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FILE TITLE:	SERIES
SUMMITRY Annex(i) Brief meeting with Andreii Illarionov	SHERPA
	PART: 35
PART BEGINS: 12. DECEMBER 2000	PART ENDS: 30 JANUARY 2001
	CAB ONE:

PREM 49/3383

LABOUR ADMINISTRATION

Part closed

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T.S.O. Order No. N0064510 3/98 C5 59064

PART

CLOSED

DATE CLOSED	30 JANUARY 2001

Series : **SHERPA**

File Title : **Summitry**

Part : **35**

Date	From	To	Subject	Class	Secret
12/12/2000	DTI	FCO	G7/G8 sherpa meeting 2-3 dec	C	0
13/12/2000		PPS	from Crispin Tickell: copy of a speech he made at Chatham house o	C	0
13/12/2000	Cab Off	Cab Off	Okinawa internatinal conference on infectious diseases Oikinawa, 7-	C	0
14/12/2000		Sherpa/Japan	From Jean Lemierre, Russia's move to get rid of weapons-grade plut	U	0
18/12/2000	HO	HO	G8 ad hoc meeting of drugs experts Miyazzaki Japan	C	0
19/12/2000	PPS		G8:Renewables-Letter to Sir Mark Moody-Stuart	U	0
21/12/2000	Sherpa/Canada	Sherpa/Japan	Debt repayments - Canadian moratorium	C	0
21/12/2000			Loan to Energoatom	C	0
21/12/2000	PPS		To Chris Gent: G8 Dotforce	U	0
27/12/2000		PPS	Letter from Sir Crispin Tickell - Report of the G8 Renewable Energy	U	0
08/01/2001	FCO	FCO	G8 Summit: Coordination between ECPOL and CFSPD of heads and	R	0
10/01/2001	Sherpa/Italy	PPS	Italian press launch for it's G8 Presidency	U	0
10/01/2001	HO	HO	G7/G8 Ministerial Meeting 26-27 February	U	0
10/01/2001	PPS	FCO	G8:Lunch with Illarionov	U	0
12/01/2001	FCO	FCO	G8: GM Crop and Food Safety	U	0
16/01/2001	PPS	Sherpa/Italy	NGO Outreach	U	0
17/01/2001	FCO	FCO	G8: GM Crop and Food Safety	R	0
18/01/2001	Sherpa/USA	PPS	Sherpa issues which were important to President	C	0
18/01/2001	Sherpa/Italy	PPS	G8 Group of Experts on Climate Change	U	0
19/01/2001	Sherpa/Canada	Sherpa/Italy	G8 justice and interior ministers meeting	C	0
19/01/2001	PPS		to JP Tutcher: Invitation to Davos	U	0
22/01/2001	FCO	PPS	Italian development papers	C	0
22/01/2001	Sherpa/Japan	Sherpa/USA	DOT Force and Education	U	0
23/01/2001	FCO	PPS	Italian development papers	C	0
23/01/2001	PPS	Sherpa/Italy	G8 Ministerial,26-27 February	C	0
23/01/2001	PPS	Sherpa/Canada	2002/G8 Summit	C	0
24/01/2001	PPS	Sherpa/Italy	G8 Ministerial,26-27 February	C	0
24/01/2001	PPS	Sherpa/Italy	UK Migration Non-Paper	U	0
25/01/2001	PPS	Sherpa/France	Food and Crop Safety	U	0
26/01/2001	FCO	PPS	Meeting with Sir Mark Moody-Stuart on the G8 Renewable Energy T	R	0
26/01/2001	FCO	PPS	G8 : Russia	R	0
29/01/2001	FCO	FA/APS	Prime Ministers meeting with Rutelli: 30 January 2001	U	0
29/01/2001	Sherpa/Japan	Sherpa/Italy	Organization of Genoa Summit - concerns	U	0
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PERSONAL

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Original sent via Nigel Casey (FCO)

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

30 January 2001

Dear Francesco,

Thank you for the useful Italian paper 'Education: Terms of Reference'. You will remember that at our last meeting in December, I promised to produce a paper on education. Apologies for the short notice, but I offer the attached paper as a contribution to the discussion in Rome later this week.

I am copying this letter to G8 colleagues.

Yours,

JEREMY HEYWOOD

Francesco Olivieri

PERSONAL

G8 AND EDUCATION: IMPLEMENTING THE DAKAR FRAMEWORK FOR ACTION

Introduction

1. The Presidency's excellent paper, "Education: Terms of Reference", acknowledges the importance of education for development and poverty reduction. It also recognises the strong commitment made by the G8 at Okinawa to basic education and the Dakar Framework for Action. At Genoa it is important to demonstrate that the G8 has fulfilled its Okinawa commitment. This paper suggests priority actions which the G8 need to take in order to achieve this.

World Education Forum

2. The Dakar Framework for Action, endorsed by over 180 countries at the World Education Forum in April 2000, reaffirmed the international community's collective commitment to the goals of Education for All (EFA), including the International Development Targets: Universal Primary Education (UPE) by 2015 and progress towards gender equality and the empowerment of women demonstrated by eliminating gender disparity in primary and secondary schooling by 2005.

3. The Framework made clear that the key to achievement of the targets will be commitment and action at the country level. Developing country governments have a responsibility to define clear strategies for the achievement of UPE and gender equality, building on and elaborating strategies already in place in many countries. To ensure sustainability, education strategies need to be set within governments' broader policies for addressing poverty, and firmly rooted within a national budgetary framework.

4. Achieving the education targets will require, in many countries, that a greater share of public expenditure is allocated to education, and to basic education in particular. Equally importantly, the efficiency and effectiveness with which these resources are used must be greatly improved if governments are to be able to provide a good quality primary education to all children.

5. The Framework acknowledged that, in many countries, even with efficiency gains, domestic resources will be insufficient to allow governments to meet the education targets, without sacrificing other key elements of their poverty reduction programmes. Donor countries have a clear role to play in providing the external resources developing countries need to make real, sustainable progress in reducing poverty.

6. Recognising this, the Framework affirmed that *no country seriously committed to Education for All will be thwarted in their achievement of this goal by lack of resources.* It proposed a "global initiative" to ensure that feasible strategies are developed and resources mobilised to provide effective support to national efforts. In this, the Framework accorded priority to the

countries of sub-Saharan Africa, South Asia, to the least developed countries and to countries in conflict and reconstruction.

Since Dakar

7. The World Education Forum re-affirmed UNESCO's mandate to co-ordinate and promote the efforts of donors and developing countries around the education for all goals. In pursuance of this mandate, the Director General of UNESCO has established a Working Group on Education for All, and has initiated consultations with agencies on funding strategies. The Director General plans to convene a high level Education for All group in April 2001.

8. A key task in the run-up to this high-level group meeting is to define the nature of the "global initiative" agreed at Dakar, and to set out clearly how the commitment on resources contained in the Framework can best be effected. To ensure sustainability, and to avoid additional bureaucracy and the creation of new obstacles to the smooth transfer of badly needed development funding, it is essential that the mobilisation of resources for education remains firmly rooted within the country-based processes which are already established for financing poverty reduction strategies more broadly.

9. The most effective way to meet the Dakar commitment on resources is to ensure that education (and basic education in particular) is accorded high priority within Poverty Reduction Strategy Programmes (PRSPs) or their equivalents. The heart of the "global initiative" should be strong and sustained international commitment to this approach. No dialogue around PRSPs will be complete unless strategies for achieving UPE and EFA are addressed.

10. Since Dakar, international NGOs have continued to campaign for increased funds for basic education including through debt relief. The campaign has been very successful in raising awareness about the importance of education for development. There is a need for continued active dialogue with NGOs, however, on their interpretation of the "global Initiative", which could lead to the creation of new and separate mechanisms for channelling resources to education, with associated new conditionalities. This would only serve to undermine efforts to mainstream education within poverty reduction processes more broadly, would increase transactions costs for developing countries and would raise serious questions about sustainability.

What role for G8 members?

11. G8 leaders in Okinawa expressed support for the Dakar Framework for Action. The communique reaffirmed specifically Dakar's international commitment on resources. In paragraph 34 of the Communique, G8 leaders stated:

> *We therefore commit ourselves to strengthen efforts bilaterally and together with international organisations and private sector donors to achieve the goals of universal primary education by*

2015 and gender equality in schooling by 2005. We call on the IFIs, in partnership with developing countries, to focus on education in their poverty reduction strategies and provide greater assistance for countries with sound education strategies. These strategies should maximise the potential benefits of IT in this area through distance learning wherever possible, and other effective means.

12. G8 countries have a critical role to play in giving effect to the Dakar commitments. Priority should be accorded to:

- dialogue with, and support for, political leaders in developing countries prepared to champion education for all as a central component of their fight against poverty

- improving the effectiveness of G8 development assistance through increased flexibility and coherence in the delivery of these resources at the country level in support of government-owned strategies, in ways which support the development of developing country capacity to plan and to manage

- encouraging the World Bank and the Regional Banks to continue to move in this direction also, and, with the IMF, to support the development of coherent, participatory, country owned strategies for reducing poverty, with high priority accorded to education

- encourage the international private sector to invest in basic education, particularly to explore the scope for well orchestrated support for infrastructure, IT and learning materials where this is consistent with the objectives and plans of national governments

- engage with major international IT initiatives (including with the work of G8 dot force group);

- support UNESCO to fulfil the mandate re-affirmed at Dakar, including support for the work of UNESCO's Institute of Statistics in improving the collection, analysis and use of quantitative and qualitative data

Conclusion

13. The realisation of the International Development Targets for Education should remain high on the G8 agenda. To take forward the Dakar agenda, G8 countries should re-examine the priority which they themselves give to education in their development programmes and how the provision of development resources could be improved. G8 countries should encourage multilateral and other bilateral development institutions to do likewise. Consideration should be given to the preparation of a paper for Genoa setting out G8 members' thinking on these issues.

January 2001

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MICHAEL ARTHUR DJH cc: AN
HUGH SAWERS (F)

2. Add to Structure of Genoa Summit brief

3. pw Genoa Summit.

AM
29/1

MINISTRY OF FOREIGN AFFAIRS

TOKYO, JAPAN

29 January 2001

Dear Francesco,

I am writing this letter with some urgency to express our strong apprehension concerning the overall organization of the Genoa Summit, and in particular the relationship between and logistics of the Heads' Meeting and the Foreign Ministers' Meeting.

An idea was tabled by your PD, Mr Guiseppe Baldocci, to his counterparts, to the effect that the Foreign Ministers were expected to meet on the eve of the Heads' Meeting, on 18 and 19 July 2001. In response to this suggestion, Mr Ryozo Kato, Japan's PD, has made clear that this idea was not necessarily in line with what Japan understood the general feeling to be among G8 colleagues. Indeed it was the case that some of G8 colleagues favored an interval of approximately one week to ten days between the Foreign Ministers and Summit Meeting. I am given to understand that some PDs have also expressed views to this effect.

This subject is one which I expect to have further discussion among Sherpa colleagues at our up-coming meeting in Rome. I felt that I must express my deep concern prior to our first meeting of the year, however, when I learned that your Summit Office had briefed our embassies in Rome on 23 January that it was planned for the Foreign Ministers to meet on 18 and 19 July in Portofino, 38 kilometers east of Genoa and embassies were encouraged to consider booking hotels for ministers' delegations.

I am aware that your Summit office has stated that the two meetings should be viewed as distinct and separate. However, I am concerned whether such reasoning will be possible in light of the problems raised through the PD channels. The questions of organization of the two meetings and the kind of documents that should be expected to be issued by ministers at Genoa should therefore be high on our

agenda for discussion in Rome.

I am looking forward to seeing you in Rome and would appreciate your consideration of this matter, which I point out again, is one of not inconsiderable concern.

I am sending a copy of this letter to our G8 colleagues.

Sincerely yours,

Yoshiji Nogami

file faxed.

Foreign &
Commonwealth
Office

London SW1A 2AH

29 January 2001

Dear Michael,

Prime Minister's Meeting with Rutelli: 30 January 2001

During his tete-a-tete with the Foreign Secretary, Rutelli spoke at length about climate change, which is clearly important to him. The Foreign Secretary was non-committal but encouraging in reply. He suggests the Prime Minister take a similar line. Speaking Note attached.

Yours ever,

(Mark Sedwill)
Private Secretary

Michael Tatham Esq
10 Downing Street

PRIME MINISTER'S MEETING WITH RUTELLI: 30 January 2001

Climate Change

- We were all clearly disappointed with the outcome of the climate change talks in The Hague. Keen to make progress when negotiations resume later this year.

- Welcome the Italian initiative to use G8 to try to move forward. Understand there is a plan to have a first discussion at the G8 Environment Ministers in Trieste in March. Must recognise that the US may not be in a position to enter into substantive negotiations by then. Should also bear in mind possible EU sensitivities about working through the G8. But in principle we are supportive of your efforts.

Background:

1. The Sixth Conference of the Parties to the UN Framework Convention on Climate Change (COP6) took place in The Hague 13 – 24 November 2000. The talks failed to reach a deal on implementing the Kyoto Protocol, although a UK-brokered compromise package between the EU and members of the Umbrella Group (non-EU developed countries) came close to reaching agreement.

2. We understand that Rutelli will use his visit to the UK to explore the possibility of launching a compromise proposal to re-start the Kyoto negotiations, with a view to a discussion at the G8 Environment Ministers meeting in March. This proposal has been worked up by the Italian Environment Ministry. We have some doubts about this, partly about process, partly about the substance. In particular, we believe that the US will not be ready to negotiate by March, and other EU Member States may be unhappy about trying to use the G8 to do a deal on climate change. However, in principle we welcome this initiative, and you will wish to be broadly supportive. The details of the proposal will be discussed at Rutelli's subsequent meeting with Michael Meacher.

RESTRICTED

Foreign & Commonwealth Office

London SW1A 2AH

26 January 2001

Dear Jeremy, (F)

cc JS
AW

G8: Russia

Your letter of 10 January to James Kariuki asked for advice on whether the Prime Minister should write a personal letter to Putin setting out the areas Russia needs to address if it is to win acceptance of the idea that it could chair the G8 Summit in 2003.

We see considerable risks in the Prime Minister sending such a letter. Firstly, it might raise expectations which we cannot deliver. Secondly, we cannot be sure now that we would want the Russians to chair even in the unlikely event that they were to meet the standards we set out. Chechnya, for instance, might still present a problem. Thirdly, a letter is likely to leak, at least to other G8 members, who would not appreciate our appearing to set terms. If it leaks, it could also cause us trouble by appearing to set standards for G8 membership which others, such as China, might think should apply to them too.

There is also the point that the G7 without Russia is an important forum for frank discussion of international finance and trade issues where Russia has no mandate, and indeed of Russia itself. The G7 as presently constituted plays an important role in managing the international financial system, and in relations with the IFIs in which its members are major shareholders. And there are other countries like Brazil and India which, on strict GDP grounds, might think they have a stronger claim than Russia does.

Should Putin raise it, the Prime Minister should reiterate the points you have made several times to Illarionov:

- we and other G7 partners remain keen to help Putin as he seeks to modernise and reform Russia; Russia's G8 membership is an important strand of the linkages between us;

- we understand Russia wish to chair G8 in 2003. We cannot speak for G8 colleagues, and a collective decision would obviously be required. But seems to us that Russia needs to meet a number of broad conditions first. These include:

- sustained adherence to a comprehensive economic reform programme, combined with macroeconomic stability, and an end to requests for special treatment on debt;

- WTO membership: the G8 chair in 2003 might have a key role to play on the next trade round;

- membership of the Financial Action Task Force (FATF), and full compliance with international money-laundering norms;

- full and willing Russian participation in G7 debt initiatives such as HIPC;

- membership (on the agreed terms) of the Nuclear Safety Working Group;

- OECD membership;

- more broadly, an established track record of constructive and creative participation in the Summit process across the agenda.

You took this line when G7 Sherpas discussed the prospects for full Russian membership in December. You were supported by all except Germany, where Schroeder is already on record as supporting full Russian membership (though Koch-Weser, the State Secretary at the Finance Ministry, has more recently said publicly that Russia's current behaviour on debt is not compatible with full G8 membership). Sherpa colleagues reacted cautiously to the suggestion that the 'least bad' option might be to offer Russia instead the chance to host a special summit in addition to the regular one (to be chaired by France).

Like Illarionov, Putin might reply that, if Russia missed the chance to chair in 2003, it would have to wait until 2010. This need not be true: if the political will to admit Russia is there, it can be inserted into the presidential cycle at any point.

This will not go away: The Russian Political Director told Emyr Jones Parry on 15 January that they intend to push hard for agreement during this year's Italian Presidency.

If the Prime Minister were to discuss this with Putin, we should report the exchange to G7 partners. It would be of particular interest to the new US administration, and might help secure adherence to the line which all except Germany have endorsed at Sherpa level.

I am copying this letter to Tom Scholar (HMT) and Robert Cooper (Cabinet Office).

Yours sincerely,

(Mark Sedwill)
Private Secretary

Jeremy Heywood Esq
10 Downing Street

RESTRICTED

File

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26 January, 2001

Jeremy Heywood - Has Seen
No 10 Private Office SR 27/1/01

MEETING WITH SIR MARK MOODY-STUART ON THE G8 RENEWABLE ENERGY TASK FORCE, 22ND JANUARY 2001

1. You and I met Sir Mark Moody-Stuart, Chairman of Shell, to discuss the G8 Renewable Energy Task Force on 22nd January. Scott Ghagan of Shell was also present. Our aims were to receive an update on Task Force progress, find out about any remaining G8 problems, to highlight some core concerns with the draft report and to see if Shell were interested in a joint initiative with HMG for Genoa.

2. MMS began by outlining progress and concerns from the Paris meeting. The report from Paris had been drafted, but had yet to go to Olivieri. Shell would chase Clini to ensure communications complete before Rome Sherpa meeting. MMS was pleased with the Paris meeting, Rick Sellers the new consultant had produced a good first draft report and they had received 15 sets of written comments from the Task Force. Discussion had been good and a general sense of momentum generated.

3. Continuing problems with G8 countries bringing too many people to meetings; Germans, Canadians and Russians all bought spares to Paris. Clini seems unwilling to lay down the law, and left it to Shell to manage. MMS uneasy about his position as a non-governmental actor. **Action: you promised to raise the issue of sticking to Co-chairs' attendance limits at the next Sherpa meeting**.

4. MMS welcomed the contribution James Kariuki had made at the previous meeting, especially in engaging the Japanese G8 representative. You explained that James had now moved on, and that I would be the likely UK representative at the Tokyo meeting.

5. MMS also raised the Canadian proposal (from Emmett) of holding a G8-only Task Force meeting before Paris. MMS had been strongly opposed to this, you agreed that we should not be giving Task Force representatives from G8 countries any special status. However, it would be useful to understand their positions on the substantive recommendations so we can ensure a productive meeting in Tokyo and prevent surprises. **Action: NM to contact other Task Force members from G8 countries informally to discuss substantive issues.**

6. You supported the idea of an overall target on renewables, but raised the importance of ensuring that this was clearly linked to our poverty reduction goals under the International Development Targets. MMS agreed, but with reference to the draft report argued that economies of scale would come from the target for increased use by the 500 million non-poor (287 GW extra capacity), not from the target for the 500 million poor (19 GW extra capacity). He argued that the report should balance the needs of both. Scott Ghagan argued for a sustainable development focus, rather than one linked to the development targets. You reiterated the need to link to the IDTs in order to engage development ministries, and fit with the Heads agenda, but acknowledged that a balance needed to be struck. **Comment**: this exchange clearly showed the conflict between commercial developers of renewables – who aim at the non-poor - and the use of renewables as a development tool. The Task Force should reconcile these two themes by emphasising their synergies through the global market place, but achieving an integrated approach will be critical. DFID will work with the Task Force consultant on this issue.

7. MMS explained the plan for publishing the report – and questioned whether the deadline of end-of-March could be shifted in order to incorporate any comments from Sherpas on the final draft. This could be done electronically or by convening another meeting. You thought they would receive a broad steer on substance from the February Sherpa meeting. We also explained that the original idea was to give G8 governments time to consider their response so any major decisions on – for example, funding – could be taken before Genoa. However, it would be possible to postpone the final draft and hold another meeting in April without disrupting the timetable too much. You and MMS both agreed that the critical point was to avoid Sherpas redrafting the report, and that the publication process would remain in the Task Force's hands.

8. MMS explained that between the final draft and Genoa he would continue with outreach meetings. Communicating the thrust of the report and "floating" some proposals to gauge support from developing countries and others. To avoid too many leaks the final draft would only be circulated to the Task Force before Genoa, not to the Advisory Group. The 2 page recommendations for Heads would remain with the Co-Chairs until Genoa. Scott Ghagan suggested that these could become a text solely from the Co-chairs, but you and MMS thought they would have to be owned by the whole Task Force given the process by which they were invited to participate.

9. MMS mentioned that there could be useful links made between the Dot.Force and the RTF. MMS planned to talk to Vernon Ellis (UK industry representative on the Dot.Force) at the Davos Summit. He would report back on any ideas they might have.

10. You mentioned that the UK would ideally wish to have a unilateral initiative on renewable energy to announce at the Genoa Summit (as with timber at Okinawa), and asked whether Shell would be interested in doing something in partnership. MMS expressed interest, and suggested officials follow-up. **Action: NM to discuss ideas for UK initiatives with OGDs, and talk to Shell about possible partnerships**.

11. I raised the possibility of the Task Force members continuing collaboration after the report has been produced, in order to demonstrate the value of bringing different

stakeholders together. MMS agreed that there had been intrinsic value in bringing actors together (e.g. IFC and GEF), and he would mention this in reporting to Heads. However, you and MMS were both concerned about others having the impression that the Task Force had transformed into a new organisation. But the idea of maintaining a network of communication in this area could be useful **Action: NM to consider non-institutional ways of preserving added-value of having brought Task Force members together.**

Nick Mabey
Environment Policy Department
FCO
020 7270 3962

cc. Michael Arthur
Dinah Nichols DETR
Sheila McCabe DETR
Hugh Salvesen EcPol
John Ashton EPD
Nigel Casey EcPol
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Catherine Murray DTI
Nick Eyre PIU
Catriona Liang PIU

Filename: JH-MMS meeting report 2201.doc
Directory: C:\TEMP
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Title: United Kingdom
Subject:
Author: nmabey
Keywords:
Comments:
Creation Date: 26/01/01 14:02
Change Number: 6
Last Saved On: 26/01/01 15:30
Last Saved By: nmabey
Total Editing Time: 70 Minutes
Last Printed On: 27/01/01 13:20
As of Last Complete Printing
Number of Pages: 3
Number of Words: 954 (approx.)
Number of Characters: 5,438 (approx.)

FAXED

cc: RL
MP
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10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

25 January 2000

Dear Pierre,

FOOD AND CROP SAFETY

I attach a draft paper which attempts to synthesise our earlier note on food and crop safety, discussed with your experts, and the very useful paper that they sent us this week, with a view to tabling a joint UK/France proposal to G8 partners.

UK officials would be happy to come to Paris on Friday morning to discuss this further with your experts in advance of our discussion. Alternatively we might discuss this briefly in the course of the afternoon.

I am writing in similar terms to Jean-Marc Sabliere.

Yours,

JEREMY HEYWOOD

Pierre Duquesne

INTERNATIONAL DIALOGUE ON FOOD AND CROP SAFETY (SECURITE ALIMENTAIRE)

General Principles

The G8 is committed to integrating, "the best scientific knowledge available into the global process of consensus building on biotechnology and other aspects of food and crop safety" (Okinawa conclusions, Biotechnology/Food Safety, paragraph 59).

The UK [and France] believe that public access to a transparent scientific debate on food and crop safety (securité alimentaire) is key to achieving this and to ensuring greater confidence amongst consumers in the food they eat.

In taking forward the Okinawa conclusions we believe that it is important to address current gaps and strengthen elements of the international architecture on food and crop safety (securité alimentaire). Three elements are important:

- Greater cross-dialogue between civil society, scientists and regulators so that each set of players better understands the others' concerns and areas of disagreement are identified;

- Greater dialogue amongst scientists. The objective is not to stake out unanimity on all the issues but to increase the transparency of scientific debate and public access to that debate, and, where possible, to map out the broad areas of scientific agreement and disagreement;

- Greater dialogue amongst regulators, including high-level dialogue to supplement ongoing analytical work in CODEX and the OECD.

Model Proposed

We propose that these gaps could be best addressed by:

1. 'Annual International Convention' on food and crop safety (securité alimentaire) bringing together civil society and consumer representatives, the industry, regulators, scientists and relevant specialists from the social sciences on an annual basis.

The convention could play a role in identifying the issues of most concern to stakeholders, where it would be helpful to seek a more transparent and consolidated scientific debate, to clarify on any broad areas of scientific agreement and disagreement. It would also help disseminate scientific discussions within stakeholder groups thus spilling scientific debate into the public domain.

Debate on food and crop safety has been fragmented internationally. The convention would address this by drawing in participants from developing countries, ensuring that they have the opportunity to make their voices clearly heard.

A secretariat could make a valuable contribution, providing support for the annual meeting, as well as a link to the range of international organisations that consider food and crop safety issues. A secretariat could be hosted by an existing international organisation (eg OECD, FAO, UN) whilst retaining full independence.

2. 'Scientific Forum' As one input into the discussion at the annual convention, a new scientific forum would be established. This would draw in scientists specialised in food and crop safety. The scientific forum would be independent of the wider convention but, for instance, might take on issues that the latter identified. It could also receive support from the secretariat in order to facilitate dialogue.

   The forum would seek to ensure greater transparency and public access to scientific debates underway on issues related to food and crop safety, identifying broad areas of scientific agreement and disagreement where possible. It should draw in participants from developed and developing countries to help overcome international fragmentation of the debate.

3. Steps to pursue and develop regulatory dialogue within relevant international organisations:

- within CODEX in the Committee on general principles and in the intergovernmental group on biotechnology;
- within OECD where a high-level policy dialogue should supplement ongoing analytical work [define objectives];
- within the FAO which has been invited to organise periodic international meetings on food/crop safety.

Developing the Model and Seeking Buy-in:

If G8 partners support our diagnosis of gaps in the current international architecture we propose to develop the model further.

We should seek international buy-in, by putting the proposals to the international conference on GM foods and crops planned for June. The conference could be asked to consider whether an annual meeting, drawing together civil society, scientists and regulators, with a separate scientific forum, would help close current gaps in the international architecture, or whether a variation on this model would work better.

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10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

24 January 2001

Dear Francesco,

UK MIGRATION NON-PAPER

Thank you for your letter of 22 January. I too am looking forward to your meeting with NGOs here in London on 5 February.

Thank you also for your useful comments on the UK migration non-paper. I enclose a revised draft which incorporates your suggestion. I would be happy for the non-paper to be distributed at the beginning of the Sherpa meeting on 2 February. Alternatively, could it perhaps be circulated by the Presidency prior to the meeting? That would help our colleagues to get their first reactions together in advance, and might make for a more productive discussion on the day.

