NMA and to raise Reserve Deposits (RDs) in line with the growth in their lending according to the BLRR. A bank may increase its RDs using funds received in transfers from inter-bank settlements, by:

- selling to the NMA:
  - domestic currency;
  - government securities; and/or
  - foreign exchange; and by
- purchasing RDs from the NMA in exchange for a deposit with the bank.

The EPC may modify these options as it sees fit. Likewise, a bank's RDs may be reduced by:

- inter-bank settlements;
- banks purchasing from the NMA:
  - domestic currency;
  - government securities; and/or
  - foreign exchange; and
- the NMA, if it chooses to reduce a bank's RDs in exchange for a reduction in the NMA's deposits (credit balances) with that bank.

(d) The BLRR applies to the growth in bank lending relative to the growth in reserve deposits. To establish the starting position, each bank is to advise the NMA of the total amount of its loans outstanding on its balance sheets and of its off-balance sheet commitments on the date from which the BLRR is to apply. (The amount of a bank's total loans outstanding on their balance sheet includes holdings of government and other securities.) This amount is the bank's Initial Outstanding Loan Commitment (IOLC). The amount of their off-balance sheet commitments for securities, including bank endorsed securities, is the bank's Initial Security Guarantee Commitment (ISGC). All other bank guarantees and commitments (OGC) are to be reported as the bank's Opening Other Guarantees and Commitments (OOGC).

(e) The BLRR is to apply to the growth in each bank's Outstanding Loan Commitment (OLC) and Security Guarantee Commitment (SGC) greater than the amount of its Opening Outstanding Loan Commitment (OOLC) and Opening Security Guarantee Commitment (OSGC). A bank's OOLC is the equivalent its IOLC plus two percent. A bank's OSGC is its ISGC plus two percent. If the EPC chooses to apply the BLRR to the OGC, it would apply to the increase in each bank's OGC above the OOGC. The EPC may redefine what is included in each of these categories and what are the reporting requirements, as it sees fit. The OOLC, OSGC and OOGC of a bank established after the introduction of the BLRR is the opening amount of its OLC, SGC and OGC on the day that it is established as a bank.

(f) When the BLRR comes into force, each month thereafter, each bank is required to report to the NMA on the total amount of its OLC, SGC and OGC. Also, each month, each bank is to confirm the amount of its Reserve Deposits (RDs) and Committed Reserve Deposits (CRDs) with the NMA.

(g) If a bank's RDs are sufficient to comply with the BLRR, then the bank's reported OLC will be the bank's Certified Outstanding Loan Commitments (COLC), the bank's reported SGC will be the bank's Certified Security Guarantee Commitment (CSGC) and the bank's OGC will be the bank's Certified Other Guarantees and Commitments (COGC). CRDs are those RDs that the bank is required to hold to comply with the BLRR for its COLC, CSGC and COGC (if applicable). The amount of a bank's RDs that exceed its CRDs are its Uncommitted Reserve Deposits (URDs).

(h) If a bank's RDs are insufficient to comply with the BLRR, then the bank is to cease all new lending activities and may not increase its OLC, SGC and OGC until the NMA authorises it to do so. If the bank's RDs are greater than its CRDs, then it may raise the amount of its COLC and/or CSGC as far as it is able to do so and remain compliant with the BLRR. To the extent that it does so, its URDs would become CRDs. The Uncertified Outstanding Loan Commitments (UOLC) is the amount that the OLC exceeds the COLC. The Uncertified Security Guarantee Commitment (USGC) is the amount that the SGC exceeds the CSGC. The bank is not to engage in any further lending activity while it holds and any UOLC or USGC. Also, a bank is not permitted to raise its OGC above its COGC while it holds any UOLC or USGC. When the bank is able raise its Reserve Deposits sufficiently to comply with the BLRR and cover its OLC and SGC, it may, with the approval of the NMA, raise its COLC, CSGC and COGC accordingly, and with the approval of the NMA, continue its lending activities.

(i) If a bank's Reserve Deposits (RDs) are less than its Committed Reserve Deposits (CRDs) then the bank is required to respond and take action to raise its RDs to at least the amount of its CRDs. While a bank's RDs are below its CRDs, it is not permitted to raise its OLC above its COLC, its SGC above its CSGC nor its OGC above its COGC. If a bank's RDs fall below 90 per cent of its CRDs and while that is the case, the bank is not to engage in any activity that may raise its OGC. If a bank's RDs fall below 80 per cent of its CRDs, and while that is the case, the bank is not to secure or guarantee any more securities. If a bank's RDs are less than 70 per cent of its CRDs, and while that is the case, the bank is not to issue any further loans. If a bank's RDs fall below 60 per cent of its CRDs, then the bank is to dispose of any holdings of non-government securities that it may hold. While that continues to be the case, it is not to purchase any non-government securities. If a bank's RDs fall below 50 per cent of its CRDs, then the bank is to dispose of any government securities it may hold. While that continues to be the case, it is not to purchase any more government securities. If a bank's RDs were to fall below 40 per cent of its CRDs, then the bank is to dispose of any other assets that are not a necessary part of its banking business. While that continues to be the case, the bank is not to purchase any other assets that are not a necessary part of its banking business. If a bank's RDs fall below 30 per cent of the bank's CRDs, then the bank is to sell any of its financial assets that may be sold to other banks or financial institutions. If a bank's RDs fall below 20 per cent of its CRDs, then the NMA is to negotiate with the bank and other banks as to whether it may be taken over by

another bank. Any bank that takes it over must have Uncommitted Reserve Deposits sufficient to enable that bank to continue to lend after it takes over the target bank. If a bank's RDs fall below 10 per cent of the bank's CRDs, and it is not able to be taken over by another bank, then the bank would cease to be classed as a bank and it would cease to have access to inter-bank settlements. The NMA would organise for it be classed as a non-bank deposit taking financial institution. The former bank's remaining Reserve Deposits may be used to settle any outstanding commitments to other banks and the remainder may be transferred to the RD's of the institution that is the banker for the former bank, or they may be dealt with as agreed between the NMA and the former bank.

