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Subgroup/Office of Origin: Office of Environmental Initiatives
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OA/ID Number: 19510
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Folder Title:
Climate Change International Environmental Security [1]

Stack:	Row:	Section:	Shelf:	Position:
S	62	1	1	1

Ongoing negotiations

- ① - re: prior informed consent procedures for trade in haz mats
- ② - Integral Forum on Chemical Safety
- ③ - Biosafety protocol being negotiated under auspices of biodiversity convention

↳ ?

- ④ - Global Programme of Action on Marine Environment / Land-based Impacts.
- ⑤ - Ad Hoc Integral Panel on Forests, part of UNE Common Susta. Devel.

- Debate over env. impact from U.S. military sites being abandoned at Panama Canal.

Christopher goals:

- Approve Biodiversity Convention
- Approve Law of the Seas
- Develop strategies for forests and toxic chemicals
- Water shortage issues in Middle East
- Clean up of former Soviet Union
- Border Pollution / Mexico
- Nuclear safety
- Climate

- U.S. market for environmental technology
~~\$1 billion~~ in 1996 \$400 billion in 1996.

- ~~U.S. National security~~ ^{U.S. National security} interests inextricably
linked w/ ~~U.S. National security~~ ^{U.S. National security} interests.
No issue is more important to long term
global stability.

along with religious, ethnic
causes, strife caused
by resource/env. issues
will loom largest.

- ex: Haiti - 98% of forests
and 50% topsoil gone -
stability and growth
made difficult

- Link b/w environmental degradation
and regional instability never
more clear. We have opportunity
to set up a permanent place
for these issues in the U.S.
foreign/world policy hierarchy

- ex: Bangladesh's lack of
resources and resources
conflicts w/ India

- U.S. interest both direct and indirect
- direct - climate, ozone, overfishing
 - indirect - regional problems, regional conflicts

G-8 (NAME THEM !!!)

- Need to better engage Multilateral Development Banks (maybe focus on energy efficiency and sustainable forestry)
- Improve own export credit agencies
OPIC / EX-IM. Same for OECD insts
- G-7 ? ? ? ?

[Organization for Economic Cooperation and Development - OECD]

- Need to use ^{stick} carrots for developing countries to take steps
 - MNB's
 - export credit agencies
- World Bank and MNB have incorporated some guidelines. G-7 has not supported our efforts re. OECD export credit agencies.

—
- Need uniform OECD export credit agency
env. policies.
↳ otherwise, a race to the bottom
(Mukhowski, etc.)

- Sherpa?

- G-7, G-8 Sherpa mtgs (Jan 22-23)
environment discussed?

- Trade and environment → major topic
of next WTO round.
- to help w/ devel. countries need
to emphasize developmental
as well as environmental
benefits of sustainable
development and trade.

- Enviro's oppose draft multilateral/
Agreement for Investment of
OECD b/c fear it overrides
national environ. laws

- Future of world's environment will
be function of: 1) Population x
2) Affluence x 3) Technology

- WTO recently rejected US ban
on dolphin-safe tuna

- Disaster relief is growing area of
environmental concerns.

- Environment should not be like
human rights: a tag on agenda
item not at the core of
international security relations
concerns.

- Environment is of fundamental
centrality to global stability
and economic growth.

- AEP - Asia Environmental Par-
tnership - started by Bush,
promotes environmental
improvement in targeted
countries by encouraging US
private sector technology
applications.

Int'l environ problems can
have both cause or effect
roles.

eg. - water crises in Tigris /
Euphrates or droughts
in Venezuela lead to
instability or instab-
ility econ. crisis in
Indonesia can lead to
increased exploitation of
endangered species or
increased deforestation
or Brazilian econ. crisis
can lead to dismantling
of rain forest protection
programs.



United States Department of State

Bureau of Oceans and International
Environmental and Scientific Affairs

Washington, D.C. 20520

FAX COVER SHEET

Resending Jan 13 7:40am

DATE: ~~January 18 (5:15 pm)~~
TO: David Sandalow
Agency/
Organization NSC
PHONE: 456-6543 FAX: 456-2710
Number of Pages Including Cover: 4

FROM: M. Karen Walker
(202) 647-4711 phone
(202) 647-0773 fax
mkwalker@state.gov

MESSAGE:

a bit later than I'd anticipated,
here is "global env policies" sherman
paper for your review.

Karen

UNCLASSIFIEDGLOBAL ENVIRONMENTAL POLICIESISSUE

How to improve G-8 cooperation on international environmental priorities.

KEY POINTS

- The environmental agenda cannot stand apart from economic and trade policies; we must do more to take environmental concerns into account in our international economic, development and trade agendas.
- The multilateral development banks (MDBs) have made progress in this regard, but more needs to be done. Greater effort is needed in particular in implementing existing MDB policies in such areas as energy efficiency and sustainable forest management.
- Similarly, our export credit agencies should consider environmental impacts when approving support for overseas investment projects.
- We have proposed developing common environmental guidelines for OECD export credit agencies, but receive little help from other G-7 members. We look for your support because this is an area where the G-7 can demonstrate tangible progress toward sustainable development.
- Only by speaking with a common voice will we be able to effectively encourage developing countries to also integrate environmental concerns into their economic policy making. We must identify lessons learned and best practices on environmentally sustainable growth if we are to develop a common agenda vis-à-vis developing countries.

BACKGROUND

The Germans have suggested "environment" as a topic for Heads but with no specifics. Environmental negotiations in which the US is currently engaged are part of a much larger effort to establish an international framework to protect the global environment. If we want to move the global negotiation agenda forward, we must resolve our differences with the G-77 (where the debate is characterized by issues of "equity") and the EU (where debate centers on the most effective approach to regulation and policy implementation). G-8 discussions can help.

UNCLASSIFIEDGlobal Environmental Policies

-2-

Our challenge is to find the right levers that will convince developing and other countries that it is in their interest to accede to and comply with emerging and established environmental frameworks. One type of lever is financial assistance through the MDBs and export credit agencies.

The World Bank and other MDBs have made progress by requiring that environmental impacts be fully vetted before project approval, but with less success in implementation. The G-7 should call on the MDBs to put a priority on implementing existing policies in such fields as energy efficiency and sustainable forest management. Furthermore, at Denver and Birmingham, we called for the development of common environmental guidelines for OECD export credit agencies. Unfortunately, we have received almost no support for this effort from other G-7 countries and the endeavor has languished. We should press our G-7 colleagues to commit to move this agenda forward.

Trade organizations will be a key player in how globalization affects the international environmental agenda as well. Our desire is for world trade and investment regimes to complement and foster environmental and social protection goals. Moreover, market integration has outpaced financial, environmental and social regulatory capacities needed to reflect social values other than efficiency.

Before discussing how to bring these processes into balance, we must achieve consensus that market integrating mechanisms such as GATT, WTO and MAI have implications for non-market government institutions. Unfortunately, there has been almost no progress in the WTO's Committee on Trade and Environment, and it seems unlikely that a satisfactory agreement could be reached on changes to WTO rules that would clarify the relationship between trade and environmental policies. As a result, the USG is not likely to be in a position to make any major new proposals during this year's Summit process.

UNCLASSIFIED

File name: globalenvfnl.doc

Date: January 12, 1999

Drafted by:

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OES/PCI - Jonathan Margolis - OK
OES - Melinda Kimble

E - Anne Pence - OK
EB/IFD/ODF - Jeff Miotke - OK
G - Nigel Purvis - OK
P - David Straub - OK
S/P - Dan Hamilton - OK

AID/G - Franklin Moore - OK
EPA/OIA - Chris Herman and Martin Dieu - OK
NSC - David Sandalow

CLIMATE CHANGE

ISSUE

How best to use the G-8 process to keep momentum in the climate change negotiations.

KEY POINTS

- Climate change is the greatest environmental challenge of our time. In the United States, we are working hard to reduce emissions, although the issue remains very controversial in our Congress. The President's State of the Union speech earlier this week contained important new climate change initiatives, including \$200 million next year for a new Clean Air Fund to fight greenhouse gas emissions.
- Climate change is a cross-cutting issue, with profound economic implications. In our government, the economic agencies participate centrally in shaping policy on this issue.
- In our view, discussions in G-8 channels during the past year were helpful in reducing tensions among Annex I countries and in improving the negotiating atmosphere in Buenos Aires.
- Following Buenos Aires, a great deal of important work remains. Discussions among the G-8 may prove helpful in shaping consensus on key issues. As work progresses we may wish to identify important issues that our Ministers or Heads should focus on in their discussions.

IF ASKED

- The United States would not support a G-8 agreement to set energy efficiency standards in the transport sector. This is contrary to the Kyoto framework, under which countries choose which policies and measures to reduce greenhouse gas emissions best suit their national circumstance. It would also be politically unacceptable in the United States.
- We are, however, investing several hundred million dollars per year in a Partnership for a New Generation of Vehicles, designed to improve automotive fuel efficiency. We are also pursuing a range of policies to promote mass transit.

Cleared: Melinda Kimble, State
David Sandalow, CEQ

BACKGROUND

Climate change is a cross-cutting issue, with profound economic, social and environmental dimensions. The EU members of the G-8, however, continue to resist this, as the issue within the Union has been strictly controlled by environment ministries. This "tunnel vision" almost led to disaster at Kyoto and continues to threaten the long-term success of the process. The G-8 may offer a forum to engage key governments more broadly on this issue.

The negotiating schedule between now and CoP-6 is still taking shape. CoP-5 (in October 1999) may or may not be an occasion for significant advances. As events develop, we may wish to use discussions among the G-8 heads, sherpas or sous-sherpas to advance key positions.

The German paper received earlier this week appears to suggest "an agreement concerning greater energy efficiency" in the transport sector. This is contrary to the Kyoto framework and would be politically unacceptable in the U.S.

1/20/99

EXPORT CREDIT AGENCIES: ENVIRONMENTAL STANDARDS

ISSUE

How to promote common environmental guidelines for OECD export credit agencies (ECAs).

KEY POINTS

- Each year, our countries invest billions of dollars in infrastructure projects in the developing world. These projects have dramatic impacts on the global environment.
- Our export credit agencies play an important role in many of these projects. If we wish to protect the global environment, we must develop environmental standards for these agencies.
- During the past several years, we have made modest progress on this issue within the OECD. But it is clear that many of our export credit agencies need strong political direction before they will invest the resources necessary to develop and apply environmental standards.
- This issue is ripe for progress. Growing out of our discussions on social and environmental policy in a globalized world, we could make a major announcement on this issue this year.
- Leaders could commit to environment standards for export credit agencies and ask the OECD Participants Group to develop common standards as a matter of priority. Leaders could also support an information exchange mechanism in the OECD as an interim measure, to help address project-specific environmental concerns.
- This is a test of our seriousness in protecting the global environment. Environment standards for export credit agencies are one of the most powerful tools we have toward that end.

BACKGROUND

The U.S. has sought since the mid-1990s to encourage other OECD countries to apply environmental standards/guidelines to their export credit agencies. The Denver Summit began G-7 discussion of this issue ("Governments should...take environmental affects

into account..."), but the Birmingham Summit only "encourages further work" on the Denver language.

Other G-8 countries have generally resisted our efforts to develop common guidelines. Some have argued that their ECAs lack the ability to develop guidelines and assess projects; others have argued that we are simply trying to impose our political/legislative constraints on them.

However, there are signs that the landscape on this issue may be changing. The SPD/Green platform reportedly calls for ECAs to address environmental factors in financing decisions. Canadian and UK environment ministries have each expressed some degree of support.

In April, 1998, the OECD's technical level Export Credit Group (ECG) issued a toothless "Statement of Intent" that merely acknowledges that ECAs should consider the environmental risk of projects (i.e., the environmental risk **to** the project -- the project is built in an area highly prone to natural disaster, rather than the environmental impact **of** the project -- toxic waste). The Statement of Intent does not propose any action to make further progress on developing a common approach toward environmental issues.

Last year, Senator Frank Murkowski (R-AK) offered an appropriations rider that would have removed Ex-Im Bank's authority to apply environment standards to a project if the government of another G-7 country is offering the project support. Murkowski dropped the rider in the face of mounting opposition, but may reintroduce the provision in some form this year.

1/20/99

UNCLASSIFIED FACSIMILE

**FROM THE NATIONAL SECURITY COUNCIL
OF THE WHITE HOUSE**

DATE: Jan. 8, 1999

SENDER: JAMES B. STEINBERG

PHONE: (202) 456-9285

FAX: (202) 456-9290 7 pages, including cover

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Patrick Stuart		ph 622-1724

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CC: Gene Sperling (6-2878) Lael Brainard (6-1605)
Bruce McNamer (6-5334) Larry Butler (6-9150) Nancy McElwaine
A. Weiss/J. Elkind (6-9160) Jack Pritchard (6-9250)

additional cc on basis of subject:

David Sandalow (6-2710)
W.Wechsler/M.Montgomery (6-9360)
E.Schwartz/D.Wippman (6-9140)

SUBJECT: Attached are the agendas prepared by the German Sherpa for G-7 and G-8 Sherpa discussions on Jan. 22-23. Please note their inclusion of topics under "Economic and Social Policy in a Globalised World" including employment and environment. Please also note the attention given to debt relief, and crisis prevention through development cooperation.



MD PROF. DR. KLAUS GRETSCHMANN

IM

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Persönlicher Beauftragter des Bundeskanzlers
zur Vorbereitung des Wirtschaftsgipfels

Bonn, den 8. Januar 1999

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BUNDESKANZLERAMT

8. Jan. 1999 12:34

- 2 -

Subject: Sherpa-Meeting 22 - 23 January 1999

Dear Colleague,

In addition to my letter in which I have set out the agenda for our G 8 meeting, please find attached our G 7 agenda.

Over a working lunch we could discuss timing, format and other issues concerning a short separate meeting by G 7 Heads. As the Russians agreed to stick to the Birmingham format for Köln, I do not assume that there will be major reservations. Please let me have your views on this issue.

On the basis of the Finance Ministers' interim report I think it will be useful to discuss the issue of "Monetary and financial architecture". I look forward to an open exchange of views. We are in the process of preparing a paper on this topic, which I shall send round shortly.

Our first working session should be devoted to discussing the situation in Russia and problems and prospects for "Nuclear safety" in Ukraine. A review and preview of progress in the area of "Debt relief" should follow.

Under "Other issues", we should take into consideration other areas of interest our Heads might want to discuss during the Summit.

I copy this letter to G 7 colleagues.

Yours sincerely

P.P.



SHERPA-MEETING 22-23 January

G7 AGENDA

Friday, 22 January 1999

1230	Pre-lunch drinks
1300-1500	Working lunch 1999 Presidency - G7 aspects Monetary and financial architecture
1515-1645	Working session Russia Nuclear safety
1700-1800	Working session Development and debt - G 7 aspects Other issues

- 2 -

Subject: Sherpa-Meeting 22 - 23 January 1999

Dear Colleague,

Attached please find the agenda which I would like to suggest as the basis for our meeting on January 22-23 here in Bonn on the Petersberg.

My proposal is to start off discussions over a working dinner, with an outline of the main issues and format of the Köln Summit. Although Summit discussion on the "Global Economy" will to a large extent depend on developments coming up in the first half of this year, I would recommend a preliminary discussion and update on the subject. This will include an assessment of prospects for further world trade liberalisation.

For the Saturday part of our meeting, I would consider it useful to devote our first and part of our second working session to the topic of "Economic and Social Policy in a Globalised World". Jim might be willing to report briefly on preparations for the Washington meeting of labour ministers and how their results should be coordinated with Summit preparations. We could then turn to other policies related to globalisation. Social policy including employment aspects is highly topical in this respect, and I suggest to discuss its most relevant aspects. We should also discuss development cooperation for the prevention of violent conflict. Aspects of environmental policies designed to tackle global problems are of equal importance.

In December, we envisaged "Education and human capital" as a third topic for Heads. On this as on other topics we will take the liberty of sending you discussion papers as food for thought and as a potential basis for fruitful discussion.

Finally, I propose that we wrap up with a discussion of "Other issues", including nuclear safety, organised crime, terrorism, and non-proliferation issues.

I do hope that we can finish with an agreement on the pre-summit division of labour.

- 3 -

For preparing logistical arrangements, I also attach an information leaflet as well as a short questionnaire regarding arrival times, dietary requirements and the like. Could you please have the information required passed on to Miss Christine Albrecht, fax: +49 - 228 - 17 51032.

I am copying this letter to G 8 colleagues.

Yours sincerely

and warm regards

Heinz

SHERPA MEETING, 22-23 January 1999**AGENDA****Friday 22 January 1999**

1830 Pre-dinner drinks

1900-2130 Working dinner

1999 Presidency

The global economy

World economic situation

Trade

Saturday 23 January

0900-1030 Working session

Economic and social policy in a globalised world

Social policy in a globalised world

Employment

Environment, including climate change

1100-1230 Working session

Crisis prevention through development cooperation

Development and debt

Millennium bug

Education and human capital

1300-1430 Working lunch

Other issues

Nuclear safety

Organised crime

Terrorism

Non-proliferation

Pre-summit division of labour

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**FROM THE NATIONAL SECURITY COUNCIL
OF THE WHITE HOUSE**

DATE: 18 Jan 1999

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Bruce McNamer (6-5334) Larry Butler (6-9150)
Jon Elkind/A. Weiss (6-9160) Jack Pritchard (6-9250)

additional cc on basis of subject:

R. Fisher (5-3390) D. Dwoskin (5-5674) - paper on trade
D. Sandalow (6-2710) - pages on environment
G. Samore (6-9180) - pages on arms exports
Kent Pekel - (401-9027) - paper on training
@Multilat - (6-9140) - pages on crisis prevention

**SUBJECT: Attached are four discussion papers circulated by the
Germans: 1) Financial supervision; 2) Trade; 3) Economic and
Social Policy in a Globalized World (including environment and
crisis prevention); and 4) Training and Human Capital.**



MD PROF. DR. KLAUS GRETSCHMANN
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Subject: G-7 discussion paper for the next Sherpa Meeting 22.-23. January 1999

Dear Colleague,

Additionally to our G-8 discussion material you receive a G-7 discussion paper on „Strengthening of Supervisory Systems“. It contains first ideas and I suggest that we discuss it next weekend.

I am copying this letter to G-7 Sherpa colleagues.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Z. Kay' or similar, with a long horizontal stroke underneath.

Bonn, January 18th, 1999

TABKKZLWABT4\RL401\HOLTERS\ISFIN.DOC

German Discussion Paper

Strengthening of Supervisory Systems

Our Financial Experts will work closely with the international supervisory bodies (Basle Committee on Banking Supervision, International Organisation of Securities Commissions [IOSCO], Internal Association of Insurance Supervisors [IAIS] and the Joint Forum on Financial Conglomerates). The starting point for preparations of Summit contributions are current and future activities of these bodies. We expect reports of the supervisory bodies by 15 February 1999. Financial experts should take up and assess the recommendations for improving cooperation between the key international institutions and national authorities that Bundesbank President Tietmeyer is to submit by February 1999 following a resolution taken by the G7 finance ministers and central bank governors. Their contribution should also examine the scope for further strengthening supervisory and financial systems in industrial and emerging countries.

It is currently envisaged that the remit of the work will cover:

- Activities of the international supervisory bodies (Basle Committee on Banking Supervision; International Organisation of Securities Commissions; International Association of Insurance Supervisors; Joint Forum on Financial Conglomerates) since the Birmingham Summit
- Work of the international supervisory bodies in the immediate future
- Activities concerning the ten key principles on information exchange
- Activities concerning the core principles of the supervisory bodies
- Proposals to deal with hedge funds/highly leveraged institutions (including an assessment of the German proposal to establish an International Credit Register at the Bank for International Settlements)
- Offshore centres
- Transparency and disclosure standards for private financial institutions
- Problem of large exposures/positions
- Year 2000 issue

- Assessment of President Tietmeyer's recommendation for bringing together the key international institutions and national authorities involved in financial sector stability
- Assessment of the expected proposal by the IASC for a full range of internationally agreed accounting standards

Sherpas should closely follow and direct this work, relying on Finance Sous-Sherpas assessments.



MD PROF. DR. KLAUS GRETSCHMANN

IM

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Subject: Discussion papers for the next Sherpa Meeting 22.-23. January 1999

Dear Colleague,

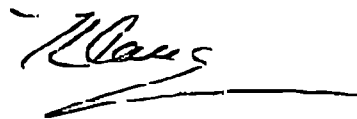
Enclosed you receive the following discussion papers for our next meeting:

- I. Trade policy
(to be discussed under the heading „Global Economy“)
- II. For the discussion of the topic „Economic, Social and Environmental Policy in a Globalised World“ a paper on
 - Economic and Social Policy in a Globalised World
 - Environment
 - Role of Development Policy for Crises Prevention
- III. Education and Human Capital

The papers present our first ideas and we hope for a fruitful discussion next weekend.

I am copying this letter to G-8 Sherpa colleagues.

Yours sincerely,



T:\BKKZ\LAL\ABT1\RL101\SHERPA\TRADEPOL.DOC

Bonn, January 18th, 1998

German Discussion Paper

Trade policy**- Trade policy as a summit issue:**

The globalisation of the markets for goods, services and capital is resulting in a deeper international division of labour and is opening up a variety of new, additional opportunities for economic development. Globalisation is also resulting in increased international competition to attract business and in a reduction of scope for policy-making at national level. If, on the one hand, the necessary structural reforms are undertaken in the various economies and the remaining barriers to trade are removed, and if, on the other hand, there is greater international cooperation in the field of economic, social and environmental policy and a re-orientation of the international economic systems along environmental and social lines, globalisation will be able to engender additional potential for sustainable growth and employment. It can help to safeguard existing jobs and create new, future-oriented ones.

- Globalisation as a policy challenge:

Globalisation is on the advance. Many successful companies are present on all major markets. At the same time, a regulatory framework for the world economy which also takes account of environmental and social aspects in the interest of sustainable development must be established. Not least, this implies that national economies need to adapt themselves and to remove structural deficiencies. Only if this is done will it be possible to utilise the advantages of globalisation.

- 2 -

- Combating protectionism:

The financial and economic crisis in Asia has not yet been overcome. For us, it is clear that the open world trade system was not the cause of the crisis, and that it is in fact helpful to overcome it. We need to make this clear to our trading partners so that there are no exacerbated protectionist tendencies.