I look forward to seeing you next week.

Yours,

JEREMY HEYWOOD

Francesco Olivieri

THE ECONOMIC AND SOCIAL ASPECTS OF MIGRATION: SOME QUESTIONS FOR HEADS AT GENOA: A UK ISSUES PAPER

Globalisation is changing the way we look at migration.

On the one hand, countries with tight labour markets or particular skill shortages, have a strong and increasing economic need for more immigration. We hear increasing calls for a general or selective relaxation of immigration rules; and there is greater debate about the economic and cultural benefits migrants can bring. Experiences are different from country to country. But tight labour markets, aging populations and the desire to compete in an increasingly globalised economy are common to many.

But, on the other hand, we are all struggling to cope with inflows of asylum seekers, illegal immigrants and others taking advantage of loopholes in immigration rules where they can. Cheaper transport costs, better information flows and domestic instability have combined to get people on the move.

There remain many unanswered questions. Heads might ask themselves at Genoa:

- What might a new **policy framework** for migration look like?

Globalisation means increasing cross-border flows of goods, capital, information and people. We have frameworks for thinking about the first three, with consensus on the key issues and ongoing work to tackle the problems. But discussion of migration remains fragmented. And, whether we like it or not, global migratory flows are steadily rising, our economies becoming more integrated and many of our populations aging. The framework should address the social and economic contribution that migrants can make, recognising that migration can be beneficial for host countries. It should look at ways to manage legal and illegal immigration, considering ways that the benefits of migration can

be enhanced for host countries, migrants and source countries, and looking at the issues of racism and immigrant integration.

We should share ideas and analysis, and draw on work in the OECD on the economics of migration and in the UN on aging populations. Heads might consider the case for a new, representative and independent, high level body to consider the issues in more depth.

- Can we build on Lyon Group work on illegal migration and human trafficking, and give a higher profile to the **profits criminals make out of illegal migration**?

No G8 discussion of migration could be complete without addressing illegal migration and human trafficking. Leaders will want to commit to working together to tackle the problems. Aspects such as frontier control and police cooperation might be better taken forward in other fora. But Heads could usefully highlight the economics of illegal migration – about which relatively little is known. We could, for example, follow up this year's meeting on the economy of illegal drugs with one on the economy of illegal migration / trafficking, and the links with other forms of international crime. But the best guesses are that the illegal business is worth upwards of £5bn to the criminal networks involved.

How should the developed world address the impact on **developing countries** of the emigration of their working populations?

Poor countries derive mixed benefits from exporting labour overseas. As global labour markets become more integrated and competition for recruiting skilled people increases, concerns have grown about the impact of a "brain drain" on the development prospects of poor countries. Heads could consider innovative policy tools to address these. They could discuss how to ensure that skills shortages in developing countries are not exacerbated through the active recruitment of skilled people into developed countries. They could consider ways to maximize the opportunities that skilled emigration offers for poverty

reduction through overseas remittances, improved global links and skills transfers by returnees.

Should we share views over the direction negotiations are taking in **GATS over the "temporary movement of natural persons"**?

GATS negotiations are due to start in earnest later this year (after a stocktaking of positions in March). Liberalisation on temporary movements of service providers would be welcomed by developing countries - as it would be by our own service provider exporters. But most developed economies have been reluctant to make commitments. India has sought to inject some momentum by tabling a paper for consideration. Leaders could share views, privately, on whether they should signal a willingness to be flexible, and if so, how. This would have to take account of – and be in step with – emerging findings and individual governments' positions on the pace and direction in which migration policy should be adjusted. But signals of increased flexibility could bring payback in other areas in the GATS negotiations, and help contribute to wider confidence-building efforts aimed at fostering support for a new WTO Round.

Pps\migration paper

PERSONAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

24 January 2001

Dear Francesco,

G8 MINISTERIAL 26-27 FEBRUARY

Thank you for your letter of 12 January about the proposed joint meeting of Justice and Home Affairs Ministers on 26-27 February.

We would attach particular priority to discussing international action to combat illegal immigration. This is a growing problem for a number of our countries. There are also clear links between the organised criminal groups involved in human trafficking and other forms of organised international crime.

I was also pleased to see that the freezing and confiscation of criminal assets is on your agenda. This was recognised as a priority at Okinawa and I hope that the meeting can give a political push to the work which the Lyon Group is carrying out. I know that the child pornography on the Internet is one of the issues on which you will be focusing during your Presidency, and we are very keen to work closely with you on it.

In view of the limited time available for the meeting, I think it important that discussions should be as focused and productive as possible. To ensure a link between the working dinner and the session on 27 January, you might want to consider having the working dinner on a Minister plus one basis. We are conscious here that 26 February is not that far away and it is important that Lyon Group representatives get together in a meeting or by video link in order quickly to firm up the agenda.

I am afraid that a number of prior engagements mean that our Home Secretary will be unable to attend this meeting. One of our other Home Office

PERSONAL

Ministers will attend, and we shall provide details later. I imagine that there will also be the opportunity to discuss this further on 2-3 February.

I am copying this letter to G8 colleagues.

Tom, JH

JEREMY HEYWOOD

Mr Francesco Olivieri

Top: PPS

Deborah Mantle

Modified: Tue 01/23/2001 5:08 PM

< FA|WARS

ITALIAN DEVELOPMENT PAPERS (G8 SHERPA BRIEFING CONTACTS)

Please see attached Italian issue papers. These are updates on those handed out by the Italians at the DFID/FC(meeting with development experts last week in Rome. The Italians refer to them as 'terms of reference, to clarif the issues in front of us.'
First reactions to the papers should form part of the briefing for the Sherpa meeting on 2/3 Feb.

1. cc: whole set of papers to:

MATRIX - PR Only

Pt 3 S

Jeremy Heywood
Michael Arthur
Nigel Casey
Tiffany White
Velavan Gnanendran
DFID: Alison Cochrane (Please distribute papers as required).

2. Food Security Paper to:
EPD - Annabelle Malins (Please distribute as required)
Cabinet Office - Sophia Honey

3. Education paper to:
DFEE: Marie Niven

4. Cultural Heritage and development paper to:
DCMS: Michael Helston 7211 6396

5. February Sherpa meeting file.

From:
Deborah Mantle
Economic Policy Department
FCO
Tel: 020 7270 4288
Fax: 020 7270 2266
E-mail: Deborah.Mantle@mail.fco.gov.uk

SKP 25/1/01

441712706503

Il Rappresentante Personale
del Presidente del Consiglio
per il G7 - G8

Rome, 23 January 2001

Dear Collegues,

With reference to our forthcoming discussion **on Poverty Reduction**, I am forewarding four issue papers on the subject Social Investments. They are just meant to be terms of reference, to clarify the issues in front of us:

- *Food Security*
- *Action Plan for Healthcare*
- *Education*
- *Cultural Heritage and Development.*

On other issues, some food for thought will follow in the next days.

Sincerely yours, and look forward to

very very much all of you in Rome

Francesco Olivieri

2001 PRESIDENCY

FOOD SECURITY
Terms of reference

Economic progress achieved in the world over the last decade has not been matched by progress of similar amplitude in terms of poverty reduction and food security in vulnerable areas. The poorest are still being left behind, with little benefit from global progress and development, and their poverty prevents them from ever attaining a sufficient degree of food security.

The 1996 FAO World Food Summit (WFS) set the objective of reducing the number of undernourished by half by the year 2015, and approved a Plan of Action. Thereafter, a number of developing countries have adopted or are in process of adopting food security and poverty eradication programmes. Nonetheless, despite concerted efforts at national and international levels, the WFS objective is in doubt.

In many developing countries, especially in Africa, food security has deteriorated and the number of the undernourished has risen. Conflicts have continued unabated in the post WFS years, proving to be severe obstacles to long-term development and poverty reduction in the affected countries. The incidence of natural disasters and the resulting damages have also remained high. At the global level, the number of the undernourished still stood in 1999 at 792 million people in developing countries and 34 million in the developed countries. [1]

Poverty is not sector specific, and is found in both rural and urban areas. Due to sustained population growth and massive rural migration, poverty is acquiring an increasingly urban dimension. However, in most poor countries the initial rural structure continues to prevail. On balance, rural economy remains a key sector in poverty reduction.

Lessons learned

- **Agricultural development** alone is not sufficient to guarantee an improvement in food security, even in the same specific area. In the era of globalisation old local production-consumption patterns are less and less relevant, as farm produce is increasingly conveyed to the market, where an increasing share of food for household consumption is bought. Rural development, based on a broader set of income generating activities, including farming, and specifically targeted to vulnerable groups, may be a better response.

- **Improved food availability** at the country level does not automatically improve access to food at the household level. There is evidence that an increased GNP per capita, within an inequitable income distribution structure, does not necessarily imply a reduction of poverty. Similarly, vulnerable individuals or groups may be food insecure in an otherwise productive environment, and even in net food exporter countries.

[1] Twenty-sixth Session of FAO Committe on Food Security

- The inclusion of **agriculture in a new trade environment** is producing changes in structure of production, trade flows and prices in the global marketplace. Significant effects on both agricultural domestic markets performance and income distribution among rural households will follow which may require appropriate action. On the one hand, greater exposure to often unstable world commodity markets may increase risk and uncertainty for farming activities, with negative impact on production, especially among small farmers in developing countries, thus leading to more vulnerability and food insecurity. On the other hand, greater market orientation in the pricing of agricultural inputs and factors of production in domestic markets of LDCs, could negatively affect the income of small farmers and their food security conditions. Adverse distribution effects between small and large farmers as well as between low-income and high-income consumers might worsen food security perspectives. To cope with these potential problems the appropriate strategy requires both increased market access through more efficient production and diversification, and stabilization instruments to deal with increasing instability in food security. The Uruguay Round Agreement on Agriculture stressed food security as a core issue to be considered in the reform process on agriculture, and the same was reiterated by the WTO Ministerial Conference in Seattle.

- There is a broad consensus on the **correlation between poverty and food insecurity**. When poverty threatens food security at the household level, it can be a determinant factor in either starting or accelerating rural exodus, creating social unrest, and spreading additional poverty through rural areas and urban settlements. Therefore food security and poverty alleviation strategies should be linked, especially in the LLDCs. In this respect, multilateral organisations and specialised agencies may play a central role in co-ordinating international support.

- **Concentration of resources** in areas showing higher potential, while allocating only residual effort to marginal areas, hoping to obtain a rapid increase in food production, will not automatically produce better food security and will not decrease the pressure on marginal lands, but could instead increase the migratory flows from these areas to urban settlements. Hence, to ensure simultaneously effective poverty alleviation and food security two dimensions have to be considered, the national level and the household level.

- **People participation** is a key to effectiveness for food security and poverty alleviation programmes, by generating broader support within the domestic political environment.

Scope for multilateral action

Though national action is crucial, multilateral action should be substantially strengthened. In this sense FAO as a specialized UN agency may have a key role to play. FAO launched in 1995 the **Special Programme of Food Production** in support to Food Security that is under implementation in a number of countries. In accordance with the mandate of the Agency, the FAO Special Programme has a supply side approach, pursuing technological transference in agriculture and agricultural production increase.

Although potentially significant to some countries and some small farmers, this approach may be insufficient in alleviating food insecurity of vulnerable groups. There is a strong need to allocate the efforts, aimed at improving food security, within a **more comprehensive framework of intervention**, as set by the WFS Plan of Action. Poverty alleviation, equitable income distribution, market efficiency, access to productive resources, sound macroeconomic

policy and good governance are crucial aspects that have to be considered to ensure better food security conditions.

- Recent international UN Conferences confirm that in devising food security and poverty alleviation policies, attention should be paid not only to technical and microeconomic aspects, but also to factors such as:
  - demographic policies,
  - macro-economic conditions,
  - international trade,
  - access to productive resources and improved technologies,
  - income distribution
  - political stability.

- Given the magnitude and complex nature of the task, it is no surprise that progress made after five years from the 1996 WFS, as monitored through the FAO Committee on Food Security, is limited. Some of the commitments made at the 1996 WFS were very general, while others, however, were more direct and could be the basis for specific, focused, cooperative undertakings. In this sense the following deserve closer consideration:
  - implement policies aimed at **eradicating poverty** and inequality and **improving physical and economic access** by all, at all times, to **sufficient and safe food** and its **effective utilization**;
  - pursue **participatory and sustainable** food, agriculture, fisheries, forestry and rural development policies and practices in high and low potential areas, which are essential to adequate and reliable food supplies at the household, national, regional and global levels, and
  - **combat pests, drought and desertification**, considering the multifunctional character of agriculture;
  - ensure that food, agricultural trade and overall **trade policies are conducive to fostering food security** for all through a fair market-oriented world trade system;
  - prevent and be **prepared for natural disasters** and man made emergencies and to meet transitory and emergency food requirements in ways that encourage recovery, rehabilitation, development and a capacity to satisfy future needs
  - promote **optimal allocation** and use of public and private investments to foster human resources, sustainable food, agriculture, fisheries and forestry systems, and rural development, in high and potential areas".

- For each one of the above recalled commitments the WFS Plan of Action provides specific objectives and actions. After five years it is certainly appropriate to have an in depth review of the WFS plan of Action in connection with the next FAO Conference in November.

2001 PRESIDENCY

ACTION PLAN FOR HEALTHCARE
Terms of reference

- **Health as a multi-faceted issue in dealing with development**

In Okinawa we reaffirmed the key role health plays in working towards economic prosperity and human progress. However, we do not consider it sufficient to target only specific diseases. We have learned from past experience in the field that 'selective action' against diseases, in the absence of equitable, efficient and effective health systems, may not succeed in eradicating diseases or improving general state of health. Access to a proper health service system appears to be the core issue. In particular, the need for effective health systems entails focusing on prevention, in the broader context of a comprehensive development approach, that gives priority to the improvement of people's life conditions.

- **Coordination efforts to intensify international action**

We have recognised the need for and committed ourselves to a strengthened partnership amongst all those involved in the development process, on global, national, and local levels. The experience matured in the past 20 years reflects that aid provided by the international community has been significant in the improvement of the health conditions of millions of people. However, at the beginning of the third Millennium, the "Health for All" targets agreed upon in 1978, have not been reached yet: today, 880 million people are excluded from the most basic access to care and public health services. A higher degree of coordination amongst institutional partners is needed: we must pursue a common framework which supports the mandate and stewardship of specialised international organisations, like the WHO and the specific assistance programmes of the UN. At the same time it is important to promote innovative cooperation with industry, academic institutions, NGOs and other relevant donors in civil society. Our coordinated action will support recipient countries' development policies, poverty reduction strategies, medium-term expenditure plans and sector programmes fostering national ownership. The common framework will prevent duplication of efforts and enhance synergism in our technical assistance. To this effect it, will be necessary to explore together with other donors, multilateral and bilateral partners, new international procedures for effective financial transfer and reduced transaction costs.

- **Support for National Programmes and Priorities**

At country level it is necessary to promote the identification of clearly defined national strategies. In the spheres of economic policy, trade, employment, housing and education, particular attention must be devoted to removing the factors that increase people's susceptibility to disease and/or limit their access to prevention and care. In sector-wide planning processes, where priority and needs are identified together with internal and external resources, the widest possible participation of different elements of society has to be encouraged. Our experience in

the field suggests that contribution at the decentralised level, where community based organisations are more easily involved, proves to be most effective. Participation of those traditionally excluded from the decision making process will facilitate the access of the most vulnerable individuals to health services.

- **Measuring Health progress: Health Indicators**

Health indicators are a useful means for measuring progress and of keeping the focus on the results. Amongst the major health problems to monitor, besides the major communicable diseases (HIV/AIDS, Malaria and TB), it would be useful to add maternal mortality due to childbirth, childhood diseases and poverty related diseases including mental health conditions and disability.

- **Focusing Action where needed the most**

"Health for All" can only be pursued within a well integrated sector-wide framework, linked to poverty reduction and a long-term development strategy, including effective, financially equitable and responsive health systems that deliver positive health outcomes for the population as a whole. In the absence of the conditions for a sector-wide approach, it will nonetheless be useful to establish priorities. The principles remain the same: a sustainable and common framework around which partners can organise their assistance and investments; seeking commonalities and synergies between assistance programmes and using funds strategically. The same approach would apply to support for communities in crisis due to natural disasters and other calamities, and, as a result, affected by societal instability or trapped in complex emergencies. Here too, promoting action for better health should remain our key focus.

- **Global Action for local access to key medicines and supplies**

We will encourage linkages of action at the country level with international efforts for better access to essential medicines and commodities. Our global partnership will aim to ensure that no country fails to achieve its health objectives because of a lack of key affordable drugs and supplies. As agreed in the Okinawa follow-up International Conference, we will improve our understanding of global public-private partnership mechanisms through the analysis of existing and forthcoming initiatives, and promote the establishment of incentives for research and development of international public goods (key drugs and vaccines), finding opportunities for innovation and creative partnerships to overcome established market failures. New relationships between public and corporate sectors will be designed to bring health benefits to those who need them most; while ensuring that at a country level the responsibility and stewardship of Public Health Authorities remains a basic condition. We will enable countries to obtain access to information on the availability of essential medicines, and put in place all the potential options for increasing their availability. This includes tiered pricing and the development of local productive capacity which has been successfully undertaken in several of the least developed countries in recent years.

2001 PRESIDENCY

EDUCATION
Terms of Reference

There is a wide consensus that education is one of the most important instruments for a strategy of poverty reduction, particularly if the education system acts explicitly to remove gender bias.

- **Our commitments.** The G8 should confirm its strong commitment to the goals of universal primary education by 2015 and gender equality in schooling by 2005. We support the six major EFA goals established by the Dakar Framework for Action, with its additional focus on the improvement of adult literacy. We are aware however, that objective difficulties have to be overcome.
- Priority assistance should be directed to regions and countries in greatest need, namely Sub Saharan Africa, South Asia and in the LLDCs. Areas of greatest need are often also areas riven by conflict. G8 members could look for ways whereby education systems could be promoted even in crisis situations and also how they could be restored in the aftermath of conflict, inter alia, as essential tools for fostering mutual understanding and peace.

Primary and Basic Education

Education programmes must be tailored to each **country's** needs. There should be a well integrated sector framework (National Action Plan) linking it to a poverty reduction and development strategy covering issues such as health, social welfare, labour and the environmental aspects. A commitment to free compulsory education for all should be clearly stated in the National Action Plan.

- The engagement of **civil society** in the formulation, implementation and monitoring of National Action Plans is essential. National governments should receive support in order to involve all local stakeholders for the creation of an environment that is welcoming and encourages learning.
- While the existence of a well thought out National Action Plan is essential, it is only one side of the equation. Its success depends equally on **the people** that it is there to serve. Therefore it is necessary to consider what other actions need to be taken to make the necessity of the educative process more convincing. Failure to do this will ensure continuing problems with low enrolment rates and high drop out rates. Not only do the people need to be convinced of the benefit of education programmes but objectively the education offered needs to be relevant to the local

situation. If costs are seen as being too high the situation will not improve. Child labour figures in this equation. We could set up an in depth analysis to look for better ways to implement ILO conventions. Before doing that we would do well to think of channels or means of listening to the poor. Feedback from the "field" can only but improve chances of good targeting of programmes.

- **Quality** is essential. Teacher training and materials availability must move in tandem with proposals to expand education programmes. Educational institutions must be supported in order to secure well motivated and professionally competent teachers. Educational content must lead not only to skills and knowledge needed to secure better jobs, but also to better quality of life, for the individual and the community.
- **ICT** is not an instant solution. Once a certain level of basic education exists then it can be extremely useful in making leaps forward. Used in combination with more conventional educational methods (books, radio), it has great potential for knowledge dissemination and could be extensively used in the training of teachers.
- Education has a crucial role to play in the support of national policies for the **protection of the environment** and for the **prevention of serious diseases** (e.g. aids). Qualified teachers are necessary to bring not only targeted information to the young and their families to avoid risks, but also to create the capacity to ask for effective preventative measures.
- The development of an agreed system of **indicators** to achieve EFA goals is highly advisable. This should be done in coordination with the OECD, U.N. and World Bank initiatives.

Adult Education, Higher and Continuing Education

Competitiveness depends on several factors among which human resources figure very significantly but adults often remain at the periphery of the education system. This is a serious drawback for developing countries willing to reap the benefits of globalisation. Globalisation has the potential for drastically reducing the time necessary for achieving levels of competition which took richer countries many decades to achieve. In this environment it is necessary that all adults can count on literacy courses and that higher education is made available to enhance their skills. The scaling up of participatory learning methodologies developed by NGOs, which link literacy with empowerment and local development can result in well targeted literacy programmes.

- Public / private partnerships can play a relevant role in sustaining continuing education and vocational training.
- As an incentive we should be able to reward those countries which are willing to commit themselves to EFA goals with priority technical and financial assistance.

2001 PRESIDENCY

CULTURAL HERITAGE AND DEVELOPMENT
Terms of reference

- **A component of development strategy**

Culture is an underlying factor to development and developmental assistance. Globalisation can promote economic growth while at the same time creating cultural erosion. An undesirable side effect therefore can be a loss of cultural identity, resulting in a destabilizing impact on developing countries. Focusing attention on the importance and weight of cultural heritage in all its forms within Country Assistance Strategies (CASs) can contribute to increase the effectiveness of sustainable development and poverty alleviation programs, whereas building up interest on the cultures of poor and marginalized people can support their preservation and foster the social inclusion.

- **Social aspects**

Following military and social conflicts, the re-establishment of a climate conducive to durable peace begins with the dialogue between different ethnic, religious and social groups. Encouraging the recovery of cultural identities may prove to be an important catalyser. Therefore, the promotion of cultural heritage, could be a valuable tool in transition and reconstruction situations.

- **Economic aspects**

Within the perspective of sustainable development the following actions should be considered:

- in urban areas, reclaim historical centres in order to safeguard both economic and social objectives and transform culture into a resource and as a way of creating new job opportunities and to enhance the well-being of resident populations;
- build up on the experience of industrial districts, support activities aimed at starting up cultural district "pilot projects" (take the lead from archaeological sites);

- re-think museums, which should not be conceived as "mausoleums in themselves" but rather as units in a system around which networks of artistic and handicraft activities can be implemented;
- encourage and promote oral and musical traditions as economic resources in themselves as well as a means of enhancing social cohesiveness.

- **Investments**

Increased social cohesiveness resulting from the reaffirmation of established cultural values, may be an important factor in attracting private direct investments, this is particularly evident in the tourist sector. However, cultural elements imported as a result of tourist trade will inevitably interact with traditional values: hence the necessity of appropriate safeguards under environmental and cultural assets preservation.

- **Coordination efforts to intensify international action**

Development assistance should focus on the following points:

a. strengthen in developing countries the awareness of the importance of cultural heritage as a major non-renewable resource;
b. build at a local level the administrative capacity to protect and manage cultural resources and establish a legal and regulatory framework;
c. promote cooperation amongst private investors, local stakeholders and NGOs in order to forge proper links with local economies;
d. promote the establishment of training centres at the regional and national level for the protection of cultural heritage.

The creation of broad-based partnerships, which include public and private participants as well as international organizations, is essential for the effective implementation of culture-based activities. In particular, the G8 should support the promotion of cultural heritage programmes by UNESCO, ICCROM and the World Bank, along with bilateral initiatives.

File

PERSONAL

FAXED

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

23 January 2001

Dear Francesco,

G8 MINISTERIAL 26-27 FEBRUARY

Thank you for your letter of 12 January about the proposed joint meeting of Justice and Home Affairs Ministers on 26-27 February.

I enclose a response to you which I have copied to G8 colleagues. Separately, however, I wanted to emphasise to you personally the importance that we attach to tackling illegal immigration through the G8 and other international mechanisms. Indeed, it is a priority that I believe both our Prime Ministers share, as demonstrated by the fact that they will early next month be issuing a joint press article on intensified EU action in this area. We see this as a key part of a process of building momentum in the EU, which will also include the informal meeting of Justice and Home Affairs (JHA) Ministers on 8-9 February and the formal JHA Council in March.

Discussing this issue at G7/G8 level will further demonstrate that this is a common issue we must all deal with, and help us in deciding upon, and driving forward, the future international agenda.

Yours,

JEREMY HEYWOOD

Mr Francesco Olivieri

PERSONAL

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PERSONAL

FAXED to ERD 23/1

file

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

23 January 2001

Dear Gaetan,

2002 G8 SUMMIT

I note from your latest correspondence with Francesco that you intend to proceed with plans for the 2002 G8 Summit on the proposed dates of 14-16 June 2002. As you know, these dates present a serious difficulty for us because of the clash with The Queen's Golden Jubilee celebrations on 15 June, which Tony Blair is expected to attend.

With this in mind, I wonder whether it would be possible to reconsider the proposed Summit dates (my Prime Minister would be available on the weekends immediately before and after 14-16 June.) If it is absolutely impossible to move the dates, we will of course try to accommodate you. But it does cause us real problems.

Yours,

JEREMY HEYWOOD

Gaetan Lavertu

PERSONAL

441712706503

1) I want copy
2) I copy for Sherpa briefing Dm 22/
3) pw Genoa themes

Deborah Mantle

Modified: Mon 01/22/2001 1:37 PM

ITALIAN DEVELOPMENT PAPERS (G8 SHERPA BRIEFING CONTACTS)

Please see attached papers (some are in Italian) handed out by the Italians at the DFID/FCO meeting with development experts last week in Rome.
First reactions to the papers would be appreciated and should form part of the briefing for the Sherpa meeting on 2/3 Feb. I will be sending out a call for briefing later today.

1. cc: whole set of papers to:

(F) DFH
J. Arth

Jeremy Heywood
Michael Arthur o/a
Nigel Casey
Tiffany White
Velavan Gnanendran
DFID: Alison Cochrane (Please distribute papers as required).