10. The Economic Alliance Currency Unit (EACU)

(a) The Economic Alliance Currency Unit (EACU) is a unit of account the value of which is defined according to a basket of currencies. The Assembly of the Economic Alliance may from time to time modify the basket to take account of the changing world economic environment.

(b) The value of one EACU is defined as value of the sum of the amounts of the following currencies:

Currency	Code	Units of Currency
Australian Dollar	AUD	5.00
Canadian Dollar	CAD	4.60
Swiss Frank	CHF	3.20
Chinese Yuan Renminbi	CNY	46.70
Euro	EUR	12.70
Pound Sterling	GBP	5.60
Indian Rupee	INR	555
Japanese Yen	JPY	913
South Korean Won	KRW	4,426
United States Dollar	USD	13.40

11. The Exchange Rate

(a) The EPC does not necessarily fix the exchange rate for its currency. It may determine objectives that it wishes to attain using the exchange rate. For example, it may determine that the exchange rate be that which attains a target rate of unemployment. It may then put in place policies to vary the exchange rate to achieve that target. Also, it may provide guidelines to determine the pace at which the exchange rate adjusts to attain other objectives, such as rates of economic growth and/or inflation.

(b) The NMA is to implement the EPC's exchange rate policy. Where the exchange rate was previously floating, initially, the NMA may apply a maximum exchange rate, or an exchange rate cap, defined in terms of EACUs or other currency that the EPC may determine. Using the funds it has acquired from bank's Reserve Deposits, the NMA may offer to purchase foreign currency on the market at the maximum or cap price.

(c) Also, the NMA may apply a minimum exchange rate or floor. It would sell foreign currency at the floor price to enforce the floor. Selling foreign currency reduces the RDs of banks and that reduces their capacity to issue loans. Changes to the exchange rate should be done slowly to minimise speculation and allow the economy to adapt to the changes.

(d) The exchange rate cap would be stable or fixed against the EACU once the target had been attained.

(e) The EPC may introduce a minimum or floor on the exchange rate concurrently with a cap. Initially, the gap between the cap and the floor may be large. As the exchange rate approaches its target rate, the NMA may gradually raise the floor exchange rate towards the cap. It would stop raising the floor once it was within one percent of the cap, or whatever level the EPC may determine. The NMA would continue to deal in the foreign exchange market to stabilise the exchange rate. Foreign currency transactions between the NMA and the banks are to be made using their Reserve Deposit accounts.

(f) Once the exchange rate had been stabilised with a floor and cap, the currency would be fixed in terms of EACUs for trade between other members of the Economic Alliance that have a similar stable exchange rate. To facilitate this, members of the Economic Alliance may conduct their transactions between themselves in terms of EACUs. The NMA of each country may settle their inter alliance transactions bilaterally, through a third country member or through an institution established to facilitate these transactions. Members of the Alliance may choose to establish such an institution. It is at the discretion of members whether they trade through such an institution.

(g) Members of the Alliance may vary their exchange rate. However, if they do, they must give other members notice at least 4 weeks before they do so and make small adjustments over a period of time. Members who vary their exchange rates are to publish every week the future value of their currency in terms of EACUs for the next three weeks.

(h) Members that join the EA with their exchange rates already fixed are to link their exchange rates to the EACU, or to that of a member (or members) of the EA. A new member does not need to vary their exchange rates unless that change is necessary to achieve a specified objective. Even if a member does not need to vary its exchange rate, it is to apply the Bank Lending to Reserve Ratio.

12. Import Taxes

(a) In some economies, employment may not respond to a variation in the exchange rate. In such circumstances, economies may use taxes on imports to generate revenue for the government to fund employment through the provision of additional government services. It is anticipated that such taxes would finance increased domestic production and facilitate economic growth. Also, they would cause inflation. However, that would be the case, also, if the exchange rate were devalued.

(b) Countries that impose taxes on imports are not reducing their total imports. The purpose of the taxes is to directly raise the trade multiplier, forcing funds to recirculate and generate more domestic income before they are eventually spent on imports and lost to the economy.

(c) To achieve its objectives with a minimum of distortion to relative prices, the import taxes should be applied at the same rate on all imports. While that policy is considered to be in the best interest of most countries, members of the EA are free to apply import taxes as they may wish, even to protect domestic industries. Trade free of taxes is not an objective of the EA and members are discouraged from using the Alliance to pressure other members to obtain tax free or preferential access to other economies.

(d) When taxes on imports are intended to generate employment, then they should be phased in over a number of years in line with the need to pay for the growing number of employees. Where taxes on imports are intended to equalise the level of government revenue collected from expenditure on imports with the tax revenue collected on domestic product, then they may be introduced more rapidly to minimise any distortive effect on the performance of the economy due to the different levels of taxation.