- New round of liberalisation:

The vital thing is to press ahead with further liberalisation. That is the only way to make the economically sensible liberalisation of markets irreversible. It is equally important for the next round of world trade negotiations to contribute towards the achievement of sustainable development. The third WTO ministerial conference is scheduled for the end of 1999. It is to produce a decision on the opening of a comprehensive multilateral round of trade negotiations (with trade-offs for all partners).

Bonn, January 18th, 1999

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German Discussion Paper

Economic, Social and Environmental Policy in a Globalised World

- I. Economic and Social Policy in a Globalised World
- II. Environment
- III. The Role of Development Policy for Crises Prevention

I. Economic and Social Policy in a Globalised World

Taking account of increased interaction between economic, labour-market and social policy

1. The continuing liberalisation of foreign economic relations and the internationalisation of corporate activity is creating new opportunities for growth and employment around the world and is thus establishing the conditions for rising prosperity and social progress. If full advantage is to be taken of these positive effects of globalisation, there is a need not only for an economic and structural policy which enhances the adaptability of the goods and factor markets to the demands of international competition: there is also a need for a labour market and social policy which accompanies the structural change and ensures that the benefits of globalisation accrue to wide sections of the population. This particularly includes greater efforts to enhance skills in response to the loss of basic jobs in the course of globalisation and the accelerating change in skills requirements. An efficient social system improves the necessary acceptance in society of modernisation and progress and thereby fosters economic change. The faster the national economies become integrated into a competition-oriented world economy, the closer and more significant the efficient interplay between economic, labour-market and social policy will be.

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- How is the integration of economic, labour-market and social policy assessed in the individual G 7 countries in view of the ongoing process of globalisation?
- Are there ideas about achieving closer coordination between these policy fields;
- what reforms are planned in this context?

Investing in social capital

2. The demands made of the social systems have kept rising and changing as a result of the rapid structural change linked to new technologies, more open goods and capital markets and world-wide corporate integration. Social security systems must create a basis of trust which encourages the individual to be flexible, to act on his own initiative, to take risks and to perform well. A functioning social system must give all groups in society the confidence that they will be able to share in the successful tackling of structural change. An efficient social policy boosts social cohesion. It represents a productive investment in the social and human capital of our societies, on the basis of which the advantages of globalisation can be better utilised. By building on the activating function of the social state, a substantial contribution can be made towards more flexibility and efficiency in the process of market-led structural adjustment on the goods and factor markets. Here, the way the incentives are designed is a central issue for modern social policy. They must be such that the funding can be targeted precisely and efficiently. Efficiency on costs and incentives is vital in order to ensure a constructive and viable balance between social security and the financial burden on business, the state and society.

- What priority is given to social cohesion as a factor in the successful tackling of globalisation in the G7 countries, and how, in consequence, must the social systems be designed?
- What thought is being given to improving the efficiency of costs and incentives in the respective social systems, e.g. for unemployment and pension insurance?
- Is an enhanced exchange of information on planned reforms in the field of social policy, e.g. in the OECD context, deemed worthwhile?

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Boosting the social infrastructure for a sustainable development

3. In a globalised world, the success of the development strategy of a country depends more than ever on how successful it is in opening up and integrating its economy into the international division of labour. An open and fair system of world trade and finance supplies the necessary precondition for this. The development of functioning institutions must however keep pace with the process of liberalisation, in order to avoid economic and social set-backs. In addition to the establishment of supervisory authorities for financial institutions and banks and market-led competition, great significance also attaches to the development of an appropriate social infrastructure, the recognition of the rule of law, and the boosting of good governance. The recent experience with the monetary and financial crises in the most badly affected emerging markets has shown that the substantial negative social repercussions are partly a result of inadequate social security systems. The establishment and expansion of social systems can increase the level of acceptance of market-based reform and transition processes, and a balanced consideration of social aspects can contribute to a more rapid and lasting tackling of the necessary adjustment. The preservation of fundamental workers' rights, particularly the right of freedom of association and free collective bargaining, the ban on forced and exploitative child labour, and non-discrimination and equal treatment at work represent the foundation stones for a balanced society. The more stable the foundations, the more sustainable the development process and the lower the susceptibility of a society to crises in future. International solidarity is particularly required where there is a lack of public goods like basic health care and basic education and where the productivity of the labour force consequently stays down at a level which impedes successful involvement in the globalisation process.

- Can the multilateral development banks and the bilateral donor countries contribute more effectively than in the past to the formation of human capital (especially basic education, vocational training) and to the availability of basic health care?

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- Should development cooperation focus more on the establishment and reinforcement of the institutional and social infrastructure (possibly to the detriment of transport infrastructure, energy supply or support for agriculture)?
- Should greater consideration be given to social policy aspects in the prevention and management of financial and economic crises - e.g. in the context of IMF adjustment programmes?
- How can the work to reinforce international minimum standards in the social sphere be progressed? What role should be assumed by the international -- organisations, particularly the ILO, the OECD and the WTO.

II. Environment

Since many years environmental protection has been an important subject both of the discussions among the Heads of State and Government and of the Summit Communiqués. Summits have significantly contributed to progress in international environmental co-operation. Germany would like to keep this tradition. A requirement for enhanced sustainable development (i.e. economic development, social development and environmental protection) is a further reduction of the consumption of energy and resources in industrialised countries in particular. The further modernisation and increase in energy and resource productivity that is required for this presents opportunities for our national economies and, at the same time, could help to safeguard existing jobs and to create new, future orientated ones. Furthermore, sustainable development can make an increasingly important contribution to the prevention of crises and, thus, to international security.

Germany would like to propose the following two subjects:

1. Globalisation and Environmental Protection

- The globalisation of international economic relations presents opportunities for a worldwide strengthening of environmental protection - for example by means of a more rapid spread of environmentally friendly technologies - but at the same time it places environmental policy makers in front of ambitious challenges. Among other things, globalisation results in increased competition between various economic locations and less national scope for shaping policy. The international community therefore has to

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intensify its efforts to create a global ecological framework that aids globalisation in realising the vision of sustainable development. Increases the level of international harmonisation and prevents environmental dumping. Moreover, greater international co-operation in environmental standards can lead to greater efficiency and cost advantages as well as to creating more jobs. This is not just a question of binding minimum environmental standards, it also involves other instruments such as voluntary measures at international level (voluntary agreements), ISO standards in the environmental sector and environmental criteria for inter-national financing measures.

- The integration of environmental aspects into international trade, investment and financing activities has to be strengthened:

- International economic regimes will have to have a stronger orientation to ecological and social criteria. This also applies to the structural adjustment policies of international finance institutions.
- The G 8 Summit should send out a clear signal that the next WTO Round will have to help enhancing sustainable development and that the issue of "Trade and the Environment" will have to be one of the essential issues of the negotiations. These concerns are at the heart of the expectations of the outside world, in particular the so-called civil society. They ought to be taken seriously and dealt with in a transparent manner in order to obtain the required public support for new WTO negotiations.

However, the concerns of the developing countries who fear a new type of protectionism would have to be taken into account here so as not to jeopardise the new Round in general and the issue of Trade and the Environment within the new Round in particular. In this context it should be emphasised that sustainable development has a developmental as well as an environmental aspect.

- The progress of international coordination between Export Credit Agencies achieved during the last year when taking into account ecological aspects in their decisionmaking process is an encouraging sign. With regard to last year's G-8 decision further work at the OECD in this field should be encouraged.

2. Climate Change

- At the fourth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change a programme of work was adopted with fixed time

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horizons for the fleshing out of the Kyoto Protocol and for the further implementation of the Framework Convention on Climate Change. The "Buenos Aires Action Plan" is to be implemented by the year 2000.

- The objective in dealing with the subject of climate protection is to bring together the positions of the developed countries in achieving operational and substantial progress in fleshing out the Kyoto Protocol (in particular rules for the so-called Kyoto Mechanism and the compliance regime). In addition, there should be a more intensive exchange about more vigorous action at national level, in particular as far as best practices are concerned. Only if we developed countries manage to reverse emission trends in our own countries can we persuade the developing countries to take on more stringent obligations.

CO₂ emissions are continuing to rise in the transport sector throughout the world - in spite of some partial successes in a number of countries. In order to be able to comply with the commitments of the Kyoto Protocol a further reduction of fuel consumption from motor vehicles and aircraft is required. On a worldwide scale the G 8 countries manufacture over 80% of motor vehicles and aircraft. An agreement concerning greater energy efficiency is therefore necessary, both from an environmental and from a competition point of view. That is why the objective of removing the kerosene tax exemption should continue to be pursued. This could also result in a greater demand for more energy-efficient aircraft.

III. The Role of Development Policy for Crisis Prevention

1. Violent conflict and natural disasters:

threats to human development and international stability

A death toll of thousands, unspeakable suffering for the survivors and the destruction of development achievements won by great effort: all these are being caused, time and again, by violent conflict and natural disasters in the poorer regions of the world. But that

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is not all - conflicts and disasters also threaten international stability and result in unchecked refugee and migration movements. The global community is facing growing challenges of having to respond to the consequences of these conflicts and disasters with a considerable level of political and financial and more and more often, military - effort.

It is the developing and transition countries that have been the scene of more than 90 percent of the nearly 200 wars that have taken place since 1945. The recent great changes in global political structures have resulted in new instability and violent conflicts in many regions. National conflicts arising from economic, social, ethnic or religious disparity are moving to the fore. The share of bilateral emergency aid to address the damage caused by armed conflict and natural disasters has been growing since 1980 and has now reached 10 percent of total ODA. The International Red Cross estimates that there will be one billion environmental refugees at the end of this century.

The international community must give greater attention to the causes of conflicts and to the opportunities for peaceful conflict resolution and disaster prevention. With its 1997 *DAC Guidelines on Conflict, Peace and Development*, the OECD has made a major contribution. On November 30, 1998, the Council of the European Union adopted its *Conclusions ... on the Role of Development Cooperation in Strengthening Peace-Building, Conflict Prevention and Resolution*.

2. Crisis prevention through development cooperation

The structural causes of violent conflict are often economic and social inequality, environmental degradation and scarcity of resources, combined with population growth, as well as the erosion of social and cultural identity, and human rights violations. Against this background, development cooperation is making contributions to crisis prevention in many ways:

- creating conditions that enable a life in dignity, especially through poverty reduction and income and food security,

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- handling scarce resources such as land, water, forest and mineral resources (resource protection and sustainable management, arrangements for access to resources) and limiting population growth through family planning, social services and the empowerment of women,
- facilitating economic development and cooperation by supporting regional integration and participation in the globalization process,
- fostering a democratic and peaceful climate for development by preserving a sense of social and cultural identity, facilitating the participation of the population in development projects, and respecting human rights, supporting sustainable development in the context of global conventions on environment and development.

The eruption of violent conflict is usually caused, not least, by a lack of mechanisms in the society to resolve conflicts by nonviolent means. In addition to foreign and security policy activities, it is development cooperation with a focus on crisis prevention that can lend support to peaceful conflict resolution mechanisms, by

- fostering democracy and participation through assistance during elections, the creation of forums for dialogue, support for participatory structures at the grassroots level, support for vulnerable and marginalized groups, fostering the freedom and diversity of media,
- strengthening the legal system by providing advice on the drafting of constitutions and legislation, providing assistance to legal and administrative bodies, improving access to the legal system, particularly for disadvantaged groups,
- integrating police and military forces into a democratic system based on the rule of law by providing advice and supporting demobilization projects after civil wars

The extent and consequences of natural disasters are increasingly anthropogenic. Here, too, development cooperation is making essential contributions:

- working towards balanced global ecological conditions by means of climate protection programs, preserving forests and fighting desertification,

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checking overexploitation of natural resources, e.g. in monocultures, by supporting alternative routes of development and ameliorating past investments that are causing environmental damage,

- improving preventive disaster protection.

3. Political coherence of crisis prevention

The contributions that development cooperation makes to crisis prevention will only be sustainable if it is made certain that other policies will be consistent with development policy (coherence). These are some of the issues concerned:

- respecting social and ecological minimum standards in global trade regimes,
- making IMF and World Bank structural adjustment programs more compatible with development, social and environmental requirements,
- in the field of foreign trade policy, giving greater attention to criteria related to conflict prevention, the promotion of democracy and human rights, and to social, ecological and development policy standards,
- limiting the production, export and trade in military goods, particularly land mines and small arms.

It must be noted that crisis prevention can only be successful if the major players of the international community act in a coherent and coordinated manner.

4. Elements of a Initiative at the G7/8 Summit on the Contribution of Development Cooperation to Crisis Prevention

1. Recognizing the importance of the role of development cooperation in preventing crises and increasing the focus of development cooperation on crisis prevention requires that the downward trend of the share of ODA in GNP be stopped. The G7 heads of state and government should make a commitment to that effect.

1997 ODA (major donors):

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Country	payments (US\$ bn)	share of GNP (percent)
Japan	9.358	0.22
France	6.348	0.45
United States	6.188	0.08
Germany	5.913	0.28
United Kingdom	3.371	0.26
Canada	2.146	0.36
Italy	1.231	0.11

2. The *Guidelines on conflict, peace and development cooperation on the threshold of the 21st century* debated in the OECD/DAC framework constitute a shared theoretical, strategic basis for the role of development cooperation for crisis prevention. The G7 could emphasize this once more, advocating specifically

- the translation of these strategic deliberations into practical policies, including the required capacity building in the Ministries concerned with regard to early warning, the specific design of projects and programs, and continuous project monitoring in conflict situations;
- enhanced "coherence and transparency in conflict prevention initiatives and responses to conflict and complex emergencies by the international community"; this includes early coordination talks based on early warning information;
- support for developing and transition countries and regional organizations as they strive to optimize early identification of crises and disasters and crisis and disaster response, such support being embedded in an overall framework of foreign and security policy.

3. Arms exports

On June 8, 1998, the Council of the European Union adopted the Code of Conduct on Arms Exports. This Code lays down high common standards for EU countries for exporting conventional weapons and dual use goods where they are intended for armed forces' or internal security forces' use.

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The EU member states made a commitment in Operative Provision No. 11 of the Code of Conduct to use their best endeavors to encourage other arms exporting states to subscribe to the principles of the Code of Conduct. The G8 comprises countries that are among the largest exporters of arms worldwide. All G8 countries should be encouraged to embrace the principles of the EU Code of Conduct.

Donn, January 18th, 1999

German Discussion Paper

„Training, Human Capital and Innovation“**Introductory remarks**

Highly industrialised countries are undergoing a long-term transition process to information and service societies and knowledge-based economies. New products, services and production processes are to a growing extent dependent on the input of knowledge and know-how. Only innovative and flexible firms, i. e. „learning enterprises“, are in a position to meet the requirements of growing trans-border competition and rapid structural change. The qualification of staff, in the field of research and development as well as in production and marketing, is becoming the dominant production factor, together with the knowledge management and organisation of the innovation process.

What applies to the level of enterprises is also valid for the individual citizen as well as for the economy as a whole. The citizen's successful participation in the labour market and in community life pre-supposes a sound basis of initial education and training including the capacity and readiness to meet new occupational requirements by undergoing recurrent education. On the other hand intensified competition between national economies in the process of globalisation challenges highly industrialised countries to make full use of their comparative advantages strengths: high quality labour, inventiveness and sophisticated technological and managerial knowledge. Ecological challenges likewise require intelligent, resource-saving products and production processes based on high investment in personnel and R&D.

Investment in human capital is becoming crucial for stimulating economic dynamism and new employment opportunities and for solving the economic, ecological and social problems of highly developed societies. For newly industrialised economies as well as for developing countries this factor is even more decisive as prerequisite for economic and social development and for participation in international exchange and co-operation.

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Issues

1. Many countries are undertaking new efforts to increase investment in education as well as in R&D with the aim of strengthening their economic, social and cultural basis. At the same time reforms are on the way to make systems more responsive to new challenges, to increase the efficiency of education and research, to raise quality of outputs and impact on innovation.

The summit could emphasise the key importance of investment in human capital, in education, research and innovative applications for stimulating sustainable growth and improving employment opportunities. G 7/G 8 leaders could stress the need for concerted action by governments and the enterprise sector, social partners and individual citizens for meeting the challenges of the future. They could ask OECD to organise the discussion process on new strategies pursued by governments, enterprises and private organisations, to exchange „good examples“ and to improve the information basis for policy development.

2. The half-life periods of economic usefulness of qualifications become shorter and shorter. At the same time new kinds of work organisation replace traditional industrial mass production. Creativity, knowledge, technical and social competence, a higher degree of self reliance and entrepreneurial action become decisive factors of success. In learning societies education and vocational training have to continue throughout life. This includes learning in education institutions with the aim of formal qualifications as well as informal self-directed learning and learning at the work place.

The Heads of State and governments could call for a comprehensive exchange of experiences with respect to plans and strategies for realising the idea of lifelong learning (comprising the relationship between initial and continuing education and training and organisational and financial mechanisms conducive to learning), Special attention should be given to personnel of SME's and to personnel with low qualification.

3. Lifelong learning and investment in R&D is not only a challenge to governments and individual citizens but also to enterprises. The working environment has turned out to be the most appropriate place for further learning that ensures relevance and motivation. Entrepreneurs and managers should have in mind that returns of such investment are of

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longer term nature and that personnel development and knowledge management become decisive action parameters for continuously successful firms. „Intangible investment“ in personnel as well as in application-oriented R&D has to be made measurable and comparable and to be reported by firms in order to improve management and composition of investment.

Heads of states and governments could call on enterprises to take a longer-term view on the importance of investment in human capital and encourage the OECD to further pursue analytical concepts and to develop recommendations in this field.

4. Lifelong learning has to build on a sound basis of initial education and training. It is highly dependent on the capability to undertake self-directed learning. A basic education of high quality is to be conveyed to all young people and there is a growing consensus that school leavers should also get a vocational qualification through different kinds of training for middle-level skills or or higher education. For young people with special needs new bridges are to be created in order to help them to successfully enter adult and working life. In many of our countries major policy initiatives have been undertaken to give training to all young people and to bring them into stable employment .

G 7/G 8-leaders could express the crucial importance of offering young people routes for successful transition from school to work and call for the engagement of the enterprise sector in the training of young people.

5. Additional employment opportunities can only be created if new enterprises are started, based on a technological idea or exploiting new marketing opportunities particularly in the service field. For making full use of this potential it is important that initial education, vocational training and higher education provide young people with an impetus and skills for entrepreneurship and that regulatory, information and financial barriers are reduced. The availability of risk capital, in particular of equity capital for start-ups, is to be improved in many of our countries.

Experience and new ideas should be shared to create a positive spirit and appropriate framework conditions for establishing new firms and to best prepare young people for entrepreneurship.

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6. The position of higher qualified professions on the labour market is improving in promising fields of science and technology. An increasing number of enterprises, in particular those offering technology intensive services, complain about a lack of highly qualified specialised personnel for the application and integration of information and communication technologies in product and process innovations. The lack of specialised personnel, partly due to past fluctuations in demand for these groups, is becoming an impediment of innovation in certain sectors of R&D. The competition of locations for production can become a competition about the „best heads“.

G 7/G 8-leaders could request the OECD to supply a comprehensive evaluation of political challenges and options with respect to labour markets for highly qualified researchers and specialised personnel.

7. The increasing international interlacing of many areas of life creates enormous challenges for learning. The capability to grasp, evaluate and apply knowledge from worldwide sources becomes more and more important. New kinds of trans-border co-operation and communication place new demands on management and staff. The internationalisation of education and international networking in research are becoming central answers to the global knowledge society.

The Heads of States and Governments could underline the necessity to strengthen the international dimension of education, including the training of young researchers, and the role of international exchange schemes. They could emphasise the need to further develop new concepts for internationality in education and research in the framework of the OECD.

UNCLASSIFIED FACSIMILE

**FROM THE NATIONAL SECURITY COUNCIL
OF THE WHITE HOUSE**

DATE: Jan. 4, 1999

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13 pages, including cover

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SUBJECT:

Forwarding faxes from John Holmes recapping activities of
G-7/8 on all issues in 1998. Happy New Year to all.

*DAVID SANDALOW
6-2710
Ken Bernand
6-9390*

1998

UK PRESIDENCY GS FAX NO:
FACSIMILE COVER SHEET

44

Nos of Pages:
(including cover) 8

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0171

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31 Dec. 1998 05:44PM P1

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31/12/98 18:43

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001718393000 9.01/02

31-DEC-1998 16:26 FROM ERD



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31 December 1998

From the Principal Private Secretary

Dear colleague,

Many thanks to all of you for your contributions to this year's presidency. I believe we have made significant progress in a number of areas. This was due in no small part to friendly cooperation and constructive thinking in the Sherpa process. In case it is useful, I attach a summary of the year's developments, written for our internal use and with no formal status.

I will, incidentally, be leaving No 10 at the beginning of February, and do not therefore plan to attend the first Sherpa meeting of next year. All that remains is for me to wish you all a happy and successful 1999. My best wishes go particularly to Klaus who, I know only too well, has a challenging year ahead of him.

Yours ac

JOHN HUME

cc Sherpas

BIRMINGHAM G8 SUMMIT

Promoting sustainable growth in the global economy

The Summit message on the need to work to build sustainable growth in all countries was particularly relevant as the crisis spread beyond Asia in the autumn. Since May we have worked actively to restore economic stability and to support the key role of the International Financial Institutions.

There has been some progress on our commitments on trade. The WTO Ministerial in Geneva in May began a preparatory process for a new Round of trade negotiations. The WTO has concluded accession negotiations with Latvia and Kyrgyz Republic and is considering ways to improve transparency. At Geneva the WTO also affirmed its commitment to improve market access condition for developing countries.

There has been good progress on development, with endorsement of the International Development Strategy and Targets on Poverty Eradication by the UN General Assembly in December and the World Bank in November. Several of us have or will soon ratify the OECD Anti-Bribery Convention, which will enter into force in February 1999. The World Bank meeting in Copenhagen in November agreed to a US\$ 20.5 billion replenishment of IDA 12, to be focused on poverty elimination. OECD work on an agreement on untying aid continues, and members are confident that a recommendation will be made in May 1999.