2. Development paper (All. 1) to:
HMT: Paul Rankin (Please distribute as required)

3. Education paper (All. 3) to:
DFEE: Marie Niven

4. Cultural Heritage and development paper (All. 4) to:
DCMS: Michael Helston 7211 6396

5. Food Security Paper (All. 5) to:
EPD - Annabelle Malins (Please distribute as required)
Cabinet Office - Sophia Honey

6. Desertification paper (All. 6) to:
DETR - Charlotte Middleton (sorry, Italian only)

7. Biodiversity, Biotechnology and Biosecurity (sorry, Italian only) to:
EPD - Annabelle Malins (please distribute as required)
Cabinet Office - Sophia Honey
DETR - Charlotte Middleton (please distribute as required)

From:
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441712706503

GENOA G8 SUMMIT

TOR – DEVELOPMENT

1. The U.N. Secretary General in his report to the Millennium Assembly, stated that "the central challenge we face today is to ensure that globalisation becomes a positive force for all the world's people". Globalisation means the growing interdependence and interconnectedness of the modern world. Making globalisation work more effectively for the world's poor is not only a moral imperative, but also in our common interest. Conflict, environmental degradation, the violation of human rights, international crime, corruption and the illicit drug trade, the spread of pandemics like HIV/AIDS are exacerbated by poverty and inequality.
2. The Report on poverty reduction submitted by the MDBs and the IMF reminds us that progress towards the IDGs is too slow and uneven. Actually, the absolute number of people in extreme poverty increased since 1990 in sub Saharan Africa, Latin America and South Asia. In sub Saharan Africa and South Asia the proportion of people living on less than $ 1 a day exceeds 40% of the population.
3. The pursuit of the goal of halving extreme poverty by 2015 requires a more focused approach at the global level and at the country level, based on solid development partnerships, built on national and local ownership. Strategies should be adapted to the specific context of each category of countries (LLDCs, middle-income countries, large non-aid dependent countries, countries recovering from conflict, countries committed to poverty reduction, "poor performers").
4. We strongly welcome the adoption by the High Level Meeting of the OECD/DAC of detailed guidelines on poverty reduction, that express the unity of purpose and commitment among DAC members to adopt a common view and understanding about poverty and the appropriate approaches for combating it.
5. Support for country-owned, country-led poverty reductions strategies is a crucial priority. We are committed to ensure the coherence of the comprehensive development frameworks (NSSDs, UNDAFs, CDFs, PRSPs, MTFs). National ownership of these frameworks can be reinforced by progressively de-linking them from the implementation of the HIPC debt initiative.
6. Broad-based and equitable economic growth is needed to fight poverty. The link between the world of finance and the world of development is primarily through the savings-investment mechanism. We support therefore the ongoing process leading to the U.N. High Level International Intergovernmental Event on Financing for Development (FFD) and its central goal of supporting equitable and sustainable growth in developing countries, reducing the risks of systemic crises and making available the resources required. The mobilisation of domestic resources to sustain growth plays a vital role. We commit ourselves to promote an enabling environment.

7. Many developing countries need access to foreign finance because their own savings rates are low. The attraction of capital inflow is an essential element of a strategy to speed up sustainable development and poverty reduction. Globalisation is creating conditions and wealth with the potential to make possible a massive reduction of poverty across the world. The lead responsibility for addressing this challenge rests with governments of developing countries. At the same time we recognise that the process of globalisation requires that development objectives be integrated through the full range of OECD countries' policies. We fully support the work conducted by the OECD to enhance policy coherence in a number of priority areas, including the preparation of an international policy coherence checklist.
8. ODA remains crucial to help developing countries, (especially LLDCs), to put in place the necessary reforms to improve government services and to equip them to take advantage of the opportunities of globalisation. The untying of aid to developing countries plays a significant role in increasing the effectiveness of donors' assistance. We welcome the progress that OECD countries, singularly and collectively, make towards untying and reconfirm our commitment to make it possible to implement the Recommendation on untying ODA to the LLDCs, agreed in principle at the OECD, from 1 January 2002.

All 2

GENOA G8 SUMMIT

TERMS OF REFERENCE ON ACTION FOR HEALTH

Gains and losses- the state of health

1. During the past 20 years in partnership with the international community we have made significant progress in the fight against particular diseases and towards the improvement of the health conditions of millions of people. However, at the beginning of the third Millennium, the "Health for All" targets agreed upon in 1978, still remain distant with - among others - 880 millions people totally excluded from the most basic access to care and public health amenities.

Making Health systems work - Lessons from history

2. We have learned from historical experience and evidence that ' selective action' against diseases, in the absence of equitable and effective health systems, may not succeed in eradicating diseases or improving health state. In particular the need for effective health systems entails focusing on prevention in the broader context of a comprehensive development approach, that gives priority to the improvement of people's life conditions. In Okinawa we have reaffirmed the key role health plays towards economic prosperity and human progress.

Strengthening partnerships for improving health and well being

3. We have recognised the need and committed ourselves to a strengthened partnership among all those involved in the development process, both at global, as well as at national and local levels. This necessitates a high degree of co-ordination among institutional partners and the creation of innovative relations with non-institutional ones globally defined as representatives of "civil society". New formal structures or organisations are not needed, but a common framework has to be pursued whereby the specific mandate and stewardship of existing International and National public organisations such as the WHO and the UN is reaffirmed, while ensuring representation from civil society in decision making processes, and operations related to the creation of health and well being.

Support for national Programmes and Priorities- for an inclusive society

4. Whenever possible, at country level we will promote and support the translation of this strategy into clearly defined national strategies and sector-wide planning processes, where priorities and needs, as well as internal and external resources are identified and mapped out with action being taken in parallel with the widest possible participation of different elements of society. Similarly, we will contribute to reproducing a similar model at every appropriate decentralised level where community-based organisations are more easily involved and inter-sectoral collaboration and co-ordination is enabled and is at its most effective. At each and every level we will also strive to ensure that those who are vulnerable and in greatest need (e.g. women, children, elderly people, the poor, the disabled among others) are adequately represented as equal partners. Increasing the participation of those traditionally excluded from a voice in decision making processes will facilitate their access to services and resource and ensure greater respect of their fundamental rights, without any social, cultural or economical discrimination. This should remain our fundamental guiding principle.

Support for public participation through international bodies

5. We are conscious that in order to reach the international goals we have agreed upon, strong political will and increased public awareness are essential. In Okinawa we have committed ourselves to promote this through enhanced high-level dialogue. Political leadership can only be strengthened by public participation and consensus. We commit ourselves to facilitate the establishment of open global *fora* where issues relevant to health, may be periodically and openly discussed and its conclusions formally included in the agenda of recognised International Organizations and in particular of the World Health Assembly.

Health State- the socio economic and developmental dimensions

6. We recognise that poor health is often the consequence of socio-economic policies that do not take into consideration their possible effects upon population's health. Health is clearly a multi-dimensional issue; therefore investing in health requires a comprehensive approach. This understanding needs to be a common political responsibility of policy makers, independently of their sector or field of competence. We believe that health should always be a priority in the Development Agenda. We will use therefore our leadership to promote healthy public policies in the broadest spheres of economy, in employment, housing, education and trade, in order to identify and remove the factors that increase people's vulnerability to disease or limit their access to prevention and care in society as a whole. Similarly we will emphasise the avoidance of policies that may have negative effects upon population health, since we have amassed considerable evidence on such factors from each region of the world.

Measuring Progress- role of health indicators

7. We reaffirm[1] the use of health indicators as means for measuring progress toward more general development objectives and to keep the focus on results, in relation to the major health conditions affecting poor people and vulnerable groups. These should include maternal mortality and morbidity, major childhood illnesses and other relevant poverty related conditions including mental health and disability, as well as the three major communicable diseases (HIV/AIDS, Malaria and TB) for whose impact reduction we committed last year in Okinawa to give enhanced support to reach by 2010 specific UN targets.

Health for All- meaning and validity

8. "Health for all" can only be pursued within a well integrated sector- wide framework, linked to poverty reduction and a long term development strategy, including effective, financially equitable and responsive health systems, that deliver positive health outcomes for the population as a whole. The targets, including the disease specific ones we have endorsed. can only be reached through well functioning health systems. We therefore commit ourselves to ensure the necessary financial and technical support for building capacity and strengthening national systems to deliver appropriate interventions. To that purpose, we also agree on the need for adequate development of decentralised, local health systems, where co-ordination among local - institutional, private and community based organisations - and international actors, as well as their integrated planning and action are most effectively put in place.

[1] This was first indicated in the G8 summit in Lyon, 1996

Selective Action- when needed

9. In the absence of the conditions for a sector-wide approach, we will however continue to promote a sustainable and common framework around which partners can organise their assistance and investment; seeking commonalties and synergies between assistance programmes, using funds strategically and in ways that move forward rather than divert common frameworks and national systems and plans with external agenda' s. We need to follow this approach also within the support for communities in crisis (natural disasters, war, etc.) and as a result affected by societal instability or trapped in complex emergencies; here too, promoting action for better health, should always remain our key focus.

Support for co-ordinated action under the aegis of national bodies

10. We will seek to improve co-ordination with partner governments, the UN, MDBs and other donors and civil society to ensure that international support for health integrates country-driven policies and strategies, avoiding to by-pass national institutions. Our increased support will build upon and support existing country level development policies, poverty reduction strategies, medium-term expenditure plans and sector programs fostering national ownership. We commit ourselves to prevent duplication through maximum synergy in our technical assistance, and to explore together with other donors, our multilateral and bilateral partners new international procedures for effective financial transfer and reduced costs of transaction.

Global action for local access to key medicines and supplies

11. We will encourage linkages of action at the country level with international efforts for better access to essential medicines and commodities. Our global partnership will aim to ensure that no country will fail to achieve its health objectives because of a lack of key affordable drugs and supplies.

12. As agreed in the Okinawa follow-up International Conference, we shall improve our understanding of global public-private partnership mechanisms through the analysis of existing and prospective initiatives .

13. We will promote the establishment of incentives for research and development of international public goods (such as key drugs and vaccines), finding opportunities for innovation and creative partnerships to overcome established market failures. Developing new relationships between the public and corporate sectors will be designed to bring greater health benefits to those who need them the most; while ensuring that at country level the responsibility and stewardship of Public Health Authorities remains a condition. We shall enable countries to obtain access to information on the availability of essential medicines, and put in place all the potential options for increasing their availability. This would include tiered pricing and the development of local productive capacity which has been successfully undertaken in several of the least developed countries in recent years.

All. 3

GENOA G8 SUMMIT

TOR – EDUCATION

1. Education is a fundamental human right. It has also proven to be the strongest factor over the medium/long term in promoting economic growth and reducing poverty, namely when education systems act explicitly to remove gender bias. The education of girls is probably the most effective investment in development. But without accelerated progress towards education for all (EFA), the internationally agreed target for poverty reduction will be missed and inequalities between countries and within societies will widen.
2. We confirm therefore our strong commitment to the goals of universal primary education by 2015 and gender equality in schooling by 2005. In this endeavour, we support the six major EFA goals established by the Dakar Framework for Action, with its additional focus on the improvement of adult literacy .
3. Assistance should be prioritarily directed to the regions and countries in greatest need, namely in Sub Saharan Africa, in South Asia and in the LLDCS. Assistance should also ensure that education systems be protected in the context of crises and restored in post-conflict situations, inter alia, as essential instruments to promote mutual understanding and peace.

PRIMARY AND BASIC EDUCATION

4. The heart of EFA activity lies at the country level. EFA policies must be pursued within a well integrated sector frame work (National Action Plan) linked to a poverty reduction and development strategy. (PRSPs, CDFs, UNDAFs), covering health, social welfare, labour and the environment.
5. The engagement of civil society in the formulation, implementation and monitoring of National Action Plans for EFA is essential. We commit ourselves to support the State in developing countries to pursue the goal of free and compulsory primary education promoting comprehensive development partnerships at all levels of civil society. We support the establishment by local stakeholders of an environment that not only encourages learning, but is welcoming, gender-sensitive, healthy and safe.
6. Low enrolment rates and high drop out rates depend on many factors, two of which are:
   - individual choice;
   - quality of education.

   Families invest in their offspring's education if the perceived benefits are higher than costs if the opportunity costs are deemed too high, families would not send their children to school, or they world drop out of it.
7. In particular, child labour must not stand in the way of education. Participatory poverty assessments and household surveys, allowing to the poor to be listened to, can highlight ways to address effectively how to implement the ILO Conventions

against child labour. Even when education is nominally free indirect costs and some direct costs (transportation, books etc.) are passed on to families who cannot afford them . At the community level targeted assistance could improve poor people's access to education.

8. Quality is at the heart of education. The expansion of education systems cannot be de-linked by teacher training and materials development, if children are to be attracted to school, stay there and achieve meaningful learning outcomes. Educational institutions must be supported in order to secure well motivated and professionally competent teachers and education content leading to knowledge and skills needed not only for better employment opportunities, but also for a better quality of life, individually and the community level.
9. ICTs have great potential for knowledge dissemination, effective learning and the development of more efficient education systems; namely ICTs, combined with traditional technologies (books, radio), could be extensively applied to the training of teachers.
10. Education has a crucial role to play to support national policies for the protection of the environment and for the prevention of serious diseases (e.g. AIDS), which endanger the youngest sections of the population. Qualified teachers are necessary to bring not only targeted information to the young and their families to avoid risks, but also the create the capacity to ask for effective preventive measures.
11. The development of an agreed system of indicators to monitor progress towards EFA shall continue to be part of the "Partnership in statistics" (Paris 21), launched by the OECD, the UN and the World Bank.

ADULT EDUCATION, HIGHER AND CONTINUING EDUCATION

12. Competitiveness depends on several factors including human capital endowments; but the adults remain often at the periphery of education systems. This is a serious drawback for developing countries willing to reap the benefits of globalization. The scaling up of participatory learning methodologies developed by NGOS, which link literacy with empowerment and local development can result in well-targeted literacy programmes.
13. Public/private partnerships can play a relevant role in sustaining continuing education and vocational training.
14. We pledge to grant prioritarily financial and technical assistance to those countries presenting strong political commitment towards EFA goals.

Ministero degli Affari Esteri
Direzione Generale per la Cooperazione allo Sviluppo
Unità Tecnica Centrale

Elementi per la redazione di un *position paper* italiano per la prossima riunione del G8, relativo ai temi delle **Biodiversità, Biotecnologie e Biosicurezza.**

Attualmente i prodotti agricoli derivanti dalle Biotecnologie avanzate, cioè dal trasferimento di geni fra specie che non si possono incrociare per via naturale, sono molto pochi. Oltre il 95% delle coltivazioni con Organismi Geneticamente Modificati (OGM) riguarda poche varietà di sole sei specie (mais, soia, tabacco, patata, cotone, colza) nelle quali sono stati introdotti geni di origine batterica che inducono la resistenza ad erbicidi o la resistenza ad insetti. Queste coltivazioni hanno interessato, nel 2000, circa quarantadue milioni di ettari. Si tratta di una superficie enorme che tuttavia, dopo un incremento estremamente rapido, é rimasta praticamente costante a quella del 1999. Dette coltivazioni sono quasi tutte effettuate in cinque Paesi (USA, Argentina, Canada, Brasile, Cina); Paesi dove il sistema di produzione è caratterizzato dalla monocoltura in aziende agricole di grandi estensioni aventi un elevato livello tecnologico (*know how*).

Un recente studio (Giugno 2000) della Direzione Generale Agricoltura dell'Unione Europea (UE) evidenzia, sulla scorta di dettagliati conti economici, che le colture geneticamente modificate attualmente commercializzate sono redditizie per gli agricoltori, solo all'interno dei sistemi di produzione agricola tipici dei Paesi di cui sopra, mentre tale convenienza non è evidente negli altri sistemi di produzione "più poveri e diversificati" nei quali la dimensione aziendale è relativamente modesta e quindi anche per quelli della stessa Unione Europea.

I possibili pericoli per la diversità biologica negli agroecosistemi sono essenzialmente due:

i) innanzitutto i geni introdotti nelle specie coltivate possono essere trasferiti a specie affini e, se in queste ultime determinano modifiche della resistenza a

stress, della capacità riproduttiva e quindi della competitività, possono determinare delle modifiche, non facilmente prevedibili, degli ecosistemi;

ii) il secondo pericolo é dato dal fatto che sono state trasformate solo poche varietà delle specie sopra menzionate, che coprono gran parte delle superficie coltivate nei Paesi in cui sono state introdotte, determinando di fatto l'eliminazione di quelle preesistenti.

Questi pericoli non sono ovviamente connessi alla tecnica di trasformazione, né ai geni introdotti e nemmeno alle caratteristiche biologiche delle piante transgeniche, ma alla struttura delle agricolture in questione e in genere al mercato, quasi interamente controllato da tre grandi concentrazioni industriali [1] che non hanno interesse ad aumentare di molto il parco delle varietà trasformate.

In realtà i veri problemi nel rapporto fra biotecnologie e biodiversità, al di là dei possibili e probabilmente limitati effetti diretti, risiedono nella struttura del mercato e quindi principalmente nei rapporti tra Stati Uniti ed Europa e tra Nord e Sud del Mondo.

Ne consegue che le scelte delle politiche agroalimentari risultano fortemente condizionate, anche indipendentemente dalla reale utilità e qualità dei prodotti offerti, almeno per ora modellati sulle agricolture del tipo indicato dal citato rapporto dell'UE.

La posizione delle grandi imprese multinazionali esce particolarmente rafforzata dalle regole del commercio mondiale stabilite dagli accordi TRIPs derivanti dall'*Uruguay Round*, che definiscono anche le norme relative ai Diritti della Proprietà Intellettuale (IPR), che per quanto riguarda le invenzioni biotecnologiche sono ben esemplificati dalla Direttiva Europea 98/44. Tali diritti, infatti, sono fruibili in qualsiasi luogo del Mondo ed ogni atto di protezione doganale che interferisca con il libero scambio delle merci, anche se dettato da ragioni non economiche (ad esempio la biosicurezza), é soggetto a sanzione. Inoltre, la legislazione sui brevetti relativi alle invenzioni biotecnologiche prevede "brevetti di sbarramento" sia di prodotto che di processo. Infatti, una volta brevettato un gene o uno strumento molecolare che serve ad inserirlo in un organismo, o un processo con cui si compie questa o un'altra operazione necessaria, tutti i materiali biologici in cui sia riconoscibile il frammento

[1] Le tre multinazionali che controllano il mercato sono la Monsanto -Pharmacia Corporation a capitale prevalentemente americano, la Aventis, con prevalenza franco-tedesca, la Syngenta. In tutti i casi la composizione societaria é molto vasta e comprende imprese agrochimiche, farmaceutiche sementiere, di trasformazione dei prodotti alimentari ed anche esterne al settore specifico come la Pepsi Cola o la Kuwait Oil. Ognuna delle tre concentrazioni ha un peso rilevante contemporaneamente in tutti e quattro i settori strategici delle biotecnologie (agrochimico, farmaceutico, sementiero, biotecnologico puro).

di DNA brevettato e/o che derivino da un processo coperto da brevetto sono automaticamente soggetti al pagamento di *royalties*.

Gli effetti del riconoscimento dei diritti sopraindicati sono molteplici e possono essere così riassunti: corsa per ottenere brevetti che, essendo di sbarramento, consentono di controllare non solo i prodotti e i processi attuali, ma anche quelli futuri.. Si cerca quindi di brevettare non solo invenzioni biotecnologiche ma anche varietà o addirittura specie che contengano geni potenzialmente utili in futuro.

Considerato che varietà e razze locali del Sud del Mondo non sono protetti da nessun sistema IPR, è sufficiente l'inserimento di un gene per sottrarle, brevettando la pianta transgenica, alla proprietà di chi le ha conservate, per poi eventualmente restituirle al Paese di origine, modificate ad un prezzo elevato, imponendo una "tassa tecnologica" (*technological fee*). Pertanto, la conservazione *in situ* da parte degli agricoltori locali ne risulta scoraggiata per la diminuzione del valore di mercato della varietà originaria. Avviene altrettanto per le varietà conservate *ex situ*, dato che i Centri Internazionali della rete CGIAR, protagonisti della rivoluzione verde, hanno subito una drastica riduzione dei finanziamenti in accordo con la tendenza generale a lasciare la conservazione alle iniziative delle imprese private. Queste ultime, a differenza dei centri CGIAR, non distribuiscono ovviamente le nuove varietà create, determinando una limitazione al loro accesso da parte dei Paesi che le hanno originariamente conservate.

In tale contesto si calcola che il 50% dell'intero patrimonio mondiale di biodiversità conservato *ex situ* sia votato alla scomparsa.

Bisognerà quindi fronteggiare in futuro contemporaneamente la crisi della conservazione *ex situ* e quella *in situ*, scoraggiate la prima dalla mancanza di finanziamenti, l'altra dalla perdita progressiva del valore di mercato delle varietà e razze locali. Quest'ultima peraltro sarà ulteriormente penalizzata dal mancato trasferimento al Sud del Mondo del *know-how* biotecnologico potenzialmente utile.

Quanto sopra é in aperta contraddizione col dettato della Convenzione sulla Biodiversità (CBD), non sottoscritta peraltro dagli Stati Uniti, che prevede agli articoli 8j, 15 e 16 accordi bilaterali e multilaterali fra gli Stati detentori della variabilità genetica e quelli che ne richiedono l'accesso. Con tali accordi questi ultimi, tramite finanziamenti, permettono ai primi la conservazione della biodiversità in loco, nonché il trasferimento di *know how* biotecnologico. Coerentemente con questo principio, nell'ambito della Convenzione é stato approvato a Montreal nel 1999 il Protocollo di Cartagena sulla Biosicurezza, che permette ai singoli Stati decisioni autonome sull'importazione degli OGM. Anche queste decisioni si attuano sotto forma di permessi d'importazione concessi *ad hoc*, in assenza di

controindicazioni relative alla biosicurezza. L'accordo di Montreal é ora in discussione nell'ambito del WTO dove una gran parte dei Paesi in Via di Sviluppo (PVS) punta ad una revisione dei TRIPs che porti ad una modifica della regolamentazione sugli IPR e ad una estensione di meccanismi di protezione "sui generis", diversi e meno rigidi di quelli in vigore, anche allo scopo di attuare gli accordi previsti dalla CBD.

La situazione é quindi ancora molto fluida e lascia spazio a singoli o a gruppi di Paesi sia di rivedere le regole internazionali, che quello di concludere accordi diretti per sostenere la conservazione della biodiversità nei Paesi di origine e di erogazione di *know how* biotecnologico, in cambio dell'accesso al germoplasma. Questi interventi diretti potrebbero/dovrebbero comprendere:

a) Azioni a livello WTO:
Si tratterà di prendere atto in questa sede del contenuto della CBD. Questo significa intanto ridare autonomia agli Stati per quanto riguarda le importazioni di OGM e/o di operare affinché sia adottata a livello mondiale una prassi di controllo dei rischi simile a quella dell'UE (direttiva 220/90). Bisognerà inoltre operare affinché diventi reale lo scambio equo tra tecnologia e germoplasma, programmando investimenti per la conservazione *in situ* del germoplasma stesso e stabilendo "condizioni di maggior favore" per l'utilizzazione di materiali o processi brevettati da parte di chi apre all'uso della variabilità genetica conservata nel proprio Paese. Intanto, bisogna far sì che il maggior numero possibile dei PVS si doti di IPR sui *generis* consoni alle condizioni di vita delle popolazioni e alla struttura dell'agricoltura locale, avviando al più presto il processo di revisione dei TRIPs;

b) Azioni a favore della Conservazione della Biodiversità:
È essenziale aumentare sensibilmente i finanziamenti ai centri di conservazione del germoplasma del CGIAR e di altri che si trovano ad affrontare problemi anche più gravi, come ad esempio i centri Vavilov dell'ex Unione Sovietica. Sarebbe, inoltre, estremamente utile potenziare i centri di trasferimento delle biotecnologie avanzate ed, in particolare, il Centro ICGEB[2].
Andrebbero, inoltre, potenziate le reti di ricerca ed in particolare quelle europee che hanno come obiettivo la cooperazione scientifica con i PVS. Ciò andrebbe fatto sulla base di specifici piani di ricerca, tendenti soprattutto ad individuare metodi e tecniche per rendere le varietà più competitive e resistenti agli stress biotici ed abiotici. In altre termini i finanziamenti dovrebbero essere mirati alla conservazione della biodiversità e a migliorare le loro caratteristiche in maniera

[2] Questo Centro con sede a Trieste e New Delhi persegue l'obiettivo di trasferire l'informazione biotecnologica ai PVS sotto egida ONU.

da incentivare la coltivazione nei Paesi d'origine. Per queste ragioni la conservazione *in situ* deve essere privilegiata favorendo direttamente chi coltiva le varietà e le razze locali, mediante messa a disposizione di servizi di assistenza tecnica e soprattutto con incentivi volti a rendere conveniente il mantenimento delle varietà tradizionali. Queste ultime dovranno essere identificate tenendo conto delle condizioni locali in termini di mercato, tradizione culturale, esigenze delle popolazioni e potranno consistere in aiuti diretti al coltivatore ed anche nell'istituzione di qualcosa del tipo del "diritto del conservatore" che comporta il pagamento al medesimo di diritti a chiunque voglia utilizzare il suo germoplasma. In realtà, nel caso che siano instaurati sistemi di protezione della proprietà intellettuale diversi dal brevetto se ne potrebbe individuare uno, da favorire, che permetta la protezione delle varietà locali in quanto conservate per il bene dell'umanità intera, evitando così quella che alcuni chiamano "Biopirateria" e favorendo invece lo stabilirsi di rapporti ispirati al "principio della distribuzione equa dei benefici" derivanti dal germoplasma conservato;

d) <u>Misure atte a favorire la Biosicurezza delle innovazioni biotecnologiche.</u>

Si tratta di favorire la ricerca, in particolare nel campo vegetale, a puntare sul trasferimento di geni ad alto livello di prevedibilità degli effetti e a tecnologie non invasive d'aiuto alla selezione. Il primo obiettivo può essere raggiunto semplicemente limitando il trasferimento genico a individui della stessa specie o di specie spontaneamente interfeconde ed evitando in questo modo possibili squilibri metabolici nella pianta ospite derivanti dalla conpresenza di geni che non si sono coevoluti nello stesso genotipo. Il secondo può essere perseguito sviluppando nuove tecniche di marcatura molecolare di varianti di geni di interesse. Queste, infatti, sono le tecniche che possono essere distribuite con tranquillità e con condizioni di maggior favore, evitando di coprirle con il brevetto industriale, magari sostituito con incentivi pubblici alla ricerca ancora su programmi di trasferimento dell'innovazione.

AK.5

A preliminary note in preparation of a position paper on Food Security

1. Progress made over the last decade in the majority of countries, in terms of economic growth and improved macroeconomic conditions, has not been matched by progress of a similar amplitude in terms of poverty reduction and food security for least endowed, more vulnerable people. Individual countries among the poorest and specific social groups, in both developed and developing countries, tend to be left at the margin, hardly capturing any benefit from global progress and development. Poor and vulnerable people are often unable to provide for basic needs, including food.

2. Poverty is not sector specific and is to be found in both rural and urban areas. As a consequence of sustained population growth and massive rural - urban migration, poverty is acquiring an increasingly urban dimension. Yet , due to their initial structure, in most poor countries the rural dimension is still prevailing. This makes the rural economy and the farming sector an important specific domain of action in attacking poverty, by increasing food supplies and access to food. While in the rural domain action is in order to improve both production and consumption, the key issue today is not increasing food production but improving access to food and this applies wherever food insecure people are, be it in urban or rural areas.