13. The Level of Foreign Currency Reserves

(a) The NMA of members of the EA are to hold Foreign Currency Reserves to ensure that their monetary systems can meet their foreign currency commitments at the exchange rates that their respective economies have established. Each EPC is to determine its target range for Foreign Currency Reserves in terms of months of imports. They may vary the target range as they see fit. Also, they may vary their BLRRs in response to the levels of their Foreign Currency Reserves to contribute to the stability of those reserves. EPCs manage only the Foreign Currency Reserves of their monetary system. Foreign Currency Reserves held by their governments and private sectors are not necessarily available to monetary systems and are not to be included in defining the level of Foreign Currency Reserves that each EPC manages.

(b) If the Foreign Currency Reserves are below the member's target range, the NMA is to purchase additional foreign currency using the funds that banks have provided to raise their Reserve Deposits. That includes funds received from the sale of notes and coins.

(c) When the BLRR comes into effect, the banks, and other financial institutions to which the BLRR applies, may not raise the level of their foreign debt, either directly or indirectly, other than to hold the deposits of foreign banks and other foreign entities.

(d) If the NMA's holdings of foreign currency reserves are excessively high, it may use the funds it has received from banks to raise their Reserve Deposits, to purchase domestic assets such as government securities.

(e) The EPC is to endeavour to maintain stable foreign currency reserves and may adjust the BLRR to do so.

PART D: STRATEGIES

14. Full Employment

(a) Prior to any policy implementation, the EPC must determine what it considers to be its target for full employment. This may be defined as a level of unemployment or comprise target levels of unemployment for a range of age categories. Also, the EPC may need to define what it considers to be unemployment. The strategy for raising employment, for economies using the floating exchange rate system, is to enable export income and other foreign currency receipts to stimulate the economy. If necessary, the proportion of income spent on domestic products is to be adjusted to generate full employment.

(b) The first step for economies with floating exchange rates is to stabilise the exchange rate. Then, if demand is insufficient to attain the target level of employment, the EPC may slowly devalue the currency until the demand for domestic products is sufficient to generate full employment.

(c) Before the exchange rate may be stabilised, it is necessary for the EPC to set the Bank Lending to Reserve Ratio (BLRR) and determine the date at which it would come into effect. Also, it may determine the initial exchange rate cap or maximum exchange rate (preferably determined in terms of EACUs). The maximum exchange rate may be determined as the exchange rate on a specific day, such as the day on which the exchange rate policy is put into effect. Also, the EPC may determine a minimum exchange rate at which the NMA would sell foreign currency from its reserves. The banks are required to provide the NMA with data on their lending commitments when they establish their Reserve Deposit accounts (RDs). Once the NMA has received sufficient funds from RD's, it may start using them to buy foreign currency on the foreign exchange market at the

cap price. The foreign currency purchased would be added to the NMA's foreign currency reserves. The funds used to purchase the foreign currency would immediately enter the economy as additional export income and other foreign currency receipts. When spent, they will generate additional employment.

(d) The EPC should provide the NMA with boundaries for the rate of economic growth it wishes to attain to achieve its targeted level of employment (or unemployment). The purpose of devaluing the currency is to increase domestic demand for domestic products and raise the income of exporters. Those changes should be evident in the growth of foreign currency reserves. If the EPC's target rate of economic growth were between 5 and 10 percent, then the NMA's purchases of foreign currency reserves should be equivalent to 5 to 10 percent of exports (and other services income such as tourism) each month relative to the exports in the same month of the previous year. It may raise these amounts to take account of inflation. If foreign reserves are growing slower than the lower boundary for growth, then the speed of devaluation could be increased. If the foreign reserves are growing faster than the upper boundary for growth, then it may be necessary for the NMA to slow the speed of devaluation. It may need to stop depreciating and may even sell some of its foreign currency reserves. Those foreign currency sales would deplete the bank's RDs and reduce their capacity to lend. Also, it would directly take money out of the economy.

(e) The EPC may provide the NMA with other guidelines on the speed of devaluation, also. For example, it may say that the rate of devaluation should not exceed 0.01 percent per day, if the cap were binding and 0.1 per cent per week, if it was not binding in the last week. If the rate of unemployment were less than one percent above the target level of unemployment, then the rate of depreciation would be halved. If the rate of unemployment were less than one half of one percent of the target, the rate of depreciation would fall to 0.01 percent per week. If the rate of unemployment were at or below the target rate, then the exchange rate cap is to be fixed and the floor raised to collar the exchange rate at that level. The rate of depreciation does affect the rate of inflation for imported products and this may be a reason for the EPC to control the rate of depreciation.

(f) The EPC may wish to provide guidelines for the floor price, also. For example, if the growth rate of foreign currency reserves were not excessive and if unemployment was greater than two percent above the target, then the floor may be ten percent below the cap. When unemployment was less than two percent of the target, then, if the floor price was not binding in a week, the floor would be raised by 0.1 percent. That would continue until the floor was within 5 percent of the cap. If unemployment were within one percent of the target, then, if the floor was not binding in a week, the floor would again be raised at the rate of 0.1 percent in that week until it was within two percent of the cap. When the unemployment target was reached and the cap fixed, the EPC may determine that the floor be raised again in weeks that it is not binding at the rate of 0.1 percent per week until it was within one percent of the cap, or other level that the EPC may determine.