The World Bank/IMF annual meetings in October reaffirmed support for extension of the Heavily Indebted Poor Countries debt initiative to more countries, with agreement to aim to ensure that all eligible countries are in the process by 2000, the commitment to a full review of HIPC next year and the agreement to provide faster relief for post conflict countries.

The WHO has now launched its Roll Back Malaria initiative. Our experts are examining means to combat the spread of the AIDS virus and met in New Delhi in December, with a follow-up meeting planned for January in Paris.

Our work on energy has been pursued through national policies. There has been disappointing follow-up to our commitments on nuclear safety, with incomplete implementation of the Nuclear Safety Agreements. We have not yet been able to organise a meeting of the Nuclear Safety Working Group at 8 to contribute towards the deepening of the Russian role in the NSWG.

There has been good progress on climate change. With the exception of Russia, all parties have signed the Kyoto Protocol. The Climate Change Conference in Buenos Aires agreed a two year action plan to ensure the implementation of climate change policy, within a deadline of COP6 (end of 2000), for the establishment of principles, modalities, rules and guidelines for international emissions trading, joint implementation and the clean development mechanism.

The G8 Forest Action Programme is being implemented nationally and there will be a report back on progress in 2000.

Growth Employment and inclusion

We are implementing our action plans nationally. There has been good progress on the implementation of internationally recognised core labour standards. The ILO Conference in June adopted the Declaration on fundamental principles and rights at work.

Combating drugs and international crime

Our experts have done useful follow-up work since Birmingham.

Preparatory work has begun on a UN Convention against transnational organised crime, with 2000 as the target date for completion.

On high-tech crime, the Lyon Group has established a 24 hour network of law enforcement experts to respond to requests for assistance with cross-border investigations. Experts have also made progress on codes of good practice with the internet provider industry.

On financial crime, most of us have set up Financial Intelligence Units or intend to do so.

The Lyon Group will consider how to take forward the remit on official corruption after the US International Corruption Conference on 24-26 February.

The Lyon Group has made progress on G8-agreed texts for protocols on trafficking of human beings to the UN Crime Conference and is working on the action plans requested by Heads.

The Lyon Group has done good work on law enforcement projects, with a remaining focus on Eastern European crime and payment card fraud. This subgroup will consider whether criminal organisations are moving into illegal environmental trafficking.

The December Ministerial video-conference has reviewed progress. This can be followed up at the proposed Ministerial meeting in Moscow after Köln.

Non-Proliferation and Export Controls

We are pursuing effective implementation of export controls nationally and in the UN. The Senior Officials Task Force

meetings on India/Pakistan in July and October agreed to continue the pressure on India and Pakistan to sign the Comprehensive Test Ban Treaty; for a quick start to Fissile Material Cut-Off Treaty negotiations, and a moratorium on fissile material production by India and Pakistan meanwhile; to formalise their statements on export controls; to implement existing Confidence and Security Building Measures; and to explore the possibility of seminars on CSBMs and regional security.

Millennium Bug

G8 coordination has raised the international profile and identified key problem areas. Our coordinators need to continue giving impetus to work in international organisations and to give thought to contingency plans. The World Bank is assisting developing countries. The OECD has undertaken some analysis and has contributed to international awareness-raising meetings.

G8 FOREIGN MINISTERS

Environment

The Second London Oceans Workshop, co hosted by the UK and Brazil in December, identified the major problems facing sustainable management of the oceans. The workshops' report will be submitted to the UN for discussion at the CSD Inter-sessional meeting in New York in March.

UN Issues

Progress on United Nations institutional reform has been disappointing although there has been some movement on the Secretary General's Track II reforms and improved coordination

within the UN. There has been no progress on the UN's financial situation which remains bleak. We are working in the UN and regionally on conflict prevention. The International Criminal Court's Statute has been opened for signature following the Rome Conference in July.

Non-Proliferation, arms control and disarmament

The Biological Weapons ad-hoc group is committed to 16 weeks of negotiations in 1999 in a determined attempt to conclude negotiations on the Biological Weapons convention by the end of the year.

On management of fissile material, an NPEG subgroup will meet early next year to discuss in greater detail the financing of Russian plutonium disposal.

The programme for preventing and combating illicit trafficking in nuclear material has extended beyond the G8. Practical progress in this area includes testing of the G8 information notification system and a survey of border monitoring equipment.

The Lyon Group firearms subgroup will discuss the non-proliferation aspects of the small arms trade.

Anti-personnel landmines

The Ottawa Convention on anti-personnel landmines will come into force on 1 March 1999.

Democracy and human rights

Good progress has been made on Human Rights. G8 members are supporting the new High Commissioner for Human Rights politically and financially. The International Labour

Conference in June initiated drafting of a new Convention on Extreme Forms of Child Labour which we hope will be adopted at the International Labour Conference in June 1999. The Oslo Conference action plan took forward work on the ILO Convention on Child Labour (including the conscription of children in armed conflict).

Terrorism

G8 counter-terrorism efforts have focussed on action against terrorist financing. At the London Conference on 7-8 December senior officials warmly welcomed France's initiative for a UN Convention against terrorist finances. The Conference conclusions were endorsed by G8 Interior/Justice Ministers on 15 December.

The guidelines on best practice which came out of the Hostage-taking Workshop in November, addressed Ministers' commitments on no concessions to terrorists. Implementation of the international aviation security measures in the year of the 10th anniversary of Lockerbie has been taken forward in ICAO and nationally. G8 experts met in June to discuss export controls on explosives and terrorist related items. Participants agreed to exchange information on their national systems.

JOINT G8 FOREIGN AND FINANCE MINISTERS

Electronic Commerce

The Ottawa OECD Ministerial endorsed an action plan on a taxation framework for electronic commerce and agreed governments and the business sector should cooperate in order to realise the full potential of the new technologies. Our officials will produce a follow-up report next year.

1998

UK PRESIDENCY G7 FAX NO: 56

FACSIMILE COVER SHEET

Nos of Pages: 4
(including cover)

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01/04/99 10:08 456 9290
31-DEC-1998 17:16 FROM ENA

NAT SEC COUNCIL

011/013

PHONE NO. : 0171

31 DEC. 1998

FROM : 31/12/98 16:43

TO

931718399644 NO. 598 023
P. 00/00

31-DEC-1998 16:26 FROM EGD



10 DOWNING STREET
LONDON SW1A 2AA

31 December 1998

From the Principal Private Secretary

Dear colleague.

As a supplement to my letter to G7 Sharpes, I attach our
summary of the main G7 achievements.

Yours ever

JOHN HOLMES

G7 Sharpes

BIRMINGHAM SUMMIT

World economy

Our Finance Ministers and Central Bank Governors have recognised that the balance of risks in the world economy has shifted, and have committed to create or sustain the conditions for strong, domestic-led growth and financial stability in our economies. Interest rates have been cut in each of our economies since Birmingham.

Strengthening the global financial system

Our Finance Ministers have worked together intensively, particularly since the deepening of the crisis in the autumn. The 30 October G7 statements built on the Birmingham commitments and set out a wide range of reforms to strengthen the international financial system:

- strengthened arrangements for dealing with contagion in international capital markets, the central element of which would be the establishment of an enhanced IMF facility;
- measures to increase the transparency and openness of the international financial system;
- policies and processes to ensure the stability and improve the surveillance of the international financial system, and to develop better ways to respond to crises, in particular through the involvement of the private sector;
- measures aimed at reforming the International Financial institutions, such as the IMF, while deepening cooperation among industrialised and developing countries.

The G7 Finance Ministers' progress report to Heads sets out a detailed timetable for progress.

Ukraine

We have made good progress on the Chernobyl Shelter Fund, with the election of Hans Blix as Chairman of the donors' Assembly and the award of contracts which will get the project underway. We have developed a framework for a possible private sector fund-raising campaign and Mr Blair and President Kuchma have written joint letters to potential donor countries.

The proposed EBRD loan for K2/R4 passed Initial Review in the summer and our experts, with close Sherpa supervision, are working with the Ukrainians and EBRD in the final stages of project preparation. Mr Blair has written to President Kuchma twice since Birmingham emphasising the need to make progress on energy sector reform.

G7 FINANCE MINISTERS' CONCLUSIONS

Financial stability

Work has continued on enhancing supervision of internationally active financial firms, in particular through improving co-ordination and co-operation amongst supervisors. The Joint Forum of supervisors has begun testing its ideas on the identification of a coordinating supervisor, and the G7 have been actively addressing the removal of barriers to the exchange of regulatory information.

Financial Crime

Our financial crime experts have been working to improve the global fight against financial crime both in the G7 and beyond, by addressing the barriers to information exchange between financial regulators and law enforcement authorities.

We have continued our strong support for the Financial Action Task Force, and its strategy to establish a world-wide anti-money laundering network in all regions of the globe. We have initiated work to identify jurisdictions which do not meet acceptable standards of international cooperation in the pursuit of financial criminals.

Tax competition

We have developed a co-ordinated strategy to tackle harmful tax competition, through our support for action by the OECD to curb preferential tax regimes and tax havens, and to improve international exchange of information. We are improving the contribution that anti-money laundering systems can make to the investigation of tax-related crimes.

January 2, 1997

TRANSITION PAPER ON GLOBAL ENVIRONMENT

In protecting the global environment, the next few years will bring rich opportunity and constant challenge. Major advances are possible as several multilateral negotiations, most notably the climate change talks, approach key deadlines; as capital pours steadily into many developing countries; and as national security frameworks evolve in the post-Cold War era. At the same time, there is a threat of backlash, at home and abroad, as events unfold at a brisk pace in 1997.

The following ten issues should form the core of our agenda:

1. Climate Change. This is the most important global environment issue for the next few years, by far. No issue discussed here will command as much constituency interest or media attention. No issue offers as much opportunity for progress or prospect of discord.

Talks under the Berlin Mandate are scheduled to conclude in December, 1997. Shaping a consensus around an approach that can be agreed internationally and implemented domestically will be a challenge of the first order. Major diplomatic efforts, intense consultations with key constituencies, close collaboration with Congressional allies and aggressive public outreach will all be required.

As we shape our policy we must be serious but sensible, fighting for real progress without over-reaching. We must steer a course between an agreement too weak to be meaningful and one too stringent to be implemented. The test of success is this: do the results send a strong signal that greenhouse gas emissions will be limited over the long-term? If markets are convinced the answer to this question is yes, they will make the crucial investments in technologies needed to address this problem.

2. Preventive Diplomacy. Environmental damage and resource scarcity often play a role in conflict. Long-term strategies for conflict avoidance will benefit from attention to these issues. During the past few years, we have begun to build an impressive record in this area, with programs such as the Greater Horn of Africa Initiative. In the years ahead, we should build on these successes with multilateral agreements (e.g. the Desertification Convention), regional dialogues (e.g. Middle East water) and targeted assistance (e.g. Haiti reforestation).

In addition, cooperation on environmental matters can be helpful in managing difficult bilateral relationships (e.g. with China) or in laying a foundation for broader bilateral cooperation (e.g. with Russia, under the Gore-Chernomyrdin process). Dialogue on some environmental issues is especially well-suited to long-term confidence-building exercises. In the years ahead, we should be mindful of strategic opportunities to use environmental cooperation as part of our larger diplomacy.

3. Trade and Environment. In the months ahead, tensions between the global trade and environment regimes will attract increasing attention. Disputes are brewing over U.S. unilateralism (e.g. our shrimp/turtle embargo) and other thorny issues (e.g. our reformulated gasoline regulations, EU leghold trap rules and ecolabelling). Fast-track legislation may reignite debate in the U.S. Congress on the role of environment (and labor) issues in trade agreements.

Significant short-term progress on trade/environment issues is unlikely, due to deep differences among key domestic constituencies and among key trading partners. However, progress over the long-term is vital, both to ensure that globalization of the world economy pays environmental dividends and to build broader confidence in the WTO.

Moving from a reactive, defensive agenda toward progress on trade/environment issues will require: first, recognition from the trade community that broad-based support for the WTO requires greater buy-in from environmental groups; second, acknowledgement from those environmentalists most concerned about the WTO that developing countries (including developing country environment ministries) do not share their concerns; and, finally, sustained attention from key policymakers.

4. World Bank and other financial institutions. Few institutions shape the global environment more profoundly than the World Bank. In part, this is because the Bank lends billions of dollars each year for projects with considerable environmental impacts, both good and bad. In part, this is because the Bank's policy-based lending programs have reordered dozens of economies. Most fundamentally, however, it is because the Bank increasingly serves as the de facto environmental standard-setter in business transactions throughout the world. Private financial institutions, private developers, export credit agencies and others look to World Bank environmental standards in shaping hundreds of billions of dollars of business transactions each year.

The importance of the Bank's standard-setting role has grown with recent increases in private capital flows to developing countries. Since 1990, while funding for overseas development assistance has (at best) held steady, private capital flows to the developing world have skyrocketed (increasing several hundred percent). These trends are expected to continue.

The selection of Jim Wolfensohn was a vitally important contribution to the "greening of the Bank," but much more is needed. Wolfensohn has spoken out publicly about the difficulties he is facing in implementing reforms. We cannot rest on the selection of Wolfensohn and hope that his hard work and many talents will suffice. To achieve results, we will need to strengthen significantly the U.S. government's ability to influence Bank conduct on these issues.

Export credit agencies also have important impacts on the global environment. We should pursue a G-7 initiative on the environmental policies of export credit agencies, building on lessons learned from prior efforts in this area.

5. United Nations and other political institutions. In June, 1997, the UN General Assembly will host a Special Session in New York to assess progress in promoting sustainable development since the Rio Earth Summit. Some heads of state, including Chancellor Kohl, are expected to attend. There is considerable risk that the Special Session will become a forum for bitter complaints (about resources) from the South and empty promises (about environmental protection) from the North. However, with work, the Special Session can help strengthen the commitment to sustainable development in governments around the world. We must move quickly to shape an agenda, which should focus on mobilizing private capital, promoting national councils on sustainable development and reforming relevant UN institutions (including UNEP and the CSD).

The Denver G-7 Summit also presents an important opportunity. We should build on the G-7's focus on financial issues to shape a package that addresses the role of private capital flows in promoting sustainable development.

6. Oceans. Overfishing and pollution pose grave threats to the marine environment. During the past few years, U.S. leadership on these issues helped produce important achievements, including the U.N. Straddling Stocks Agreement, the London Convention's ban on ocean dumping of low-level radioactive waste, the Washington Declaration's Plan of Action to address land-based sources of marine pollution, and the Southern Ocean Whale Sanctuary.

The agenda ahead should focus in three areas: ratification, implementation and over-capitalization. Ratification of the Law of the Sea Convention by the U.S. is a vital piece of the global framework governing use of the oceans. Implementation of (and compliance with) the Straddling Stocks Agreement, the Washington Declaration's Plan of Action, key regional fisheries agreements and a range of other obligations should be a primary focus. Beginning to address the difficult problem of over-capitalized fishing fleets will be essential to sustainable management of fisheries worldwide.

We must also recognize that two contentious conservation issues will absorb political attention on these issues in the short-term. First, another legislative battle looms over dolphin protection in the Eastern Tropical Pacific. Our approach should be shaped by lessons learned in this year's struggle (including the power of key legislators and the influence of a united Hollywood elite on this issue). Second, a series of unsatisfying skirmishes lie ahead over whaling. Our policy will need to address eroding support among whaling nations for the International Whaling Commission's conservation regime and predictable calls from domestic environmental groups for the President to impose trade sanctions to protect these symbolically important mammals.

7. Population. Population growth dramatically affects the global environment. Water scarcity, depleted fisheries, degraded soils, biodiversity loss and threats to the climate system are among the many results of rapid, unsustainable population growth. The 1994 Cairo Conference was an historic step forward in efforts to stabilize population by promoting quality reproductive health care, education and opportunity for all.

The most immediate task here is to restore funding for bilateral population assistance. This will require a short-term legislative battle (over restrictions on FY'97 funds) and longer-term process of building political support for these programs. Beyond that, we should be guided by the consensus at Cairo, working to implement the Program of Action agreed there. While recognizing potential sensitivities, we should draw links between environment and population issues where appropriate and promote a broad vision of sustainable development.

8. Chemicals. We are poised for important progress in addressing risks from the transboundary movement of chemicals. Perhaps most significant, negotiations will begin soon on a global phaseout of some of the most dangerous persistent organic pollutants. Such a phaseout could offer significant benefits; we should strive to conclude negotiations within several years. Useful work is also underway on other topics, including a legally-binding "prior informed consent" regime to help developing countries manage risks from chemicals.

Public education opportunities related to transboundary chemical issues deserve greater attention. Our domestic political experience amply demonstrates the power of public concern over toxic chemicals. Yet little of this concern has focused on the very real threat that some dangerous chemicals will arrive on our shores from abroad. A responsible public education campaign that described this threat could help improve public understanding of the need for multilateral approaches to many environmental problems.

9. Biodiversity. On no environmental issue is the global response more breathtakingly inadequate. Scientists agree that biodiversity is being lost at a rate unequalled since the dinosaurs went extinct more than 60 million years ago. Yet the global convention to address the issue is skeletal, at best; the work of that convention is consumed with an issue of minor importance to the preservation of biodiversity; the principal cause of biodiversity loss -- habitat destruction -- continues in many parts of the world largely unabated; and attempts to address the issue are too often sidetracked by North-South rhetoric.

On this issue we must be realistic without losing a sense of urgency. Ratification of the Biodiversity Convention by the U.S. is important, to help bolster U.S. credibility, yet at most a modest step. We must fight to restore funding for bilateral aid programs; support agricultural research to relieve pressures on forests; work with the multilateral development banks and others to prevent biodiversity loss in key "hotspots"; promote forest certification programs; use the Convention on International Trade in Endangered Species (CITES) to protect key species, such as mahogany; and seek progress where possible in other multilateral fora (including the Biodiversity Convention and Intergovernmental Panel on Forests).

10. Intelligence Community. The intelligence community offers unique assets for environmental protection. Satellite systems that monitor military activity can also monitor forest fires. Surveillance technologies that track naval vessels can also track fishing vessels. Decades of declassified archival data can help scientists understand trends in natural phenomena such as snow cover, deforestation and desertification.

In the next few years, we should continue the pathbreaking scientific data exchange between the U.S. and Russian intelligence communities; seek opportunities to exchange data, where appropriate, with other countries; support the Global Fiducials program, under which scientists are identifying sites for imaging during non-peak hours of satellite use; enhance our analytic capabilities concerning the impact of resource issues on regional instability; and explore new ways to use intelligence community assets in responding to natural disasters.

*

In addressing the diverse issues discussed above, we should emphasize three themes:

1. Mobilizing private capital. The era of big government is over. Public-private partnerships and focus on private capital flows are essential to global environmental protection.

The rhetoric of "mobilizing private capital in the service of sustainable development" is in wide use in some circles. The challenge is to infuse that rhetoric with content. Such content can be found in: policies that recognize the World Bank's unique role in promoting sustainable development; multilateral initiatives to harmonize environmental standards of export credit agencies; climate change policies that send strong signals to private markets, while leaving markets forces free to shape optimal solutions; support for sustainable forestry programs; and more.

2. Advancing implementation and compliance. In protecting the global environment, we have been more successful on paper than on the ground. We have found it easier to embrace ideas than to implement them. Rhetoric has flourished while performance lags.

In the next few years we should focus on implementation and compliance. This means, among other things, strengthening ongoing monitoring programs, following through on Secretary Christopher's commitment to a major conference on this subject and investing resources in implementation and compliance efforts.

3. Promoting technologies. Developing and diffusing technologies is the key to protecting the global environment. Without new (and in some cases revolutionary) technologies, we cannot meet the environmental challenges of the 21st century.

In the United States, optimism about technology runs deep. Polling data consistently confirms the American people's belief in the ability of technology to address the challenges of the future. This optimism is an important source to be tapped in shaping policies to protect the global environment.

-David B. Sandalow

Sandalow, David B.

From: Scott-Perez, Marilyn L.
Sent: Wednesday, December 30, 1998 3:34 PM
To: Sandalow, David B.; @NSA - Natl Security Advisor
Subject: RE: environment staffing [UNCLASSIFIED]

Mr. Steinberg has read your e-mail and has responded:

Let's discuss

-----Original Message-----

From: Sandalow, David B.
Sent: Tuesday, December 22, 1998 11:06 AM
To: @NSA - Natl Security Advisor
Subject: FW: environment staffing [UNCLASSIFIED]

Jim:

Have been talking with Glyn, George Frampton and others about ways to enhance WH resources for global environment issues. Draft memo to John P. on this topic is in the works; will forward for your review when ready.

In the meantime, George Frampton would like to move forward on two candidates to replace me. They are:

- Ian Bowles - Vice President at Conservation Int'l; candidate for US Congress from Boston South Shore in 1996 (lost to Bill Delahunt in Dem primary)
- Roger Ballentine - Spec Asst to the Pres for Leg Affairs (Senate); has been handling global warming for Larry for the past year.

Given lead times for clearances, could be helpful to make decisions in January. Would you like to interview Ian and Roger?

_____ Yes

_____ No

_____ Let's Discuss

-----Original Message-----

From: Sandalow, David B.
Sent: Tuesday, December 15, 1998 6:52 PM
To: @NSA - Natl Security Advisor
Subject: environment staffing [UNCLASSIFIED]

Jim:

George Frampton has a candidate to replace me. Would you like to interview this person?

pessimistic, saying the demand for pulpwood and sawn timber is still growing in Europe and that precommercial thinning to remove older trees should minimize the impact of a reduced cut (Tim Burt, *Financial Times*, 1/12). ([Back to Contents](#))

14 PANAMA: Canal Zone's Environment At Risk

As the US prepares to return control of the Panama Canal to Panama on 12/31, ecological threats are prompting questions over the future health and operation of the canal zone.

About 20% of Panama's economy is tied to the operation of the canal, making the protection of the watershed "not just a tree hugger's concern," but also one that is key to the country's well being.

The canal watershed suffers an annual loss of about 1,000 acres of rainforest due to logging, mining and slash-and-burn agricultural practices. The country's typically high rainfall causes silt from the cleared land to flow into the canal zone. Despite a \$150 million annual dredging effort, about 1% of the canal's water volume is lost due to siltation each year.