3. As clearly stated in the 1996 Rome Declaration on World Food Security "food supplies have increased substantially, but constraints on access to food and continuing inadequacy of households and national incomes to purchase food, instability of supply and demand, as well as natural and man-made disasters, prevent basic food needs from being fullfilled. The problems of hunger and food insecurity have global dimensions and are likely to persist, and even increase dramatically in some regions, unless urgent, determined and concerted action is taken, given the anticipated increase in the world's population and the stress on natural resources".

4. Taking into consideration the huge incidence of poverty and food insecurity existing in rural areas, special attention should be given to specific actions aiming at alleviating rural poverty and improving food security among rural households. But even in rural areas and for rural households improving food production, though it may be relevant and even essential in specific cases, is not in general the key issue.

5. Agricultural development per se may or may not improve food security conditions for the vulnerable, even when it occurs in the same specific area and involves food insecure households. In the era of globalisation old local production-consumption equilibria are less and less relevant, as farm produce has to be brought to the market where an increasing share of the food for household consumption is to be bought. Rural development based on a broader set of income generating activities, including farming, and specifically targeted to vulnerable groups has a higher potential.

6. The possible decision to allocate residual resources to marginal areas and concentrate main efforts on high potential areas, aimed at obtaining a rapid increase in food production, will not automatically yield better food security and will not decrease the pressure on marginal lands, but could increase the migratory flows from these areas to urban settlements. Rapid rural-urban migration, associated with food insecurity situations, may have a severe impact on urban poverty phenomena. In such a context,

it is necessary to better focus the attention and to strenghten the actions to rural areas, where a large number of food insecure people are located

7. There is a broad consensus on the existing correlation between poverty and food insecurity. A condition of poverty often threats the food security position, in particular at household and individual level; the latter one could either start or accelerate rural exodus, create social unrest, increase poverty both in rural areas and urban settlements. In such a context, taking into consideration that food security improvement and poverty alleviation strategies should be strongly co-ordinated, there is a strong need for a more active engagement in supporting both poverty alleviation and food security programmes especially in LLDCs. This also makes multilateral organisations and specialised agencies key players in channelling international support.

8. It has to be recalled that also the Uruguay Round Agreement on Agriculture stressed food security as a core issue to be considered in implementing the reform process on agriculture. This is related both to the new domestic policy environment, following the structural reforms underway in a number of developing country, and the new international trade environment, following the inclusion of agricultural trade within the GATT/WTO rules. The importance of the food security issue, in relation to the new agricultural trading system, was also reiterated by the last WTO Ministerial Conference at Seattle.

9. The inclusion of agriculture in a new trade environment is yielding changes in global structure of production, trade flows and prices. This should, likely, have significant effects on both agricultural domestic markets functioning and income distribution among rural households. From one side, the greater exposure to the relatively unstable world commodity markets may aggravate risk and uncertainty farmers have to face, with negative impact on production, especially among small farmers in developing countries, that could become more vulnerable and food insecure. From the other side, the move towards a greater market orientation in the pricing of agricultural inputs and factors of production in domestic markets of LDCs, will negatively influence the income of small farmers and their food security conditions. The extent to which local markets discriminate between small and large farmers, on the one hand, and between low-income and high-income consumers, on the other, will determine the extent of which a country improves its food security situation.

10. In a global market dimension food self-sufficiency at national and/or local level becomes less and less relevant to food security *vis à vis* to access to food conditions, to be improved through increasing and diversificating poor households' income, allowing both a better self-consumption rate and more stable access to the marketed food.. There is evidence that an increased GNP per capita, within an inequitable income distribution structure, does not necessarily imply a poverty reduction. In the same way, an improved food availability at the country level does not automatically improve access to food at household level. As we all know, vulnerable individuals or groups may be food insecure even in net food exporter countries.

11. Hence, to ensure effective and balanced approaches to poverty alleviation and food security two dimensions of the problem, the national level and the household level, have to be considered. Furthermore, the importance the people participation, as a key

to have more effectiveness to food security and poverty alleviation programmes, and to establish a more favourable domestic political environment, should be also be stressed

12. The recent international UN Conferences led to the conclusion that, in designing programmes aimed at alleviating poverty and food insecurity, due attention should be paid not only to technical and microeconomic aspects, but also to issues as demographic policy, macro-economic conditions, international trade, access to productive resources and improved technologies, income distribution equity and political stability.

13. The FAO World Food Summit (WFS) held in Rome on November 1996, set the objective of reducing the number of undernourished by half for 2015. The member Countries committed to implement the approved Plan of Action; hence an increasing number of developing countries report that they have adopted or are in process of adopting food security and poverty eradication programmes. Nonetheless, despite concerted efforts at national and international levels, the WFS objective may not be achieved.

14. In the many developing countries, especially in Africa, the food security situation has deteriorated and the number of the undernourished has risen. Conflicts have continued unabated in the post WFS years, proving to be severe obstacles to long-term development and poverty reduction in the affected countries. The incidence of natural disasters and the resulting damages have also remained high. At the global level, the number of the undernourished still stands at 792 million people in the developing countries and 34 million in the developed countries, in 1999. [1]

15. Given the magnitude and complex nature of the task, it is no surprise that progress made after five years from the 1996 WFS, as monitored through the FAO Committee on Food Security, is limited. Therefore the committments made at the Summit should be strongly reiterated. Fully aknowledging the complex nature of food insecurity, some of the committments made at the 1996 WFS are very general and with little if any sectoral specificity. This should not be a reason for lowering attention. Some of the committments, however, have a more direct sectoral linkage and could be the basis for more specific, well focused, cooperative undertakings. In this sense the following might deserve closer consideration:

16. "implement policies aimed at eradicating poverty and inequality and improving phisical and economic access by all, at all times, to sufficient, nutritionally adequate and safe food and its effective utilization;

17. pursue participatory and sustainable food, agriculture, fisheries, forestry and rural development policies and practices in high and low potential areas, which are essential to adequate and reliable food supplies at the household, national, regional and global levels, and combat pests, drought and desertification, considering the multifunctional character of agriculture;

[1] Twenty-sixth Session of FAO Committe on Food Security

18. ensure that food, agricultural trade and overall trade policies are conducive to fostering food security for all through a fair market-oriented world trade system;

19. prevent and be prepared for natural disasters and man made emergencies and to meet transitory and emergency food requirements in ways that encourage recovery, rehabilitation, development and a capacity to satisfy future needs

20. promote optimal allocation and use of public and private investments to foster human resources, sustainable food, agriculture, fisheries and forestries systems, and rural development, in high and potential areas".

21. For each one of the above recalled committments the WFS Plan of Action provides specific objectives and actions. After five years it is certainly appropriate to have an in depth review, taking stock of past experience and considering evolving circumstances. Such a review would take place in connection with the next FAO Conference in November and should offer a stronger basis for concerted future work. Though national action is crucial, multilateral action should be substantially strenghtened. In this sense FAO as a specialized UN agency may have a key role to play. Constraints are severe, particularly in terms of financial resourses and internal restructuring. But the potential is high if properly framed in the broader context. Member countries have a high responsibility in promoting conducive working conditions, capturing relevant synergies, and avoiding risks of too narrow sectoral views which might prevail, among other things, as a realistic option in terms of both specific mandate and budget constraint. In this sense it should be stressed that the 96WFS Plan of Action keeps offering the best expression of international consensus on the matter and should not be left aside for the sake of shortcuts.

22. FAO launched in 1995 the Special Programme of Food Production in support to Food Security that is under implementation in a number of countries. In accordance with the mandate of the Agency, the FAO Special Programme has a supply side approach, pursuing technological transference in agriculture and agricultural production increase. Altough potentially significant to some countries and some small farmers, this approach could have limited effects in alleviating food insecurity of vulnerable groups. There is a strong need to allocate the efforts, aimed at improving food security, within a more comprehensive framework of intervention, as set by the WFS Plan of Action. Poverty alleviation, equitative income distribution, markets efficiency, access to productive resources, sound macroeconomic policy and good governance are crucial aspects that have to be considered to ensure better food security conditions.

23. In November this year, a follow-up Conference of the 1996 FAO World Summit on Food Security will be held in Rome. It should be the right opportunity for an in depth review of progress made in implementing the 1996 Plan of Action on Food Security, to review roles and responsabilities both at international and national level. In that context, a more effective co-ordination among bilateral and multilateral agencies should be sought.

Ministero degli Affari Esteri
Direzione Generale per la Cooperazione allo Sviluppo
Unità Tecnica Centrale

Elementi per la redazione di un *position paper* per la prossima riunione del G8, relativo al tema della **Lotta contro la Desertificazione**.

1. Premessa

Nei Paesi in Via di Sviluppo (PVS) e particolarmente in Africa i processi di degrado degli ecosistemi delle zone aride e semiaride hanno assunto proporzioni ed intensità tali da far temere che si possa giungere, in tempi relativamente brevi, all'irreversibile distruzione delle risorse naturali - benché le stesse per definizione siano da considerarsi rinnovabili - di ampie porzioni di territorio.

Il degrado ambientale è nel contempo concausa ed effetto della diffusa povertà delle popolazioni, che su queste aree sono costrette a vivere quasi sempre in condizioni di drammatica indigenza.

Nelle zone rurali il grado di vulnerabilità strutturale del territorio è quasi sempre direttamente correlato con il livello di povertà delle popolazioni, che è possibile misurare attraverso gli indicatori d'insicurezza alimentare, di denutrizione e dello stato igienico-sanitario.

Le cause che hanno determinato questa situazione sono molteplici e tra loro direttamente o indirettamente correlate. Spesso per necessità di sintesi, o ancor meglio di semplificazione, esse vengono ricondotte all'iniqua ripartizione delle risorse, alla loro inefficiente ed inadatta utilizzazione, nonché allo squilibrio tra il potenziale produttivo delle risorse disponibili ed i bisogni delle popolazioni, che su questi territori insistono.

Negli ultimi anni il tema della desertificazione è emerso come consapevolezza della coscienza della società civile, prima come causa della fame in vaste aree del

mondo e successivamente per gli effetti planetari che il fenomeno ha a fianco di altri fenomeni, quali la distruzione delle foreste o i disastri ambientali legati alla cattiva gestione del territorio .

La differenza fondamentale tra i fenomeni di desertificazione nel Nord e nel Sud del Mondo è che mentre nel secondo questo è fondamentalmente legato alla produzione alimentare ed al soddisfacimento dei bisogni energetici (legna da ardere) nel primo è principalmente legato all'abbandono delle vecchie pratiche agricole specie in quelle aree marginali dove l'agricoltura è stata abbandonata e non si procede più alla manutenzione delle opere di regimazione delle acquee od il moltiplicarsi degli incendi i cui effetti devastanti sono aumentati considerevolmente .

In effetti diversa è la concezione dell'ambiente nei due emisferi: mentre per le popolazioni dei paesi industrializzati esso è principalmente un problema esterno quasi di tipo ideologico influendo sulla qualità della vita che trova la sua formalizzazione nei parchi nazionali simili a musei dove l'uomo è un visitatore; al contrario per i PVS esso rappresenta la vita, dipendendo la maggior parte della popolazione (in Africa meno del 20% vive nelle città) per la propria sussistenza da quanto riesce a produrre con il proprio lavoro nei campi .

La stessa definizione di desertificazione è andata cambiando in questi ultimi anni, segno di una diversa visione del fenomeno .

L'UNEP nel predisporre la valutazione dello stato della desertificazione in vista della Conferenza di Rio (1992) ha sviluppato la seguente definizione "desertification is land degradation in arid, semiarid and dry sub-humid areas resulting mainly from adverse human impact " .

Se si considera che "United Nations Conference on Desertification" (UNCOD) nel 1977 aveva invece ritenuto come definizione "Desertification is the diminution or destruction of the biological potential of land, and can lead ultimately to desert-like conditions. It is an aspect of the widespread deterioration of ecosystems, and has diminished or destroyed the biological potential i.e. plant or animal production, for multiple use purposes at a time when increased productivity is needed to support growing populations in quest of development".

In quindici anni si è passati così da un fenomeno che danneggia l'uomo ad un fenomeno dovuto all'uomo; questo cambiamento è significativo sia della crisi del modello di sviluppo seguito negli anni settanta sia di una crescita di una coscienza

ambientalista che, ponendo al centro il ruolo dell'uomo nel degradarsi del pianeta, cerca di limitare i danni e ricercare uno sviluppo ecosostenibile .

Ma se questo è ragionevole in una società affluente, quale quella dei Paesi industrializzati, rischia di tramutarsi in una condanna per quelle aree nel Sud del mondo dove l'uomo seppur contribuisce alla desertificazione da questo fenomeno subisce le conseguenze più gravi.

La Convenzione delle Nazioni Uniti per la lotta contro la Desertificazione, ratificata da un numerosissimo gruppo di Paesi, ha dei connotati di una convenzione di sviluppo, ancor prima di quelli di tutela ambientale. Con la ratifica di detta Convenzione le Parti hanno assunto impegni precisi in merito alle obbligazioni ivi contenute, il cui rispetto comporta, tra l'altro, una revisione delle azioni della Cooperazione internazionale.

Le principali innovazioni introdotte dalla CCD, che avranno influenza sull'APS in questo settore comportano:

- l'identificazione della cause sia antropiche che climatiche, alla base dei processi di desertificazione;
- l'inquadramento degli interventi nell'ambito di Piani di Azione Nazionali (PAN), coordinati con gli altri Piani di Sviluppo Economico;
- il rispetto dell'*ownership* dei Paesi colpiti, nella formulazione e gestione dei PAN, con l'obbligo di creare un ambiente normativo favorevole alla loro attuazione;
- l'individuazione di nuove forme di supporto tecnico - metodologico e finanziario da parte della comunità dei Donatori;
- la razionalizzazione dell'uso delle limitate risorse finanziarie, in un quadro di concertazione internazionale gestito dagli stessi Paesi;
- la diffusione delle conoscenze e delle esperienze in materia di lotta alla desertificazione ed alla siccità;
- la tutela e la valorizzazione delle tecniche tradizionali ed innovative.

2. Principi di una nuova cooperazione per la lotta contro la desertificazione

Il sostegno ai PVS da parte della Cooperazione internazionale deve essere inscritto in un quadro prospettico di medio e lungo periodo, per rendere credibile e rinsaldare il rapporto di partenariato tra il Nord e il Sud del Mondo e consentire quindi, al di là dell'enunciazioni, di coniugare sostenibilità ambientale e sviluppo. Ciò non dovrebbe essere considerata un'opzione auspicabile bensì una scelta obbligata.

La politica di contenimento delle emergenze si è dimostrata, infatti, particolarmente onerosa sotto l'aspetto finanziario ed incapace di assicurare la stabilità politica e sociale dei PVS, con ampie conseguenze anche sulle società dei Paesi sviluppati (emigrazioni ed eventi naturali estremi).

La Cooperazione più che in passato dovrà essere imperniata sul principio del "comune interesse", definita in termine di risorse e durata e conseguentemente regolata da rapporti "contrattuali appropriati" da sottoscrivere liberamente tra gli Stati e le popolazioni interessate.

È evidente che il "comune interesse" nella gestione delle risorse naturali implica necessariamente la salvaguardia di dette risorse per le future generazioni. Altrettanto evidente è la necessità che le popolazioni, specialmente quelle che vivono nelle aree marginali, possano condurre un'esistenza dignitosa e soddisfare i bisogni essenziali (sicurezza alimentare, acqua potabile, educazione, sanità, ecc....).

La recente evoluzione dei sistemi di produzione e gestione dell'informazione, basata sulle tecniche di osservazione della Terra e su modelli di simulazione, consente di identificare le aree e le comunità più vulnerabili e il grado di rischio esistente, facilitando così la scelta delle opzioni, la pianificazione degli interventi prioritari e il monitoraggio dell'impatto delle azioni condotte.

L'informazione, nell'accezione più larga del termine, è sicuramente uno strumento di trasparenza e democrazia e, quindi, deve avere ampia diffusione ed essere accessibile a tutti gli strati della popolazione, affinché la stessa possa essere al contempo controllore e garante delle scelte effettuate. L'accessibilità all'informazione diventa quindi determinante nel momento in cui la responsabilizzazione e la partecipazione delle popolazioni, delle loro associazioni, delle ONG e delle amministrazioni locali viene giustamente considerata come "conditio sine qua non" per perseguire gli obiettivi di sviluppo socio-economici.

I programmi di lotta contro la desertificazione dovranno essere concentrati, particolarmente, nel campo dello sviluppo sostenibile, stimolando e sostenendo l'elaborazione di politiche che tengono conto della limitatezza e della fragilità delle risorse naturali delle aree colpite da questi fenomeni. L'azione della Cooperazione internazionale dovrà:

a. **essere rivolta principalmente alle cause dei fenomeni**, in forma quindi preventiva piuttosto che di recupero di aree degradate. Se si escludono le cause legate a fenomeni atmosferici (siccità in particolare), contro le quali si può agire esclusivamente con interventi di mitigazioni degli effetti (programmi

di allerta precoce e sicurezza alimentare), le cause contro le quali si può intervenire sono essenzialmente legate ad un uso improprio delle risorse naturali. Questo è dovuto principalmente ad un eccessivo carico (sovrasfruttamento) sulle risorse biologiche e fisiche, per via di una popolazione numericamente superiore a quella che l'area sulla quale insiste è in grado di sostentare, agli attuali livelli tecnologici. Il sovraccarico a sua volta può dipendere da un incremento eccessivo della popolazione in termini assoluti, oppure da una diminuita capacità di accoglimento di quest'area a causa di fattori climatici. Entrambi questi eventi sono al di fuori di un controllo esterno, e si potrà agire quindi solo sui sistemi produttivi, migliorandone l'efficienza per rapporto alle risorse impiegate. I sistemi tradizionali (a basso consumo energetico, scarsa tecnologia ed elevato uso di manodopera) si sono evoluti nel corso del tempo adattandosi ad un circolo vizioso "scarsezza di capitali → scarsezza di rendite", tipico di economie rivolte all'autoconsumo o alla commercializzazione a prezzi non remunerativi.

b. **concentrarsi in primo luogo sulla persona**, sulle sue esigenze e sulle sue attività produttive, non occupandosi quindi solo dei fenomeni legati al degrado ambientale (erosione dei suoli, diminuzione o assenza della copertura vegetale). L'affrontare la sfida esclusivamente in termini fisici (gli effetti) od anche economici (il sottosviluppo), porterebbe a sottostimare l'importanza del fatto che il vero equilibrio si deve instaurare in primo luogo tra la famiglia e la concessione agricola, tra le necessità di sopravvivenza e di conservazione delle risorse naturali.

3. Metodologie operative

Ancor più che in passato il sostegno della Cooperazione internazionale dovrà essere:

- definita d'intesa con i Paesi beneficiari e se del caso con le istituzioni regionali di cui gli stessi Paesi sono membri e coordinata nell'ambito della comunità dei donatori. Conseguentemente questi ultimi dovranno consolidare ed intensificare il "*policy dialogue*". ;
- condotta in coordinamento con alcune istituzioni regionali e con le agenzie delle Nazioni Unite il cui mandato è più direttamente collegato alla tematica in questione;
- eseguita dalle istituzioni nazionali dei Paesi beneficiari in maniera da rafforzare il principio di *ownership*.

- realizzata per quanto possibile direttamente dalle popolazioni, imprese ed istituzioni locali, valorizzando le risorse tecnico-scientifiche e metodologiche nazionali.

All. 3 bis

L'ISTRUZIONE SUPERIORE

L'istruzione ai livelli superiori assolve il compito essenziale di sostenere e di dare impulso alle strutture educative dei P.V.S. che possono in maniera autonoma e originale - plasmate sulle necessità e adeguate alle peculiarità nazionali- formare i quadri e aggiornare la dirigenza. Esse contribuiscono cosi' in modo determinante allo sviluppo delle capacità manageriali e delle potenzialità tecniche, scientifiche ed organizzative dei rispettivi sistemi sociali.

Cio' è tanto piu' vero in quanto nelle istituzioni universitarie, nei centri di ricerca, negli enti pubblici della maggior parte dei Paesi dei P.V.S. le risorse risultano insufficienti a garantire il contatto con i sistemi piu' avanzati. L'offerta d'istruzione superiore risulta sempre meno qualificata, aumentando da un lato il divario fra i prodotti **(ricerche e servizi)** di quelle istituzioni dei paesi industrializzati che già operano nel nuovo ordine del post-industriale (società programmata, dell'informazione, digitale ecc..); dall'altra inducendo il trasferimento all'estero delle delle risorse umane. Sviluppare capacita' scientifiche endogene significa contrastare il "brain drain", creare un'economia dell'opportunita' che servirà a far sopravvivere la "old economy" nei PVS, cogliendo in modo duttile tutte le opportunita, della "new economy".

Campi di azione: cooperazione allo sviluppo universitaria e di istitutional/capacity building.

a) Programmi di cooperazione allo sviluppo nel settore universitario

La cooperazione universitaria si e' fatta negli anni portatrice dei bisogni e delle esigenze dei P.V.S. nel campo della formazione, della ricerca e dell'accesso alle nuove tecnologie. Tale attivita' di cooperazione trova organicita' nell'utilizzazione del sector-wide approach, inserito nelle Country Assistance Strategies.

Il sistema accademico e scientifico riveste, oggi piu' che in passato, un ruolo strategico nei processi d' integrazione. L'universita' rappresenta -anche nei PVS-

nonostante i problemi sociali, economici e culturali, il luogo dove convivono le diversita' e si sviluppano rapporti di interscambio culturale e di integrazione scientifica. Ad essa possono essere demandati compiti e ruoli finalizzati allo sviluppo di tecnologie e creativita' endogene.

I programmi di cooperazione a favore delle facolta', individuate strategicamente per lo sviluppo del Paese, dovrebbero essere formulati in un quadro integrato multisettoriale e concorrere secondo la logica dell'integrazione e della complementarieta' con altre iniziative al raggiungimento degli obiettivi prioritari di sviluppo. Detti programmi devono soddisfare i bisogni espressi negli ambiti settoriali a cui afferiscono le facolta' assistite (rurale, urbano, sanitario, ambientale ecc..) in termini di sviluppo e di competenze tecniche e scientifiche e di capacita' manageriale negli ambiti della propria competenza.

b) **Good governance: rafforzamento istituzionale**

Sono necessarie condizioni di trasparenza ed efficacia dell'azione amministrativa e di governo dato il ruolo strategico per i processi di sviluppo socio-economico svolto dalla Pubblica Amministrazione. Consolidare la capacita' di governo e sviluppare la governabilita' di tutto il territorio deve essere un processo di sviluppo sostenibile per la promozione di un benessere sociale, ' vulnerato dall'instabilita' e debolezza strutturale delle istituzioni e dall'assenza di una societa' civile strutturata, che possa svolgere funzioni di vigilanza e di controllo.

Lo sviluppo delle istituzioni rappresenta un fattore di prevenzione nell'insorgere dei conflitti, in quanto favorisce la partecipazione dei cittadini alla vita dello Stato, offrendo cosi' ad essi eque opportunita' politiche economiche e sociali.

Le azioni di rafforzamento istituzionale della P.A. dei PVS dovrebbero prevedere pertanto il *new public management* o nuova gestione pubblica – paradigma ormai consolidato a livello internazionale - che prevede interventi coordinati tra diverse leve di manovra e soprattutto sviluppa la dimensione della *governance*.

Le distorsioni piu' volte richiamate nei rapporti delle agenzie internazionali che si possono con tale intervento contribuire a risolvere sono rappresentate da:

- declino nel sistema di valori, principi e standard di professionalita' derivanti da periodi di conflitto e disgregazione sociale, fuga di personale qualificato verso il settore privato e all'estero, scarsa produttivita', bassi salari (principale fattore disincentivante); fenomeni diffusi di corruzione; forme non trasparenti di incentivi; eccessivo peso dei dipendenti pubblici e sproporzione di personale in alcune carriere segnatamente a quello inferiore; insufficiente livello di scolarizzazione; inadeguatezza della distribuzione geografica; irrazionale distribuzione delle risorse umane tra i ministeri; oligarchia; management debole e bassa operativita'; limiti organizzativi e competenze limitate; assenza di innovazione.

A fronte delle distorsioni riportate, le azioni dei donatori - se inserite nella tipologia di intervento sopra citata - possono contribuire alla lotta alla poverta'. Attraverso strategie coerenti e coordinate si potranno migliorare le condizioni di trasparenza istituzionale ed amministrativa, la qualita' dei servizi innovativi a favore di associazioni comunitarie e delle ong. Con *performances* qualitative e di responsabilita' gestionale si sosterra' l'efficienza tecnica amministrativa e il processo di democratizzazione e di decentramento.

E' quindi necessario tenere presente il rafforzamento delle capacita'manageriali attraverso la formazione del personale dedicato alla gestione pubblica e degli amministratori pubblici.

I principali obiettivi in materia di riforma istituzionale ed amministrativa possono essere cosi'sintetizzati : rafforzamento della gestione pubblica; razionalizzazione della struttura e snellimento della burocrazia; decentramento dell'amministrazione territoriale; rinnovamento e modernizzazione fiscale locale; gestione delle risorse umane; partecipazione della societa' civile alla vita pubblica.

Le strategie da adottare dovranno seguire la logica di rapporti di interscambio costruita su basi paritetiche, *dual linkage model.*

Con le leve di manovra del *new public management* (institutional/capacity building, formazione e assistenza tecnica) si potra' qualificare e restituire dignita' e

motivazione alle risorse umane, attraverso anche una politica effettiva di carriera, di remunerazione e di formazione professionale.

c) cultura di impresa

Dei fenomeni legati alla globalizzazione dell'economia, la joint-venture si e' andata affermando come uno degli strumenti piu' frequentemente utilizzati a sostegno della cooperazione internazionale tra le imprese. La possibilita' di trasferire risorse e competenze sia tecniche che manageriali, di realizzare sinergie tra capacita' produttive globali e conoscenze accurate dei mercati locali, ha conferito a questa soluzione un ruolo di primo piano per lo sviluppo.

La joint-venture soffre di numerose aree di debolezza come ad esempio difficolta' di integrazione culturale, manageriale e organizzativa, nonche' di difficolta' nella ripartizione delle responsabilita'.

La riconversione dell'economia, gli interventi di supporto alla nascita ed allo sviluppo delle PMI, alla luce del ruolo trainante che esse rivestono nel completamento della transizione verso un'economia di mercato, assumono dunque un'importanza cruciale. La mancanza di una cultura d'impresa manageriale consolidata nel tempo, la relativa o mancata esperienza del tessuto imprenditoriale, spesso conduce alla difficolta' di pilotare il passaggio tra la fase dell'impresa familiare a quella professionalizzata, correlata alla crescita ed al consolidamento dell'impresa.

Lo sviluppo di un'impresa di piccole dimensioni comporta numerose sfide: dalla necessita' di assicurare un'efficace successione dell'imprenditore di prima generazione alla ricerca di sbocchi e mercati, sino alla raccolta di capitali necessari per la crescita e di accesso al credito.