(g) If the rate of growth of foreign currency reserves was excessive, then it may be necessary to raise the exchange rate floor earlier to reduce the rate of growth of demand.

(h) There may be circumstances, such as inflation and the amount of funds available, that may impinge upon the EPC and the NMA'a ability to apply the EPC's employment strategy. These should be expected. There are likely to be other constraints that affect the economy. These may influence the speed of change. The EPC and the NMA need to be able to respond to these as they occur. For example, the NMA may choose not to lower the cap it the funds available to purchase foreign currency were running low. Also, it is worth noting that some parts of the economy will be slow to respond to the changing conditions. Therefore, the EPC and the NMA need to be careful when

lowering the exchange rate to allow these industries time to respond, so as to ensure a soft landing and avoid unnecessary inflation.

(i) Large economies with fixed exchange rates and high levels of unemployment when they joined the EA, may follow a similar strategy. Rather than fixing a maximum exchange rate, they would be determining the actual exchange rate. Before devaluing the exchange rate, the EPC should ensure that the BLRR guidelines are in place and that they are binding. This includes the requirement to make inter-bank settlements through the banks' Reserve Deposit accounts. It may take a few months to ensure that the BLRR system is functioning effectively. Also, the EPC should ensure that the NMA is building up its foreign currency reserves. The EPC must determine the level of employment (or unemployment) that it seeking to achieve and determine a strategy to move towards it and land softly. For example, if the target rate of employment were to be defined as 2 percent unemployment, or less, then the NMA could be advised to devalue the currency to inject new money into the economy through the foreign exchange market. While unemployment is greater than 3 percent above the target rate of unemployment, then the rate of depreciation could be 0.01 percent per day, provided that the growth of foreign currency reserves per month were not greater than 10 percent of exports (including services income such as tourism) for the same month in the previous year. If the rate of unemployment was to fall to less than 3 percent above the target rate, the rate of devaluation would be reduced to half that rate, provided that the growth of foreign currency reserves per month was not greater than, say, 9 percent of exports for the same month in the previous year. If the rate of unemployment was less than one percent above the target rate of unemployment, then the rate of devaluation would be reduced to 0.01 per cent per week provided that the growth rate of foreign currency reserves was the equivalent of less than, say, 8 per cent of exports in the corresponding month a year earlier. When the full employment target was reached, the currency would be fixed in terms of EACUs. The EPC may give the NMA discretion to determine when the full-employment exchange rate was reached.

(j) For very small economies that are not able to use their exchange rates to raise employment, they have the option of raising public sector employment. The first step for these countries is to again ensure that the BLRR is in place and that banks are building up their RDs and the NMA is building up foreign currency reserves. The EPC will need the best available statistics on the current level of employment, including self-employment and subsistence farming. Once it knows the current situation and has suitable statistics, it can determine its employment targets and how it plans to reach them.

(k) The EPC and government can control the growth of the public service. The private sector will grow as an indirect result of the growth of the public sector. Many countries have reasonably accurate import statistics that make it possible for the government to calculate the level of import tax that would be required to finance the planned levels of employment. The levy should be raised slowly and regularly each year to finance the growth in employment. The increases in the levy should stop once the target level of government or full employment is reached.

15. Economic Growth

(a) The strategy for achieving economic growth relies upon the growth of exports and other foreign income and receipts to circulate through the economy. Those funds raise total spending on both domestic products and imports. The additional foreign currency received finances the additional expenditure on imports and thereby make the process sustainable.

(b) The EPC may define its target for economic growth in terms of per capita incomes, national income or other measures of economic welfare. It has a range of policy options to raise and control the rate of economic growth, depending upon the circumstances of the economy. The strategy for

attaining full employment was to raise the proportion of domestic spending on domestic products. That approach raised the trade multiplier and shifted existing demand towards domestic products. The strategy for sustained economic growth employs the trade multiplier to further raise incomes. It requires the growth of export income and other foreign receipts to flow into the economy and stimulate it further.

(c) Economic growth is achieved by creating disequilibrium in international trade: that is, by ensuring that international receipts are greater than international payments. When the economy reaches equilibrium (where international receipts and payments are equal) it stops growing. At that point receipts and payments are equal. Therefore, the economy has no further stimulus. The task of creating economic growth involves moving from the current equilibrium position towards another equilibrium position with higher income. Therefore, the task of raising economic growth requires the continual increase of exports and other foreign receipts which in turn raises imports and other foreign currency payments.

(d) The first approach to raising foreign currency receipts is on the supply side. It involves developing new products and making existing ones cheaper by improving productivity, investment in capital and technology. The second approach is to raise demand from among trading partners. The EA facilitates such growth in demand by enabling economies to grow and thereby increase their imports. Also, the EA arrangements allow that income from trade to flow into the domestic economy.

(e) Bank lending can raise demand by accelerating the speed at which money from the growth of trade flows into the economy. The growth in export incomes raises bank Reserve Deposits with the NMA, enabling them to increase their lending and stimulate the economy. When that money is spent on imports, it reduces bank Reserve Deposits and constrains further growth of bank lending. Therefore, bank lending cannot be relied upon to sustain an increase in incomes in the long term. Exports and other foreign receipts are required to sustain a growing economy. The benefit of money from export growth is that when imports subsequently rise, the economy has the foreign currency income to pay for them. Therefore, export growth is a sustainable source of economic stimulus and growth.