The future of Lake Gatun, a 164-square-mile artificial lake, also is a primary concern. Last year's El Nino-induced drought caused the lake, which serves as a key source of freshwater for the "dramatically" growing populations of Panama City and Colon, to drop six feet. And canal ship traffic, which releases 52 million gallons of freshwater into the ocean with every pass, upsets the area's salinity (Tom Carter, *Washington Times*, 1/13).

US Military Sites Remain An Environmental Issue

As the canal's handover approaches, how clean the US should leave its Panama-based military sites continues to be at the center of debate between US and Panamanian officials (*Greenwire*, 4/2/98). Under the 1977 treaty that sets the terms for the canal's handover, the US is required to clean explosives, chemical weapons and other hazardous materials from US military firing ranges.

Angel Urena of the National Assn. for the Conservation of Nature: "We consider it a moral obligation for the US to clean up the ranges." But Army spokesperson Maritza Pierce says that some sites such as the Empire Firing Range "cannot be completely cleaned up" because doing so would require the cutting down of some patches of rainforest (Tom Carter, *Washington Times*, 1/13). ([Back to Contents](#))

15 VIETNAM: Gov't Eyes Species Protection, Nuclear Power

Vietnam on 1/10 said it plans to launch 10 projects to conserve plant and animal species by 2005.

The project will focus on national parks, protection of "useful insects" and disease prevention. The government "hopes" the \$32 million project will draw foreign funding.

About 7,000 of an estimated 12,000 plant species have been identified in the country, with only 500 of 3,000 medicinal plants being "properly" conserved. More than 800 bird species and 270 animal species have also been identified (Agence France Presse, 1/10).

Nuclear Energy Seen As Key To Country's Future

In a statement to a visiting Japanese nuclear-energy delegation, Vietnamese Deputy Prime Minister Pham Gia Khiem said nuclear power could play an important role in meeting Vietnam's energy needs in the 21st Century.

About 80% of Vietnam's power needs are met by hydroelectric plants, but population growth in urban centers has resulted in "frequent" power cuts, particularly during the dry season. Kazuhisa Mori, deputy president of the Japan Atomic Industry Forum, noted the potential of nuclear energy to reduce air pollution and said Japan may be willing to help Vietnam build its first plant (Agence France Presse, 1/8). ([Back to Contents](#))

THE WHITE HOUSE

- Trade Issues
 - WTO Ministerial in Nov;
 - Fast Track
- Bioiversity - issue becoming more about trade of genetically altered products/species such as altered ag products
- Financial Institutions
 - Ex-Im
 - OPIC (env. handbook coming out this week)
 - Multilateral export env. standards agreements
 - equate w/ EU & rex.
 - World Bank env. standards
 - model for private institutions
 - IMF
- work with Regional Directorates (NSC) and plug into env. issues.

PATTON BOGGS, L.L.P.

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10 billion people by 2050!!!??

Africa - Nile basin Water Resource Project. - UN administered, equipment + training

Nepal - solar ovens for cooking to conserve forests

World Bank panel inspects whether bank financed projects cause environ. harm. - Developing countries resisting, trying to weaken. (India and Brazil, for ex).

China, S. Korea + Japan - agreed to some env. cooperation.

Panama Canal basin env. problems incl. environ. damage by U.S. bases being turned over

Vietnam - Biodiversity protection plan announced.

—
Mozambique - setting up satellite
tracking system to monitor
illegal fishing!!!

World Meteorological Organization
predicts recovery of ozone layer
middle next century if Montreal
followed. ^{Also} ~~And~~ Rotterdam Convention
re: pesticides and chemicals will
~~follow~~ curtail this trade.

UN negotiations re: organic pollutants
to be held in Nairobi later this
month.

Pakistan - pollution of Manchar lake
in part caused by drainage program
funded by intl project funding.
Lake nearly dead. World Bank

- Free Trade Area of the Americas (FTAA)
talks - Mexico wants env. out
of discussion

China - flood control measures
and now wetlands
conservation; curbing coal
production. → gas, oil,
nuclear, coal gas; green
light program

~~Kenya~~ attacks on env.
activists protesting
deforestation.

- Colombia Rev. Forces of Colombia (FARC)
regulate fishing, hunting, logging and
"fine" violators

- Labor vs Trade cannot become
the model for Environmental
Trade

- 70% fish species overexploited;
14% plant species threatened.

- Financial crisis in Indonesia leads
to increased habitat in endangered
species.

- New trade rule - include allowing
~~and~~ NGO's to file briefs w/ WTO
Dispute cases ~~on~~ on environ issues
Also include environ, forest
trade, include bigger role for NGOs.

- CITES - Convention on Int'l
Trade in Endangered Species.

- Costa Rica hosts UNEP workshop on deforestation.

- Russian Supreme Court hears case of treason against Russian naval captain who helped Norwegian envoys do a report on threats of nuclear sub fleet.

- EU issuing up to 15 nuke waste disposal when plants decommissioned.

- Cambodia - Military is logging contrary to govt directives. IMF suspended loan over logging practices

- Admin doing EO on "Bioinvasion"

Shroder considered Germany's
plans to phase out nuclear
reprocessing in France & England
(big business, apparently)

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Since 1975, the heads of state or government of the major industrial democracies have been meeting annually to deal with the major economic and political issues facing their domestic societies and the international community as a whole. The six countries at the first Summit, held at Rambouillet, France in November 1975, were France, the United States, Britain, Germany, Japan and Italy. They were joined by Canada at the San Juan, Puerto Rico Summit of 1976, and by the European Community at the London Summit of 1977. Since then membership in the G7 has been fixed, although 15 developing countries' leaders met with the G7 leaders on the eve of the 1989 Paris Summit, and the USSR and then Russia have had a post-Summit dialogue with the G7 since 1991. Starting with the 1994 Naples Summit, the G7 and Russia have met as the P8 ("Political 8"), following each G7 Summit. The Denver Summit of the Eight was a milestone, marking full Russian participation in all but financial and certain economic discussions; and the 1998 Birmingham Summit saw full Russian participation, giving birth to the G8 (although the G7 continues to function along side the formal summits).

The G7/G8 Summit has consistently dealt with macroeconomic management, international trade, and relations with developing countries. Questions of East-West economic relations, energy, and terrorism have also been of recurrent concern. From this initial foundation the Summit agenda has broadened considerably to include microeconomic issues such as employment and the information highway, transnational issues such as the environment, crime and drugs, and a host of political-security issues ranging from human rights through regional security to arms control. To help manage these issues the G7/G8 has developed a network of supporting ministerial forums: the "Quadrilateral" trade ministers in 1982, foreign ministers in 1984, finance ministers in 1986, ministers of the environment in 1992, employment ministers in 1994, and on terrorism in 1995. G7/G8 ministers have also met on an *ad hoc* basis to deal with pressing issues, as follows: on assistance to Russia, in spring 1993; on Ukraine, in October 1994 in Winnipeg; on the global information society in February 1995 in Brussels; on crime in 1997; and on energy in 1998. In addition to these ministerial meetings, the G7 leaders have from time to time created task forces or working groups to focus intensively on certain issues of concern; for example, a task force on drug-related money laundering, a nuclear safety working group, and a senior experts' group on transnational organized crime.

The G7/G8 provides an important occasion for busy leaders to discuss major, often complex international issues, and to develop the personal relations that help them respond in effective collective fashion to sudden crises or shocks. The Summit also gives direction to the international community by setting priorities, defining new issues, and providing guidance to established international organizations. At times it arrives at decisions that address pressing problems or shape international order more generally.

The Summit members comply modestly with the decisions and consensus generated by and codified at their annual Summit. Compliance is particularly high in regard to agreements on international trade and energy, and on the part of Britain, Canada, and Germany. Summit decisions often create and build international regimes to deal with new international challenges, and catalyze, revitalize and reform existing international institutions. In recognition of its centrality in the process of global governance, the Summit since its inception has attracted the attention of thousands of journalists at each leaders' meeting, and of a number of countries seeking admittance to this exclusive and powerful club.

1998

The Birmingham Summit

The Birmingham Summit

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WHAT IS G8?

- an informal club

G8 History: climbing the summits

The origins of the present Group of Eight (G8) leading industrialised democracies lie in the Economic Summit convened by President Valéry Giscard d'Estaing of France at Rambouillet in November 1975. President Giscard and Chancellor Schmidt of Germany, themselves both former Finance Ministers, were keen to establish an informal forum to discuss world economic issues, building on the 'Library Group' of Finance Ministers from Britain, France, Germany, Japan and the US (named after their meetings in the White House library), which operated during the early 1970s. This original 'Group of Five' were joined by Italy, Canada and the President of the European Commission in 1976-77. This configuration became known as the Group of Seven (G7). Meetings followed a limited agenda of economic issues, and were intended as an informal consultation session.

During the 1980s these annual meetings, which each of the seven states hosted in turn, became more formalised. Communiqués, an agreed statement issued by all leaders at the conclusion of the Summit, became a standard feature, along with full media coverage. The agenda became broader with the advent of a new generation of leaders (President Reagan, President Mitterand, Chancellor Kohl, Prime Minister Thatcher), who were keen to discuss political issues alongside economics. The 1983 Williamsburg Summit, hosted by US President Ronald Reagan, saw a G7 agreement to support the deployment of US Cruise and Pershing missiles to Europe to confront new Soviet SS20s. Agreement on common opposition to global terrorism followed at Tokyo in 1986. At the same time, discussion among G7 Finance Ministers became more open and formalised, with a separate cycle of meetings through the year. The Plaza agreement of September 1985, when Finance Ministers announced common policies to curb the over-valued US dollar, was an important milestone in this process.

The end of the Cold War and the rise of global issues on the international agenda have brought further changes. During the early 1990s, the G7 Summits were preoccupied with the search for a conclusion to the Uruguay Round of GATT negotiations, finally concluded in 1993, which gave birth to the World Trade Organisation (WTO). The 1990s have also seen the gradual integration of Russia into the G8 family, reflecting democratic and economic reform in the post-Soviet era. Former President Gorbachev attended a meeting in the margins of the London Summit in 1991, and in 1992 and 1993 President Yeltsin was invited to Summits to discuss the terms of financial assistance to the Russian economy. At the Naples Summit in 1994 Yeltsin first took part in foreign policy discussions, and the Denver Summit in 1997 was called the 'Summit of the Eight', in recognition of fuller Russian involvement. The Birmingham Summit will be the first full G8 Summit.



Leaders assembled at the 'Summit of the Eight', held in Denver in June 1997. The Birmingham Summit will be the first held under the 'G8' title. (Picture: [BSN](#))

G8 Structure: an informal club

The G8 is an informal organisation, with no rules or permanent Secretariat staff. The Presidency rotates annually among the G7 members, with each in turn taking responsibility for organising the annual Summit. The agenda for this is prepared by Sherpas (who prepare the way to the 'summit'). Sherpas are senior officials from each member country who represent their Head of State personally. They meet three or four times before the Summit to agree topics for Heads' discussion and draft the final communique. Their work is supported by separate meetings among 'Sous-Sherpas', two senior officials from each country who specialise in Foreign Affairs and Finance respectively, and Political Directors from Foreign Ministries.

In addition to these, a variety of working and expert groups meet throughout the year to prepare specialised subjects. They are ad hoc groupings, convened at the request of Sherpas to handle specific topics. The lack of bureaucracy is a virtue of the informal G8 structure. Sherpas consult freely over issues of topical interest during the year, and build up a strong working relationship among the group. They retain a close overview of all G8 issues, and enjoy close access to Heads.

The G8 has no formal secretariat of its own for implementing action. Heads agree a communique issued at the conclusion of Summits which commits each country to coordinate individual action towards common goals. G7/8 agreement can often act as a catalyst for action in other international fora.



The Birmingham Summit

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THE 1998 SUMMIT

- real issues, real progress

Asian economic turmoil

The British Chancellor of the Exchequer announced following the G7 Finance Ministers' meeting on 21 February a 'Birmingham process' that will lead to a report from Finance Ministers for Heads on the response to the recent Asian economic turmoil and its implications.

Employability

G7 Ministerial conferences at Detroit (1994), Lille (1996) and Kobe (1997) discussed employment from a global perspective. The UK hosted a meeting of Finance and Employment Ministers in London on 21-22 February to discuss employability alongside wider questions of economic growth and social exclusion. The conference compared policies for effectively tackling unemployment and bringing excluded groups back into the labour market, raising employability and promoting lifelong learning.

Crime

The Lyon Summit in 1996 agreed 40 recommendations to combat transnational organised crime, and established a body of G8 crime experts (the 'Lyon Group') to supervise implementation. The recommendations committed states to improving legal and administrative cooperation against criminals, particularly in the field of high tech crime. Work by the group was reviewed by a meeting of Justice and Interior Ministers from G8 countries in Washington last December. The UK Presidency will take forward this work at Birmingham.

Third World debt

During the early 1990s the G7, on a British initiative, agreed the Naples terms of debt relief for the poorest, most indebted countries. In September 1997, the British Chancellor of the Exchequer set out his 'Mauritius Mandate'. He called for international commitment so that all eligible poor countries should at least have embarked on the process of securing a sustainable exit from their debt problems by the year 2000. The UK will use its Presidency to try and ensure that the Chancellor's ambitious target is met.

Addressing Global Poverty

The Lyon Summit in 1996 outlined a set of principles for effective development cooperation with poorer countries. The Denver Summit last year began work to put these principles into practice. The UK Presidency will take forward this work at Birmingham to create an efficient, flexible and effective partnership for development.

Nuclear Safety in Ukraine

At the Munich Summit in 1992, G7 Heads launched a programme of action to help the countries of Central and Eastern Europe and the former Soviet Union to improve nuclear safety, which has been worth over 1.5 billion ECU to date. Following the Ukraine's unexpected decision to keep the Chernobyl plant open beyond the end of 1993, the 1994 G7 Naples Summit offered Ukraine an Action Plan, aimed at securing early closure of Chernobyl. This was followed by a Memorandum of Understanding (MOU) in December 1995, which provided for closure by the year 2000 in return for assistance with decommissioning the plant and with investment in the wider energy sector. At the 1997 Denver Summit, US\$300m was pledged to help fund the Shelter Implementation Plan (SIP) for a major plan of remedial work on the sarcophagus built over the remains of Unit 4 at Chernobyl. To date, half the full requirement of US\$760m has been raised by the G7 and international community. Work is expected to begin on the restored sarcophagus this year.

U OF T G8 INFORMATION CENTRE



G7/8 MINISTERIAL AND OTHER MEETINGS

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MINISTERIAL AND OTHER MEETINGS

Conclusions of G8 Foreign Ministers

9 May 1998

1. We, the Foreign Ministers of the G8 and representatives of the European Commission, met in London on 8 and 9 May 1998. Aware of the growing need to work ever more closely together to ensure a safe and prosperous world, we discussed a number of global and regional issues that are of common concern. Some issues will be taken up by our Heads of State or Government at the G8 Birmingham Summit. On others, we drew the following conclusions.

GLOBAL ISSUES

Environment

2. We fully endorse the outcome of last year's UN General Assembly review progress since the Rio Earth Summit and the conclusions of the G8 Environment Ministers' meeting at Leeds Castle. We reaffirm our commitment to sustainable development and poverty reduction as our over-riding goal and to work together in partnership with others to achieve it. We agree to provide a new impetus to global efforts to promote sustainable development by taking the following actions.

3. We have published today and commit ourselves to the implementation of an Action Programme on Forests. This sets out specific measures at the domestic and international levels to promote sustainable forest management, complementing the work of the Intergovernmental Forum on Forests and other international initiatives. We underline the importance of participation and transparency in the development and implementation of practical approaches to sustainable forest management that reflect environmental, ecological, social and economic values. We look forward to working together and with other partners, including those outside government, in implementing the Action Programme and reporting back on progress in the year 2000. Recent large scale forest fires lend urgency to this task.

4. 1998 is the International Year of the Oceans. The world needs to use this year to consider how better to manage the seven-tenths of the planet covered by sea. Governments need to take actions domestically and internationally to protect the marine environment and to promote increased public awareness of its vital importance. We commit ourselves to work actively with others at the 1999 meeting of the UN Commission on Sustainable Development for conclusions designed to promote the conservation and sustainable use of the seas, including at the regional level. As mapped out by the G8 Environment Ministers at their meeting at Leeds Castle, we shall promote greater and more co-ordinated action on marine biodiversity, including regional initiatives, notably in relation to enclosed and semi-enclosed seas and the Arctic. We welcome the intention of the United Kingdom to organise a Second London Oceans Workshop in December 1998, which can offer a focus for the preparation for CSD. We commit ourselves to

renewed efforts to implement existing international agreements, including the UN Agreement on Straddling Fish Stocks.

5. On Freshwater, access to safe drinking water and adequate sanitation, within a proper framework for integrated water-resource management, is essential to help reduce disease, improve food security and reduce poverty. Water resource management must reflect the integration of water quality and quantity with land management activities, and highlight the need for protection of eco-systems, including water resources, from pollution. Responsible water management entities, including Governments, must organise themselves at local, national, regional and global levels, to achieve these goals. We therefore commit ourselves to helping develop partnerships, including with the private sector, to apply the strategic approach to freshwater management agreed at the recent meeting of the UN Commission on Sustainable Development. We welcome the Ministerial Declaration that was adopted at the Paris Conference on Water and Sustainable Development in March, and emphasise the importance of following up its programme for priority actions.

6. We recognise that national strategies are an essential tool of policy making by bringing together the environmental, social, and economic dimensions of sustainable development. We commit ourselves to working with developing countries to help put in place relevant sustainable development strategies by 2002 and to have implementation underway by 2005.

7. We pledge our support to the new Executive Director of the United Nations Environment Programme and look forward to a revitalised role for UNEP as the leading global environment authority.

8. We welcome the successful US \$2.75 billion replenishment of the Global Environment Facility and reaffirm our commitment to it as the principal funding mechanism for promoting global environmental benefits.

9. We welcome the success of the first Rome Conference of the Parties to the Desertification Convention and encourage its full implementation.

10. We recognise the need to take action on the problems persistent organic pollutants pose to human health and the environment, and welcome the beginning of negotiations in Montreal in June on a multilateral legal instrument. We recognise the need to address the problems some developing countries will face in reducing and phasing out the use of certain persistent chemicals.

11. Building on efforts in the OECD on taking environmental factors into account when providing official export credits, we encourage further work by the OECD to this end and ask for a report back next year.

Nuclear Safety

12. Nuclear safety is a top priority. As our Energy Ministerial colleagues confirmed when they met in April, we intend to meet in full our commitments at the 1996 Moscow Summit on Nuclear Safety and Security. This will involve our active and constructive participation in the work of the international conventions on the safety of nuclear power installations and spent fuel and radioactive waste management. We discussed the situation at Reactor No. 1 of the Kursk nuclear power plant. We agreed on the necessity of the full observation of all the provisions of the Nuclear Safety Account Agreement. We noted that the Russian authorities have invited an EBRD team to examine jointly with Gosatomnadzor the safety conditions of the reactor in the middle of May, and that they have undertaken that any further operation of the reactor prior to the completion of the indepth safety review should

comply with the recommendations of both authorities. It is also important to continue developing and implementing national and international nuclear liability regimes. We welcome the adoption of the Protocol to amend the Vienna Convention on Civil Liability for Nuclear Damage and the Convention on Supplementary Compensation for Nuclear Damage.

13. We shall continue to work closely together to help the countries of Central and Eastern Europe and the Newly Independent States to improve nuclear safety. Full implementation of the agreements reached under the auspices of the Nuclear Safety Account since 1993 remains a high priority. As to Chernobyl and the implementation of the Memorandum of Understanding, good progress has been made in establishing the new international fund to finance a major programme to make the sarcophagus safe. Over half of the \$760m required has been raised and the first projects are about to get under way. We urge the countries which have not yet pledged funds to consider joining the 18 countries and the European Union which have already done so, thereby helping to ensure that this important project can be completed by 2006. We also emphasise that contributions by other donors called for at the Denver Summit are necessary.

UN Issues

14. The UN has our firm backing in maintaining international peace and security, and in promoting sustainable development. We continue to support thorough-going institutional reform with the goal of strengthening the UN system. Last summer we, along with the overwhelming majority of our fellow UN members, welcomed Kofi Annan's wide-ranging proposals. We are pleased to see several already in force – particularly the new Development Group, the appointment of Louise Frechette as the UN's first Deputy Secretary-General, and the improvement of management practices across the system.

15. But there is still much to do. The main responsibility lies with member states. We will work for agreement of Kofi Annan's remaining recommendations, among them results-based budgeting, sunset provisions, greater coherence in the field, and recycling efficiency savings back into high priority development programmes. We will also encourage further streamlining, especially of ECOSOC subsidiaries, better co-ordination within the UN and stronger links with civil society and other international institutions.

16. The UN continues to have serious financial problems. We must find a solution which includes full and timely payment of obligations, and development of a more logical and more equitable scale of assessment.

17. The G8 attaches great importance to conflict prevention: we support Kofi Annan's moves to enhance UN capabilities in this area, to integrate human rights concerns into all such activities, and to develop close links with regional organisations. We will offer increased support for his conflict prevention efforts.

18. We welcome the Secretary-General's recommendations on addressing conflict in Africa, as well as efforts by member states, under the aegis of the UN, to work with African states to enhance their peacekeeping capacity and expand the role of the Organisation for African Unity and African subregional organisations in the prevention, management and resolution of conflicts, within the context of the UN Charter. We reaffirm the importance of the UN's co-ordinating role in demining.

19. Violent conflicts often have roots in social and economic injustice. Trade, aid and economic reform programmes should take account of this. When violence ends, the Security Council should support the transition from military peacekeeping operations to peacebuilding and reconstruction. UN civilian police, with human

rights field officers, have a key role to play in this, protecting human rights and rebuilding democracy. However, there is a need for better training and rapid deployment. We reaffirm the importance of UNDP's role as the UN focal point for peacebuilding.

20. Perpetrators of atrocities must not be left unpunished. Bringing them to justice will deter others. We strongly support the creation of a credible and effective International Criminal Court. Because it is important that the Court enjoy participation of a large number of states from all regions of the world, we call on all states to ensure a successful outcome to the forthcoming Rome Conference.