Nei PVS lo sviluppo della PMI non comporta necessariamente una crescita dimensionale accentuata e verticalmente integrata; la creazione di accordi con altri operatori o di network rappresentano spesso valide alternative per favorire lo sviluppo.

La creazione di Centri di Eccellenza presso le istituzioni universitarie possono diventare riferimento per lo sviluppo delle necessarie capacita' mangeriali/imprenditoriali. Essi si propongono come punti di contatto non solo per le PMI ma anche per quegli enti, organizzazioni governative e non, attivi sul territorio nel campo della promozione imprenditoriale.

Altri Centri come quelli di innovazione tecnologica possono dare impulso alla piccola e media impresa proponendo una convergenza tra le varie componenti dello sviluppo territoriale e cioe': componente scientifico-culturale (universita'); componente produttiva (PMI); componente socio-economica(municipalita').

All'interno di tale linea evolutiva, la nascita, lo sviluppo, il consolidamento e l'internazionalizzazione delle piccole e medie imprese deve acquisire un'importanza sempre piu' crescente.

Appendice

Per i programmi di cooperazione nel settore universitario e di institutional/capacity building, si dovrebbero tener presenti le seguenti linee guida:

- sostegno all'autonomia dell'istituzione accademica in termini didattici, di ricerca e di gestione;
- rafforzamento delle capacita' locali nel produrre conoscenze e modelli metodologici autonomi, indispensabili all'avvio di processi autocentrati e sostenibili;
- promozione della cooperazione Sud - Sud anche attraverso lo strumento delle borse di studio in loco e supporto all'integrazione dei sistemi universitari a livelli regionali;
- promozioni di reti di ricerca sia all'interno dei singoli sistemi universitari, che tra paesi diversi, sull'esempio dei programmi gia' promossi dall'UE (MED Campus, Alfa etc.);
- concertazione con la comunita' di donatori e con la controparte locale finalizzata alla realizzazione di iniziative inquadrate nel contesto del programma *Linee guida DAC* e dei programmi Paese ed in coordinamento con le altre azioni ed iniziative di cooperazione;

- sostegno alla riforma dei programmi d'insegnamento con i sistemi educativi nazionali, con particolare attenzione alla formazione dei formatori.
- sostegno alle istituzioni di gestione del territorio;
- promozione della formazione professionale in collegamento con gli interventi in corso di cooperazione universitaria e di cooperazione internazionale.;
- sostegno alla creazione di centri propulsori della ricerca e sostegno alla creazione di centri regionali di eccellenza in quanto anche poli di ricerca;
- sostegno alle universita' per la creazione di centri di servizi e avvio delle ricerche territoriali; orientamento della ricerca verso tematiche trasversali.

Particolare attenzione dovra' essere prestata all'innovazione dei curricula e dei programmi di studio facendo riferimento alle recenti esperienze internazionali, per definire profili in stretta relazione con i profili professionali maggiormente richiesti.

TOR – Cultural heritage and development

Culture underlies development and development assistance. Globalization promotes economic growth, while causing possibly at the same time cultural erosion and a loss of identity with deep impact particularly in developing countries. Mainstreaming attention to the importance and weight of the cultural property resources, in all their forms and manifestations, in Country Assistance Strategies (CASs) may undoubtedly contribute to increase the effectiveness of sustainable development and poverty alleviation programs. Building on the cultures of the marginalized and the poor may also help to support development goals of social inclusion.

Due to the profound changes that have been taking place in the cultural heritage sector, the type of action taken up to now has to be partially reconsidered. In a renewed sense of cooperation and in a sustainable development scenario, the following are coming first:

- recovering historic centres, with the strategic goal both from a material and economic point of view to transform culture into a resource, to create jobs and to increase well-being in urban areas;
- supporting activities to the start-up of "pilot cultural districts" (together with archaeological sites), following the experience of industrial districts, having shown themselves to be highly compatible with the characteristics of the cultural sector;
- setting up museum systems, not thinking to a museum as "a mausoleum in itself" but rather something to be conceived of as part of a system around which a network of museums and/or an artistic community can be constructed;
- valorizating and promoting oral and musical traditions, as economic resources, but mainly for creating conditions for enhancing social cohesiveness.

Supporting in partner countries a process of awareness of the importance of cultural heritage (both material and immaterial) can foster peace processes - especially in transition and reconstruction situations at the end of the military violence and the re-establishment of a durable peace in countries in conflict - by promoting dialogue between different ethnic, religious and social groups and allowing the recovery of subjugated cultural identities.

This propulsive role - considering the demand of beneficiary countries - may leverage private direct investments, supposed they can be considered in terms of new employment and high income opportunities, namely in the tourist sector, and to the extent that they can contribute to the environmental and cultural conservation of the assets.

The following domains stand out for action supported by development assistance:

a. to help strengthen the awareness of the importance of cultural heritage in developing countries in all its manifestations, as a non renewable resource;
b. to build the administrative capacity in protecting and managing the cultural heritage, including the establishment of the legal and regulatory framework;
c. to promote alliances among private investors, local stakeholders and NGOs to forge linkages with the local economy;
d. to promote both national and regional training centres for the protection of the cultural heritage.

The establishment of broad-based partnerships that include national and international actors is essential for the effective implementation of culture-based activities. We support, in particular, the role played by UNESCO, ICCROM, the World Bank (through specific partnership agreements devoted to cultural heritage programs), along with bilaterals, to achieve this goal.

441712706503

(F)

MINISTRY OF FOREIGN AFFAIRS
TOKYO, JAPAN

22 January 2001

Dear Gene,

It was a great pleasure working with you. While you joined us in the Sherpa group only for the follow-up process of Okinawa Summit, we are all aware that as the National Economic Advisor, you played together with Lael a leading role in the US administration in bringing valuable contribution to the G8 process. I would like to express my sincere gratitude for that and thank you also for having shown with us your thoughts on DOT force and education.

As for the DOT force, my current thinking is that this taskforce is very useful and unique in its form, and that its activities have just begun. In this context, I share your view. On the other hand, I have some doubts on whether the dot force should be released from the control of Sherpas. Indeed, rather uncontroled fora tend to fall into a trap of bureaucratism and become an "experts' paradise", as was unfortunately seen in some aspects of the G8 process. Furthermore, the task force's loss of connection to the Sherpa process might lead to a loss of authority from the Leaders, thereby undermining its legitimacy and effectiveness. In this context, I think it will be very helpful to discuss this matter in the process toward the Genoa Summit.

I agree with you that education is important. Education is a key factor in the age of globalization - not only in the developing countries, but also in the G8 countries. Prime Minister Mori is going to put a high priority on education in his political agenda. This will be a good point for discussion toward Genoa as well.

I wish you all the best and success in your new undertaking, and hope to see you again sometime in the future.
I look forward to seeing your successor in Rome.

I am sending a copy of this letter to our G8 colleagues.

Yours sincerely

Yoshiji Nogami

Department of Foreign Affairs and International Trade
441712706503
Ministère des Affaires étrangères et du Commerce international

Deputy Minister
Sous-ministre

(P)

Nigel Cassidy - ERD

cc. DN

JAN 19 2001

JJH

Mr. Francesco Olivieri
Diplomatic Advisor to the Prime Minister
ROME

Dear Francesco,

I am pleased to learn that plans for the Meeting of G8 Justice and Interior Ministers are proceeding and I am happy to inform you that Canada's Justice Minister, the Honourable Anne McLellan, has confirmed her intention to participate in the meeting. Canada's Solicitor General, the Honourable Lawrence MacAulay, is also considering participating.

Canada is in agreement with the Italian objective of keeping this session informal. Our experience is that these types of exchanges are often the most valuable for Ministers. I support Yoshiji's suggestion that our officials discuss a draft of the proposed brief communiqué well in advance. As with the Moscow G8 Justice/Interior Ministerial in October 1999, we would encourage the use of our Lyon Group network of officials to prepare for the Milan meeting.

The discussion topics which Italy has identified are all of interest to Canada. In addition to those topics you suggest, we would encourage Ministers to consider:

- TOC Convention. Call for early signing and ratification. In Okinawa Leaders asked that we make progress in the area of technical assistance to help other countries meet the obligations in the TOC Convention.

125 promenade Sussex Drive
Ottawa, K1A 0G2

.../2

- Firearms Protocol. A strong - but careful - statement from Ministers about the importance of completing the Firearms Protocol would be timely and helpful in bringing the Firearms Protocol to a successful conclusion.

- Review of the Lyon Group recommendations. I think we all appreciate that our work on the international crime agenda is growing rapidly, and that the context is changing. Ministers may want to have a brief discussion about the nature of this work. Canada would support Ministerial endorsement for a review of the Lyon Group's original 40 Recommendations, work which I believe the Lyon Group is beginning.

The "public safety" set of issues is an important domestic priority for Canada. The Italian proposal for a G8 Justice/Interior Ministerial Meeting can serve to bring profile and attention to the ways in which the G8 is working to protect our citizens from the threats to their safety and security which come from international crime.

I look forward to seeing you in Rome. I am copying this letter to our G-8 colleagues.

Yours sincerely,

Gaëtan Lavertu

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

19 January 2001

Dear Mr. Tutcher,

Thank you for your letter of 12 January. Unfortunately, I will not be able to get to Davos this year. But I would be happy to see Mr Youngjohns and Mr Gage at any time in Downing Street if that would be convenient.

Yours sincerely,

JEREMY HEYWOOD

Mr J P Tutcher

R 181

Sun Microsystems Limited
Java House, Guillemont Park, Minley Road, Blackwater, Camberley, Surrey GU17 9QG Tel: (01252) 420000 Fax: (01252) 420001 www.sun.co.uk

Sun microsystems

Mr. Jeremy Heywood,
Prime Minister's Principal Private Secretary
10 Downing Street
London

12 January 2001

Ref: Executive meetings, World Economic Forum, Davos

Dear Mr. Heywood

Sun Microsystems Inc. executives, Mr. Robert Youngjohns, the Vice President for Europe, Middle East and Africa and Mr. John Gage, Sun's Chief Scientist will take part in the forthcoming World Economic Forum in Davos. They would be delighted to meet you to discuss the UK's possibilities to enhance its position in the new economy, and to share the British Governments experiences in the development of eGovernment. It would also be an unique opportunity to discuss the United Kingdom's business environment.

You may be aware that Sun Microsystems Inc. has already made large investments into the UK. We employ around 3400 people, and have our only non-US manufacturing plan near Edinburgh. We are currently considering investing around $1Bn in a Core Engineering Facility, which would create 4000 to 6000 new jobs in the UK.

Mr. Jabbar and Mr. Youngjohns would like to meet you on Monday 29th of January at 10.30-11.00a.m. at the Sun Villa, Promenade 101, 7260 Davos Dorf. Please do not hesitate to contact me if you have any questions concerning the meeting.

I look forward to hearing from you.

Yours sincerely,

J P Tutcher

J P Tutcher
Head of Public Relations
Sun Microsystems
Tel. 01252 421520, fax 01252 420133, e-mail:jon.tutcher@uk.sun.com

RECYCLED

Sun Microsystems Limited.
Registered in England No. 1775733 Registered Office Bagshot Manor, Green Lane, Bagshot, Surrey GU19 5NL

FS 10142 INVESTOR IN PEOPLE

(F)

JJH

c: AW

THE WHITE HOUSE

WASHINGTON
January 18, 2001

Dear Sherpa Colleagues:

It has been only four months since Lael wrote to say that she was leaving the White House and that I would serve as the President's personal representative on G-8 issues for the remainder of the Clinton presidency. Now I write to say that I will be stepping down as Sherpa as of January 19, 2001. As I leave, I would like to share with you some thoughts about several issues that have been important to the President.

The *dot force*

At the last Sherpa meeting in Kyoto, some suggested the *dot force* was created to do a single report and would go out of existence after the Genoa Summit. I recognize that there is a history of and a strong sentiment to avoid creating permanent bureaucratic structures to support G-8 activities. Nevertheless, I believe that careful consideration should be given to continuing the work of the *dot force.* We are only at the beginning of the process of understanding the challenges of the digital divide. The *dot force* could provide a forum for analyzing ongoing challenges, as well as taking a key role in implementation. Concerns about a permanent bureaucracy would be solved by allowing rotating terms and not requiring Sherpa management. If the *dot force* does not continue its important work, I believe:

1. The momentum generated by its creation and the issuance of its report at Genoa will be lost;

2. There will be no forum to discuss implementation with representation from developed and developing country governments, industry, civil society, and international organizations;

3. There will be no central mechanism to mobilize resources and expertise from the public and private sectors and to ensure coordination of the growing number of digital divide initiatives.

4. We will lose an opportunity to continue both a dialogue and the practical, cooperative efforts that show developing countries we are serious about making globalization work for all.

Basic Education

As I mentioned in Kyoto, while education is one of the least developed aspects of the Okinawa agenda, it is also one of its most critical. If we cannot meet international universal primary education goals, every other part of our important development agenda is destined to fail. I strongly urge you, during the Italian presidency, to renew our joint commitment to achieving the Dakar goals of universal primary education by 2015 and gender equality by 2005. If we are to achieve these ambitious goals, we must take concrete steps now to strengthen our partnership, both bilaterally and with international organizations and the private sector. I believe our recent school feeding initiative is an example of what each of us must do to provide assurance to developing countries that our commitment is real that no country committed to universal education should fail simply because it lacks the necessary resources.

As I depart, I want to thank Yoshiji for his outstanding efforts during the Japanese presidency and congratulate him again on the success of the Okinawa Summit. I want you to know that while I have had an opportunity to attend only the Rambouillet and Kyoto Sherpa meetings that it has been a privilege and a pleasure to work with each of you.

Finally, I want to assure you that we have given our new President's team as much G-8 information as possible to further as smooth a transition as possible. I wish you all much success as you carry on this essential work.

Sincerely,

Gene Sperling
National Economic Advisor

441712706503

GO SHEFFIELD CORRESPONDENCE

(F)

JJH
cc: AW

Il Rappresentante Personale
del Presidente del Consiglio
per il G7 - G8

Rome 18 January 2001

Dear Colleagues,

As I mentioned at our Meeting in Kyoto last December, the Italian Presidency is prepared to convene the G8 Group of experts on Climate Change. Mr.Clini, who will chair the Group, will send out the agenda together with other details of the First meeting, which is to be held in Rome on 6 March. He can be reached in Rome, at the Ministry of Environment, tel 00 39 06 5722 5302, fax 00 39 06 5722 5372.

Please let Mr. Clini know who are going to be his contact points.

Sincerely yours,

Marcello

a. Jeremy Heywood
Mr Butler
Mr Schweizer
Mr Carey
Ms Mantle
Mr Ashton } (FP)
Mr O'Donnell }
Ms Nichols
Ms McCabe } DETR.
Ms Middleton

Presume no objections? (and DETR respond to Clini, cc: FP) and FCO.
James Kariuki
FCO 19/1

(F)
JH
C: DN
AW.

From: PS/Mr Hain
Date: 17 January 2001

cc: PS
PS/Mr Vaz
PS/PUS
Mr Budd
Ms Brewer o/a
Mr Kariuki, EcPol
Mr Kyles, News Dept
Dr Marquard, EPD
Heads: ECPol, EPD, EUD(I)
EUD(E), LACD, AD(E)
News, Planners, CVG
HMA UKDel OECD
Mr Symons, UKMis New York
Mr Wilson, Washington
Special Advisers
Research Analysts
Sophia Honey, Cabinet Office
Karen Lang, GM Comm.Unit, CO
David North, No 10
Tim Livesey, No 10

To: Ms Malins
EPD

SUBJECT: G8: GM CROP AND FOOD SAFETY

1. Mr Hain was grateful for your submission of 12 January about initial plans for this international conference. He is broadly content with the issues and proposals you have outlined.

2. On the venue, Mr Hain is inclined towards Nairobi for the following reasons:

- his instinct is that the second conference on this subject will be more difficult than the first, including since the NGOs involved will be potentially more difficult to deal with. Mr Hain judges that the sense of a rerun of Edinburgh would be reduced by an alternative - LDC - venue. More generally, he is concerned that we should avoid over complacency about the success of the first conference automatically translating into the next such event;

- the other countries offering possible venues have either too much on their plate already (eg South Africa), or are too locked into the GM industry;

- holding the conference in Africa would be a positive gesture and our close relations with the Kenyan Government and Richard Leakey should help.

3. Meanwhile he has also seen subsequent email correspondence suggesting Cuba as a possible venue, in the wake of the Capacity Building conference for parties to the Cartagena Protocol which will be held there in the first week in June. Mr Hain's view is that this raises a number of further questions (would the US attend? how many countries attending the first conference would stay on? etc), which do not appear to outweigh the factors in favour of Nairobi.

4. Mr Hain would be happy to discuss this further if you wish.

R. Gwynn

Robin Gwynn
PS/Mr Hain
W/59
Tel: 020 7270 2090
email: robin.gwynn@mail.fco.gov.uk

2) cc HS o/r
DM o/r
+ pw Food Safety etc.

(E)

From: PS/Mr Hain
Date: 17 January 2001

cc: PS
PS/Mr Vaz
PS/PUS
Mr Budd
Ms Brewer o/a
Mr Kaviski, EcPol
Mr Kyles, News Dept
Dr Marquard, EPD
Heads: ECPol, EPD, EUD(I)
EUD(E), LACD, AD(E)
News, Planners, CVG
HMA UKDel OECD
Mr Symons, UKMis New York
Mr Wilson, Washington
Special Advisers
Research Analysts
Sophia Honey, Cabinet Office
Karen Lang, GM Comm.Unit, CO
David North, No 10
Tim Livesey, No 10

1) cc: Mr Arthur o/a
Ms Brewer o/a
Mr Casey o/a
Mr Kyles, News D
Ms Malins
Ms Honey, Cabinet Office
Mr North, No 10

I have commented elsewhere that before going public with Nairobi we should check that Jeremy Heywood believes this proposal is deliverable in FS terms (especially in light of a potential negative US reaction to doing this at UNEP). As discussed with Ray Kyles, perhaps we need to clear with the Minister that Heywood can use the UK location as a fall back if during the Sherpa discussion on 2-3 Feb there is strong opposition to Nairobi.

That way we can be fairly sure of securing agreement to going public in early-Feb, rather than having to go back to Ministers again if Nairobi is rejected. James Kaviski EPD 17/1

To: Ms Malins
EPD

SUBJECT: G8: GM CROP AND FOOD SAFETY

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4. Mr Hain would be happy to discuss this further if you wish.

Robin Gwynn
PS/Mr Hain
W/59
Tel: 020 7270 2090
email: robin.gwynn@mail.fco.gov.uk

File (In PLO Inbox)

10 DOWNING STREET
LONDON SW1A 2AA

FAXED to James Kariuki, FCO DJ 16/1

From the Principal Private Secretary

16 January 2001

Dear Francesco,

NGO OUTREACH

We spoke last week about the proposal for you to address an NGO Outreach event in London. Although I would have been delighted to host such an event at No 10, I believe the plans developed so far by the British Council in consultation with your office are shaping up well and make a lot of sense. They are proposing a slightly larger, longer and more wide ranging event than the one I arranged for Yoshi in June. That meeting took place well into the Communiqué drafting process and it was therefore important carefully to manage the participation and discussion to ensure its relevance to the Okinawa agenda. But I think that the more academic approach set out by the Council is better suited to this stage of the Summit cycle, when our thinking is still at an early stage and we can still be receptive about new ideas. For this kind of event, the Council is probably a better venue – although they will of course work in close cooperation with my team to ensure the right participation and a productive discussion.

In case you have not seen it, I am attaching the draft agenda as it stood at the end of last week, and the list of additional participants we have passed on to the British Council. The precise programme will have to change slightly because I have appointments with the Prime Minister first thing that morning. We have therefore suggested to the organisers that the session that you and I will lead takes place from around 1115-1130 (not 9-9.15 as in the attached agenda) . I would envisage you as Presidency Sherpa beginning by setting out your vision for the Summit, and explaining a little of the context behind Italian priorities for Genoa. I will leave you to judge how specific you want to be about the agenda items Italy has chosen – you may wish to avoid going into too much detail in case you find you need to adjust priorities later on! I can then provide a UK perspective as necessary. We would then open the floor to questions.

AS

I hope this all meets your requirements. We have now established good links between my team, the British Council and your office, but if you want get back to me direct about any specific elements of the agenda I will be happy to pass on your views.

I am also attaching, as promised, a non-paper on migration for your consideration. It attempts to strike a balance between the need to address the new challenges presented by illegal immigration, set out the common, positive benefits that we may derive from a sensible approach to legitimate migration, and address some of the concerns faced by developing countries. This is not an official UK paper! So please feel free to incorporate your own views before circulating to our colleagues.

Finally, I was grateful for the papers you sent setting out your plans for the Presidency. I am very much looking forward to discussing them at our first meeting in Rome in a couple of weeks.

Yours,

JEREMY HEYWOOD

Francesco Olivieri

DRAFT PROGRAMME – Not for distribution

G8 2001: The Role of NGOs
A workshop with the Italian Presidency

Monday 5 February, The British Council, 10 Spring Gardens

Organised by the British Council in collaboration with the GNG Initiative.

9.00 Opening Session

Greetings: **David Green**
Director General, The British Council

9.15 Plenary Session
General overview of the Italian Presidency of the G8 and the role of NGOs

Chair: **David Green**

Presentation: **Francesco Olivieri**
Diplomatic Adviser to the Italian Prime Minister

Debate

Closing remarks: ***Jeremy Heywood***
No. 10 Downing Street

10.45 Coffee break

11.00 Session 1
A coherent strategy for poverty reduction

Chair: ***Simon Maxwell***
Overseas Development Institute

Speakers: **Lorenzo Bini Smaghi**
Sous sherpa for International Affairs,
Treasury Ministry
David Bryer
Oxfam

Debate

12.30 Lunch
Guest speaker: ***Pascal Lamy***
European Commissioner for Trade

"G8 and Global Governance: the legitimacy gap"

14.00 Session 2
Environment, health and quality of life

Chair:

Speakers: ***Gianfranco Bologna***
WWF Italy
Mike Aaronson
Save the Children

Debate

15.15 Session 3
Peace, human rights and conflict prevention

Chair: **Marta Dassu'**
Director, CeSPI

Speakers: ***Kate Allen***
Amnesty International
Roberto Toscano
Head, Policy Planning Unit
Ministry of Foreign Affairs

Debate

16.30 Conclusions

17.00 Close

G8 Discussion with NGOs

Invitation List (British Council to check and update where necessary)

Oxfam
David Bryer
Director Oxfam UK
274 Banbury Road, Oxford OX2 7DX
Tel no. 01865 311 311
Fax: 01865 312 317

Christian Aid
Daleep Mukarji
Director of Christian Aid
P.O. Box 100, London SE1 7RT,
Tel no. 020 7620 0719,
Fax no. 020 7523 2356

Save the Children
Mike Aaronson
Director of Save the Children
17 Grove Lane, London SE1 7RT,
Tel no. 020 7523 2356
Fax no. 020 7620 0719

Action Aid
Sahil Shetty
Director Action Aid
Hamlyn House, Macdonald Road, Archway, London SE5 8RD
Tel no. 020 7561 7561
Fax no. 020 7281 0899
(PA Jan Mitchell – 020 7281 2076)

Jubilee 2000 Coalition
Ann Pettifor,
Director Jubilee 2000 Coalition
1 Rivington Street,
London EC2A
Tel: 020 7739 1000 x225
Fax: 020 7739 2300

CAFOD
Julian Filochowski

Director CAFOD
2 Romero Close
Stockwell Road,
London SW9
Tel 020 7733 7900
Fax 020 7738 4010
PA – Noreen Lockhart 020 7733 7973 x241

One World
Peter Armstrong
Co-Director of One World
Hedgerley Wood, Red Lane, Chinnor, Oxon, OX9 4BW
Tel no 01494 481629
Fax 01494 481 751
e-mail: peter@oneworld.org)

Panos Institute,
James Deane
Director Panos UK
9 White Lion St, London N1 9PD
Tel no. 020 7278 1111
Fax 0207 278 0345
e-mail: JamesD@panoslondon.org.uk

Global Witness
Charmian Gooch.
Director
P.O. Box 6042, London N19 5WP
Tel no. 020 7272 6731

Saferworld
Paul Eavis
Director
46 Grosvenor Gardens, London SW1W 0EB
Tel no. 020 7881 9290,
e-mail: peavis@saferworld.demon.co.uk

Amnesty International
Pierre Sane
Secretary General Amnesty International
1 Easton St, London WC1X 8DJ
Tel no. 020 7413 5500
Fax 020 7 956 1157

Worldwide Fund for Nature
Francis Sullivan,
Director of Programmes
Panda House, Weyside Park, Catteshall Lane, Godalming GU7 1XR
Tel no. 01483 426444

Greenpeace

Executive Director
Greenpeace UK
Canonbury Villas London N1 2PN
Tel 0207 865 8100
Fax: 0207 865 8200

Friends of the Earth
Charles Secrett,
Executive Director,
26-28 Underwood Street,
London N1 7JQ
Tel no. 020 7490 1555

UK Food Group
Jagdish Patel,
Head of UK Food Group,
c/o Christian Aid P.O. Box 100 London SE1 7RT
Tel: 0207 620 4444

THE ECONOMIC AND SOCIAL ASPECTS OF MIGRATION: SOME QUESTIONS FOR HEADS AT GENOA: A UK ISSUES PAPER

Globalisation is changing the way we look at migration.

On the one hand, there are economic needs for more immigrants. We hear calls for relaxations of immigration rules. There is more debate about the benefits migrants can bring. Experiences are different from country to country. But tight labour markets, aging populations and the desire to compete in an increasingly globalised economy are common to many. And immigrants are, in whatever way, more attractive than they were.

But, on the other, we are all struggling to cope with inflows of asylum seekers, illegal immigrants and others taking advantage of loopholes in immigration rules where they can. Cheaper transport costs, better information flows and domestic instability have combined to get people on the move.

There remain many unanswered questions. Heads might ask themselves at Genoa:

- What should a new **policy framework** for migration in a globalising world look like?

Globalisation means increasing cross border flows of goods, capital, information and people. We have frameworks for thinking about the first three, with consensus on the key issues and ongoing work to tackle the problems. But discussion of migration remains fragmented. And, whether we like it or not, global migratory flows are steadily rising, our economies becoming more integrated and many of our populations aging. The framework should address the social and economic contribution that migrants can make, acknowledging that migration can be beneficial for host countries. It should look at ways to manage legal and illegal immigration, considering ways that the benefits of migration can be enhanced for host countries, migrants and source countries, and looking at the issues of racism and immigrant integration.

We should share ideas and analysis, and draw on work in the OECD on the economics of migration and in the UN on aging populations. Heads might consider the case for a new, representative and independent, high level body to consider the issues in more depth.

- Can they build on Lyon Group work on illegal migration and human trafficking, and give a higher profile to the **profits criminals make out of illegal migration**?