(f) There may be other constraints that slow the rate of economic growth in an economy. Each country needs to identify these and adopt measures that would improve the performance of domestic industry.

(g) Economies that had previously adopted the floating exchange rate system may have applied misguided policies in an attempt to address symptoms rather than the cause of the nation's economic problem. Some of those policies may need to be undone to improve the performance of the economy. Those policies may have included wages policies, competition policies, privatisation policies, savings policies, education policies, industry policies, trade policies etc.

(h) Small (and large) economies can improve economic growth by improving the efficiency of their economies, their infrastructure, legal/judicial system, health and education. Many may have constraints that have become accepted norms that may be difficult to remove. These can include business, trading, import and export licences. One of the ongoing tasks of the EPC will be the review of business regulation with a view to ensuring that only those businesses that need to be constrained be regulated.

(i) The growth of all economies can be improved by the growth of their trading partners. This is particularly the case for small economies. As countries join the EA or adopt its type of policies, then

they will raise their rate of economic growth and contribute to the growth of their trading partners, particularly if they are members of the EA. Trade with countries retaining the floating exchange rates may increase, also. However, their economies are required to immediately balance international receipts and payments. Therefore, they are unlikely to receive any additional income from the growth of trade generated by the EA.

16. Price Stability

(a) Price variations are a signal to the market and are an important part of how the economy functions. They should be considered a normal part of economic activity. Also, some price changes are beyond the control of the national economy. For example, a rise in international oil prices is likely to be beyond the control of the EPC in most countries. Therefore, it would be futile for the EPC to respond to such price rises. The EPC should establish a clear statement of its targets for inflation and identify those forms and sources of inflation that it is able to address.

(b) There are two basic sources of inflation that the EPC may wish to respond to. They are inflation from excessive monetary growth and inflation imported through the price of foreign products. Inflation from excessive monetary growth can be managed primarily by reducing the growth of bank credit. That may require reducing the BLRR. Establishing predetermined BLRR responses to inflation contributes to price stability and avoids the EPC having to meet to respond to a crisis. To adopt such an approach, the EPC needs to have a trigger rate of inflation for domestic products (other than in response to a natural disaster or other significant non-monetary events), above which a policy response is applied. The response could take the form of an instruction to the NMA that for every one percent, or part thereof, that inflation exceeds the ECPs trigger, the BLRR is to be reduced by one. The actual adjustments would depend upon the country. Another approach is to require that for every one percent, or part thereof, that inflation exceeds the ECP's trigger, the BLRR is to be reduced by 20 per cent.

(c) The process of devaluing the currency to raise employment and provide economic growth does cause inflation for imported products that could feed through to domestic products. Such inflation can be reduced by slowing the pace of devaluation, if the country were devaluing its currency. If the currency is stable and the economy continues to be confronted with excessive import inflation, it may choose to inflate the currency against the EACU. It should be noted that this may have implications for the rate of economic growth and the level of employment. If other countries are experiencing a similar problem, they may seek to call a special meeting of the Assembly to approve an appreciation of the value of the EAMU. Again, such appreciation should be done slowly with daily or weekly adjustments. Another short-term option is to reduce import taxes. However, that may cause fiscal problems that require tax increases elsewhere that may be inflationary.

17. Foreign Debt

(a) The main foreign debt that the ECP is to manage is that debt of, and that created by, the monetary system. The full employment and economic growth strategies build foreign currency reserves, and these will reduce net foreign debt in the monetary system. For the EPC to monitor the net foreign debt position in the monetary system, it will need to know the foreign debt and foreign currency assets of the banks and the NMA. That data can be collected at the same time as the banks report on their outstanding loan commitments. From the time that the BLRR is put in place, banks and other institutions required to hold RDs, are not to increase their foreign liabilities, other than in the form of deposits of foreign banks.

(b) The first step in reducing net foreign debt is to cap or fix the value of the currency to enable the monetary system to start building up foreign currency reserves. As explained earlier, the NMA is

to use the funds that it receives from banks to increase their RD's, to purchase foreign currency on the foreign exchange market. Those purchases would immediately reduce the net level of foreign debt.

(c) In the case of countries with floating exchange rates, transitioning to a more stable system, initially, the growth of bank credit is likely to continue to raise foreign debt in the wider economy. That is because the growth of bank credit is likely to continue to finance national expenditure in excess of national income and cause imports to exceed exports. Therefore, additional foreign debt is likely to be required to finance those imports. Once the NMA has put a floor on the exchange rate, the reduction in RDs caused by the purchase of foreign currency from the NMA to pay for imports will reduce and eventually prevent the excessive growth of bank credit that would have raised foreign debt. The economy would then operate as it would for a country with a fixed exchange rate and the BLRR arrangements would prevent banks from lending the country into debt.

(d) For countries with a fixed exchange rate, banks will, in effect, be selling at least some of their foreign currency receipts to the NMA to increase their RDs. Also, they will be buying foreign currency from the NMA to pay for imports. Such purchases reduce their RDs. If bank lending were excessive, the banks would be drawing down their RD's faster than they were earning RDs from the sale of foreign currency. That will reduce their holding of RDs and automatically constrain them from increasing their bank lending that would have raised imports and foreign debt. The BLRR requirements ensure that the banking system can increase its lending only as the monetary system increases its foreign reserves and the banks may no longer lend the country into debt.