Non-Proliferation, arms control and disarmament

21. In pursuit of our shared non-proliferation, arms control and disarmament objectives, we are committed to action in the following areas:

- the intensification and successful conclusion of the negotiations on measures, including for effective deterrence and verification, to strengthen the Biological and Toxin Weapons Convention with the aim of the earliest possible adoption of a legally-binding Protocol.
- the safe and effective management of fissile material designated as no longer required for defence purposes. We welcome G8 states' efforts to deal with the problem of weapons-usable material. A meeting of industrial and financial experts in London in March called for wider and more effective coordination between ongoing projects, and to develop a range of financing options. A meeting of experts should be held in 1999, to reassess progress and to develop new technical solutions.
- further implementation of the "Programme for Preventing and Combating Illicit Trafficking in Nuclear Material". A successful test-run of the Points of Contact system was held in March. We will continue to work towards expanded participation in the Programme. Within the G8 we will undertake a study of border monitoring equipment later this year.
- further strengthening the safeguards system: we urge all countries to conclude additional safeguards protocols with the International Atomic Energy Agency at the earliest possible date and, recognising the Agency's efforts to make the system more efficient, to ensure that it has the resources necessary to implement this dramatic non-proliferation accomplishment.

22. We remain committed to tackling the continuing risks of the proliferation of weapons of mass destruction and missiles capable of delivering them. We will work to ensure the success of the strengthened review process for the Nuclear Non-Proliferation Treaty (NPT). We will continue to support the work of the Organisation for the Prohibition of Chemical Weapons in implementing the Chemical Weapons Convention in a cost-effective way and we call for the ratification of, or accession to, the Convention by all States which are not yet Parties to it. We urge all those who have not yet done so to adhere to the NPT and to sign and ratify the Comprehensive Test Ban Treaty. We will continue to provide full support to UNSCOM and the IAEA's efforts to eliminate Iraq's WMD programmes and monitor compliance with relevant UNSCRs. We remain committed to the immediate commencement and early conclusion of negotiations on a Fissile Material Cut-Off Treaty. We will also continue to look forward to the entry into force of START II and the beginning of negotiations on START III. We welcome the work in progress on adaptation of the CFE treaty to take account of the changes in Europe and look forward to the conclusion of the negotiations. We reaffirm our commitment to all States Parties' obligations under Article VI of the NPT.

23. We remain concerned about the potentially destabilising effect of

accumulations of conventional weapons in regions of tension. We see merit in promoting further practical disarmament measures for the consolidation of peace in areas that have suffered from conflict. We encourage continuing efforts by interested states in this direction, in particular at the United Nations, and reaffirm the importance of transparency and responsibility in transfers of conventional arms and dual-use goods and technologies. We therefore reiterate our full support for the objectives of the Wassenaar Arrangement. We also reaffirm our commitment to the improvement of the UN Register of Conventional Arms. In addition, we will pursue in the appropriate fora the problem of small arms proliferation. We support the recommendations of the UN Panel of Governmental Experts on Small Arms, encourage their implementation, and request the UN to consider further action to address the issue. We recognise the threat posed to civil aviation by the criminal use of Man-Portable Air Defense Systems (MAN PADS), and call for further work to be done to address this problem.

Anti-personnel landmines

24. The opening for signature of the Ottawa Convention was a significant step towards a world free of anti-personnel landmines. We encourage universal fulfillment of its objectives. We note that it will enter into force at an early date. We welcome the contributions made by various bans, moratoria and other restrictions that address the humanitarian impact of landmines. We urge all countries to make further progress towards this goal through signature and ratification of the relevant international agreements, for example through the Ottawa Convention and through Amended Protocol II of the UN Convention on Conventional Weapons, and by pursuing complementary work at international and regional fora, recognising the special importance of the UN Conference on Disarmament. We encourage the international community to cooperate more effectively in its demining efforts towards the goal of zero victims, including through the newly constituted United Nations Mine Action Service, and to strengthen efforts to ensure effective assistance to and the long term rehabilitation of mine victims.

Democracy and human rights

25. In this 50th Anniversary year of the Universal Declaration of Human Rights (UDHR) we pay tribute to all those who work to defend and protect human rights. We are strongly committed to strengthening democratic values, good governance and the rule of law throughout the world. Human rights are universal and we call upon all states to refrain from denying human rights and fundamental freedoms to individuals because of nationality, ethnicity, race, gender, religion, opinion or language.

26. We will continue to promote the universal implementation of human rights and fundamental freedoms. We will:

- emphasise the key role of civil society by increasing human rights awareness, including among young people, minorities and other vulnerable groups, and by extending new types of assistance to civil society groups; and, bearing in mind the goal of universal ratification of human rights treaties, continue our efforts to maximise accession to human rights instruments;
- provide political and financial support for the new High Commissioner for Human Rights, by seeking to ensure that an adequate share of the UN regular budget is devoted to human rights as well as by continuing voluntary contributions to the funds and programmes which she administers; support efforts to harmonise and integrate human rights, including a gender perspective, into all UN programmes and policies, including peacebuilding activities; and commemorate the 50th Anniversary of the UDHR;

- press for an early conclusion to the International Labour Organisation's (ILO's) efforts to achieve a new Convention on Extreme Forms of Child Labour; increase support for the ILO's International Programme for the Elimination of Child Labour and implement the action plan of the Oslo Conference on Child Labour; work to protect the rights of children and to prevent their exploitation in situations of armed conflict; and support the activities of the UN Secretary General's Special Representative for Children and Armed Conflict;
- strive for the adoption of the ILO Declaration on Core Labour Standards;
- encourage the adoption of voluntary codes of ethical business practices, based on recognised international standards;
- focus further attention in the International Financial Institutions on issues of openness, transparency and good governance;
- in reaffirmation of our commitment to democracy, development, respect for human rights and peace, strengthen the impact of good governance programmes in developing countries by encouraging their own initiatives and improving co-ordination both among donors and with recipient countries, for example through OECD pilot efforts with Africa where an unprecedented multilateral workshop on Development and Good Governance was held in Mali on 4-5 May; co-operate on peacebuilding programmes targeted at stability and reconciliation; and work to address the problem of excessive military expenditures;
- affirm the value of government-sponsored organisations which promote democracy.

Terrorism

27. We reaffirm our determination to combat terrorism in all its forms, irrespective of motive, to oppose any concession to terrorist demands and to promote coordinated international action against this evil. We welcome the substantial progress made to combat terrorism by implementing the 25 measures adopted by the G8 in 1996, and the additional steps agreed at the Denver Summit, including the adoption of the International Convention for the Suppression of Terrorist Bombings. We are taking the following steps to enhance international cooperation: requesting all governments to ratify the eleven international counter-terrorism conventions by 2000; negotiating a draft UN Convention on the Suppression of Acts of Nuclear Terrorism; exchanging summaries of G8 national crisis management procedures; promoting consultation, cooperation and joint action with other states; and exchanging information on new or growing threats, including those from chemical and biological terrorism.

28. We endorse our experts' report and identify the following priority areas for further action:

- Preventing terrorist fund-raising. We identified points for G8 action and are comparing national legislation. G8 experts will meet to share best practice and determine practical measures for enhanced cooperation.
- No concessions to terrorists. A united front against ransom payment is essential to deter hostage-takers. To promote a common approach we have agreed a set of principles and have proposed advice for organisations operating in high risk countries. A G8 workshop will strengthen coordination and information exchange.
- Denying terrorist access to arms, explosives and related items. The Lyon Group is taking forward an action plan to counter trafficking in illegal firearms. We are comparing export controls on explosives and related materials and have agreed the basis for future work, including determining the scope for tighter export controls on items of use to terrorists.
- Strengthened aviation security. Ten years after Lockerbie, and recalling the

atrocities perpetrated against Air India (1985) and UTA (1989) flights, we expressed grave concern at the evidence recently collected by the ICAO of a continuing lack of satisfactory implementation of international aviation security measures by some Contracting States. We reaffirm the G8's commitment to full implementation of Standards and Recommended Practices agreed under the Chicago Convention and strongly urge all states to pursue implementation with vigour.

Infectious Diseases

29. The impact of infectious and parasitic diseases continues to cause concern. The G8 is committed to helping countries respond to these challenges, for example through strengthening national health sectors, improving surveillance capacity, developing strategies to reduce the threat of anti-microbial drug resistance through suitable drug use policies and development of alternative interventions, and improving disease resistance in children through appropriate micronutrient fortification. Experts from G8 countries and WHO will meet later this month to review current surveillance systems throughout the world, and examine options for assisting WHO as it helps to develop global surveillance networks.

30. We note with renewed concern the UNAIDS estimate that over 30 million people are now living with HIV/AIDS. Prevention measures must remain a priority. We will continue to work with those countries which bear the heaviest burden of the disease, to develop and disseminate cost effective mechanisms which will decrease the rate of HIV infection and the suffering it causes. A vaccine remains the ultimate goal and G8 countries will take forward scientific co-operation in the development of an effective and affordable vaccine.

Intellectual property-related crime

31. We recognise that intellectual property related crime, such as piracy and counterfeiting, is a major and growing problem which should be of concern to all. We agree on the importance of effective action against such crime in our own countries and of the need to encourage other countries to meet the demanding enforcement provisions of the WTO TRIPS agreement as soon as possible so that there are real reductions in the level of piracy and counterfeiting worldwide. We agree to explore opportunities for better co-operation and exchange of information between governments and intellectual property rights holders so as to facilitate more effective enforcement of intellectual property rights.

REGIONAL ISSUES

Bosnia and Herzegovina

32. Peace and reconciliation in Bosnia which is directly linked to security in Europe remains a top priority of the G8 countries' foreign policy. We welcome the progress achieved on implementation of the Dayton/Paris Peace Agreement in Bosnia and, in particular, in Republika Srpska following President Plavsic's and Prime Minister Dodik's move towards peace implementation and cooperation with the international community. But we also remind all signatories to the Dayton/Paris Peace Agreement that any attempt to obstruct or reverse the Peace Process will carry severe consequences. The resolution and co-ordinated approach of the international community, together with that of the High Representative, is proving decisive. We encourage the High Representative to continue taking an active role in the Bosnian Peace Process, using all the authority given to him under the Dayton/Paris Peace Agreement and by the Peace Implementation Conference. The future of the peace process will largely depend on the willingness of the Bosnian authorities themselves to fulfil their commitments to move the peace process forward and

build a prosperous and democratic Bosnian state with two pluralist and multi-ethnic Entities. 1998 is a critical year for peace implementation, in particular for all the questions associated with refugee return, freedom of movement, and for the elections held across Bosnia in September. More progress is now also needed on building the central institutions, police reform, economic reform and cooperation with the International Tribunal for the former Yugoslavia. We therefore welcome SFOR's efforts to maintain a secure environment and provide support to civilian implementation. We urge the leaders in Bosnia and Herzegovina to cooperate fully with OHR, UNHCR, OSCE, IPTF and other international agencies to achieve the necessary goals and reaffirm our willingness to assist those who do.

Croatia

33. We call on the Croatian Government, and all other parties concerned, to comply fully with all commitments of the Dayton/Paris Peace Agreement, and with commitments made regarding Eastern Slavonia, and to engage constructively and energetically in international efforts to secure the return of all refugees and displaced persons to their former homes in Croatia and throughout the region, regardless of ethnicity or current residence. We draw particular attention to the need for progress on democratisation in Croatia, especially on improved election laws and increased media freedom.

Kosovo

34. We are deeply concerned by the increasing violence and growing polarisation in Kosovo, and in particular the excessive use of force by the Serbian forces. We reject absolutely terrorism and the supply of arms to terrorists, and the use of violence by armed extremists as a means of bringing about political change. We are firmly opposed to independence for Kosovo and to a continuation of the unacceptable status quo; and we support an enhanced status and autonomy for Kosovo. It is Belgrade's primary responsibility as the government to seek a negotiated solution and to ensure adherence to the rule of law, the protection of all citizens and the safeguarding of human and civil rights.

35. We call on the authorities in Belgrade and the Kosovo Albanian leadership urgently to begin a process of dialogue without preconditions on either side, and for Belgrade to accept international involvement in the negotiations. We also fully support the engagement of Felipe Gonzalez as the Personal Representative of the OSCE Chairman-in-Office and the Special Representative of the EU for the FRY and urge the authorities in Belgrade to co-operate fully with him.

36. Finding a political solution in Kosovo through dialogue is in the interest of all the people in the region. We stand ready to promote a clear and achievable path toward Belgrade's full integration in the international community. However, in the light of Belgrade's failure to start a dialogue to bring about a political solution in Kosovo, Canada, France, Germany, Italy, the United Kingdom, the United States and the European Commission have agreed to implement the decision by members of the Contact Group to freeze funds held abroad by the FRY and Serbian Governments and to stop new investments in Serbia. Japan supports this approach and will study possible action. Other countries are encouraged to take similar action. The Russian Federation does not associate itself with these measures.

37. The international community and we, the G8, have made great efforts to bring about peace in Bosnia and the wider region. We are determined to work with the relevant international organisations to address the growing problem of refugees and displaced persons in this region. We are committed to working together to enhance the security of all the states in the region, and to upholding the principle of inviolability of borders.

Albania

38. We welcome the commitment of the Albanian Government to restore law and order, to undertake political and economic reform, and to contribute to regional stability. We support Albania's territorial integrity. We pledge our full support to helping Albania recover from the unrest of last year, and encourage the International Financial Institutions and other international agencies to assist in this progress. We reiterate that ultimate responsibility rests with the Albanians themselves and urge all sides - Government and opposition - to work together to this end.

Cyprus

39. We reiterate our support for the UN's efforts to find a comprehensive settlement of the Cyprus problem on the basis of UN resolutions and the high level agreements. We call upon the parties to resume the direct talks under the auspices of the UN. We urge all concerned to work for a settlement on the basis of a bi-zonal, bi-communal federation. We are concerned that new developments in the military sphere, including any increase in force levels and the upgrading of sophisticated weaponry, may risk further raising tension in this already unstable region. We particularly urge the governments of Greece and Turkey to promote good neighbourly relations between them, and to work for the peaceful settlement of their bilateral disputes.

Middle East Peace Process

40. We are deeply concerned at the lack of progress in the Middle East Peace Process. We note and commend all efforts to move the process forward, including by the US at the recent talks in London. We call upon all parties to pursue with renewed vigour negotiations leading to a comprehensive, just and lasting peace which must include security for all in the region. Such negotiations must be based on the full implementation of existing commitments and on the principles of land for peace, as enshrined in UNSC resolutions 242 and 338 and agreed at Madrid and Oslo. On the Israeli-Palestinian track, we further urge the parties to implement existing agreements, to pursue confidence building measures and to refrain from unilateral acts which predetermine the final status negotiations and undermine confidence. Final status negotiations should resume as soon as possible. We support a reinvigoration of the multilateral track of the peace process and the efforts of the multilateral working groups to address regional issues. We are also determined to work with Israel, Syria and Lebanon to bring about a resumption of progress towards a comprehensive settlement. We continue to support the positive role of the Israel-Lebanon Monitoring Group in reducing the risks to civilians in Southern Lebanon and in Israel. Sustained economic development and improved living standards for the Palestinian people are a real factor in securing peace and enhancing stability in the region.

Iran

41. We welcome recent encouraging political developments in Iran: its ratification of the Chemical Weapons Convention, its stated commitment to develop a civil society based on the rule of law, including greater freedom of speech, and Iran's interest in pursuing a more positive relationship with its neighbours, in the region and with the outside world. We urge Iran to build on this and play a more constructive role in world affairs. We call on Iran to adopt a more positive approach to the Middle East Peace Process and not to support groups that use violent means against it; to take further measures to ensure the human rights of all Iranian citizens, including the Bahai and other communities; to stand by its stated condemnation of

all forms of terrorism against anyone anywhere; and to ensure that the threat against the life of Salman Rushdie and those associated with his work is removed. We further call on Iran to respect the international conventions or arrangements it has signed regarding the development of weapons of mass destruction and urge all states to avoid providing assistance to Iran that might contribute to its ability to develop these weapons or missile capabilities in violation of international conventions or arrangements.

Iraq

42. We reaffirm our determination to obtain full compliance with all UN Security Council resolutions related to Iraq. We are determined to ensure the swift, full and effective implementation of arrangements for providing increased humanitarian assistance to the Iraqi people under UNSCR 1153, and call on the Iraqi government to cooperate fully with the UN in this effort and with the UN Special Rapporteur. We commend the UN Secretary General's efforts in obtaining in the Memorandum of Understanding Iraq's commitment to providing full, unconditional and immediate access to UNSCOM and the IAEA in carrying out their UNSC mandate. We welcome the inspections of Presidential sites carried out so far under the arrangements agreed in the Memorandum of Understanding as noted above, and take note that they were achieved on the whole in a satisfactory way with only minor incidents. We look forward to the full implementation of the Memorandum of Understanding and to Iraqi compliance with its obligations under UNSCR 1154. We note that any violation by Iraq would have severest consequences. We regret Iraq's failure so far to comply with its relevant obligations and we note that full compliance with the relevant Resolutions would allow the process of lifting sanctions to begin.

Algeria

43. The continuing violence in Algeria is a cause for serious concern. We condemn unreservedly all acts of terrorism and call on those responsible to bring the violence to an immediate end. We welcome Algeria's commitment to human rights and democracy and the government's efforts to strengthen further democratic institutions. In this regard, visits by UN Special Rapporteurs and greater access for journalists and NGOs would make an important contribution to transparency and openness. We hope the Algerian Government will move ahead quickly, further strengthening the democratic process as well as pursuing the economic reforms to which it is committed.

Afghanistan

44. We fully support the United Nations' efforts to seek a peaceful settlement of the conflict in Afghanistan and endorse the view of the "six plus two" group that the war must be brought to a rapid close. It is our conviction that there is no military solution to the conflict. We are encouraged by the recent UN efforts to promote direct dialogue. We hope that this dialogue will be substantive and will soon result in a peaceful settlement and establishment of a broad-based, multi-ethnic representative government. All factions must refrain from further military offensives. It is essential that all countries with influence on the parties support the UN's efforts and work to halt the supply of arms and materials to the factions from outside Afghanistan. We also call on all Afghan factions to end the appalling human rights abuses in Afghanistan, including discrimination against women and girls; to reduce substantially the production, trafficking and abuse of drugs; and to halt all support for foreign terrorists. We urge all the Afghan factions, and particularly the Taliban, to ensure a cooperative climate for the indispensable work of international humanitarian organisations.

Cambodia

45. Free and fair elections are indispensable to restoring representative government and political stability in Cambodia. We welcome recent positive developments, such as the return of Prince Ranariddh to Cambodia on 30 March and the return of King Sihanouk, whose role remains central to the proper functioning of Cambodia's institutions. We further welcome the efforts undertaken by the members of ASEAN, Japan and the other Friends of Cambodia countries. We remain willing to provide electoral assistance subject to acceptable conditions on the ground. However, serious concerns remain. We call for all parties and political figures to be permitted to participate in the electoral process, and for all sides to respect the result of the elections. We encourage all fighting forces to implement fully the ceasefire as soon as possible. We attach the utmost importance to the respect of human rights, and we urge the Cambodian authorities to investigate human rights abuses, including those catalogued by the United Nations, and to bring the guilty to justice without further delay.

Myanmar/Burma

46. We remain concerned at the political and economic situation in the country and at continuing widespread human rights abuses, particularly in ethnic minority areas, and the cross-border attacks on refugees in camps in Thailand. We call on the State Peace and Development Council (SPDC) to tackle these issues as a matter of urgency, notably by engaging in substantive political dialogue with national minorities and leaders of the democracy movement, including Daw Aung San Suu Kyi, for the purpose of establishing democracy. We also call on the SPDC to take further concrete action to eliminate the production and trafficking of illicit drugs and to participate more actively in regional and international drug control efforts.

Korean Peninsula

47. We endorse North/South dialogue and the Four-Party process aimed at achieving peace and stability on the Korean Peninsula. We reaffirm our support for the US-DPRK Agreed Framework and to the Korean Peninsula Energy Development Organisation, and underline the importance of North Korea complying fully with all its non-proliferation obligations. We have provided substantial emergency food aid to North Korea and will continue to encourage the government of North Korea to take measures to address the basic causes of the food shortages and allow adequate monitoring of food shipments to be allowed.

Great Lakes Region

48. The destabilising impact of the continuing conflict in the Great Lakes region remains a major concern to the international community. We condemn all politically and ethnically-motivated killings, which risk renewed genocide, and welcome steps to stem the violence such as the reactivation of the UN Arms Flow Commission. We urge the governments and people of Rwanda, Burundi and the Democratic Republic of the Congo to address the causes of conflict, through a process of dialogue and through justice, rejection of violence, reconciliation and capacity-building, to create strengthened democratic institutions and processes, including accountable and representative governments. In this regard, the review by an international panel of eminent persons of the genocide in Rwanda and surrounding events, as proposed by the Organisation of African Unity, should help regional governments and the international community identify ways forward. We commend the continuing efforts of those in the region to promote stability, democracy and prosperity and stand ready to assist these efforts. We deplore the fact that conditions made it impossible for the UN Secretary General's investigative team to continue and we urge the Democratic Republic of the Congo to cooperate

in international investigation of human rights violations.

Nigeria

49. Transition to a credible civilian democratic administration is imperative so that Nigeria can fulfil its true potential in the international community and its important role in the future of Africa. We note that even from the five Government-approved political parties only a single presidential nomination has yet emerged. We underscore that in Africa, as elsewhere, a credible transition requires that those who have an alternative view on the succession to the current leadership should be able to make nominations, organise freely, campaign and take their case to the Nigerian people. We remain deeply concerned about continued human rights abuses, including the detention of leaders and other pro-democracy activists, as well as the harassment of journalists and human rights groups. We call on the Nigerian regime to take immediate steps to release all political prisoners, to restore respect for human rights and the rule of law and to recognise the great importance which the international community attaches to early progress on these issues.

Angola

50. Taking note of certain positive changes in the peace process, we call on all the Angolan parties to implement fully within the previously agreed dates all the provisions of the bilateral agreements, the timetable of the settlement and corresponding Security Council resolutions. We support the efforts to that end of the "troika", of the UN Security Council, and of the UN Secretary General and his Special Representative in Angola.