No G8 discussion of migration could be complete without addressing illegal migration and human trafficking. Leaders will want to commit to working together to tackle the problems. Aspects such as frontier control and police cooperation might be better taken forward in other fora. But Heads could usefully highlight the economics of illegal migration – about which relatively little is known. We could, for example, follow up this year's meeting on the economy of illegal drugs with one on the economy of illegal migration / trafficking, and the links with other forms of international crime. But the best guesses are that the illegal business is worth upwards of £5bn to the criminal networks involved.

How should the developed world address the impact on **developing countries** of the emigration of their working populations?

Poor countries derive mixed benefits from exporting labour overseas. As global labour markets become more integrated and competition for recruiting skilled people increases, concerns have grown about the impact of a "brain drain" on the development prospects of poor countries. Heads could consider innovative policy tools to address these. They could discuss how to ensure that skills shortages in developing countries are not exacerbated through the active recruitment of skilled people into developed countries. They could consider ways to maximize the opportunities that skilled emigration offers for poverty reduction through overseas remittances, improved global links and skills transfers by returnees.

Should they share views over the direction negotiations are taking in **GATS over the "temporary movement of natural persons"**?

GATS negotiations are due to start in earnest later this year (after a stocktaking of positions in March). Liberalisation on temporary movements of service providers would be welcomed by developing countries - as it would be by our own service provider exporters. But most developed economies have been reluctant to make commitments. India has sought to inject some momentum by tabling a paper for consideration. Leaders could share views, privately, on whether they should signal a willingness to be flexible, and if so, how. This would have to take account of – and be in step with – emerging findings and individual governments' positions on the pace and direction in which migration policy should be adjusted. But signals of increased flexibility could bring payback in other areas in the GATS negotiations, and help contribute to wider confidence-building efforts aimed at fostering support for a new WTO Round.

(F)

DN

I doubt it is deliverable - but we'll get it a try. Who would object?

From: Annabelle Malins
Date: 12 January 2001

cc: PS
PS/Mr Vaz
PS/PUS
Mr Budd, Director
Mr Kariuki, EcPolD
Mr Kyles, News
Dr Marquard, EPD
Heads: EcPolD, EPD, EUD(I), EUD(E), LACD, A(E)D
News, Planners, CVG
HMA UKDel OECD,
Mr Symons, UKMis New York
Mr Wilson, Washington,
Special Advisers
Research Analysts
Sophia Honey, Cabinet Office
Karen Lang, GM Comm.Unit, CO
David North, No10
Tim Livesey, No10

On location, Peter Hain favours Nairobi. Is this deliverable in the G8? I have to say I find it a bit odd investing all this effort in securing an "Edinburgh II" and then not pressing to maximise UK influence on the event & outcome by seeking a UK venue.

DW

Mr Hain will recall that we have already written offering to take the lead on this event. On the question of location, considerations of risk minimisation and media profile point in the direction of the UK – but if we want this event to pull in the LDCs and look sufficiently different from Edinburgh that points in the direction of an LDC site. I would be inclined to go for the latter

Mr Brenton
PS / Mr Hain

12/1

G8: GM CROP AND FOOD SAFETY

ISSUE

1. How to proceed with initial plans for an international conference on GM crop and food safety, agreed through the G8 process, and in particular where the venue for the event should be.

TIMING

2. Priority.

PREFERRED OPTION

3. That Mr Hain note recent developments and alerts us to points of particular interest or concern to him, particularly his views on location of the event.

ARGUMENT

G8 process

4. The UK's proposal to G8 partners for a major multilateral conference on GM food and crops, set out in Jeremy Heywood's letter of 17 November, was agreed by G8 sherpas at the beginning of December. FCO is now in the lead to take plans forward, co-ordinating inputs from across Whitehall.

A

5. The conference the UK has proposed is aimed at exploring options for strengthening integration of the science into the GM debate and keeping the idea of an international panel (as we had proposed prior to Okinawa) alive. The proposal is designed to help fulfil commitments made at Okinawa on biotechnology and food safety. The conference will review the international architecture which deals with GM food and environmental safety, and consider options for strengthening, such as the international panel.

6. Following the G8 agreement, the UK has squared this initiative with the OECD, who are planning a major conference of their own on the environmental impact of GMOs, hosted by the US. Their event is planned for November, although this timing may well slip. We and other G8 are confident that there is sufficient gap in timing and substance to warrant two events. We have informed G8, through a further sherpa letter, that the OECD Secretariat is comfortable with the proposal that G8 have agreed and that the UK will now work up more detailed plans for conference in advance of the Genoa G8 summit (current plans are for 18/19 June).

US position

7. Washington Embassy followed up with senior US officials on the outcome of the sherpa meeting and OECD contact in mid December. These meetings suggest that we will need to handle US sensitivities carefully in developing our plans for the event. The US are particularly sensitive about discussing arrangements for GM food and crops at the same event. They see any blurring of the boundaries between food safety and environmental issues with respect to GMOs as potentially damaging to their industry. This is due to the many more unresolved questions which remain with respect to environmental safety and the possibility of exacerbating the civil society agenda. Specifically, they are against any move to a grand regulatory scheme which links the food safety and environmental aspects of GMOs. We share their view on this, but believe that it is necessary to consider both elements of the international framework together in order to determine the needs and best approach to strengthening.

8. The new US administration which takes over on 20 January is likely to be even more hard-line on GM issues, in protection of US industry. Washington are keeping in close touch with key US officials in order to ensure the UK's ideas are fully understood.

Other players

9. EPD have also used a meeting of the parties of the Cartagena Protocol on Biosafety 11-14 December, to make further informal contacts in support of the proposed conference. Early and effective implementation of the Protocol, agreed earlier this year, is a key UK objective and the planned conference is an opportunity to ensure that options for strengthening the international architecture fully contribute to this. The contacts made were helpful in smoothing some residual concerns of US and OECD officials about the UK's proposals and suggested that UNEP would be interested to be involved in the conference.

Next Steps

10. We now need to rapidly progress the initial planning of the event, including :

- The organisational structure and arrangements required, including involvement of UN bodies, and consultation with key players, including UN Secretary General. The OECD have already expressed interest in participating in organisation of the event, but are aware of our interest to involve UN bodies also to underline the multilateral nature of the event;
- Outline paper, including title, aim and scope (Annex A) of the conference, structure and participants ;
- Dates and location;
- Potential Chair;
- Further G8 and wider consultation, including, particularly, developing countries.
- Presentation strategy, including Ministerial involvement;
- FCO arrangements for co-ordination and support;

Location

11. At this point, we would particularly appreciate the Minister's views on location of the event. Our initial proposal to G8 was open on the question of location. The Food Standards Agency / Department of Health and DFID have both expressed interest in the UK supporting a developing country host. No 10 has not ruled this option out provided a successful event can be delivered.

12. The attached note summarises pros and cons of five possible locations (South Africa, Argentina, Brasil, Nairobi and UK). We would appreciate an indication of

Mr Hain's views on these option(s). We will then make some preliminary contacts to identify any unforeseen practical / political considerations that need to be taken account in a definitive decision.

Time line

13. Key steps in the next few weeks are:

Mid / Late Jan
-we will be approaching the UN Secretary General to establish UN involvement in the event. We want the UN, as well as OECD, to play a lead role in front of house hosting of the event (while the OECD Secretariat, who worked successfully with us on the Edinburgh conference, would play the main role behind the scenes on organisation). We would expect conference preparations, as for Edinburgh, to be guided by a Steering Group, including the Chair and representatives of each of the lead institutions (UN and OECD). Stakeholder (NGO) representatives might also be included.

Late Jan / early Feb. MISC 6 meeting.
- this meeting will provide the ideal opportunity for the Minister to update colleagues on progress, possibly through a note for information. MISC 6 departments were consulted by No.10 before a proposal went to G8. No objections were raised (responses attached).

2-3 Feb Sherpa meeting
- we will be updating G8 colleagues on progress, providing an outline paper describing the event .

early February First Public announcement of conference

February Meetings with NGOs
- involvement of key NGOs in planning the event will be an important part of our strategy (as for the Edinburgh conference). NGOs are likely to be attracted to an event of this sort which will need to take account of public participation and consultation in considering strengthening of international arrangements.

BACKGROUND

14. UK objectives on biotechnology / food safety in the G8 process are:

- To narrow the perceived gaps on the science of GM technology, both in the domestic debate and internationally;
- To promote public confidence in government policy on GM food and crops and reduce the risk of domestic resistance undermining potential benefits from the industry;
- To reduce transatlantic trade tensions which indirectly follow from gaps between European public perceptions of the risks of GMs and US government/industry confidence in the safety of GM food.

These objectives underpin No10's interest in promoting the UK biotech sector, which at the moment stands No.2 in the world to the US. The UK is drawing up an outline biotech strategy for the EU, building on the Lisbon summit commitment to stimulate the EU knowledge based economy, with a view to securing endorsement of the strategy at the Stockholm European Council .

B, C, D, E, F, G, H, I.

15. Our previous submission and the responses to No10 from other Government Departments provide further background.

PUBLIC PRESENTATION

16. Already identified as an essential element of the conference arrangements. FCO News Dept. will lead on press arrangements in collaboration with the Cabinet Office GM Communication Unit.

17. Edinburgh was judged a major success for the UK by having brought together all the key players for the first time, as recognised in the Minister's forthcoming pamphlet. We can build on this at a second conference. In presentational terms, News Department is of the view that it should be held in the UK in order to gain maximum credit. News Department is also concerned that another host might seek to hijack parts of the agenda for their own domestic purposes. Their aims might not exactly match our own. We must be very aware of this, should we chose a non-UK location, and select a country with great care. The UK needs to maintain tight control of such a difficult subject. We must avoid the risk of others seeking to make an input – little more than a roof is required of the country providing the location, and it would be important that the host government would be prepared to accept this. News Department will submit shortly on a media strategy for an announcement. It will be important to ensure not only that other key Governments are on board but that the main NGOs welcome it too.

RESOURCE IMPLICATIONS

18. Based on the costs of this year's Edinburgh Conference, and an equivalent number of Departments contributing, the FCO contribution required for an Edinburgh II event could be £70-100k (total UK cost c.£0.5m). No10 has already proposed that MISC6 departments should share the cost. No objections were received, although DFID flagged a qualifier for their support (that developing country priorities must be addressed). In addition a conference policy team, within EPD, will need to be put in place very soon. Logistical support to OECD will be required also, preferably by means of a secondee as per the Edinburgh conference. EPD has secured a bid for £100k from the FCO's headroom for the 00/01 financial year to support the GM conference.

pp

Annabelle Malins

NOTE: OPTIONS FOR LOCATION OF GM CONFERENCE

Arguments for UK location

- generally easier logistically and possibly cheaper
- ensures stronger media profile of the conference for a UK audience
- emphasises UK role: UK gains maximum quedos and coverage
- more convenient for UK Minister involvement
- may be cheaper for many participants (competitive air fares to London): better participation
- facilitates building on the positive image of Edinburgh I
- avoids the host government trying to utilise the event to suit their domestic agenda, (we just need a roof for the event, not a partner host country)
- avoids any criticism of UK funds being used to support another county's economy
- maintains any security operations for the event under our control, e.g. we would not want inappropriate policing to spoil the event, in the case of NGO protests.

Arguments for Developing Country location

- stresses to our domestic audience the UK's interest in taking a broader perspective on GM issues, which considers the overall risks and benefits globally, not just the narrow domestic agenda
- underlines our commitment to developing country involvement in the debate
- assists buy-in of developing countries to the process and outcome
- dilutes any flavour of a UK-government orchestrated event
- clearly underlines the event as different to the OECD, US hosted event
- FCO/CVG 'road-show' could ensure practical organisation of the event goes smoothly
- Might facilitate dissemination of a stronger message re need for a global process

POSSIBLE OPTIONS	Comments
Argentina	Major global exporter of commodities. Already has major commercial stake in production of GM crops. Sided with the US in negotiation of the Biosafety Protocol. UK has long-standing bilateral arrangement on safety in agricultural biotechnology. Expensive to get to.
Brazil	Major global exporter of commodities. Has had strong domestic debate on pros and cons of GM. Often leads G77 in environmental negotiations. Commercialisation of GM much more tentative than in Argentina. UK set up a bilateral Joint Action Plan in 1997 which includes biotechnology (under environment).

South Africa	Has expressed positive interest in UK proposal for an International Panel. Close ties with UK. May prefer to focus on preparing for Rio+10.
UK	Manchester has been identified to have availability on our preferred dates. See above general advantages.
Nairobi	UNEP facilities would provide (UN) neutral ground for debate. May send signals that environment is dominant consideration – we want a balance between food safety and environment.

ANNEX A

Scope of conference as agreed with G8 (ref. Heywood letter of 17 Nov.)

i) review developments in the science since Edinburgh

ii) consider the various elements of the international "architecture"on GM food and crops – UN; WHO/FAO/CODEX; Cartagena Protocol on Biosafety; OECD. We should ask ourselves the question – do they between them satisfy our core objective of maintaining "effective national food safety systems and public confidence in them" (Okinawa Communique para 55).

iii) Allow open discussion of possible institutional ways forward on integrating scientific knowledge into the debate. Participants would discuss the possibilities offered by the Interacademy Council, the proposal for the International Panel and other ideas.

(1)

cc JN
JJH
Maybe we cd use this for new GR doc group.

Home Office

Policing Organised Crime Unit

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	Bill Hughes, NCS	72382520
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	Michael Ryder, DICD/FCO	7238 0220
From:	PETER STORR	
Date:	11 January 2001	
Time:	16:00:02	
Number of pages: (including this one)	3	

If any part of this fax is unclear please telephone: 020 7273 3244

Message:

G7/G8 MINISTERIAL MEETING 26-27 FEBRUARY

From: Peter Storr
Head, Policing Organised Crime Unit
Organised & International Crime Directorate
Room 401, QAG
☎ 020 7273 2678

10 January 2001

cc Mara Goldstein (personal)
Nicola Carnie (personal)
John Warne
Kate Collins
Bob Whalley
Christine Stewart
Peter Wrench
Dave Wilson
Vic Hogg
Richard Bradley
John Abbott, NCIS
Bill Hughes, NCS
Liz Lloyd, No10 Policy Unit
Joseph Halligan, HMT
Donald Toon, HMCE
Hugh Salveson ECPol/FCO
Michael Ryder, DICD/FCO

Clive Welsh

G7/G8 MINISTERIAL MEETING 26-27 FEBRUARY

The Italians approached us just before Christmas with the proposal for a G8 meeting in February. We argued that the short notice made it difficult to guarantee Ministerial attendance and to prepare properly for a meeting which would produce tangible outcomes. They have, however, confirmed that they will be going ahead with a meeting on 26 – 27 February.

2. This leaves us very little time to prepare properly for the meeting, which we are recommending the Home Secretary or, if available, Charles Clarke should attend.

3. Among the issues which have been identified as possible agenda items:-

- The Italians have proposed drug trafficking, terrorism, asset confiscation and child pornography on the internet.

- The Canadians have suggested a Ministerial statement on the importance of UNTOC, the importance of concluding the Firearms Protocol, a discussion on high-tech crime, direction from the Ministers on the preparatory work on the new UN Convention on Corruption; and an endorsement of the proposed review of the 40 Lyon Group recommendations.

- Issues that I can see as important from our point of view might include drugs and drug trafficking (outcome of the UK/Japan meeting on synthetics and preparations for the UK hosted conference on the drugs economy); high-tech crime; a Ministerial endorsement of the importance of G8 work on asset confiscation; progress report on action taken since the Moscow Ministerial conference; a Ministerial endorsement of the balance between law enforcement and judicial co-operation; an opportunity to put pressure on the Russians in respect of their money laundering legislation.

4. I think it would be helpful to have a meeting at which we discussed what we might get out of this meeting, our priorities, any UK initiatives and deliverables. With that in mind, I should be grateful if you and others on the copy list could indicate to my Secretary Kate Mosley on extension 3244 whether they would wish to attend. In view of the very tight timing, we need to set up a meeting next week so quick replies by telephone to this note would be greatly appreciated.

Peter Storr

PETER STORR

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

10 January 2001

Dear Jim,

G8: LUNCH WITH ILLARIONOV

I had a pleasant lunch today with Andrei Illarionov (Putin's Sherpa). It was quite difficult to get Andrei to focus on business. But he was as friendly, frank (and Anglophile) as ever.

We opened with a discussion on debt. Andrei confirmed that he completely disagreed with the current Kasyanov/Kudrin line. In his view, Russia could easily afford to meet her debt service obligations not just this year, but in future years too. This would also, he thought, be economically sensible – reducing upward pressure on the rouble and helping to maintain Russia's external competitiveness.

I questioned whether Putin shared his view – it seemed a bit odd that the Government was taking one line on debt if Putin had a different view. Andrei said that Putin was content to let the Government make the running on the debt issue. He was neither supporting them nor disagreeing with them at this stage – and was quite content for his economic adviser (ie Andrei!) to criticise the Government in public if he disagreed with their line.

We moved on from debt to a more general discussion of Russia's role in the G8. Andrei reiterated Putin's strong desire to host the 2003 Summit. This was a critical year in electoral terms. And Russia would not get another chance until 2010.

I gave him my usual line about the need for Russia to act like a full member of the G8 if she wanted to be able to play a leadership role in the future. It was difficult to see how Russia could conceivably chair the G8 in 2003 if she were still seeking debt relief from the Paris Club; or if she were not yet a member of the WTO or the FATF etc.

Andrei fully accepted this, but stressed that Putin was determined to meet these conditions:

- on the WTO, Russia was seeking to join by the end of this year. Andrei's own view was that mid-2002 might be more realistic;

- there would be a renewed push on money laundering legislation in the next few weeks;

- Putin was taking very seriously Nogami's letter on nuclear safety.

I said that this was all welcome; but we had heard much of it before. It was important to turn good intentions into action in these and other areas (eg climate change or aviation). On the WTO, for example, my own information was that Russia's negotiators had not really put forward serious offers. Andrei expressed great surprise and concern about this - the President had been told that the WTO negotiations were going well.

Taking his cue from this, Andrei spent the rest of the lunch trying to encourage me to get the Prime Minister to write a personal letter to Putin (given that they were unlikely to be able to meet face-to-face until after Genoa) setting out the areas Russia needed to address to win acceptance of the idea that she could chair the 2003 Summit.

I said that I would speak to the Prime Minister about this - but thought he might be a little cautious. It was one thing to offer friendly advice face-to-face; quite another to send a letter along the lines Andrei was suggesting. Putin might well find such a letter insulting or patronising! Moreover, with the best will in the world, 2003 seemed too ambitious.

Andrei urged me to think about this very carefully. A letter from the Prime Minister would have a real impact - unlike the US (NMD), Germany (debt), Japan (Kuriles), or France (Chechnya), the Russians felt that the UK had no real axe to grind. And Putin had a high personal regard for the Prime Minister. He had been extremely touched, for example, by the Prime Minister's personal Christmas card. A letter from Tony Blair now could make a real difference to the President's understanding of what needed to be done by Russia in all of the areas I had flagged up. I agreed to reflect further.

Comment

As I say, a very friendly lunch, but one which underlined for me just how few levers Illarionov has over the Russian Government on Summit business. I would welcome advice on the idea of a Prime Minister letter. Carefully drafted, it might just be do-able, and could well have some impact.

I am copying this letter to Jon Cunliffe (HM Treasury), Robert Cooper (Cabinet Office), Sir Roderic Lyne (Moscow) and John Sawers here.

Yours ever,

JEREMY HEYWOOD

James Kariuki
FCO

441712706503

JJH
J.AW
(F)

Il Rappresentante Personale
del Presidente del Consiglio
per il G7 - G8

Rome, 10 January 2001

Dear Colleagues,

I would like to inform you that today Prime Minister Giuliano Amato introduced the Italian Presidency of the G8 to the press. In presenting the logo he explained that it is meant to be a homage to the city of Genoa, with the graphic symbol of Christopher Columbus's caravel, a reminder of the city's glorious past, when it was one of the most successful Maritime Republics.

With regard to the substance of the Summit, the Prime Minister stressed the importance of the Okinawa mandate and the Italian Presidency's commitment to carrying it forward. In particular, he referred to the following themes:

- Integrated Strategy for Development: fighting poverty in all its different aspects and correlated facets;
- The Digital Divide challenge: we are looking forward to the contribution that will be offered by the DOT force;
- Environment: despite recent setbacks, our feeling is that the increased awareness of public opinion makes it possible to move forward;
- Energy: both conventional sources and renewable ones. We are looking forward to the contribution that the Task Force on Renewable Energy will make;
- World financial architecture.

In addition to these themes, the Prime Minister highlighted a new issue of growing interest for the Heads - the democratisation of "world governance". By that he referred both to challenges coming from single-issue pressure groups to the democratic legitimacy of those who meet in international forums, and to the role of the G8 itself. The Prime Minister

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Il Rappresentante Personale
del Presidente del Consiglio
per il G7 - G8

believes that there is a window of opportunity for the G8 to address the subject in Genoa, in order to make a valid and timely contribution.

In the next few days I will be sending you some papers in preparation for the first Sherpa meeting. I am looking forward to seeing you all in Rome on February 2-3.

Yours sincerely,

Francesco

441712706503

RESTRICTED

From: James Kariuki

Date: 8 January 2001

cc: Jeremy Heywood, No10
Anna Wechsberg, No10
PS
PS/PUS
Michael Arthur o/a
Emyr Jones Parry
Tony Brenton
Creon Butler
Hugh Salvesen
Nigel Casey o/a
Deborah Mantle
Martin Hatfull, Rome

Martin Shearman, CFSPD o/a

G8 SUMMIT: COORDINATION BETWEEN ECPOL AND CFSPD OF HEADS AND FOREIGN MINISTERS AGENDA

1. Welcome to the strange world of the G8.

2. The arrival of Baldocci's (Italian Political Director) opening letter (attached) of the Italian Presidency raises a number of issues on the relationship between the Economic and Political strands of the G8 Heads/Foreign Ministers agenda. The coordination and division of labour can get messy, especially in those capitals where there is weak communication or even rivalry between Sherpa, Foreign Sous-Sherpa (FASS), and Political Director (PD). I imagine that the Italian Presidency will be one of the harder ones to manage. This minute attempts to help you and Nigel Casey (my successor from 17 January) through what can be bit of a minefield. The key is of course close communication between the two of you. Richard Jones and I will of course be just down the corridor in EUD(I) if you get stuck.

Relationship between G8 Heads and Foreign Ministers

3. The UK Presidency in 1998 separated the Heads meeting from the Foreign and Finance Ministers, a reform welcomed by Heads as a return to a smaller and more informal event. At the last three Summits Foreign Ministers have met at least a week before Heads, issuing their own Conclusions. The Foreign Ministers meeting and Conclusions were prepared primarily by PDs(coordinated by CFSPD) - with input as necessary from FASS (EcPol) on any Global Economic/Sustainable Development Issues (typically a paragraph or so on eg the Environment).

4. Sherpas (in our case also supported by EcPol, but in some capitals coordinated by an office in eg the Elysee or White House) take care of the Heads' agenda and Communique. The economic/global issues themes that form the bulk of the Communique and discussion are prepared by Finance Sous-Sherpas (G7 Finance issues), Foreign Sous-Sherpas or Sherpas themselves. Political Directors provide recommendations on which Pol/Mil issues Heads should discuss/pronounce on (at Okinawa these were Conflict Prevention, Non-Proliferation and Terrorism) and draft text for those elements of the Communique *once Sherpas have agreed them.* PDs also recommend and prepare text on regional political issues - usually published in a separate statement annexed to the Communique. The nature of the Pol/Mil agenda makes it harder to predict a long way in advance which of these themes Heads will want to discuss - so the first direct interaction between Sherpas and PDs tends to be at the Sherpa Plenary 3-4 weeks before the Summit. Before that it is really the responsibility of individual G8 members to make sure that the Sherpa is broadly content with the agenda being worked up by the PD.

5. One issue that often causes problems, especially for administrations whose Sherpa and Sous-Sherpa offices are in different Ministries (eg France, US, Germany, Italy) is whether Sherpas or Foreign Ministers ultimately determine which Pol-Mil issues Heads take. The best guidance I can offer is that the Summit is a Heads event. Sherpas decide on behalf of their Heads what will be discussed there, and agree this in consultation with PDs at the Sherpa Plenary. Between Plenary and Summit, Foreign Ministers have a chance to comment on/negotiate the language prepared by PDs within the framework set by Sherpas. They can also respond to any unforseen political events between Plenary and Summit (eg India/Pakistan Nuclear Tests in '98) and prepare language for Heads.

PD/Foreign Minister's meetings away from the Summit

6. Outside the Summit, G8 PDs/Foreign Ministers (like Finance Ministers at 7) have their own network and programme of meetings that operates fairly independently from Heads. So during the Kosovo crisis for example, or in the regular UNGA week Ministerials, Sherpas would not expect to monitor closely what PDs were doing. But it makes sense to keep EcPol in the loop - both because Sherpas do take a close interest in PD issues which Heads have discussed (eg the Russian Plutonium Disposition plan); and because many of the country specific issues (Balkans, MEPP, India/Pakistan) have an economic/financial angle related to the resumption or suspension of bilateral and IFI financial assistance.

The Italian Presidency - Baldocci's note

7. The above provides context for the points raised by Baldocci's letter. But the Italian PD also raises some issues on which CFSPD and EcPol will have to stay in close contact, in the run-up to the first Sherpa and PD meetings of the new year and beyond:

i) Structure of the Communique/Political Agenda. The Italians have already introduced at Sherpa level the idea of holding the Foreign Ministers and Heads meetings back to back. Although the Presidency exercises considerable discretion over the Summit format, some Sherpas are uncomfortable about this. Baldocci's note implies that there will be no separate Foreign Minister Conclusions, so Foreign Ministers will merely approve a draft text for Heads. It is hard to reconcile this with the Italians' stated wish to reduce the length of the Communique - since the Heads text will have to encompass all issues discussed by Foreign Ministers and Heads. One Italian proposal, which has some merit, is that Heads issue two documents - one negotiated by Sherpas in the usual way, covering the range of issues the outside world expects Heads to comment on, including a report of G8 activity throughout the year; and a shorter document recording what was actually discussed at the Summit.

ii) Conflict Prevention/Terrorism/Regional Issues. Baldocci's comments on each of these items look reasonable. But as explained above, PDs will have to get Sherpa endorsement for the extent to which the Heads discuss or issue conclusions on each of the issues. The trend in the Sherpa group is to wards a more limited number of Heads' agenda items.

iii) Contacts with the EU Presidency. We are broadly content with the idea of briefing the Swedes during their Presidency and inviting the Belgians to the Summit/Ministerial. But to my (and Richard's) knowledge, the issue of EU representation at the Foreign Ministers meeting (ie whether the Belgian FM, Solana and Patten all go) has yet to be resolved. The non-EU G8, particularly the US, believe there are already too many Europeans at the table. This will be the first Summit since the creation of Solana's post at which a non-G8 member holds the EU Presidency, thus creating the potential problem of three EU representatives.

iv) Outreach. Again, the Presidency exercises considerable discretion over what kind of dialogue it holds with non G8 countries before and after the Summit. Meetings in the margins of the Summit itself are more sensitive since

all the leaders are involved. There has been inconclusive discussion on the Sherpa track - our view has been that we should avoid institutionalising a relationship with one or other group; and should encourage the Italians to invite non-G8 leaders to speak on specific themes rather than on behalf of regional blocs (which tends to result in a list of anodyne, set-piece statements). Protracted discussion of exactly who is invited seems inevitable (the Italians may relish the idea of inviting Iran as G77 Chair - but will the US accept a Bush/Khatami meeting at Genoa?). The idea of a dual Heads/Foreign Ministers outreach meeting also needs careful consideration: Foreign Ministers have hitherto tended to discuss regional security-type issues with eg the NAM; while Heads are more likely to be expected to continue the dialogue begun with the G77 and others on eg globalisation, debt and sustainable development.