(e) Many foreign exchange transactions are likely to be between banks. When banks make their inter-bank settlements, those transactions will affect their individual RDs but not the overall level of bank lending nor the overall level of foreign debt.

(f) As explained above, when banks purchase RDs using domestic currency funds, the NMA will use those funds to purchase foreign currency for its reserves. If the NMA were to purchase foreign currency from the bank from which the funds were received, then that bank would be effectively purchasing its RDs with foreign currency. If the NMA uses the funds to purchase foreign currency from another bank, then the inter-bank settlement process will mean that an equivalent amount of the first bank's RD's will be transferred from that bank to the bank supplying the foreign currency. This implies that, in effect, banks will be purchasing their RDs with foreign currency.

(g) The ECP may have a maximum target for the NMA's foreign currency reserves. For example, it could say that the maximum target for foreign currency reserves is the equivalent of twelve months' imports. If this is the case, the ECP should put in place guidelines for the NMA as to how it is to invest the funds received once the target maximum is exceeded. For example, the ECP could advise the NMA that once the maximum foreign currency target is attained, that the funds received for RDs shall be used to purchase other secure assets such as government securities. That would have the effect of injecting more funds into the economy and stimulating further economic growth.

(h) Non-bank entities may continue to borrow from foreign sources. The growth of foreign currency reserves means that when those entities repay their debts, the banking system will be holding the foreign currency reserves necessary to repay those debts. If those foreign debt repayments were significant, they could reduce foreign currency reserves. Also, those repayments would reduce the RDs of the banks, constraining them from further growth in lending until their RD's, and the NMA's foreign currency reserves, were replenished.

18. Balanced Fiscal Outcomes

(a) The EPC does not directly manage public finances. Rather, it aims to put in place an economic environment conducive to maximising the income of the nation and, thereby, the income of government. Also, by maximising employment opportunities, it minimises the need for social services and thereby reduces the need for public expenditure.

(b) Even so, government revenue may be insufficient to finance all of public expenditure. If so, the EPC may encourage the government to ensure that its taxes and other revenue are sufficient to finance recurrent expenditure, at least. Members of the EA that are able to finance their public recurrent expenditure with taxes and other revenue may become Secure Members of the Alliance.

(c) Those members of the EA that are not able to finance their public recurrent (or non-discretionary) expenditure from their public revenues pose a threat to the stability of their economies. That is because they may need to continue to borrow funds at a time when the economic conditions warrant that lending be constrained. Lending at such times could reduce foreign currency reserves and inhibit the NMA's ability to finance international transactions and maintain the value of the currency.

(d) Under the EA monetary arrangements, government loans are treated the same as the loans of the private sector. Government borrowings reduce the ability of the private sector to borrow. As far as possible, public capital (or discretionary) expenditure should be financed from taxes and other government income to maximise the capacity of the private sector to access funds for investment.

(e) For the economic policy requirements of the EPC, public expenditure needs to be defined in terms of cash flow. Depreciation of public assets is not to be treated as an expenditure and expenditure cannot be offset by the accumulation of non-monetary assets. Such practices are normal in business to give the appearance that costs are spread over a number of years so as to allow businesses to show an earlier profit to shareholders. Government is not a business, and it does not pay dividends. Therefore, for its financial purposes, there is no need to treat spending on capital items as an asset.

19. Nurture All Industries

(a) The floating exchange rate system favoured those industries that engaged in international trade. It can undermine domestic industries that compete with imports. That is because the system requires any growth in export income to be immediately matched with an equivalent increase in expenditure on imports (or other payments to foreign economies). To facilitate this, the market inflates the value of the currency to make imports cheaper and shift domestic spending from domestic products to imports. In doing so, it not only reduces demand for domestic products, it reduces the income of existing exporters.

(b) The sustaining exchange rate system proposed for members of the EA is not inflated when exports rise. All industries prosper from the growth in demand under the system because the exchange rate is not misdirected to balance international payments. Rather the balance of payments is managed through the BLRR requirements. These manage the growth of demand to ensure that it does not deplete foreign currency reserves. It is this policy that frees the exchange rate to reach a level that ensures full employment and be stable to enable all industries to prosper from the growth of export incomes.

(c) The EA's sustaining exchange rate system enables each industry to prosper without the risk and fear that the exchange rate may rise and make them uncompetitive. Therefore, the sustaining

exchange rate system ensures that all industries can compete fairly in business, both in the domestic and international markets.

(d) For small countries relying on taxes on imports to generate employment, to minimise distortions, the tax rate should be the same for all products. That includes taxes on imported food staples. This requirement does not mean that there should not be excise on products such as tobacco and alcohol. A standard rate of import tax will assist in ensuring that all industries can prosper from the growth in domestic demand from the growth in public sector expenditure.

20. Economic Independence and Self Reliance

(a) The sustaining exchange rate and the EA's system for managing bank lending, will enable economies to be independent and self-reliant. The policies and procedures of the EA ensure economies can sustain their levels of expenditure and are not reliant on other countries or entities to support their economies. That is not to say that they cannot benefit from assistance. However, if that assistance were not available for any reason, the economy should be able to continue and prosper.

(b) As EPCs implement the EA policies, they will be ensuring that their economies have a sound monetary system. The growth of their foreign currency reserves would provide the economy with the confidence and ability to maintain a stable currency that is freely convertible into other currencies. The economic growth engendered by these policies would enable the economy to attain full employment and thereby improve its self-reliance. Within the new monetary and economic environment, the economy would become more independent and able to follow its own aspirations and apply its own social and economic policies.