Somalia

51. We are concerned at the situation of conflict in Somalia, marked by a lack of legal authority and the obstruction of humanitarian aid and rehabilitation. We support the coordinated efforts of the countries of the sub-region through the Inter-Governmental Authority on Development (IGAD), backed up by the IGAD partners and other interested countries and international and regional organisations, to promote peace, stability and institutional reconstruction in Somalia.

Source: Released at the Foreign Ministers Meeting, London, England, May 9, 1998

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MINISTERIAL AND OTHER MEETINGS

Conclusions of G7 Finance Ministers

London, 9 May 1998

1. Finance Ministers of the G7 and the representative of the European Commission met in London on 8 May, as a part of the preparations for the Birmingham Summit, 15 - 17 May. We reached conclusions on a group of issues, set out below. We will also be reporting our discussions to our Heads of State or Government, for their Summit next week. Michel Camdessus, Managing Director of the IMF and Jim Wolfensohn, President of the World Bank, joined us for our discussions on the lessons of the Asian crisis, and steps to strengthen the world's financial system.

World Economy

2. We reviewed recent developments in the world economy. We welcomed the historical decisions in Europe on Economic and Monetary Union. We look forward to a successful EMU which contributes to the stability of the international monetary system. We discussed and welcomed the substantial policy measures announced by the Government of Japan in April, aimed at achieving domestic demand-led growth. Japan expressed its intention to implement them quickly and stressed the importance of further strengthening the financial system. We also noted that the United States economy required vigilance to stay on a sustainable path.

Strengthening the global financial system

3. Globalisation brings clear benefits to people throughout the world but it also brings certain risks. Previous summits have agreed on ways to reduce these risks and strengthen the global financial system. However, the continuing process of globalisation and recent events in Asia have revealed a number of weaknesses and vulnerabilities in national and international financial systems, as well as in the lending practices of private sector investors. We need to act to strengthen the global financial system further, both to reduce the likelihood of such crises occurring in future and to improve techniques for containing and responding to crises when they do occur.

4. We have developed proposals where there is now an emerging consensus for modifications to the architecture of the international financial system. There are important aspects of the issues discussed that require further work. Discussion within our countries, with emerging market countries and with the private sector will continue over the coming months. For now, having restated the importance of sound economic policies, we have identified the need for action in five key areas:

- enhanced transparency and data dissemination;
- helping countries prepare for integration into the global economy and for free global capital flows;
- strengthening national financial systems;

- ensuring that the private sector takes responsibility for its lending decisions;
- enhancing further the role of the International Financial Institutions and cooperation amongst them and with the international regulatory fora. We are considering ways, and ask the relevant institutions to develop proposals on ways, in which greater co-operation can be achieved including options for institutional reform.

5. We have set out our proposals in a separate report to our Heads of State or Government, which outlines how work is being taken forward in each of these areas and signals a number of areas for further work.

Financial Stability: Supervision of Global Financial Institutions

6. Since the Lyon and Denver Summits, work has been underway to strengthen the international financial system. Recent events in Asia, combined with the rapid consolidation and globalisation in the financial sector, have highlighted once again the need to improve urgently co-operation between supervisors of internationally active financial institutions. We welcome the work done by the international regulatory bodies in this area and urge them to move quickly towards implementation of the concepts they have devised. Today we have reached important conclusions in a separate report. We commend the 10 Key Principles on information exchange which we will be promoting throughout the world as standards to which all countries should aspire. The G7 also looks forward to the continuing contribution of the private sector to developing international standards that enhance the supervision of global financial firms, while reducing regulatory burdens. On the year 2000 issue, we call on the Basle Committee, the International Organisation of Securities Commissions (IOSCO), the International Association of Insurance Supervisors (IAIS) and the Committee on Payment and Settlement Systems (CPSS), and their newly formed joint Year 2000 Council to monitor the work that firms in the financial area already have underway, and to do all that they can to encourage compliance.

Financial Crime

7. The fight against financial crime is one of the major challenges of our times. We emphasise that, as both financial services and crime become increasingly globalised, this challenge can only be met if all major financial centres work together. Effective co-operation between financial regulators and law enforcement authorities at the international level is an essential element of this. A G7 expert group was set up by the Denver Summit to consider how this cooperation can be improved within our countries. We now agree to:

- review our laws and procedures concerning information exchange between financial regulators and law enforcement agencies against a common list of key elements for effective cooperation;
- identify by October what modifications are desirable, consistent with fundamental national and international legal principles, to improve our systems and to implement such measures as quickly as possible;
- take forward a number of practical steps to improve cooperation;
- disseminate a G7 Reference Guide to Procedures and Contact Points on Information Exchange to financial regulators and law enforcement agencies in our countries and to expand this Guide to cover all major financial centre countries.

8. We have instructed the G7 expert group to provide a report on progress on all these areas and any further recommendations in preparation for the Köln Summit.

9. We also recognise that action must not be confined to G7 members and we

emphasise that all countries should provide effective international administrative and judicial cooperation. In particular, we are concerned at the number of countries and territories, including some financial offshore centres, which continue to offer excessive banking secrecy and allow screen companies to be used for illegal purposes. We recognise that the Financial Action Task Force (FATF) has already taken significant steps in this area and endorse FATF's efforts to support the Offshore Group of Banking Supervisors in its mutual evaluation process. We therefore call on the FATF to review the present position and make recommendations to Ministers by the Köln Summit on what can be done to rectify these abuses.

Financial Action Task Force

10. We commend the work that the FATF has carried out since its creation in 1989 to develop and promote action against money laundering. Its Forty Recommendations remain the essential standard for effective countermeasures. However, although considerable progress has been made in the fight against money laundering, we agree with the FATF that much still remains to be done. We therefore endorse the decision of the FATF to continue its mandate for a further five years and the new strategy it has adopted.

11. We agree that the major task during this period should be the establishment of a world-wide anti-money laundering network encompassing all continents and regions of the globe. We support FATF's intention to expand its own membership to a limited number of countries meeting the agreed criteria and to encourage the further development of regional anti-money laundering bodies. We call on other international organisations to work closely with the FATF in its mission. We also consider it essential that the FATF continues to monitor money laundering trends and techniques and to ensure that its Recommendations keep pace with new developments.

12. We encourage FATF to implement its new strategy as quickly as possible and urge all countries to join in the fight against money laundering.

Tax Competition

13. We warmly welcome the OECD agreement on action to tackle harmful tax competition. This provides a strong basis for co-ordinated international action to curb harmful tax competition through preferential tax regimes and tax havens. And we note the complementary development of the EU Code of Conduct.

14. We strongly endorse the OECD recommendations, and we welcome the establishment of the OECD Forum on harmful tax practices. We will work through the Forum to secure effective implementation of the recommendations, and will actively support the proposed dialogue with non-OECD members to promote the agreed principles and recommendations on a global basis.

15. We urge the OECD to give particular attention to the development of a comprehensive programme to improve the availability of information to tax authorities to curb international tax evasion and avoidance through tax havens, and through preferential tax regimes. This would involve developing further the proposals to improve exchange of tax information between OECD countries to address the problems caused by restricted access to banking information and to improve the supply of information from tax havens by the negotiation of effective information exchange arrangements.

16. In addition we encourage international action to enhance the capacity of anti-money laundering systems to deal effectively with tax related crimes. Action here

would both strengthen anti-money laundering systems and would also be an essential component of a coherent programme to increase the effectiveness of tax information exchange arrangements. Action could be based on furthering the following objectives:

- a) Effective anti money laundering systems must ensure that obligations to report transactions relating to suspected criminal offences continue to apply even where such transactions are thought to involve tax offences.
- b) Money laundering authorities should be permitted to the greatest extent possible to pass information to their tax authorities to support the investigation of tax related crimes, and such information should be communicated to other jurisdictions in ways which would allow its use by their tax authorities. Such information should be used in a way which does not undermine the effectiveness of anti-money laundering systems.

17. We intend to pursue the development and implementation of these objectives with our OECD partners and in other appropriate fora including the FATF.

18. We in G7 commit ourselves to giving a lead by working to further the foregoing objectives in all territories and jurisdictions for which we have international responsibilities or over which we have influence. And we will follow closely the progress of further work on harmful tax competition which the OECD intends to undertake and the related work on tax related crimes.

Customs Procedures

19. In Lyon we initiated an effort to standardize and simplify customs procedures. We welcome the further work undertaken since Denver which has produced a harmonised and simplified data set for import and export procedures, and urge our experts to reduce that data to a minimum consistent with customs responsibilities by the end of this year. We ask our experts to complete their work, including the development of standardised electronic declarations and to encompass the related import and export data requirements of other government departments and agencies. Our countries will, drawing on each others' experience, take all steps possible to establish customs prototypes or other procedures involving all the G7 countries, which will use an agreed G7 data set, by the Summit in the year 2000 if possible.

20. We also welcome the significant progress made on the Action/Defis programme of the World Customs Organisation to strengthen co-operation between enforcement agencies and associations of international carriers. We encourage further development of this work.

Ageing

21. We welcome the reports of the G10 and OECD on macroeconomic and financial implications of ageing populations. We ask the OECD to undertake further work looking at individual country ageing issues. We ask for a report from the OECD by the Summit in the Year 2000.

Source: Released at the Finance Ministers Meeting, London, England, May 8, 1998

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Summit Contents

**THE BIRMINGHAM SUMMIT
15-17 May 1998
COMMUNIQUE**

- Sunday 17 May 1998

Introduction

1. We, the Heads of State or Government of eight major industrialised democracies and the President of the European Commission, met in Birmingham to discuss issues affecting people in our own and other countries. In a world of increasing globalisation we are ever more interdependent. Our challenge is to build on and sustain the process of globalisation and to ensure that its benefits are spread more widely to improve the quality of life of people everywhere. We must also ensure that our institutions and structures keep pace with the rapid technological and economic changes under way in the world.

2. Of the major challenges facing the world on the threshold of the 21st century, this Summit has focused on three:

- achieving sustainable economic growth and development throughout the world in a way which, while safeguarding the environment and promoting good governance, will enable developing countries to grow faster and reduce poverty, restore growth to emerging Asian economies, and sustain the liberalisation of trade in goods and services and of investment in a stable international economy;
- building lasting growth in our own economies in which all can participate, creating jobs and combating social exclusion;
- tackling drugs and transnational crime which threaten to sap this growth, undermine the rule of law and damage the lives of individuals in all countries of the world.

Our aim in each case has been to agree concrete actions to tackle these challenges.



Promoting sustainable growth in the global economy

3. In an interdependent world, we must work to build sustainable economic growth

in all countries. Global integration is a process we have encouraged and shaped and which is producing clear benefits for people throughout the world. We welcomed the historic decisions taken on 2 May on the establishment of European Economic and Monetary Union. We look forward to a successful EMU which contributes to the health of the world economy. The commitment in European Union countries to sound fiscal policies and continuing structural reform is key to the long-term success of EMU, and to improving the prospects for growth and employment.

4. Overall global prospects remain good. However, since we last met, the prospects have been temporarily set back by the **financial crisis in Asia**. We confirm our strong support for the efforts to re-establish stability and growth in the region and for the key role of the International Financial Institutions. Successful recovery in Asia will bring important benefits for us all. Therefore:

- we strongly support reforms underway in the affected countries and welcome the progress so far achieved. With full implementation of programmes agreed with the IMF we are confident that stability can be restored. The underlying factors that helped Asia achieve impressive growth in the past remain in place. Implementation of agreed policies together with the action taken by ourselves and other countries to avoid spillover effects provide the basis for a firm recovery in the region and renewed global stability;
- we believe a key lesson from events in Asia is the importance of sound economic policy, transparency and good governance. These improve the functioning of financial markets, the quality of economic policy making and public understanding and support for sound policies, and thereby enhance confidence. It is also important to ensure that the private sector plays a timely and appropriate role in crisis resolution;
- we are conscious of the serious impact of the crisis in the region on the poor and most vulnerable. Economic and financial reform needs to be matched with actions and policies by the countries concerned to help protect these groups from the worst effects of the crisis. We welcome the support for this by the World Bank, the Asian Development Bank and bilateral donors and the increased emphasis on social expenditure in programmes agreed by the IMF;
- we are concerned that the difficulties could trigger short-term protectionist forces both in the region and in our own countries. Such an approach would be highly damaging to the prospects for recovery. We resolve to keep our own markets open and call on other countries to do the same. We emphasise the importance for the affected countries of continued opening of their markets to investment and trade.

5. Looking ahead to the **WTO's** celebration of the 50th anniversary of the founding of the GATT next week, we:

- reaffirm our strong commitment to continued trade and investment liberalisation within the multilateral framework of the WTO;
- call on all countries to open their markets further and resist protectionism;
- strongly support the widening of the WTO's membership in accordance with established WTO rules and practices;
- agree to promote public support for the multilateral system by encouraging greater transparency in the WTO, as in other international organisations;

- reaffirm our support for efforts to complete existing multilateral commitments, push forward the built-in agenda and tackle new areas in pursuing broad-based multilateral liberalisation;
- confirm our wish to see emerging and developing economies participate fully and effectively in the multilateral trade system; commit ourselves to deliver early, tangible benefits from this participation to help generate growth and alleviate poverty in these countries; and undertake to help least developed countries by:
 - providing additional duty-free access for their goods, if necessary on an autonomous basis,
 - ensuring that rules of origin are transparent,
 - assisting efforts to promote regional integration,
 - helping their markets become more attractive and accessible to investment and capital flows.

6. The last point highlights one of the most difficult challenges the world faces: to enable the **poorer developing countries**, especially in **Africa**, develop their capacities, integrate better into the global economy and thereby benefit from the opportunities offered by globalisation. We are encouraged by the new spirit of hope and progress in Africa. The challenges are acute, but confidence that they can be overcome is growing. We commit ourselves to a real and effective partnership in support of these countries' efforts to reform, to develop, and to reach the internationally agreed goals for economic and social development, as set out in the OECD's 21st Century Strategy. We shall therefore work with them to achieve at least primary education for children everywhere, and to reduce drastically child and maternal mortality and the proportion of the world's population living in extreme poverty.

7. To help achieve these goals, we intend to implement fully the vision we set out at Lyon and Denver. We therefore pledge ourselves to a shared international effort:

- to provide effective support for the efforts of these countries to build democracy and good governance, stronger civil society and greater transparency, and to take action against corruption, for example by making every effort to ratify the OECD Anti-Bribery Convention by the end of 1998;
- to recognise the importance of substantial levels of development assistance and to mobilise resources for development in support of reform programmes, fulfilling our responsibilities and in a spirit of burden-sharing, including negotiating a prompt and adequate replenishment of the soft loan arm of the World Bank (IDA 12) as well as providing adequate resources for the Enhanced Structural Adjustment Facility of the IMF and for the African Development Fund;
- to work to focus existing bilateral aid and investment agency assistance in support of sound reforms, including the development of basic social infrastructure and measures to improve trade and investment;
- to work within the OECD on a recommendation on untying aid to the least developed countries with a view to proposing a text in 1999;
- to support the speedy and determined extension of debt relief to more countries, within the terms of the Heavily Indebted Poor Countries (HIPC) initiative agreed by the International Financial Institutions (IFIs) and Paris Club. We welcome the progress achieved with six countries already declared eligible for HIPC debt relief and a further two countries likely to be declared shortly. We encourage all eligible countries to take the policy measures

needed to embark on the process as soon as possible, so that all can be in the process by the year 2000. We will work with the international institutions and other creditors to ensure that when they qualify, countries get the relief they need, including interim relief measures whenever necessary, to secure a lasting exit from their debt problems. We expect the World Bank to join the future financial effort to help the African Development Bank finance its contribution to the HIPC initiative;

- to call on those countries who have not already done so to forgive aid-related bilateral debt or take comparable action for reforming least developed countries;
- to enhance mutual cooperation on infectious and parasitic diseases and support the World Health Organisation's efforts in those areas. We support the new initiative to 'Roll Back Malaria' to relieve the suffering experienced by hundreds of millions of people, and significantly reduce the death rate from malaria by 2010. We will also continue our efforts to reduce the global scourge of AIDS through vaccine development, preventive programmes and appropriate therapy, and by our continued support for UNAIDS. We welcome the French proposal for a 'Therapeutic Solidarity Initiative' and other proposals for the prevention and treatment of AIDS, and request our experts to examine speedily the feasibility of their implementation.

8. We see a particular need to strengthen Africa's ability to prevent and ease conflict, as highlighted in the UN Secretary General's recent report. We will look for ways to enhance the capacity of Africa-based institutions to provide training in conflict prevention and peacekeeping. We also need to consider further ways to respond to the exceptional needs of poor post-conflict countries as they rebuild their political, economic and social systems, in a manner consistent with democratic values and respect for basic human rights. In addition to immediate humanitarian assistance:

- we recognise the need for technical and financial assistance in creating strong democratic and economic institutions, supporting good governance alongside programmes of macroeconomic and structural reform supported by the IMF and World Bank. We call on the World Bank to play a strong role in co-ordinating bilateral and multilateral assistance in these areas;
- we also agree on the need to consider ways for debt relief mechanisms, including the HIPC initiative where appropriate, to be used to release more and earlier resources for essential rehabilitation, particularly for those countries with arrears to the IFIs.

9. A crucial factor in ensuring sustainable development and global growth is an efficient **energy** market. We therefore endorse the results of our Energy Ministers' Meeting in Moscow in April. We shall continue cooperation on energy matters in the G8 framework. We recognise the importance of soundly based political and economic stability in the regions of energy production and transit. With the objective of ensuring reliable, economic, safe and environmentally-sound energy supplies to meet the projected increase in demand, we commit ourselves to encourage the development of energy markets. Liberalisation and restructuring to encourage efficiency and a competitive environment should be supported by transparent and non-discriminatory national legislative and regulatory frameworks with a view to establishing equitable treatment for both government and private sectors as well as domestic and foreign entities. These are essential to attract the new investment which our energy sectors need. We also recognise the importance of international co-operation to develop economically viable international energy transmission networks. We shall pursue this co-operation bilaterally and

multilaterally, including within the framework and principles of the Energy Charter Treaty.

10. Considering the new competitive pressures on our electric power sectors, we reaffirm the commitment we made at the 1996 Moscow Summit to the safe operation of nuclear power plants and the achievement of high safety standards worldwide, and attach the greatest importance to the full implementation of the Nuclear Safety Account grant agreements. We reaffirm our commitment to the stated mission of the Nuclear Safety Working Group (NSWG). We agreed to deepen Russia's role in the activities of the NSWG, with a view to eventual full membership in the appropriate circumstances. We acknowledge successful cooperation on the pilot project of the International Thermonuclear Experimental Reactor (ITER) and consider it desirable to continue international cooperation for civil nuclear fusion development.

11. The greatest environmental threat to our future prosperity remains **climate change**. We confirm our determination to address it, and endorse the results of our Environment Ministers' meeting at Leeds Castle. The adoption at Kyoto of a Protocol with legally binding targets was a historic turning point in our efforts to reduce greenhouse gas emissions. We welcome the recent signature of the Protocol by some of us and confirm the intention of the rest of us to sign it within the next year, and resolve to make an urgent start on the further work that is necessary to ratify and make Kyoto a reality. To this end:

- we will each undertake domestically the steps necessary to reduce significantly greenhouse gas emissions;
- as the Kyoto protocol says, to supplement domestic actions, we will work further on flexible mechanisms such as international market-based emissions trading, joint implementation and the clean development mechanism, and on sinks. We aim to draw up rules and principles that will ensure an enforceable, accountable, verifiable, open and transparent trading system and an effective compliance regime;
- we will work together and with others to prepare for the Buenos Aires meeting of COP4 this autumn. We will also look at ways of working with all countries to increase global participation in establishing targets to limit or reduce greenhouse gas emissions. We will aim to reach agreement as soon as possible on how the clean development mechanism can work, including how it might best draw on the experience and expertise of existing institutions, including the Global Environment Facility. We look forward to increasing participation from developing countries, which are likely to be most affected by climate change and whose share of emissions is growing. We will work together with developing countries to achieve voluntary efforts and commitments, appropriate to their national circumstances and development needs. We shall also enhance our efforts with developing countries to promote technological development and diffusion.

12. The recent devastating forest fires in south-east Asia and the Amazon, threatening not only our environment but even economic growth and political stability, illustrate the crucial importance of global cooperation, and of better and more effective frameworks and practical efforts designed to sustainably manage and conserve forests. In the year 2000 we will assess our progress on implementation of the G8 Action Programme published last week. We strongly support the ongoing work on forests under the auspices of the United Nations, and we look forward to continuing these efforts.

Growth, employability, and inclusion

13. All our people, men and women, deserve the opportunity to contribute to and share in national prosperity through work and a decent standard of living. The challenge is how to reap the benefits of rapid technological change and economic globalisation whilst ensuring that all our citizens share in these benefits by increasing growth and job creation, and building an inclusive society. To accomplish this, we recognise the importance of modernising domestic economic and social structures within a sound macro-economic framework. To these ends we strongly endorse the seven principles agreed by the G8 Finance, Economic, Labour and Employment Ministers at their London Conference in February on 'Growth, Employability and Inclusion'. We also welcome the conclusions of the Kobe Jobs Conference of November 1997, with their particular focus on active ageing.

14. We discussed and welcomed the Action Plans we have each produced to show how the seven principles of the London Conference are being implemented. By sharing national experiences and best practices in this area, we can improve our policies and responses. We underlined the importance of the involvement of employers and unions in securing successful implementation of these Plans.

15. The Action Plans show that individually we are all making new commitments to improve employability and job creation in our countries. In particular, we have committed ourselves to:

- measures to help young, long-term unemployed and other groups hard hit by unemployment find work;
- measures to help entrepreneurs to set up companies;
- carrying out structural reforms, including making tax and benefit systems more employment friendly and liberalisation of product markets;
- measures to promote lifelong learning.

16. Each country confirmed its determination to introduce the measures set out in its Action Plans and to pursue the concept of active ageing. Measures on active ageing should explore what forms of work are appropriate to the needs of older workers and adapt work to suit them accordingly.

17. These measures will help generate soundly-based and equitable growth. We are also willing to share our principles and experiences, including in the relevant international institutions particularly the ILO, OECD and the IFIs, to help foster growth, jobs and inclusion not only in the G8 but throughout the world. We renew our support for global progress towards the implementation of internationally recognised core labour standards, including continued collaboration between the ILO and WTO secretariats in accordance with the conclusions of the Singapore conference and the proposal for an ILO declaration and implementation mechanism on these labour standards.