8. Good luck.

James Kariuki
Economic Policy Department

tel: 7270 2571

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Date: **Rome, 03January 2001**

Ministero degli Affari Esteri

Direzione Generale per gli Affari Politici
Multilaterali ed i Diritti Umani
Il Direttore Generale

cc: Nick Kay, CFSPO
James Kariuki, EcPol
James Dowker, UNO
Keith Bloomfield, CTPO

4/01

From **Mr. Giuseppe Baldocci**

N. of pages: 4 (including this cover sheet)

Sender's n.: Tel. 0039 06 3691 2222
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To

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Mr. James Wright **OTTAWA**	**Fax: 001. 613-944.1180**
Mr. Gérard Errera **PARIS**	**Fax: 00331/43.17.45.45**
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Mr. Emyr Jones Parry **LONDON**	**Fax: 0044.207/270 3851**
Mr. Thomas Pickering **WASHINGTON D.C.**	**Fax: 001.202/647.4780**
Mr. Georgiy Mamedov **MOSCOW**	**Fax.: 007.095/253.9078**
Mr. Fernando Valenzuela **BRUSSELS**	**Fax: 00322/295.8041**

Ministero degli Affari Esteri
Il Direttore Generale per gli Affari Politici
Multilaterali e i Diritti Umani

Rome,, 3 January 2001

Dear Colleagues,

I hope that you have started the New Year well, and that you are preparing energetically for our next PDs Meeting in Villa Grazioli, Frascati, on 12-13 February.

Meanwhile, I am confident that you have all received the relevant information about the logistics of the Meeting, and I noticed with pleasure that some of you have already confirmed their attendance. Please note that bookings should be made **by 15 January** in order to provide accomodation and transport facilities.

As to the contents of the Meeting, my intention would be to keep it in the form of the traditional "brain storming" of our first working session. Nevertheless, following the excellent example of the Japanese Presidency, and the requests from most of you, we will be equipped with a "power-point" system, to keep an immediate record of the proceedings.

At this stage, I would like to share with you some elements concerning our "road-map" to Genoa:

1. Structure of the Communiqué and Political Agenda: although a decision has not yet officially been announced, my understanding is that there will be **only one Communiqué** of the Genoa Summit, encompassing all aspects - economic, social, as well as political – of the G8 exercise. Accordingly, the FMs will finalise the political agenda, which falls under their responsability, **at the Ministerial Meeting which will take place most likely in, or around Genoa, on the eve of the Summit – on the 18-19 July 2001** – and then submit the text to their respective HoSandG at their arrival. This will imply, incidentally, that the presence of the PDs in Genoa – and possibly that of the FMs themselves - must already be taken into account, in order to allow any last minute change of the political section of the document.

2. Drafting Guidelines: This procedure requests that we respect certain drafting guidelines aimed at preserving the overall balance of the Communiqué. We are therefore asked to concentrate **in a concise and effective language on the essential items,** stressing the role of the G8 political cooperation. It is furthermore essential to avoid duplication with the work already done by Sherpas and Sous Sherpas: a typical example was the lengthy discussion in Miyazaki on Forests.

Attention should be also paid to the fact that - while the proceedings of the G8 are, and should remain, confidential - the results of the Summit need adequate visibility. You will no doubt agree on the importance, today more than ever, in front of the unrest caused by globalisation, to send the right, non-patronising message to public opinions at large as to what the G8 is about, and how it seeks to contribute to the stability and prosperity of the world order.

3. Conflict Prevention: this has become a major item of our agenda, and we should build up on the Experts' work, particularly in their last meeting in London, in order to implement measures in the five areas already identified, and possibly in a couple of others...but no more! Before enlarging the scope of activity, we should bear in mind the need to explore practical avenues of cooperation, following the ambitious programme adopted in the Berlin-Miyazaki Ministerials and in the Okinawa Summit. We should examine, in this respect, possible linkages between G8 initiatives and existing mechanisms in other fora, particularly the UN system.

We are also considering the possibility of a joint session with our CP Experts – or, at least, with the Italian Chair of the Group – at our 2^PDs Meeting in Florence.

4. Terrorism: an excellent contribution to the political agenda is provided by the G8 Counter-Terrorism Experts and Practitioners, who meet normally twice a year (plus related workshops). While their counterparts in the twin exercise on Transnational Organised Crime (the "Lyon Group") submit their darft to Foreign Sous Sherpas and Sous Sherpas, the CT Experts will send their conclusions directly to us. It is therefore important that we keep a closer contact with them and examine more carefully their proceedings, particularly when they address topics – such as regional crises – already discussed at a PDs level, and when they put forward initiatives, such as G8 Joint Demarches in Third Countries.

I am planning to attend the closing session of the First CT Experts Meeting in Rome on 8-9 March 2001.

5. Regional Issues: we would like to continue in the efforts of the last years to streamline as much as possible this section of the Communiqué, focusing on the crises where the G8 could give an "added value". Our tentative short-list includes the **Balkans, Middle East, Korean Peninsula, Afghanistan, Indonesia, an American and an African topics.**

6. Contacts with the EU Presidency: The preparation of both the Fms Meeting and the HoSandG Summit will fall this year within the Swedish EU Presidency, while the two top events themselves, as well as the other meetings in the second half of 2001, will fall under the Belgian one. The decision taken by the Sherpa - that I would like to follow at the PDs level - will be to give to the Swedish side a courtesy briefing on the contents of our discussions, while the Belgian side (at which level, is still under consideration) will be invited to both the Ministerial and the Summit.

7. **"Outreach"**: this has become another important part of the G8 activity. The work already done under the German and Japanese Presidencies, has paved the way to a working relation with the regional Organisations and the Non Aligned Movement that we would like to enhance gradually. The fact that **Iran** chairs at present the G77 will presumably give more substance, and some added "spice", to the contents of the Meeting. The Iranians have already told us that they will give great, albeit cautious consideration, to a G8 invitation. We would also like to explore the possibility of a dialogue with **China**, taking into account the peculiar Chinese sensitivities.

What about vs/us.

On the other hand, we should try to avoid redundancies, and to weaken the thrust of the initiative, by holding two separate but very close Outreach meetings at political level. We are, consequently, examining the possibility to hold in Genoa **only one Outreach Meeting**, possibly in the format of HofSandG assisted by FMs or we as their Representatives,

Bush/Khatami ?

Needless to say, I would appreciate your comments on these topics as well as any other suggestion. But let me tell you how much I value the fact that, taking the baton from such an expert Chairman and wonderful host as Ryozo was, I know that I can rely on the support, competence and friendship of you all. The political dimension is acquiring ever more relevance in the G8 system and we should work very hard and closely together to preserve this momentum.

With kindest regards,

Giuseppe Baldocci

To the G8 Political Directors

[redacted] Sir Crispin Tickell GCMG KCVO

Ablington Old Barn
Ablington
Cirencester
Gloucestershire
GL7 5NU

Telephone: Home 01285 740566
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Mr Jeremy Heywood
10 Downing Street
London
SW1A 2AA

C. AW.

27 December 2000

FAXED

Just before Christmas the Task Force Secretariat sent me the first draft of the Report of the G8 Renewable Energy Task Force. Members of the Advisory Group were asked to comment, and in case you are interested I enclose a copy of what I sent.

With all good wishes for the New Year,

Crispin Tickell

Dear Gill

Thank you for your message of 20 December with the first draft of the G8 Renewable Energy Task Force, produced by you and Rick Sellers. You asked for comments by 4 January. Here they are.

I thought that you had put together a lot of valuable material, and laid out the arguments, especially in section 4, very well. But in my view the draft needs work on it, and has not yet reached the stage when detailed drafting amendments would be useful. So my comments will inevitably be general in character.

First on the structure of the Report. Here the character of the Executive Summary is vital. From my experience as a Sherpa, I know that many will not read much beyond the first two pages. In my view the present Executive Summary in somewhat out of kilter with the Report itself. It does not contain enough of the background arguments set out in section 4, and its recommendations are too woolly to be helpful. People have heard these kind of sentiments too often before.

Next I fear that section 3, laying out the strategic goal, significantly lacks a roll out strategy for meeting it. I like the distinction you make between off-grid markets and grid-based markets in different kinds of country and economy, but I think you should also bring in distinctions of scale and environment. More important, a phase by phase programme, with quantifiable stages and monitoring mechanisms, is required to give reality to what might otherwise look like pie in the sky. The more specific you can make the role of the international organizations (especially the World Bank and the Regional Development Banks), individual governments, aid agencies, and business and industry, the more persuasive the target will be. In my view you also need specific provision for the supply of information about renewable energy technologies on a regional, country and local community basis. If the overall target is to be met, people will need to know what technology is needed, where the materials are to come from, what industry is expected to do, and how the supply chain will be established and maintained. A web-site could meet these requirements.

Throughout the Paper you make much of the role of markets, and set out what is broadly the conventional wisdom. I do not contest the importance of market mechanisms, but I think you neglect the essential role of the public sector in acting as the pathfinder and innovator in establishing renewable energy systems in both grid and non-grid circumstances. The use of such systems in public buildings, for example government offices, schools, hospitals, universities and the rest seems to me critical in launching what is, after all, an energy revolution. Markets are likely to follow rather than to lead. The role of training people in the use of the new technologies is equally important. Without plumbers, engineers and a skilled workforce, nothing is going to work.

Throughout the Paper I think you make too much of a distinction between "developing" and "developed" countries. Many of their problems are similar. In particular the so called developing countries are unlikely to go the way the Task Force recommends unless they can see the G8 countries doing so already. Here it is like the argument over atmospheric carbon emissions. Most of the world wants to be as like the industrial countries as possible, and they will follow what we do rather than what we say. This underlines the need for more specificity throughout the Report.

I look forward to hearing the results of the Task Force meeting in Paris on 10 January. In the meantime we will all be most grateful for what you have achieved, and wish you well in what is by any measure a most difficult Report to put together.

With all good wishes

Crispin Tickell

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

21 December 2000

Dear Mr. Gent,

G8 DIGITAL OPPORTUNITY TASK FORCE (DOTFORCE)

You will know that at the Okinawa Seminar, G8 leaders agreed to set up a Task Force representing Governments, the private sector and civil society, to look at how to use new information and communication technologies to address the divide between developed and developing countries. You can find the 'Okinawa Charter', which sets out the vision of G8 leaders, including the role of this Task Force, at www.g8kyushu-okinawa.go.jp. The Task Force held its first meeting in Tokyo at the end of November, and expects to hold further plenary meetings, probably in late February and May. We now want to broaden our consultations within the UK.

I am writing to invite you or your senior representative to a brainstorming meeting at No 10 on Thursday, 11 January (starting at 11am, continuing over a sandwich lunch, and finishing at latest by 3.30pm) in order to discuss what Governments, private sector and civil society can do together to achieve positive outcomes for development from the spread of these technologies.

Our Dotforce representatives, Vernon Ellis of Andersen Consulting, Richard Manning of the Department for International Development, and Anuradha Vittachi of OneWorld, will all be attending. The invitation is being sent to all those on the attached list. Please let Liz Tetley or Liz Lambert here (tel 020 7930 4433 ext 3137) know as soon as possible if you are able to come in person or to be represented at this meeting.

Yours sincerely,

JEREMY HEYWOOD

Mr Chris Gent

FROM: R G M MANNING
☎ : 917 0439/0516
DATE : 21 December, 2000

cc James Kariuki FCO
David Love DTI
Lesley Bairnsfair, Office of e-Envoy
David Woolnough DFID

Jeremy Heywood No.10

DOTFORCE: UK CONSULTATION

I am most grateful to you for agreeing to host a session at No.10 on Thursday 11 January with private sector and civil society representatives. We agreed that you would open proceedings and then stay as long (or as short) a time as you thought fit on the day.

2. I attach a draft letter of invitation, which I hope you can issue before the holiday break to those on the attached list. I hope also that Tiffany White (FCO), David Love (DTI) and someone from the e-Envoy's office will be able to attend. Perhaps they will confirm attendance. David Woolnough and I will represent DFID.

R G M Manning
21 December, 2000

22-DEC-2000 14:53 FROM SUMMIT SECTION EFD TO HEYWOOD P.01/05

Department of Forei and International Trade 441712706503 Affaires étrangères et du Commerce international

Deputy Minister Sous-ministre

DEC 21 2000

Mr. Yoshiji Nogami
Deputy Minister of Foreign Affairs
Ministry of Foreign Affairs
TOKYO

Dear Yoshiji,

I am writing to provide you with details of the December 19 announcement (attached) that Canada will apply a moratorium, effective January 1, 2001, to debt repayments from eleven HIPC countries which have demonstrated their commitment to good governance and capacity to use debt savings funds productively for poverty reduction.

Consistent with the Enhanced HIPC Initiative, countries benefitting from the moratorium must still reach their completion point before their debt will be written off.

I am copying this letter to our G8 colleagues.

Yours sincerely,

Gaëtan Lavertu

125 promenade Sussex Drive
Ottawa, K1A 0G2

Finance Canada
Immediate release
Ottawa, December 19, 2000

Canada Announces Debt Moratorium for the Poorest Countries

Canada will apply a moratorium on debt repayments owed to it by eligible heavily indebted poor countries (HIPCs) effective January 1, 2001, Finance Minister Paul Martin announced today.

"The current debt levels carried by the world's poorest countries are quite simply unsustainable," the Minister said. "A debt moratorium will free up resources that indebted countries could spend on urgent social priorities such as health care, education and poverty reduction."

Canada is currently owed about $1.1 billion by 17 HIPCs. Eleven of these countries, with debts to Canada amounting to some $700 million, will benefit on January 1, 2001, from today''s announcement. Subsequently, their debts will officially be written off as they complete the HIPC process. The countries are Benin, Bolivia, Cameroon, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Senegal, Tanzania and Zambia.

The remaining 6 HIPCs will be considered once they demonstrate they are fully committed to the principles of peaceful development and good governance, including the protection of human rights.

In September Minister Martin urged bilateral creditors to support an immediate moratorium on bilateral debt with HIPCs showing progress on good governance and poverty reduction.

The Minister urged other creditor countries that are serious about improving the lives of the world's poor to follow Canada's lead in applying a debt moratorium.

Minister for International Cooperation Maria Minna said: "This initiative is part of a comprehensive and integrated approach to Canada's development and aid policy."

The cost of this initiative has already been incorporated into the fiscal framework.

Backgrounder

Helping the Poorest: Canadian debt initiative

Many of the world's poorest countries are forced to shift financial resources away from priority social sectors, such as education and health, to servicing their onerous debts. On December 19, 2000, Finance Minister Paul Martin announced Canada would stop collecting debt payments effective January 1, 2001, from heavily indebted poor countries (HIPCs) committed to poverty reduction and good governance.

The Canadian Proposal

Effective January 1, 2001, Canada will stop collecting debt service payments from those reforming HIPCs that are able to use the debt relief savings productively and that are developing Poverty Reduction Strategy Papers (PRSPs). This moratorium will remain in place as these countries pursue reforms, especially in the governance and social sector areas. It will also continue while they work to implement their poverty reduction strategies, which are the essential tool for allocating debt relief savings to priority social areas. Once they have reached their completion points under the HIPC Debt Initiative, Canada will then completely remove their debts from its books.

In total, Canada is currently owed about $1.1 billion by the 17 HIPCs shown in Table 1. Eleven of those will benefit immediately from the moratorium.

At the Annual Meetings of the International Monetary Fund (IMF) and World Bank in Prague in September, Canada called for bilateral creditors to impose a moratorium on all debt payments from eligible countries. Eligibility requires commitment to the principles of peaceful development and good governance and the demonstration of progress in preparing and implementing poverty reduction strategies.

Table 1: Heavily Indebted Poor Countries
(in C$ millions, as of March 31, 1999)

Countries expected to require HIPC relief[1]	Debts owed to Canada
Reforming countries eligible for the moratorium	
Benin	0.7
Bolivia	5.6
Cameroon	440.1
Ethiopia	0.5
Ghana[2]	18.2
Guyana	2.9
Honduras	29.2
Madagascar	34.9
Senegal	5.0
Tanzania	70.0
Zambia	88.7
Subtotal	695.8
Currently excluded countries	
Congo	58.3
Côte d'Ivoire	250.9
Democratic Republic of Congo	36.8
Liberia	4.5
Rwanda	5.5
Sudan	14.0
Subtotal	370.0
TOTAL	1,065.8

[1] Of the 37 countries expected to require HIPC assistance, 20 have no debts owing to Canada. They are Burkina Faso, Burma, Burundi, Central African Republic, Chad, The Gambia, Guinea, Guinea-Bissau, Laos, Malawi, Mali, Mauritania, Mozambique, Nicaragua, Niger, Sãão Toméé and Principe, Sierra Leone, Somalia, Togo and Uganda.

[2] Although Ghana has decided not to seek HIPC assistance, it is a HIPC requiring enhanced debt forgiveness.

What Else Has Canada Done?

Canada already has a good track record working for a swift and decisive approach to both multilateral and bilateral debt relief for poor countries.

Multilaterally, Canada has taken a leadership role by:

- Leading efforts in the G-7 for the Enhanced HIPC Debt Initiative (announced in September 1999), which is broadly in line with the Canadian proposals announced by Prime Minister Jean Chrétien in March 1999. Debt relief will more than double to US$28.6 billion.

- Contributing C$215 million to the debt relief trust funds at the IMF (C$65 million) and World Bank (C$150 million) to ensure timely debt relief for deserving countries.

- Proposing at the Commonwealth Finance Ministers Meetings in September 2000 the creation of a committee comprising HIPCs to give voice to the concerns of the poorest countries regarding implementation and progress of the HIPC Initiative. This proposal was endorsed by Commonwealth finance ministers.

- Calling for flexibility in linking HIPC debt relief to the PRSP process to avoid delaying debt relief to deserving countries.

Bilaterally, Canada is helping the poorest countries by:

- Having forgiven $1.3 billion in Official Development Assistance (ODA) debt to 46 developing countries since 1978. This includes all of its ODA debt to 22 HIPCs at a cost of $900 million; of the HIPCs, only Burma currently has ODA debt to Canada.

- Providing development assistance since 1986 on a grant basis. Therefore Canada is not contributing to a worsening of the debt problems in the poorest countries.

- Having contributed $8 million to the Central American Emergency Trust Fund at the World Bank to provide debt relief to those countries devastated by Hurricane Mitch.

- In addition, Canada provides about $2 billion annually in aid, primarily through the Canadian International Development Agency.

European Bank
for Reconstruction and Development

Jean Lemierre
President

H. E. Kiichi Miyazawa
Minister of Finance
President of G7
Ministry of Finance
3-1-1- Kasumigasiki Chiyoda-ku
Tokyo 100
Japan

21 December 2000

Dear Minister Miyazawa,

On 7 December the EBRD Board of Directors approved a $215 million loan to Energoatom, guaranteed by the Government of Ukraine, to complete and upgrade the safety of Nuclear Power Plants Khmelnitsky Unit 2 and Rovno Unit 4 (K2/R4).

The Board was particularly supportive of loan conditions that require Energoatom to improve nuclear safety in all its Ukrainian nuclear power operations. The Board also strongly supported loan conditions that require the Government of Ukraine to ensure adequate resources and independence for the Ukrainian nuclear regulatory authorities and promote reform in the energy sector.

I would like to bring to your attention two other conditions for the validation of the EBRD Board approval, for which the Bank is counting on your crucial support.

First, I am committed to transmit to EBRD shareholders confirmation in writing from an international panel of regulators that the Ukrainian nuclear regulatory authorities have the resources and the independence necessary to regulate the operation of nuclear plants in the country, according to western safety standards. It is, therefore, necessary that suitable arrangements for nuclear regulators are made to take part in the formation and operation of this panel, including financial support. Please let me know at your earliest convenience about these arrangements. I understand from the letter sent to me by Mr. Nogami on 6 December that this issue will be discussed shortly by the G-7 Nuclear Safety Working Group. After validation by the EBRD Board of Directors, the panel would continue to monitor the situation through periodic visits to determine if the regulator continues to have the resources and independence to do its job.

Second, I will need to transmit to the Board written confirmation from the G7 and the European Commission that they are prepared to provide an appropriate level of technical assistance to the nuclear regulatory authorities and to Energoatom to help ensure that each has the capability to adequately perform their respective functions in the regulation and supervision and the management of nuclear power operations according to Western safety standards. I would be most grateful for your help in providing such written confirmations which could be developed from the NSWG statement that Mr. Nogami transmitted to me in his letter of 6 December.

Yours sincerely,

One Exchange Square, London EC2A 2JN, United Kingdom
Tel: +44 20 7338 6258 Fax: +44 20 7338 6112

c.c: Mr Paul Martin, Minister of Finance, Canada
Mr. Gaetan Lavertu, Under Secretary of State for External Affairs, Canada
Mr Armando Varricchio, Cabinet of Mr Prodi, European Union
Mr Laurent Fabius, Ministre de l'Economie, des Finances et de l'Industrie, France
Mr Jean-Marc Rochereau de la Sablière, Conseiller diplomatique, France
Mr Hans Eichel, Bundesminister der Finanzen, Germany
Dr. Alfred Tacke, Personal Representative of the Federal Chancellor for World Economic Summit, Germany
Mr Vincenzo Visco, Minister of Treasury, Italy
Mr Francesco Olivieri, Ministro Plenipotenziario, Italy
Mr Yoshiji Nogami, Deputy Minister for Foreign Affairs, Japan
Mr Gordon Brown, Chancellor, UK
Mr Jeremy Heywood, Principal Private Secretary to the Prime Minister, UK
Mr Lawrence H Summers, Secretary of the Treasury, USA
Ms Lael Brainerd, Deputy National Economic Advisor, USA

file

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

19 December 2000

Dear Mark,

G8: RENEWABLES

Since we last discussed the Renewable Energy Task Force, you have had your second meeting in the Hague; and I subsequently met with Sherpas in Kyoto. I understand from our experts that some of the early process problems have been resolved, and that you are starting to pull together some interesting ideas to submit to G8 Heads next year. But my Canadian and Japanese colleagues are continuing to express concerns on both process and substance and I think we need to move quickly now to ensure that between them these two countries do not seek to undermine the credibility of the whole initiative.

The thrust of their concerns appears to be twofold. First, they claim that the Task Force is operating beyond the mandate set by the G8 Heads; and that weak communication between Task Force and the Sherpa group leaves them unsighted on the process. Second, they wonder whether the Task Force will deliver the kind of concrete policy proposals that G8 Heads are looking for and would be prepared to respond to, and in particular that it is not responding to the development focus of the Okinawa agreement.

The first point ought really to be handled by the Italians, with a government foot in each camp, and Presidency of the G8 from January. Unfortunately this has not worked as well as we would have liked, and the problem is compounded by the virtual absence of contact between Nogami and Oki. Your phone call to Nogami was a very useful bridge-building exercise – and much appreciated by him. Unfortunately that step forward was undermined by the fact that Nogami did not receive the report of your Hague meeting in time for the Sherpa discussion nine days later. We need to strengthen and speed up communication between Task Force and Sherpas – the Italians reassure us that they will work on this. The Canadians floated at Kyoto the idea that G8 Sherpa representatives should meet in the margins of the Paris meeting on 10 January to try to concert their positions. I managed to head this off, arguing that effective

communication between the two co-Chairs and Presidency is the answer. But this is something we will need to keep a close eye on.

The second point is potentially more serious, but is partly a consequence of the first. Canada and Japan both argued at the last Sherpa meeting that the discussion in the Task Force and the kinds of proposals being floated are too technical and not really geared towards the kinds of high profile policy recommendations that Heads can digest and act upon. They also expressed concern that the early draft does not pay enough attention to the role of renewable energy as a force for enabling development and the vital importance of getting the policy and regulatory framework right. My understanding is that alongside the technical best-practice annex that they are worried about, you are working on 2-3 pages of headline policy recommendations to Heads and a slightly fuller explanation of these ideas for Sherpas. And that some of the earlier problems stem from the unsatisfactory first draft outline report prepared by the consultant that you have since replaced. I believe the next draft (due on 20 December, but which obviously I haven't seen) promises to be closer to what Sherpas were expecting. But the fact that Canada and Japan have a much less positive impression of developments than we do needs to be resolved.

A useful next step might be for the co-Chairs to send the new draft outline report to Nogami as quickly as possible - preferably before Christmas - with a short explanation of the report's different elements and what the Task Force envisages will actually go to Heads. If the draft is not a perfect model of what you and we envisage will go to Heads, you could make clear in the covering letter that this is work in progress, and that the direction you are going in corresponds to the Okinawa focus on developing countries. You could invite back comments - on structure and scope rather than on the detail - before your Paris meeting. If other Sherpas really do have major concerns about the way this is all going, I am sure it would be better to get these out on the table sooner rather than later!

Could I also flag up one further potentially sensitive issue? At Kyoto, most Sherpas took the view that the Task Force's report to the G8 would have most impact if it were published at the Genoa Summit, rather than before. I share this view - if you publish earlier the danger is that the whole issue of renewables will become little more than a footnote in the Genoa Communique. On the other hand, I understand that the Task Force has been thinking more in terms of publishing in late March. At the moment my Italian colleague feels very strongly about this, and I understand that he has conveyed this view to Dr Clini.

Each option has its pros and cons, but ultimately I think this is one that the Italian Prime Minister, as Summit host, will have to decide. I am happy to listen to, and pass on, the arguments in favour of early publication – but I fear there is not much flexibility in Rome.

Finally, I promised to relay Nogami's personal request to ask you to allow the inclusion of a member of his team, Sobashima, in the Task Force. We have a particular problem in the case of Japan, which is the virtual absence of communication between MITI and the Foreign Ministry. This has been a major factor in the confusion and frustration of my Japanese colleague. If you really consider this an impossible request, I can send that message back to Japan – once their G8 Presidency is over their case will be weaker. But we could face further Japanese problems over the coming months.