(c) When the EPC applies the EA's procedures, it will be encouraging the development of its domestic industries and ensuring that its economy stays within its means. The government may choose to borrow funds to invest in infrastructure and other development. If it does, the structure that the EPC puts in place will ensure that, if the government has the local funds to repay its debts, the monetary system will have the foreign currency necessary to meet those commitments.

21. Unfettered International Movement of Capital

(a) The large foreign currency reserves fostered under the EA arrangements ensure that there is no need to restrict international capital movements. Such movements do not threaten the stability of the currency. Therefore, it is not necessary for the EPC to restrict the movement of capital. That is not to say that the economy must allow all forms of capital inflow and outflow.

(b) Capital outflows can be expected to reduce banks' RDs. If those RDs were excessively reduced, the BLRR guidelines would automatically restrict the growth of bank credit. That may constrain investment in the economy. However, if financial markets are operating effectively, economies in need of capital for investment can be expected to pay higher interest rates and that would attract foreign capital. Countries that have surplus funds can be expected to pay lower interest rates. Therefore, we can expect that investors in those economies would move their funds to economies that have a greater need for capital and pay higher interest rates.

(c) The EA arrangements reduce exchange rate risk for international investors. Those investors are likely to be more willing to invest in countries that are members of the EA because they are likely to be confident that they will be able to repatriate their funds when they wish to do so. Therefore, the unfettered international movement of capital together with the stable monetary system under the EA style of policy is likely to facilitate a more efficient international capital market.

22. Financial Stability

(a) The EA policies generate financial stability in that they ensure that banks have the resources to meet their commitments. The requirement to hold reserve deposits with the NMA and to use these to make interbank settlements and meet foreign currency commitments means that any bank that starts to have problems is automatically and immediately constrained from extending further loans and expanding its difficulties.

(b) The reserve deposit requirements ensure banks build up substantial resources that are available to them to settle their commitments without having to borrow additional funds. Those deposits also impede the effect of bank failures impinging upon other banks and threatening the financial system. Even if a bank failure does affect other banks, the banks' large holdings of RDs contribute substantially to their ability to meet their commitments.

(c) The EA procedures ensure that there is a clear and automatic process known to the banks that they must follow if they hold inadequate RDs. That requirement provides banks with a strong incentive to meet their BLRR commitments and remain solvent. It is a process that automatically prevents banks from growing their business unless they meet the EPC requirements. Banks can be expected to make it a priority to manage their RDs, not only to look after their customer's interests, but also those of their shareholders.

(d) When interest rates are used as an instrument of monetary policy, they can undermine the capacity of existing borrowers to repay their loans, particularly if the loans have variable interest rates. Banks can fail if borrowers are unable to repay their loans. Likewise, if a bank has a large portfolio of loans issued with fixed and low interest rates and market interest rates rise, they can be faced with rising costs but a fixed income, leading to financial instability. The EA's approach to managing banking provides greater stability for the financial system because it does not use interest rates as an instrument of economic policy.

23. Economic Stability

(a) Economic stability can be fostered under the EA arrangements using automatic processes to respond to changes in the economy before they become critical. Also, the EPC has a range of policy instruments available to it to address different problems. Furthermore, the EA policies foster a robust economy with full employment, economic growth, stable prices, reduced foreign debt and foreign reserves which all contribute to providing economic stability.

(b) These Articles encourage each EPC to put in place a range of actions to respond to varying situations. These include measures to lower the BLRR and reduce the growth of bank credit if inflation occurs or foreign reserves decline. That approach does not necessarily reduce economic growth because trade can continue to stimulate the economy without inflating prices.

(c) If unemployment were to rise, the economy can respond automatically by devaluing the currency to make domestic products relatively cheaper and raise demand for them and create additional employment.

(d) While a natural disaster or other physical, social, or political crisis may occur, the monetary system should continue to be stable, allowing the continued functioning of government, business and household sectors. The large level of foreign reserves fostered under the EA arrangements enables the economy to continue to function and pay for imports, even if export income is significantly reduced.

(e) The foundation of stability for the economy is the foreign currency reserves. Members are required to hold the equivalent of 6 months' imports in their foreign currency reserves before they may be classed as a Secure Member of the EA. Secure members may trade with each other at a predetermined exchange rate. The exchange rate may be variable. However, the exchange rate on any specific day is predetermined and made public at least two weeks in advance.

(f) If the member's foreign currency reserves start to fall significantly, the EPC is to take action to stabilise them. This can be by lowering the BLRR and using the additional funds collected from RDs to purchase additional foreign currency reserves.

(g) If a Secure Member's foreign currency reserves fall below the equivalent of 6 months' imports, then its BLRR must be reduced to no more than 4. If the Secure Member's foreign currency reserves fall below the equivalent of 5 months' imports, it is to reduce its BLRR to no more than 2 and they may not increase their COGC. If the Secure Member's foreign currency reserves fall below the equivalent of 4 months' imports, it is to reduce its BLRR to no more than 1 and may not increase their CSGC and COGC. If a Member's foreign currency reserves fall below 3 months' imports, it is to advise all banks that they are not to increase their lending and other commitments above their COLC, CSGC and COGC. At this point, the member is no longer classed as a Secure Member and other members are not required to purchase their currency at the predetermined exchange rate. If a Member's foreign currency reserves fall below the equivalent of 2 months' imports, the NMA is to advise all banks and financial institutions that they are not to issue any loans. If the Member's foreign currency reserves fall below the equivalent of 1 month's imports, it is to seek balance of payments support and undertake whatever policies it deems necessary to restore its foreign currency reserves. An economy may reverse these stipulated actions as it restores its foreign currency reserves. It may resume its Secure Member status once its foreign currency reserves exceed the equivalent of 6 months' imports.