Combating drugs and international crime

18. Globalisation has been accompanied by a dramatic increase in transnational crime. This takes many forms, including trafficking in drugs and weapons; smuggling of human beings; the abuse of new technologies to steal, defraud and evade the law; and the laundering of the proceeds of crime.

19. Such crimes pose a threat not only to our own citizens and their communities, through lives blighted by drugs and societies living in fear of organised crime; but also a global threat which can undermine the democratic and economic basis of

societies through the investment of illegal money by international cartels, corruption, a weakening of institutions and a loss of confidence in the rule of law.

20. To fight this threat, international cooperation is indispensable. We ourselves, particularly since the Lyon summit in 1996, have sought ways to improve that cooperation. Much has already been achieved. We acknowledge the work being done in the UN, the EU and by other regional groupings. We welcome the steps undertaken by the G8 Lyon Group to implement its 40 Recommendations on transnational organised crime and the proposals G8 Justice and Interior Ministers announced at their meeting in Washington last December. By working together, our countries are helping each other catch criminals and break up cartels. But more needs to be done. There must be no safe havens either for criminals or for their money.

21. We have therefore agreed a number of further actions to tackle this threat more effectively:

- We fully support efforts to negotiate within the next two years an effective **United Nations convention** against transnational organised crime that will provide our law enforcement authorities with the additional tools they need.
- We agree to implement rapidly the ten principles and ten point action plan agreed by our Ministers on **high tech crime**. We call for close cooperation with industry to reach agreement on a legal framework for obtaining, presenting and preserving electronic data as evidence, while maintaining appropriate privacy protection, and agreements on sharing evidence of those crimes with international partners. This will help us combat a wide range of crime, including abuse of the internet and other new technologies.
- We welcomed the FATF decision to continue and enlarge its work to combat **money-laundering** in partnership with regional groupings. We place special emphasis on the issues of money laundering and financial crime, including issues raised by offshore financial centres. We welcome the proposal to hold in Moscow in 1999 a Ministerial meeting on combating transnational crime. We agreed to establish Financial Intelligence Units (FIUs) where we do not already have them, in line with our national constitutions and legal systems, to collect and analyse information on those engaged in money laundering and liaise with the equivalent agencies in partner countries. We agreed on principles and the need for adequate legislation to facilitate **asset confiscation** from convicted criminals, including ways to help each other trace, freeze and confiscate those assets, and where possible, in accordance with national legislation, share seized assets with other nations.
- We agree on the need to explore ways of combating official **corruption** arising from the large flows of criminal money.
- We are deeply concerned by all forms of **trafficking of human beings** including the smuggling of migrants. We agreed to joint action to combat trafficking in women and children, including efforts to prevent such crimes, protect victims and prosecute the traffickers. We commit ourselves to develop a multidisciplinary and comprehensive strategy, including principles and an action plan for future cooperation amongst ourselves and with third countries, including countries of origin, transit and destination, to tackle this problem. We consider the future comprehensive UN organised crime convention an important instrument for this purpose.
- We endorse **joint law enforcement action** against organised crime and welcome the cooperation between competent agencies in tackling criminal

networks. We agree to pursue further action, particularly in dealing with major smuggling routes and targeting specific forms of financial fraud.

- We endorse the Lyon Group's principles and action plan to combat illegal manufacturing and trafficking of **firearms**. We welcome its agreement to work towards the elaboration of a binding international legal instrument in the context of the UN transnational organised crime convention.

22. We urge the Lyon Group to intensify its on-going work and ask our Ministers to report back to our next Summit on progress on the action plan on high tech crime, the steps taken against money laundering and the joint action on trafficking in human beings. We also welcome the steps agreed by our Environment Ministers on 5 April to combat **environmental crime**.

23. There is a strong link between **drugs** and wider international and domestic crime. We welcome the forthcoming UNGASS on drugs. This should signal the international community's determination in favour of a comprehensive strategy to tackle all aspects of the drugs problem. For its part, the G8 is committed to partnership and shared responsibility in the international community to combat illicit drugs. This should include reinforced cooperation to curb illicit trafficking in drugs and chemical precursors, action to reduce demand in our countries, including through policies to reduce drug dependency, and support for a global approach to eradicating illicit crops. We welcome the UNDCP's global approach to eliminating or significantly reducing illicit drug production, where appropriate through effective alternative development programmes.

Non-Proliferation and Export Controls

24. The proliferation of weapons of mass destruction and their delivery systems threatens the security of every nation. Our countries have been in the forefront of efforts to prevent proliferation, and we have worked closely together to support international non-proliferation regimes. We pledge to continue and strengthen this co-operation. As a key element of this co-operation, we reaffirm our commitment to ensure the effective implementation of export controls, in keeping with our undertakings within the non-proliferation regimes. We will deny any kind of assistance to programmes for weapons of mass destruction and their means of delivery. To this end, we will where appropriate undertake and encourage the strengthening of laws, regulations and enforcement mechanisms. We will likewise enhance amongst ourselves and with other countries our co-operation on export control, including for instance on the exchange of information. We will ask our experts to focus on strengthening export control implementation. And we will broaden awareness among our industrial and business communities of export control requirements.

Year 2000 Bug

25. The Year 2000 (or Millennium) Bug problem, deriving from the way computers deal with the change to the year 2000, presents major challenges to the international community, with vast implications, in particular in the defence, transport, telecommunications, financial services, energy and environmental sectors, and we noted the vital dependence of some sectors on others. We agreed to take further urgent action and to share information, among ourselves and with others, that will assist in preventing disruption in the near and longer term. We shall work closely with business and organisations working in those sectors, who will bear much of the responsibility to address the problem. We will work together in international organisations, such as the World Bank to assist developing countries, and the OECD, to help solve this critical technological problem and prepare for the year 2000.



Communiqué: The Denver Summit of the Eight

Issued by the heads of state and government of the seven leading industrial countries and Russia at the conclusion of Denver Summit of the Eight, June 22, 1997.

Introduction

1. We, the participants in the Denver Summit of the Eight, as major industrialized democracies, have discussed the steps necessary, both internationally and domestically, to shape the forces of integration to ensure prosperity and peace for our citizens and the entire world as we approach the twenty-first century. We have agreed to work- closely with all willing partners in fostering global partnership for peace, security, and sustainable development that includes strengthening democracy, and human rights, and helping prevent and resolve conflicts.

2. Continuing the important steps we have taken, the Denver Summit of the Eight marks a new and deeper participation by Russia in our efforts. Russia has taken bold measures to complete an historic transformation into a democratic state with a market economy. We are committed to continue the trend of increased Russian participation in the work of our officials between Summits and reiterate our shared commitment to the promotion of a fuller involvement of Russia in the Summit process. Cooperation to integrate Russia's economy into the global economic system represents one of our most important priorities. We welcome the understanding reached between Russia and the Chairman of the Paris Club on the basis for Russia's participation and look forward to the Paris Club and Russia finalizing an agreement in the near future. We support the goal of early Russian accession to the WTO on the basis of conditions generally applicable to newly acceding members. We also look forward to continued Russian progress toward accession to the OECD using the potential of the recently created Liaison Committee between Russia and the OECD.

Economic and Social Issues

3. The process of globalization, a major factor underlying the growth of world prosperity in the last fifty years, is now advancing rapidly and broadly. Globalization encompasses the expansion of cross-border flows of ideas and information, goods and services, technology and capital. More openness and integration across the global economy create opportunities for increased prosperity as countries specialize in those economic activities which they do best, while also promoting increased competition and efficiency, and the rapid spread of technological innovations. Our task, as we enter the 21st Century, is to make the most of these opportunities.

4. At the same time, globalization may create new challenges. The increasing openness and interdependence of our economies, with deep trade linkages and ever greater flows of private capital, means that problems in one country can spill over more easily to affect the rest. We must cooperate to promote global growth and prosperity. We must also insure that all segments of society, and indeed all countries across the globe, have the opportunity to share in the prosperity made possible by global integration and technological innovations. It is particularly important that young adults see the path to a successful life, and be adequately prepared to follow that path.

5. Rapid technological change and demographic shifts are also having an important impact on the global economy. We must take advantage of the possibilities for growth to address unemployment and economic insecurity. Sound economic policies and the structural reforms necessary to allow markets to function properly are essential if we are to meet the many domestic and international challenges we all

face. Measures that expand the availability of high quality education and training and increase the responsiveness of labor markets to economic conditions will aid the ability of our people to adjust to all types of structural changes. We look forward to the high-level conference on employment that takes place this fall in Japan, which is expected to contribute to the discussion on responses to structural changes. We also welcome the proposal by the United Kingdom to host a conference of ministers responsible for finance and social affairs early next year on growth, employability, and inclusion, to prepare for further discussion of these vital issues at our meeting next year.

The Opportunities and Challenges of Aging Populations

6. Increased life expectancy and improved health among our elderly are two major achievements of this century. In the next century, these successes will present us with both opportunities and challenges, as longer life expectancies and lower birth rates significantly raise the proportion of seniors in our countries' populations. Prime Minister Hashimoto's "Initiative for a Caring World" has provided us the opportunity to focus on the implications of these developments.

7. We discussed the idea of "active aging" -- the desire and ability of many older people to continue work or other socially productive activities well into their later years, and agreed that old stereotypes of seniors as dependent should be abandoned. We considered new evidence suggesting that disability rates among seniors have declined in some countries while recognizing the wide variation in the health of older people. We discussed how our nations can promote active aging of our older citizens with due regard to their individual choices and circumstances, including removing disincentives to labor force participation and lowering barriers to flexible and part-time employment that exist in some countries. In addition, we discussed the transition from work to retirement, life-long learning and ways to encourage volunteerism and to support family care-giving.

8. We examined the differing implications of population aging for our nations' pension, health and long-term care systems in the next century. Active aging strategies can be a useful way to advance structural reforms in the areas of health and social welfare. Some of our countries face major challenges in sustaining their public pension systems and would benefit from early action to restore balance. Different ways were suggested to address this issue, including increasing the labor force participation of seniors and raising national savings rates. Investing in human capital, including maximizing opportunities for life-long learning, were mentioned as ways to facilitate the continued work preparedness of mature adults. Some countries will be more affected by the demands of health care financing for seniors. We concluded that efficient and effective management of this challenge should help us to meet the needs of an aging society without overburdening younger generations.

9. We agreed that it is important to learn from one another how our policies and programs can promote active aging and advance structural reforms to preserve and strengthen our pension, health and long-term care systems. Our governments will work together, within the OECD and with other international organizations, to promote active aging through information exchanges and cross-national research. We encourage collaborative biomedical and behavioral research to improve active life expectancy and reduce disability, and have directed our officials to identify gaps in our knowledge and explore developing comparable data in our nations to improve our capacity to address the challenges of population aging into the 21st Century.

Small and Medium Enterprises

10. The contributions of small and medium-sized enterprises to employment and economic dynamism in our societies are widely recognized. Fostering a business setting conducive to the growth of dynamic young enterprises is a key to job creation. In our discussion, we surveyed the obstacles to such growth, including the unavailability of debt or equity capital at critical stages of a firm's growth, unnecessary regulation, difficulties adopting existing innovative technologies, and the problems of smaller businesses in entering global markets. We stress the need to remove these obstacles. We also examined some exemplary practices within our countries to promote the growth of small and medium-sized companies, as well as vocational training and education within these companies, and considered how we might benefit from these successes. Best practices in our countries could also be useful examples for

developing and transition-market economies, as development of small and medium-sized enterprises favors creation of jobs and social stability, disseminates entrepreneurial capacities and helps to promote and diversify exports. We will pursue our work in other areas.

Global Issues

11. Even as global integration and rapid advances in communications and transportation have spurred economic growth, these same trends have exposed us to complex problems that defy unilateral solutions. In recent years our Summits have devoted increasing attention to our cooperative efforts to confront these problems.

Environment

12. This is a pivotal year for efforts to promote sustainable development and protect the environment. We are determined to address the environmental challenges that will affect the quality of life of future generations and to enhance public awareness, especially among our youth, of the importance of advancing sustainable development goals.

UN General Assembly Special Session

13. We discussed the progress that has been made since the 1992 Rio Earth Summit in defining and promoting sustainable development, and we commit ourselves to taking action in areas critical to advancing this agenda. Sustainable development demands the full integration of environment, economic and social policies; should be based upon democratic governance and respect for human rights; and should have poverty eradication as one of its ultimate objectives. In this connection, we reaffirm the vital contribution of civil society. We urge the United Nations General Assembly, at its Special Session to be held next week, to reaffirm and give impetus to the Rio commitments, to take stock of implementation since Rio, and, most importantly, to develop a manageable list of priority issues to address in future work on sustainable development.

Climate Change

14. Overwhelming scientific evidence links the build-up of greenhouse gasses in the atmosphere to changes in the global climate system. If current trends continue into the next century, unacceptable impacts on human health and the global environment are likely. Reversing these trends will require a sustained global effort over several decades, with the involvement of all our citizens, and changes in our patterns of consumption and production.

15. We are determined to take the lead and show seriousness of purpose in strengthening international efforts to confront climate change. Our ultimate goal must be to stabilize atmospheric concentrations of greenhouse gasses at an acceptable level. This will require efficient and cost-effective policies and measures sufficient to lead to a significant reduction in emissions.

16. International cooperation will be essential. At the Third Conference of Parties to the UN Framework Convention on Climate Change in Kyoto we must forge a strong agreement that is consistent with the Berlin Mandate and that contains quantified and legally-binding emission targets. We intend to commit to meaningful, realistic and equitable targets that will result in reductions of greenhouse gas emissions by 2010. The agreement must ensure transparency and accountability and allow Participants flexibility in the manner in which they meet their targets.

17. Action by developed countries alone will not be sufficient to meet this goal. Developing countries must also take measurable steps, recognizing that their obligations will increase as their economies grow. We agree to work in partnership with them to that effect by implementing technological development and diffusion and supporting environmental education and capacity building.

18. We stress the importance of setting up an appropriate mechanism for monitoring and ensuring compliance among Parties. We also agree to work together to enhance international efforts to further

develop global systems for monitoring climate change and other environmental trends.

Forests

19. Forests continue to be destroyed and degraded at alarming rates ' in many parts of the world. To reverse this trend, we call upon all countries to make a long-term political commitment to achieve sustainable forest management practices worldwide and to 'join us in the immediate implementation of proposals put forward by the UNCSD Intergovernmental Panel on Forests. We have discussed in Denver and have agreed to support a practical Action Program that includes implementing national programs and building capacity for sustainable forest management; establishing networks of protected areas; assessing the state of each nation's forests using agreed criteria and indicators; promoting private sector management of forests; and eliminating illegal logging. We ask that our officials meet early next year to assess progress in implementing this Action Program and call for a report at our next meeting.

20. At the Special Session of the United Nations, we will work with the active involvement of environmental groups to build consensus on an international agreement with appropriately high international standards to achieve these goals. We welcome the progress made in implementing the Brazil Pilot Program initiated in Houston, and see it as an example of practical international cooperation.

Freshwater

21. Many people throughout the world do not have access to safe water. Increased human, industrial and agricultural wastes can diminish water quality, with adverse effects for ecosystems and human health and safety, particularly for children. The Special Session of the UN General Assembly should encourage the CSD to develop a practical plan of action to address freshwater-related issues, including promotion of efficient water use, improvement of water quality and sanitation, technological development and capacity building, public awareness and institutional improvements. To achieve these objectives, we have also agreed to promote bilateral and regional cooperation on freshwater concerns, and to enhance coordination of our efforts in this area.

Oceans

22. We must strengthen our efforts to protect the world's oceans. We will work to ensure an effective and integrated effort to deal with key issues, including sustainable fishing, shipping, marine pollution from land-based and off-shore activities, and oil spill prevention and emergency response. In this connection, we will also enhance cooperation in monitoring the ecology in the Northern Pacific, as well as in forecasting earthquakes and tsunamis in this region.

Desertification

23. We welcome the entry into force of the "Convention to Combat Desertification," and urge the parties to develop concrete steps to implement the convention at the First Conference of the Parties this Fall in Rome.

Environmental Standards for Export Credit Agencies

24. Private sector financial flows from industrial nations have a significant impact on sustainable development worldwide. Governments should help promote sustainable practices by taking environmental factors into account when providing financing support for investment in infrastructure and equipment. We attach importance to the work on this in the OECD, and 'will review progress at our meeting next year.

Children's Environmental Health

25. Protecting the health of our children is a shared fundamental value. Children throughout the world face significant threats to their health from an array of environmental hazards, and we recognize particular vulnerabilities of children to environmental threats. Our governments will explicitly incorporate children into environmental risk assessments and standard setting and together will work to

strengthen information exchange, provide for microbiologically safe drinking water, and reduce children's exposure to lead, environmental tobacco smoke and other air pollutants.

Institutions

26. Strong international institutions are essential to coordinating global efforts to protect the environment and to achieve sustainable development.

27. The UNGA Special Session should confirm the role of the UN Commission on Sustainable Development (CSD) as the strategic forum for integrating the social, environmental and economic aspects of sustainable development. The CSD should develop action plans with concrete objectives and timetables to guide its work in the four agreed priority areas: freshwater; oceans; land resources, including forests; and sustainable energy use.

28. To ensure an effective response to urgent global environmental problems, we have supported the refocused mandate for the United Nations Environment Program (UNEP), the leading global environmental authority, as affirmed by the UNEP Governing Council in Nairobi this year. UNEP should promote the coherent implementation of environmental protection within the UN system and serve as an authoritative advocate for the global environment. The newly formed High-level Committee of Environment Ministers and Officials should consider the international environmental agenda and elaborate upon and advance the reforms needed to ensure UNEP's effectiveness, with a particular emphasis on greater policy, program and financial accountability. We look forward to a revitalized UNEP being able to attract the resources needed for its tasks.

29. Further efforts are necessary to ensure the long-term coherence and efficiency of the UN's work on the environment. We encourage the Secretary General to review the handling of environmental matters within the UN system and to explore possible means and structures to improve further the coordination among, and effectiveness of, the concerned institutions.

30. We reaffirm the importance of the Global Environmental Facility as the leading multilateral funding mechanism for the global environment. We will work to strengthen its finances and enhance its effectiveness. In this regard, we will each do our part to contribute to a successful replenishment of the Facility.

Infectious Diseases

31. Infectious diseases, including drug-resistant tuberculosis, malaria, and HIV/AIDS are responsible for a third of all deaths in the world. They pose significant challenges to the health, security and financial resources of the global community. In many parts of the world, infectious diseases and deaths from infectious disease have risen sharply in the last decade for a variety of reasons, including the emergence of drug-resistant microbes and the increased movement of people and products.

32. In the coming year, our governments will promote more effective coordination of international responses to outbreaks; promote development of a global surveillance network, building upon existing national and regional surveillance systems; and help to build public health capacity to prevent, detect and control infectious diseases globally including efforts to explore the use of regional stocks of essential vaccines, therapeutics, diagnostics and other materials. Central to this work will be strengthening and linking existing activities in and among each of our countries, with developing countries, and in other fora, especially the World Health Organization. We support the efforts of the WHO and the recent World Health Assembly resolutions regarding the quality of biological and pharmaceutical products.

33. Preventing the transmission of HIV infection and the development of AIDS is an urgent global public health imperative. While other prevention and treatment methods must be pursued, in the long term the development of safe, accessible, and effective vaccines against AIDS holds the best chance of limiting, and eventually eliminating, the threat of this disease. We will work to provide the resources necessary to accelerate AIDS vaccine research, and together will enhance international scientific

cooperation and collaboration. Cooperation among scientists and governments in the developed and developing world and international agencies will be critical. We call on other states to join us in this endeavor.

34. The Joint United Nations Program on HIV/AIDS (UNAIDS) must help expand the scale and quality of the response to HIV/AIDS. As a group and with others, we will work to assure that it has resources adequate to fulfill its mandate.

Nuclear Safety

35. We reaffirm our commitments from the 1996 Moscow Summit on Nuclear Safety and Security to give an absolute priority to safety in the use of nuclear energy. We note that further substantial progress is still required in the countries of Central and Eastern Europe and in the Newly Independent States, especially by strengthening regulatory authorities, enhancing reactor safety and improving safety culture. We consider further joint efforts to this end a major priority. In this regard, we attach the greatest importance to the full implementation of the Nuclear Safety Account agreements.

36. We note with satisfaction the entry into force by the Nuclear Safety Convention and the preparations now underway for the first review meeting to be held in April 1999. We applaud the rapid progress made in developing the Joint Convention on the Safety of Spent Fuel Management and the Safety of Radioactive Waste Management and encourage finalization. We welcome the forthcoming adoption of the Protocol to amend the Vienna Convention on civil liability for nuclear damage and of a new Supplementary Funding Convention. These conventions will facilitate international safety cooperation and provide for increased compensation for victims in the event of a nuclear accident.

Global Energy Issues

37. We decided to convene a ministerial on energy issues in Moscow next year, and request our officials to start preparations for such a meeting. Its results will be discussed at our next Summit.

Transnational Organized Crime

38. Our efforts to combat transnational crime will be a priority of the group for the foreseeable future. Transnational criminal groups can often adapt to global change more swiftly and efficiently than our governments. International crime not only threatens our citizens, but also undermines young democracies and nations in transition.

39. Last year, we adopted the Lyon forty recommendations to combat transnational organized crime. We have substantially implemented those recommendations, taking action within our own borders and with one another. Together, we have strengthened cooperation bilaterally, multilaterally, and with other nations and groups to bring criminals to justice through mutual legal assistance and extradition, to promote cooperation among our law enforcement agencies, to strengthen document security and improve strategies to combat alien smuggling, and to prevent illegal trafficking in firearms.

40. We must intensify our efforts to implement the Lyon recommendations. In the coming year we will focus on two areas of critical concern: First, the investigation, prosecution, and punishment of high-tech criminals, such as those tampering with computer and telecommunications technology, across national borders; Second, a system to provide all governments the technical and legal capabilities to respond to high-tech crimes, regardless of where the criminals may be located.

41. We also will develop additional methods to secure our borders. Border security is central to all efforts to fight transnational crime, drug-trafficking and terrorism. To this end, we will combat illegal firearms trafficking, by considering a new international instrument. We will seek to adopt standard systems for firearms identification and a stronger international regime for import and export licensing of firearms. We will continue our work to strengthen document security, and improve strategies to combat alien smuggling, attacking the problem at the source and transit the destination countries. Our governments will also move further ahead with efforts to strengthen international legal regimes for

extradition and mutual legal assistance, to ensure that no criminal receives safe haven anywhere in the world.

Illicit Drugs

42. We are determined to intensify our efforts to combat the production, trafficking and use of illicit drugs, which represent a global threat to the safety of our citizens, and the well-being of our societies and institutions. Reaffirming the common responsibility of all concerned States, we recognize that a successful strategy to combat illicit drugs requires effective action against both the supply and the demand for such drugs. We stress the importance of demand reduction. Together with strict enforcement of drug-related laws, programs aimed at treatment and rehabilitation, education and prevention are of major importance in our fight against drugs.

43. We have asked our appropriate government agencies to build on their established patterns of cooperation to address this common threat. In particular, we will study mechanisms that would assist in the development of healthy, drug-free economies in all States; support further efforts to share relevant information on money-laundering, chemical precursors, new synthetic drugs, trafficking patterns and methods, and other data; and will work together to strengthen the capabilities of law enforcement institutions to combat illicit drugs. Our governments will work together to develop the agenda for the UN General Assembly Special Session on Drugs in June 1998.

Terrorism

44. We reaffirm our determination to combat terrorism in all forms, irrespective of motive. We oppose concessions to terrorist demands and are determined to deny hostage-takers any benefits from their acts. We welcome the growing consensus on adopting effective and legitimate means of countering terrorism.

45. Last year, our Ministers adopted twenty-five recommendations to combat terrorism. We have received a positive response worldwide, in particular in the UN General Assembly. Together we have made substantial progress on many of these recommendations, including: drafting and negotiating a UN convention on terrorist bombing; promoting improved international standards for airport security, explosives detection, and vehicle identification; promoting stronger laws and export controls on the manufacture, trade and transport of explosives; initiating a directory of counter-terrorism competencies; inviting all States to promote the use of encryption which may allow, consistent with OECD guidelines, lawful government access to combat terrorism.

46. We have asked our Ministers to intensify diplomatic efforts to ensure that by the year 2000 all States join the international counterterrorism conventions specified in the 1996 UN resolution on measures to counter terrorism. We have instructed our officials to take additional steps: to strengthen the capability of hostage negotiation experts and counterterrorism response units; to exchange information on technologies to detect and deter the use of materials of mass destruction in terrorist attacks; to develop means to deter terrorist attacks on electronic and computer infrastructure; to strengthen maritime security; to exchange information on security practices for international special events; and to strengthen and expand international cooperation and consultation.

Human Cloning

47. We agree on the need for appropriate domestic measures and close international cooperation to prohibit the use of somatic cell nuclear transfer to create a child.

Space Station

48. We look forward to the signing of the Agreement to establishing an international space station. This is an excellent example of international cooperation in carrying out large and promising projects in the field of exploration and peaceful uses of outer space.

United Nations Reform

49. We reaffirm the crucial role of the United Nations in maintaining international peace and security and in fostering global partnership and sustainable development. We support thorough-going reform, with the goal of strengthening the UN. We welcome progress that has occurred in the economic and social fields since our meetings in Halifax and Lyon. In this regard, we welcome Secretary General Kofi Annan's recent reform proposals and support their rapid implementation; we also look forward to the Secretary General's more extensive proposals next month. We remain committed to working with all UN members to realize these reforms.

50. In order for the UN to cope with the challenges of the 21st century, financial reform should proceed together with necessary reform measures in other areas. The UN system must be placed on a firm financial footing through full and timely payment of obligations, and development of a more logical and equitable scale of assessments. Budgets throughout the UN system should be scrutinized with emphasis on prioritization and maximum operating efficiency. We look forward to the Secretary General's specific proposals for reinvesting savings from improved cost-effectiveness in high priority development programs. Robust oversight mechanisms and sound personnel policies are essential for success.

51. The urgent challenges of economic and social development require the UN to coordinate more effectively the policies and activities of its various bodies including the specialized agencies. To this end, the UN's Economic and Social Council (ECOSOC), supported by the Under Secretary General for economic and social issues, should strengthen its policy and coordination role, in particular through streamlining its subsidiary bodies and improving its working relationship with international financial institutions and the WTO. We welcome the recent reforms in the governance of the funds and programs as well as in the various UN bodies, in particular at UNCTAD and in the regional commissions; these efforts should be sustained and expanded.

52. We call for a thorough and urgent review of the UN's funds and programs, as well as a system-wide review of the roles and mandates of specialized agencies and commissions. We welcome the Secretary General's recommendations for strengthened integration at the country level and better coordination at headquarters. In this context, we recommend the UN undertake performance evaluations of the coordination of its development activities in a range of representative countries. We expect the least developed countries to be the principal beneficiaries of improved efficiency in the UN's development work.

53. We reaffirm that the UN must further improve its ability to act quickly and effectively to address threats to international peace and security. We will continue to help develop the capacities of the UN in preventing and resolving conflicts. We support steps taken recently by the UN to strengthen its capacity for rapid reaction from the early warning stage to the stage of rapid deployment of new, approved, peacekeeping operations and urge continued improvements in these areas.

Africa: Partnership for Development

54. At Lyon, we initiated a New Global Partnership for Development, noting- both that developing countries have a fundamental responsibility for promoting their own development, and that developed countries must support these efforts. We paid particular attention to the problems of Sub-Saharan African countries, many of which continue to face unusually severe challenges. This year, we aim to translate the principles of that Partnership into new concrete action to support the efforts of African countries to participate fully in the expansion of global prosperity and to spread the benefits throughout their societies. Our objective is not only to facilitate the progressive integration of African countries into the world economy, but also to foster the integration of poor populations into economic, social and political life of their countries.

55. We are encouraged by positive developments, including the adoption of democratic and economic reforms in many Sub-Saharan African countries. Since 1990, more than twenty African nations have held free and fair elections. Democratic governance and the rule of law, in Africa as elsewhere, lay the foundation for human rights, including the rights of women, and sustainable development. We commend those African countries that have set an example by undertaking democratic reforms, improving rule of

law and administration of justice, avoiding unproductive expenditures (including excessive military expenditures), and strengthening public institutions and civil society. We will support African efforts to promote democracy and good governance, improve the integrity of public institutions, enhance the transparency of government spending, in particular of procurement, and develop national anti-bribery regulations.

56. Increased prosperity ultimately depends upon creating an environment for domestic capital formation, private sector-led growth and successful integration into global markets. We are encouraged by the increasing number of Sub-Saharan countries that have made progress toward financial sustainability through fiscal and financial practices and have adopted growth and market oriented economic policies, including trade liberalization and investment climate improvement. These initiatives have produced a welcome acceleration of growth since 1994. We expect the international financial institutions to play an important role in supporting reform in Sub-Saharan African countries. Their support should help to promote productive foreign direct investment and domestic capital formation. We look forward to the IFIs reporting on their efforts by the time of the Hong Kong World Bank/IMF meetings.

57. Access to our markets is a crucial tool for fostering economic growth in Sub-Saharan Africa. We each will continue to improve, through various means, access to our markets for African exports. We support the further integration of the least developed countries into the world trading system. In this regard, African countries will be major beneficiaries of efforts in the WTO on a plan of action to promote capacity building and to provide predictable and favorable market access conditions for least developed countries. We are committed to the effective implementation of this plan and intend to participate actively in the high-level WTO/UNCTAD/International Trade Center meeting later this year. Furthermore, trade liberalization by African countries will promote more efficient utilization of resources. We also welcome African initiatives for regional trade liberalization and economic cooperation.

58. We will consider ways to enhance opportunities for the Sub-Saharan African countries that need them most and are undertaking effective reform measures. We will review our own bilateral aid and trade promotion programs to ensure that they support climates conducive to economic growth and private investment, including by strengthening capacity.

59. Substantial flows of official development assistance will continue to play an essential role in building the capacity of Sub-Saharan African countries to achieve their sustainable development objectives. We are committed to a results-oriented approach to development policy, with the particular goal of combating extreme poverty. But development assistance alone cannot overcome inappropriate policies. We will work with African countries to ensure adequate and well-targeted assistance for those countries which have the greatest need and carry out the necessary broad-based reforms. This assistance will include support for democratic governance, respect for human rights, sound public administration, efficient legal and judicial systems, infrastructure development, rural development, food security, environmental protection and human resource development, including health and education of their people. In this regard, we will work to strengthen cooperation among concerned institutes to facilitate and coordinate capacity building efforts.

60. To maximize the effectiveness of our efforts, we will deepen the dialogue with African partners, work for greater local ownership of development strategies and encourage the participation of non-governmental actors. We will also strengthen donor coordination, including with emerging donors. We welcome and fully support the emerging trend of intraregional and inter-regional cooperation to further African development.

61. The United Nations plays a major role in development in Africa, and African countries will be major beneficiaries of reform of the UN economic and social development activities. We encourage the UN's development funds and programs and specialized agencies, to emphasize work in the field in Africa and to fully integrate and coordinate their efforts, both at the headquarters and at the country level. We are encouraged by the Economic Commission on Africa's efforts to energize and focus its activities. The UN Development Program's decision to allocate a portion of its resources based on program quality is a useful approach to assuring effectiveness, and we urge that it be adopted more broadly in the UN's work.

62. A number of African countries are making impressive efforts to harness the information revolution in support of democracy and sustainable development. We welcome the Africa Information Society Initiative. We support their efforts to establish information networks to link African countries with each other and to the rest of the world. In this regard, we welcome the Toronto Global Knowledge '97 Conference.

63. We applaud African leadership in developing effective local capacities in conflict prevention, peacekeeping and post-conflict reconciliation and recovery. We will support African peacebuilding initiatives at the regional, sub-regional and national levels, in particular by the Organization of African Unity (OAU), taking into account the recent OECD Guidelines on Conflict, Peace, and Development Cooperation, and we will help to forge active partnerships with the United Nations and other donors. We encourage the UN Secretary General, as part of his reform efforts, to identify ways the international community can further strengthen Africa's initiatives. We also call for the expanded utilization of the existing UN Trust Fund for African peacekeeping and conflict prevention, as well as other relevant UN funds; and broader and substantial donor commitments to the OAU and to subregional bodies with specialized mechanisms for conflict mediation, as well as to the UN/OAU Special Envoy to the Great Lakes.

64. We express our support for long-term efforts to promote rapidly deployable African peacekeeping capacities. We welcome closer coordination among African troop-contributing countries, regional and subregional organizations, donors, and the UN in the development of training, joint exercises, common peacekeeping doctrine, and other efforts to ensure interoperability. We also welcome recent progress towards the establishment of an African Peacekeeping Support Group at the UN, and we urge interested countries to actively explore mechanisms for coordination of practical activities.

65. We express our grave concern at the recent attacks against refugees as well as against personnel of refugee and humanitarian organizations. We emphasize that host States must prevent such acts and prosecute the perpetrators.

66. We have requested that our officials report to us prior to next year's Summit about the efforts they have undertaken together to implement all aspects of this partnership.

Political Issues

67. Together, we are pursuing a strategy of global integration to create a more secure and stable international community. Already, we have used our political cooperation to broaden and deepen the community of open markets and open societies, and in the next year we will work together to build on these efforts. Our Partnership for Development is designed explicitly to support the economic and political development of nations which run the risk of being marginalized from the process of integration. We will focus our energies on strengthening adherence to the norms and principles of international cooperation, and will work together to take effective measures against those who threaten those objectives. We recognize our common interest and responsibility in helping bring an end to conflicts that threaten to disturb international peace and to undermine our deepened cooperation.

Democracy and Human Rights

68. Recent years have seen an unprecedented growth of democracy worldwide. Yet young democratic states can be fragile and short-lived. We have a responsibility and opportunity to further strengthen democratic values and fundamental freedoms where they have taken hold and extend their reach where they have not.

69. Human rights are at the heart of our concerns. Ensuring accountability for violations of human rights and international humanitarian law is essential to promote conflict resolution and peace. The new UN High Commissioner for Human Rights will have a crucial role to play. We will continue to give full support to the International Tribunals for the former Yugoslavia and Rwanda, and work to ensure that the international community and States concerned bring to justice through due process persons

responsible for violations of human rights and international humanitarian law.

70. Recognizing that strengthening democracy is essential to strengthening peace and human rights, and looking to the 50th anniversary of the Universal Declaration of Human Rights in 1998, we will work together in the coming year to build on our governments' most effective democratic development, peacebuilding and human rights programs. Our efforts will focus on promoting good governance and the rule of law, strengthening civil society, expanding women's political participation, and boosting business and labor support for democracy, particularly in young democracies and societies in conflict. The protection of the most underrepresented or vulnerable is critical to broaden participation in the democratic process and prevent societal conflict. We will work to ensure adoption and ratification of international instruments designed to provide protection to these groups, in particular the speedy adoption of an International Labor Organization Convention on the eradication of intolerable forms of child labor. We will work through multilateral and regional organizations, particularly with the Development Assistance Committee of the OECD as well as in partnership with nongovernmental organizations and young democracies. We also will consider common efforts to promote democracy where it is not now established.

71. We have asked our Ministers to pursue these efforts and to make recommendations for consideration at our next Summit.

72. Democracy, economic growth and development cannot reach their full potential without good governance, in particular the accountability of political leaders and public servants, especially for corruption. We will actively work to eliminate corruption in aid-funded procurement. We will take prompt steps to criminalize, in an effective and coordinated manner, bribery of foreign public officials, and to implement previous undertakings on the tax-deductibility of such bribes. We call upon all other countries to do the same.

Non-Proliferation, Arms Control and Disarmament

73. Since the Moscow Summit on Nuclear Safety and Security, we have taken important steps to implement the agreed "Programme for Preventing and Combating Illicit Trafficking in Nuclear Materials." We will expand participation in this program to include countries in Central and Eastern Europe, and in Central Asia and the Caucasus.

74. Further regarding the safe and effective management of fissile material, with respect to such materials no longer required for defense purposes, we will continue our cooperation through concrete initiatives, in particular the French-German-Russian project to build a pilot plant in Russia to produce MOX fuel from weapons plutonium, which is open to additional states, and the related U.S.-Russian cooperation on the conversion of weapons plutonium.

75. We have worked together to advance our common non-proliferation, arms control, and disarmament goals. The Comprehensive Test Ban Treaty is an historic milestone, and we call upon all States to sign and ratify it rapidly to ensure its early entry into force. We welcome the entry into force of the Chemical Weapons Convention. We advocate its full, effective and universal implementation, and look forward to the early ratification of the Convention by the States that have not yet done so. Recognizing that enhancing confidence in compliance would reinforce the Biological and Toxin Weapons Convention, we reaffirm our determination to complete as soon as possible through negotiation a legally-binding and effective verification mechanism.

76. We reaffirm our unwavering commitment to full implementation of the objectives set forth in the Non-Proliferation Treaty. To that end, we welcome the IAEA's recent adoption of a program on strengthening the effectiveness and improving the efficiency of the safeguards system. We urge all States to conclude additional protocols with the IAEA at the earliest possible date. We reaffirm our commitment to the immediate commencement and early conclusion of a convention banning the production of fissile material for nuclear weapons or other nuclear explosive devices.

77. We welcome the progress on strategic arms control made at Helsinki in March, and look forward to

the early entry-into-force of the START II agreement and the initiation of START III negotiations. We reaffirm the key role of the Conventional Forces in Europe Treaty in strengthening European security, and welcome the decision to conclude its adaptation as expeditiously as possible. We welcome the recent agreement among Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and China on reduction of military forces along their borders and consider it an important contribution to the region's security.

78. We endorse unequivocally efforts by the UN Special Commission and the IAEA to eliminate weapons of mass destruction capabilities in Iraq and to monitor compliance. We reaffirm the importance of implementing the U.S.-DPRK Agreed Framework and full compliance by North Korea with its non-proliferation obligations. We therefore place great value on the continuing role of the IAEA in monitoring the freeze on North Korea's nuclear program, implementing safeguards, and helping preserve all information relating to the DPRK's past activity. We welcome the conclusion of negotiations for the EU to participate in the Korean Peninsula Energy Development Organization (KEDO) and call for further international support for KEDO, including the provision of funds. We stress the importance of Four Party talks and the necessity of North-South dialogue. We call on North Korea to halt its development, deployment and export of ballistic missiles.

79. We welcome the emerging high-level dialogue between India and Pakistan. We encourage both countries to bring their activities into conformity with international non-proliferation norms. Consistent with our support for the CTBT's early entry into force, we encourage both countries to adhere to that treaty.

80. We recognize that global security and stability are strengthened by promoting international responsibility in the transfer of arms and sensitive technologies, and to that end reaffirm our support for the Wassenaar Arrangement. We welcome the steady achievements under the UN Register of Conventional Arms in promoting transparency in armaments. We encourage the work of the UN Panel of Governmental Experts on Small Arms to identify the ways and means to prevent and reduce the excessive and destabilizing transfer of small arms and light weapons and we will continue to work together to curb illegal trafficking in firearms.

Export Control Regimes

81. We underline our support for the arrangements that make up the international export control regimes. The Zangger Committee and the Nuclear Suppliers Group, the Missile Technology Control Regime, and, for those who are members, the Australia Group export control regime, all contribute critically to the global application and enforcement of international export control norms.

Anti-Personnel Mines

82. Last year we committed ourselves to spare no effort in securing a global ban on antipersonnel landmines. To this end, we note the useful and complementary efforts in a variety of fora, including at the Conference on Disarmament and in formal negotiations to take place in Oslo in September through the Ottawa Process which has set the goal of achieving such a ban before the end of the year. We welcome the restrictions on anti-personnel landmines unilaterally declared by States, including by the members of the EU. We reaffirm the UN General Assembly resolution, approved overwhelmingly, calling for concluding an effective, legally-binding international agreement to ban anti-personnel landmines as soon as possible. All States should adhere to the strengthened Protocol on Mines, Booby Traps and Other Devices. We encourage the international community to develop technological solutions to mine detection and clearance, and to strengthen its support for humanitarian demining and assistance to mine victims.

Political Situations

Hong Kong

83. We recognize the historic nature of China's imminent resumption of sovereignty over Hong Kong. Considering our durable interests in this financial and economic center, we welcome and place weight

on China's commitments, contained in the 1984 UK-PRC Joint Declaration and in the 1990 PRC Basic Law. These include ensuring Hong Kong's continued stability and prosperity and preserving its way of life, its high degree of autonomy -- including an independent monetary and economic system -- its fundamental freedoms and the rule of law. These will provide the essential underpinnings for Hong Kong's future economic success. We look forward to democratic elections in Hong Kong for a new legislature as soon as possible. We take serious note of China's assurances in the Joint Declaration and Basic Law that the provisions of the International Covenant of Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights will continue to apply in Hong Kong.

Middle East

84. The Peace Process faces a crisis, and we are determined to reinject momentum into it. Restoring the sense of security and confidence among Israelis and Palestinians is essential.

We shall do our utmost to reinvigorate implementation of the Oslo Accords and to uphold the principles of Madrid, including the exchange of land for peace. All the problems need to be addressed peacefully through serious and credible negotiations. Both sides must refrain from actions that impede the peace process by preempting permanent status negotiations. We believe strongly in the importance of working with Israel, Syria and Lebanon to resume direct talks in order to achieve a comprehensive settlement in the region. We welcome the important role the Monitoring Group has played in strengthening the Understanding of April 26, 1996 and in reducing risks to civilians in southern Lebanon and in Israel. We affirm the importance of the activities within the multilateral framework of the peace process.

85. Economic growth and prosperity are critical to peace. We urge regional parties to pursue economic cooperation among themselves and integration into the global economy. We welcome all efforts to promote the region's development of viable and sustainable economies, including assistance to the Palestinians, and urge donors to fulfill pledges made.

86. We have noted with interest the results of the recent elections in Iran and renew our call upon the Government of Iran to play a constructive role in regional and world affairs. In this regard, while noting the role Iran played in inter-Tajik talks in conjunction with the United Nations and other regional parties, we call upon the Government of Iran to desist from material and political support for extremist groups that are seeking to destroy the Middle East peace process and to destabilize the region. We further call upon the Iranian Government to respect the human rights of all Iranian citizens and to renounce the use of terrorism, including against Iranian citizens living abroad, and, in that connection, to desist from endorsing the continued threat to the life of Mr. Salman Rushdie and other people associated with his work. We call on all States to avoid cooperation with Iran that might contribute to efforts to acquire nuclear weapons capabilities, or to enhance chemical, biological, or missile capabilities in violation of international conventions or arrangements.

87. We confirm our determination to obtain full compliance with all UN Security Council resolutions related to Iraq and Libya. Only full compliance with these resolutions could result in the lifting of sanctions. We are pleased to note that the distribution of food and medicine under UNSCR 986 is providing some humanitarian relief to the Iraqi people.

Cyprus

88. The Cyprus dispute has remained unresolved for far too long. We fully support the mission of good offices of the United Nations Secretary General on Cyprus aimed at engaging the two Cypriot communities in negotiations to achieve a comprehensive settlement in accordance with relevant UN Resolutions and high-level agreements. We strongly endorse the Secretary General's recent invitation to the leaders of both communities and call on them to approach negotiations constructively and in good faith. We call upon the governments of Turkey and Greece to do everything possible to contribute to a solution of the Cyprus problem and to work towards solving their bilateral disputes with regard to the Aegean through early meetings of "Wise Men."

Albania

89. Noting the situation in Albania and its implications for regional stability, we express our appreciation to those organizations and institutions, acting within the coordinating framework of the OSCE under the strong leadership of Franz Vranitzky -- especially the EU as well as the WEU, UNHCR and Red Cross -- that are working with the Government of National Reconciliation to restore normalcy in the country. We applaud the deployment of the Multinational Protection Force under Italian leadership and the authority of the UN Security Council. We underscore the need for the Albanian parties to work together to ensure that the elections reinforce democracy and thereafter work to reestablish order and public safety, pursue economic reform, and create a sound financial system.

Next Summit

90. We have accepted the invitation of the Prime Minister of the United Kingdom to meet in Birmingham on 15-17 May next year.

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