24. Justice

(a) The EA seeks to ensure that all participants in each economy are treated justly. It endeavours to put in place a monetary system that ensures that people's contributions to the economy are rewarded appropriately. One of the major forms of injustice that the EA addresses is the injury to domestic producers caused by the growth of exports under the floating exchange rate system. Justice is restored by putting in place policies that enable all industries to prosper without adversely affecting each other. These policies are the same as those used to provide full employment, economic growth, stability and avoid undue foreign debt.

(b) The result of all these policies is that the economy rewards the people according to their contribution to the economy. They ensure that when exports increase, manufacturers who produce for the domestic economy prosper, along with the exporters. Also, exporters are not disadvantaged when other exporters increase their exports. The exchange rate is stable to bring prosperity to all industries.

(c) The amount that banks are allowed to lend is managed so that it does not drive the country into debt nor undermine the welfare of those who have worked and contributed to the economy.

25. Sound Governance

(a) Monetary policy is the heart of economic policy. Money is used by every facet of the economy, including the government, primary industry, manufacturing, finance and household sectors. Therefore, it needs to be managed responsibly and fairly for the benefit of all sectors.

(b) In order to achieve its objectives, the EPC is responsible for determining monetary policy. Monetary policy includes policies relating to exchange rate, the growth of the money supply, the source of monetary growth, the security of the banking industry, the security of the economy, prices and inflation, interest rates, etc.

(c) To ensure accountability to the public and all stakeholders, each member of the Economic Policy Council (EPC) is required to be an elected representative of a national or regional government or council. Each country needs to establish its own EPC consisting of members who are independent and can contribute to, and maintain, a consistent economic policy.

(d) The EA arrangements require the institution determining monetary policy, the EPC, to be separate from the institution required to implement it, the NMA. This policy improves independence and transparency of the EPC and reduces the opportunity and ability of the regulated industries to influence economic policy in their own interest.

26. Democracy

(a) Monetary policy has been left out of the democratic process in many countries. This has meant that there is an opportunity for it to be prejudiced and not be directed to achieve the economic welfare of the whole economy. The EA arrangements call for the establishment of an Economic Policy Council (EPC) made up of persons democratically elected to office. This can include members of national and regional parliaments and councils. This ensures that members are democratically elected and, therefore, accountable to the people for the policies that they apply. An EPC of democratically elected members is more transparent and more likely to ensure that economic policy is directed at improving the welfare of the whole nation than a board of unelected experts, bankers and/or industrial representatives.

(b) Countries may choose to democratically elect the members of the EPC. However, once the EA policies are put in place and stability attained, it is unlikely that the EPC would need to meet more often than the minimum of two times per annum. Therefore, later members of the EPC may be left with little to do to warrant the cost of a separate election process.

27. International Support

(a) One of the claimed attributes of the floating exchange rate system has been that it provided monetary independence. Yet that independence has isolated economies from the benefits of international trade. The growth in exports has undermined industries that supplied the domestic market.

(b) Members of the EA are part of a block of strong economies that prosper from international trade. Their stable exchange rates allow money to flow into their economies to enable all industries, including those supplying the domestic market, to prosper from international trade. Therefore, the prosperity of each member contributes to, and supports, the prosperity of the others, so that they all prosper together within a stable economic environment.

28. Dispute Resolution

(a) Where two countries are in dispute over a matter related to the EA, they are first to negotiate between themselves to resolve the matter. If they cannot resolve the matter bilaterally, they are to appoint a mediator that is acceptable to both parties. If they cannot agree on a mediator, they may request the Chairman of the Assembly to appoint a mediator. If that option is not accepted by either party, they may request a special meeting of the Assembly to resolve the matter. The matter would be determined by a majority of members. If either party does not accept the decision of a mediator or the Assembly, the member may withdraw their membership of the

Alliance. A member who withdraws as a member of the Alliance may be a Companion of the Alliance.

29. Glossary of Acronyms

BLRR Bank Lending to Reserve Ratio
COGC Certified Other Guarantees and Commitments
COLC Certified Outstanding Loan Commitments
CRDs Committed Reserve Deposits
CSGC Certified Security Guarantee Commitment
EA Economic Alliance
EACU Economic Alliance Currency Unit
EPC Economic Policy Council
IOGC Initial Other Guarantees and Commitments
IOLC Initial Outstanding Loan Commitment
ISGC Initial Security Guarantee Commitment
NMA National Monetary Authority
OLC Outstanding Loan Commitment
OGC Other Guarantees and Commitments
OOGC Opening Other Guarantees and Commitments
OOLC Opening Outstanding Loan Commitment
OSGC Opening Security Guarantee Commitment
RDs Reserve Deposits (with the NMA)
SGC Security Guarantee Commitment
UOLC Uncertified Outstanding Loan Commitments
USGC Uncertified Security Guarantee Commitments