I hope the above is helpful. Let me reassure you again of my personal determination to make the Task Force a success and a centrepiece of the Genoa Summit. I know too that the Prime Minister shares this goal. All the suggestions above are made with that in mind. If it would be helpful, I would be happy to come over for a further chat - perhaps sometime between the Paris Task Force meeting and the next Sherpa meeting (February 2-3).

Yours,

JEREMY HEYWOOD

Sir Mark Moody-Stuart KCMG

(F) 1. DAV Top: PPS
2 LC FAWARS

From: Vic Hogg
Action Against Drugs Unit
Room 235, Queen Anne's Gate
0171 273 2346
0171 273 2671
email: vic.hogg@homeoffice.gsi.gov.uk

18 December 2000

cc: Home Secretary
Sir David Omand
John Lyon
JohnWarne
Jim Daniell
Kate Collins
Brian Butler
Lesley Pallett
Peter Storr
Anna Howard
Jean Ward
Justin Russell
Ed Owen
Jeremy Heywood No.10
Keith Hellawell UKADCU
John Abbott NCIS
Bob Packham NCS
Sue Killen UKADCU
Donald Toon HMCE
Will Mottram HMCE
Colin Budd FCO
James Kariuki FCO
Michael Ryder FCO
Peter Walker FCO
Richard Carter DOH
Neil Giles NCS
Neil Bailey NCIS
Les Fiander NCIS
Les King FSS
Brian Callaghan SO
David Robinson WA
Alastair Hutchinson DH
Liz Lloyd No.10

Charles Clarke

G8 AD HOC MEETING OF DRUG EXPERTS: MIYAZAKI, JAPAN: 13-15 DECEMBER

Issue

To provide a quick read out from the G8 Ad Hoc Meeting of Drug Experts in Miyazaki, which I co-chaired with the Japanese.

Timing

2. Routine.

Summary

3. ♦ This G8 ad hoc meeting was hosted by the Japanese, and co-chaired by the UK, following commitments made by G8 leaders at the Kyushu-Okinawa Summit in July 2000.

♦ As agreed at the Kyushu-Okinawa Summit, the agenda focused on the abuse of amphetamine type stimulants (a significant problem in Japan) and the diversion of precursor chemicals to the illicit drugs market.

SKP 20/12/00

- The meeting was extremely well organised by the Japanese, conducted in a constructive and positive manner, and resulted in a number of useful outcomes.

- These outcomes were reflected in a joint statement, prepared by the co-chairmen and agreed by the G8 delegates. The statement, a copy of which is attached at **Annex A**, served the dual purpose of a press release, issued immediately on conclusion of the meeting, and interim report for dissemination on the Sherpa network (the Japanese, as the current holders of the G8 presidency, have arranged).

- The event attracted a fair degree of local media attention. The concluding press conference, fronted by the co-chairs (ie Japan and UK) and the United Nations Drugs Control Programme (UNDCP) representative, was well attended. I will seek from my Japanese co-chair and our Embassy in Tokyo feedback on media coverage. The only coverage I did see before returning to the UK was positive (please see the attached cutting at **Annex B** taken from "The Japan Times" of 16 December).

- The UK played a prominent role in the meeting, both from the floor and the chair, and contributed significantly to the outcomes.

- We will need to follow up the ad hoc meeting with fellow G8 members to ensure that momentum in delivering the positive outcomes is not lost. I will be discussing how best to achieve this with colleagues in the FCO and here in OICD.

Recommendation

4. **That you note the satisfactory outcome of the ad hoc meeting, from a UK perspective, and our determination to maintain the momentum which was generated.**

Consideration

5. The G8 Ad Hoc Meeting of Drug Experts was held in Miyazaki from 13 to 15 December following a commitment made by G8 leaders at the Kyushu-Okinawa Summit in July 2000. In accordance with that commitment, the agenda focused on the abuse of amphetamine type stimulants (methamphetamine misuse is a significant problem in Japan) and the diversion of precursor chemicals to the illicit drugs market. As also agreed at the Kyushu-Okinawa Summit, the meeting was co-chaired by Japan (Director-General of Multilateral Co-operation Department, Ministry of Foreign Affairs) and the UK (Head of Home Office Action Against Drugs Unit).

6. The meeting was extremely well organised by the Japanese, who gave it a high profile (former Prime Minister, Ryutaro Hashimoto delivered the keynote speech; the co-chairmen and senior UNDCP representative were publicly introduced to him as part of the formal opening proceedings). The meeting was conducted in a constructive and positive (though not cosy) atmosphere and resulted in a number of useful outcomes. These included agreements amongst the G8 members to:

(i) work more closely with each other, and other international fora, to obtain more accurate information on the magnitude and nature of synthetic drug abuse;

(ii) involve non-G8 members, in co-operation with UNDCP, in assessing and addressing the global situation;

(iii) encourage the expeditious development of early warning systems on new drug trends;

(iv) raise public awareness of the drugs problem, such as through the better use of available websites;

(v) enhance co-operation in researching the effects of synthetic drug abuse;

(vi) facilitate the development and distribution of analytical methods for drug characterisation and impurity profiling;

(vii) look towards establishing a network of collaborating laboratories to collect, analyse and disseminate laboratory data for intelligence and investigative purposes;

(viii) exchange information on experiences and counter measures related to internet based drug offences;

(ix) contribute to developing countries by sharing experiences and providing training in investigation techniques;

(x) establish contact points within competent authorities responsible for drug controls and exchange information on a "fast time" basis;

(xi) endorse the value of tracking techniques developed in respect of heroin and cocaine precursor chemicals and their possible extension to the precursors of synthetic drugs. [This followed presentations on two global law enforcement operations, the second of which (Operation Topaz) is shortly to be launched with the co-operation of a number of governments worldwide. NCIS have taken a major role in the development of this operation and are to host the first

meeting of the steering committee in London this week.];

(xii) enhance relationships with industry and trade to develop imaginative approaches to the problem of illicit precursor chemical laboratories;

(xiii) share, more systematically, information on criminal networks and new trends in chemical precursor diversion;

(xiv) feed information on drug-related criminal activity into international fora responsible for dealing with organised crime more generally;

(xv) expand lines of communication to precursor producing nations (eg China) to enable mutual international intelligence exchange and development;

(xvi) share information and best practice on developing effective, competent authority/industry partnerships;

(xvii) organise informal meetings during the regular (ie annual) sessions of the UN Commission on Narcotic Drugs to review and step up activity aimed at preventing the diversion of precursors;

(xviii) take appropriate action to follow up the meeting outcomes, including reviewing progress at a further meeting under the Italian presidency, if necessary.

7. These outcomes were achieved, notwithstanding that the delegates (35 Japanese and 25 from a combination of other G8 nations, the European Commission and UNDCP) came from a range of backgrounds and arrived with varying agendas (ie delegates with a health or industry background were not entirely comfortable with the criminal justice dominated objectives which we and some others pursued). Added to this, the UNDCP representatives appeared disappointed that the meeting did not directly result in G8 cash for their programmes (a clear but unrealistic objective on their part). The co-chair arrangements worked well, and we were able to take delegates with us in preparing the draft joint statement without too much difficulty on substantive issues (points of detail consumed the majority of the time taken up in drafting negotiations). We were also able to present a clear united front at the press conference, and the early indicators point towards positive coverage (see cutting at **Annex B** from the "The Japan Times" of 16 December).

8. The outcome was reported on the Sherpa network based on the joint statement issued at **Annex A**. This was organised by the Japanese as current holders of the G8 presidency. (Time constraints and language difficulties meant that this emerged not entirely free of typographical/grammatical errors, but those that exist are minor. A reluctance on the part of some to meet again under the Italian presidency, on alleged grounds of international fora overload, meant that the final sentence of paragraph 28 lacks the bite that the co-chairmen sought). The Japanese also plan to issue a full report of the meeting in January, prior to

which we will prepare a summary of events, from a UK perspective, for internal circulation at official level. Meanwhile, I will discuss with colleagues in the FCO and here in OICD, how best to sustain the momentum achieved in Miyazaki last week.

9. If you will forgive me, I should like to use this submission to express my gratitude to colleagues across Whitehall for their invaluable assistance in preparing for the G8 Ad Hoc meeting. I am particularly indebted to those members of the planning team who supported me in Miyazaki (ie Anna Howard (AADU), Neil Giles (NCS) and Les Fiander (NCIS)). They performed magnificently as a team, and contributed a number of impressive presentations and interventions (to say nothing of the sterling support they provided me in negotiating/preparing the draft statement into the small hours of the final morning). This drew admiration from other delegates. The German team, for example, expressed deep satisfaction with the outcomes, and praised the UK for adopting a pragmatic, action-orientated approach to the issues arising and not allowing the proceedings to develop into a comfortable "talking shop" (to be fair, the Japanese were equally "action focused").

Resource issues

10. None.

Equal Opportunity issues

11. None.

Handling/Presentation issues

12. There were no British media representatives at the press conference on 15 December, and it is probable that much of the journalistic interest will be confined to Japan (the location of the ad hoc meeting appeared as significant to some journalists as the substance!). But lines to take will be provided to Press Office if interest is generated here.

VIC HOGG

243vhega

ANNEX A

G8 Ad-hoc Meeting of Drug Experts in Miyazaki
13-15 December, 2000
International Convention Center Summit, Miyazaki, Japan

Chairman's Summary

1. The G8 drug experts met on 13-15 December, 2000 at the International Convention Center Summit in Miyazaki, Japan, following the commitment made by the G8 leaders in Kyushu-Okinawa Summit in 2000 to address the issues of illegal drugs, common challenge for the entire world. They gathered in Miyazaki in order to exchange views on possible steps to enhance the international cooperation to counter the threat of amphetamines and other synthetic drugs and to counter the diversion of chemical precursors. The participant list is attached to this summary.

2. At the outset of the meeting, the former prime minister, Mr. Ryutaro Hashimoto, the president of the Federation of Japanese Parliamentarians to fight against abuse of narcotics and ATS, presented a key-note speech, which emphasized the threat of ATS and the need to counter it.

I. Amphetamines and Other Synthetic Drugs

3. This session was chaired by Mr. Yukio Takasu, Director General of Multilateral Cooperation Department, Ministry of Foreign Affairs, Japan. The chair explained the current situation of international cooperation in the field of measures against drugs, and underlined the importance of further strengthening such international cooperation.

Abuse Situation

4. The participants shared the view that the problem associated with amphetamines and other synthetic drugs is now recognized as a serious problem that requires a global approach.

5. It was agreed that the G8 members would review the existing efforts on assessment of drug abuse with a view to identifying critical parameters in close collaboration with UNDCP and other relevant international and regional

organizations in order to obtain accurate information on the magnitude and nature of synthetic drug abuse.

6. It was pointed out that the involvement of non-G8 members is essential in assessing the global situation. The G8 members are encouraged to involve non-G8 members bilaterally and regionally where appropriate, and in cooperation with UNDCP. It was also noted that the cooperation of NGOs and civil society is essential in assessing the abuse situation.

7. The participants shared the view that the exchange of information on new drugs of abuse is essential for ensuring an immediate and effective action. The participants welcome the European Union's and other governments' efforts to develop early warning systems and encourage other regions to develop similar systems.

Demand Reduction

8. The participants shared the view that the G8 members should continue to give due priority to the activities in the area of demand reduction as indicated in the action plan of the UNGASS in 1998 and should support national, regional and international efforts to that end. The participants recognized that it is essential to raise public awareness, especially for the young generation, on the drug problem by disseminating information on the nature of abuse of amphetamines and other synthetic drugs, which may cause irreversible damage to the human brain. It was pointed out that the use of web sites would be a good way to disseminate information on drug problems.

9. The participants shared the view that treatment and rehabilitation of drug dependants are important elements of demand reduction of illicit drugs. It was agreed that the G8 members should enhance their cooperation in the area of research on the effect of synthetic drug abuse on the human system and society in general.

Drug Characterization by Impurity Profiling

10. The participants shared the view that drug characterization by impurity profiling is a very useful tool for illicit drug and precursor investigation.

11. The participants recognized that the G8 members, with technical support from

UNDCP, should facilitate the development and distribution of analytical methods for drug characterization and impurity profiling.

A network of collaborating laboratories could be established to collect, analyse and disseminate laboratory data for intelligence and investigative purposes. The G8 members can also facilitate the collection of drug, precursor and impurity reference standards and exchange samples of seized synthetic drugs where appropriate.

12. The participants recognized that involvement of developing countries in the efforts of impurity profiling would enhance the effectiveness of impurity profiling as a global action. It was pointed out that the G8 members should play a pivotal role for promoting regional efforts.

Countermeasures against Trafficking

13. The participants shared the view that control of trafficking, financial investigations and the seizure of assets of crime are among the most effective countermeasures to combat ATS problem, and that domestic, regional and international cooperation between related institutions is essential to address this global problem.

14. The participants supported the view that drug control should be implemented from the standpoint of the fight against transnational organized crime, and that the improvement of investigative techniques is very important for promoting drug control. From this point of view, it was recognized that the United Nations Convention against Transnational Organized Crime is indispensable toward the eradication of trafficking groups.

15. The participants shared the view that drug syndicates have taken advantage of Internet. It was agreed that the G8 members would exchange their information and experiences on countermeasures against drug offenses through the internet.

16. The participants shared the view that it is meaningful for the G8 members to contribute to developing countries directly, or indirectly through relevant regional and international organizations by sharing the experiences and providing training in investigative techniques.

Building Information Networks

17. The participants supported the view that swift and real-time information exchange is essential in order to control synthetic drugs and the precursors. The Plan of Action "In Pursuit of a drug-free ASEAN 2015" was introduced to the participants as an example of the effort for constructing a regional mechanism for exchange of information on operational drug law enforcement.

18. The participants shared the view that bilateral, regional and global information exchange in the area of drug offense and investigation techniques is essential for drug control.

19. It was agreed that the G8 members would identify relevant contact points within their competent authorities responsible for drug control issues, taking into account the existing list of such contact points.

II PRECURSOR CHEMICALS

20. This session was chaired by Mr. Vic Hogg, Head of the Home Office Action Against Drugs Unit in the UK. The Chair explained the extent to which the diversion and trafficking in precursor chemicals is a major global concern and the need for G8 members to use their position to stimulate and enhance international efforts to deal with this problem.

Precursor Chemicals for Heroin and Cocaine

21. Participants noted with approval the significant international successes achieved by the recent law enforcement efforts concerning precursor chemicals of heroin and cocaine. Besides substantial seizures and disruption of criminal activity, other important benefits had been obtained, including greater knowledge of the substances themselves, their uses and the traders involved in their manufacture and distribution. G8 members strongly endorsed the value of such tracking projects and noted their potential application to other chemicals, such as precursors of synthetic drugs. There was also a need to promulgate more widely the good practices established. G8 members also highlighted the requirement for rapid intelligence exchange to enable investigative activities.

Precursor Chemicals of Synthetic Drugs

Seizures and illicit laboratories

22. Following a presentation on illicit laboratory interventions, participants shared information on efforts to tackle similar problems in their own areas. It was agreed that organized criminals involved in the illegal manufacture of drugs had certain advantages. They could be flexible, acquire sophisticated chemical experts, move on to new regions and make use of non-controlled chemicals. G8 members agreed it is necessary to enhance relationships with industry and trade to develop imaginative approaches to this problem, for example by better knowledge of customers. There is a need to share intelligence rapidly in order to react to new trends as they emerged. G8 members agreed that there is a need to address the issue of illicit manufacture of synthetic drugs in South East Asia.

Trends in chemical diversion

23. A presentation was given on the illegal trade in chemical precursors as seen from an organized criminal group perspective. Following a sharing of experience in this field, participants identified the need to share, more systematically, information on criminal networks and new trends in chemical precursor diversion, and that G8 members would identify relevant contact points within the competent authorities responsible for drug control issues. It was also agreed that information and intelligence regarding drug related criminal activity, especially that resulting from precursor diversion attempts and seizures, should be fed into international fora dealing with organized crime more generally. It was also clear that lines of communication need to be expanded to precursor producer nations to enable mutual intelligence exchange and development. This requirement was highlighted by the current criminal drive to obtain source chemicals in less regulated jurisdictions.

Involvement of industry in monitoring trade of precursor chemicals

24. Participants heard about steps being taken in the European Union to ensure a cooperative partnership approach with industry and trade to prevent the diversion of chemicals used in the production of synthetic drugs. These included the development of guidelines, a regional list of chemicals for voluntary monitoring and an early warning system, to complement the INCB special surveillance list. One delegation gave a good example of how an effective partnership approach can work in practice. Participants noted these initiatives and agreed to share

information and best practice in this area. The EU could pass its guidelines to G8 experts, on a confidential basis, for adaptation to local or regional circumstances, as necessary. The participants also emphasized the need for creativity in their relationship with industry in order to achieve an enhanced intelligence outcome.

Interpol meeting on synthetics and their precursors

25. Participants were informed of the outcome of the annual Interpol meeting on psychotropics, precursors and synthetic drugs held in Wiesbaden from 6-8 December.

Synthetic Drugs Precursor Chemical Working Group Meeting

26. The G8 experts welcomed the initiatives and proposals from the recent INCB/US/EU working group meeting on precursor chemicals for synthetic drugs in Wiesbaden, which focused on developing systems for preventing diversion through monitoring and tracking of such chemicals, and indispensable equipment, from manufacture to disposal, wherever possible. They noted many useful elements in the proposals made by the working group, many of which had already been highlighted in earlier presentations and discussions. The G8 members recognized the importance of these proposals.

Next Steps on Precursors

27. The range of action points formulated under each of the agenda items represent a productive way forward. It was emphasized that, in taking the work forward, it was important for G8 members to communicate and cooperate with other international fora. In particular, it was recommended that G8 members, in collaboration with INCB, organize informal meetings during the regular sessions of the UN Commission on Narcotic Drugs to bring together organizers of the different fora and other interested parties to review progress, co-ordinate activity, and consider further initiatives to prevent the diversion of ATS precursors.

III. Way Forward

28. Participants at this meeting recognized the critical importance of the global ATS problem and precursor chemical issues. The participants also reaffirmed the significance of cooperation among G8 members for addressing these challenges. It was also pointed out that G8 members should give priority to supporting

initiatives at the national, regional and international levels to counter the illicit manufacture, trafficking and abuse of such drugs. In doing so, they should take into account the proposals and recommendations of the UNGASS Action Plan Against Illicit Manufacture, Trafficking and Abuse of Amphetamine-type Stimulants and Their Precursors.
It was suggested to follow up the outcome of this meeting by relevant ways, such as convening an expert meeting, if necessary.

29. The participants expressed their sincere gratitude to the government of Japan for kindly hosting this meeting, and also expressed deep appreciation to the government of Miyazaki prefecture and the government of Miyazaki City, for their warm hospitality.

THE JAPAN TIMES
SATURDAY, DECEMBER 16, 2000

ANNEX B

G-8 vows to take on drug barons

MIYAZAKI (Kyodo) The Group of Eight major countries agreed Friday to share information on a global scale on drug-related crimes to jointly fight crime syndicates, according to a joint statement.

The statement, issued at the end of a three-day G-8 anti-drug conference, says the syndicates are gaining strength by making full use of the Internet.

The G-8, which comprises Britain, Canada, France, Germany, Italy, Japan, Russia and the United States, pledged to reinforce cooperation in cracking down on crimes related to illegal drugs such as heroin, and to step up controls on raw materials used to manufacture drugs.

1/ cc. DM
AW
RH
ER

2/ File

From: Howard Taylor
Global Health Team, PIU

Phone: 020-7276-1430

Date: 13 December 2000

cc: Global Health Team
James Kariuki, FCO
Tiffany White, FCO

See pars 12 – 15. Quite an attractive package emerging here:
- differential pricing
- abolition of import tariffs on drugs, compensated for by developed country aid
- full protection for IPR
- harmonisation of regulatory requirements

Tracey Lane

OKINAWA INTERNATIONAL CONFERENCE ON INFECTIOUS DISEASES
OKINAWA, 7- 8 DECEMBER 2000

Summary

Agreement that the UN should better co-ordinate international support to country-led, community-based efforts to reduce HIV/AIDS, TB and malaria. Additional resources required from international community. Important not to sideline efforts to reduce other major illnesses. Improving health systems and delivery mechanisms essential for reducing infectious diseases and enabling a wide range of better health outcomes.

2. Agenda for Action included G8 commitment to 'increasing incentives for the development of international public goods according to the priorities for vaccines, drugs and diagnostics'. Detailed analysis required of combination(s) of push/pull incentives and regulatory changes. Momentum gathering in favour of tiered pricing. Awareness raising and support for PIU Global Health Project. Italy receptive to PIU recommendations informing health agenda for G8 Summit in Genoa, but possibility that domestic politics might water down health agenda. Canada (G8 Chair in 2002) a strong player on infectious diseases.

Detail

3. The Okinawa International Conference on Infectious Diseases was held in Okinawa on 7-8 December 2000. G8 and EC delegations were joined by representatives from Brazil, India, Indonesia, Kenya, Nigeria, the Philippines, Senegal, Thailand, Uganda and Zambia. WHO, UNAIDS, UNICEF, UNDP, UNFPA, the World Bank, IAVI, GFCV and IFPMA were represented, as were Merck, Glaxo Welcome, SmithKline Beecham, Pfizer, and a range of NGOs from developed and developing countries. Julian Lob-Levyt (DFID), Alastair Robb (DFID), Martin Taylor (DFID) and I represented the UK.

4. Plenary sessions included HIV/AIDS, TB, Malaria, Diseases of Childhood, Partnerships, Improving Access, and Research and Development. The Chair's Agenda for Action included a G8 commitment to 'increasing incentives for the development of international public goods according to the priorities for vaccines, drugs and diagnostics'. The Agenda for Action also committed the G8 to:

- mobilise additional resources;
- improve co-ordination around country-driven policies and strategies;
- build capacity and strengthen national delivery systems;
- challenge the UN to better co-ordinate its agencies around a shared agenda;
- bring existing international initiatives into a partnership framework; and
- assist South-South co-operation.

HIV/AIDS

5. UNAIDS noted that strong political leadership in tackling HIV/AIDS was a common feature in countries where HIV prevalence had been reduced (e.g. Brazil, Thailand and Uganda). Country-led policies and strategies for multi-sectoral action were essential, as was a community-based approach. The response of the international community had been slow and fragmented, and research and development into vaccines and new drugs remained incoherent and underfunded. G8 representatives asked the UN to strengthen and better co-ordinate its role.

6. Developing country representatives agreed that national strategies were essential; applying one global model to all would not work. A community-based approach was important, but the burden of community action and caring fell to women who were already overburdened. The involvement of religious leaders was also important, particularly in changing behaviour. In Thailand, early gains in reducing the prevalence of HIV/AIDS had been undermined by increasing promiscuity among young people, a large migrant population (whose transitory nature sped up the spread of infection and undermined completion of treatment courses), and an economic slowdown. Thailand's experience emphasised the need to remain vigilant and closely monitor behavioural and other changes; success in reducing prevalence had lulled the younger generation into a false sense of security. Brazil had substantially reduced mortality and morbidity through universal antiretroviral therapy; the concomitant reduction in hospitalisation had saved hundreds of millions of dollars.

TB

7. WHO intended to scale-up the DOTS initiative, paying particular attention to ensuring a universal, consistent and uninterrupted supply of high quality TB drugs. Social mobilisation to create awareness of and demand for TB treatment would be a simultaneous priority. Developing country representatives reported a shift in focus to better diagnosis and improving drug delivery by decentralising drug logistics management. G8 representatives noted the need for an outcome focus; better publicising the 'lives saved' from an intervention would help build the constituency necessary to support increased resources.

Malaria

8. WHO faced the challenge of scaling up the Roll Back Malaria (RBM) initiative to increase the coverage for those at risk. The scaling up would also include support for research to develop new technologies and delivery strategies. The focus on country-level,

community responses and outcomes would be intensified, and new partnerships at all levels would be explored. One likely forthcoming technological breakthrough was the 'Olyset' permanently treated bednet.

9. Developing country representatives highlighted the problem of poor diagnostics and an increasing resistance to existing drugs. Many developing countries were mobilising people to raise commitment to RBM and improving monitoring. Increased resources were required.

Diseases of Childhood

10. UNICEF cautioned against diverting health sector resources entirely to tackle HIV/AIDS, TB and malaria; more children in developing countries died from diarrhoea and pneumonia. One final push would eradicate polio, and unless a deliberate effort was made to preserve the comprehensive eradication system it would need to be rebuilt for future eradication programmes. For children, research and development priorities included vaccines for malaria, acute respiratory infections and HIV/AIDS. Improving the delivery of existing vaccines and developing needle-free drugs was important.

11. Save the Children noted that improved health systems would benefit both children and adults. Inadequate attention was given to the recurrent costs of front-line health workers, including their supply, support and salary. Developing country representatives emphasised the lack of support for sick children and orphans.

Partnerships / Improving Access / Research and Development

12. The World Bank called for a comprehensive approach to reducing HIV/AIDS, TB and malaria. Available and affordable drugs were a central part of a comprehensive approach and would be brought about by innovative public/private partnerships involving a mix of push and pull incentives. Public funding would be required to change the risks for private pharmaceutical companies. The regulatory environment would need to change to harmonise the standards for drugs and clinical trials.

13. The EC said tiered or differential pricing was one workable solution, which required a clear commitment by the pharmaceutical industry, and regulatory measures in developed and developing countries to prevent parallel imports. Voluntary licensing and boosting regional/sub-regional production capacity should also be considered. Import tariffs should be abolished and consideration given to compensation for the resulting loss of revenue. Intellectual Property Rights were indispensable for future research and development; technical assistance should be given to developing countries to help implement TRIPS. More detailed technical work was required on the combination of incentives and regulation necessary to increase the contribution of the pharmaceutical industry.

14. IAVI emphasised the need to harmonise standards for drugs and clinical trials; almost a year could be lost while regulatory requirements were fulfilled in new markets/trial locations. IAVI would publish a paper on regulatory harmonisation in February 2000. Better

demand estimates were needed to inform assessment of the case for a Global Purchase Fund.

15. Oxfam said forthcoming legislation to extend patent protection to 20 years would reduce access to essential drugs. Furthermore, developing countries lacked the technical expertise to enact the licensing changes needed to increase access to essential drugs. Voluntary licensing with domestic production of generic drugs was one workable solution, but capacity building would be required. Médecins sans Frontières favoured equity pricing. IFPMA said pharmaceutical companies already subsidised drugs in some countries to make them more affordable. In aiming to increase availability and affordability it was vital to maintain high quality and a plentiful supply. Developing country representatives asked that their key role in clinical trials be adequately compensated.

16. I summarised the scope and timeframe of the PIU Global Health Project. G8 representatives, the EC and multilateral institutions responded positively, were happy to be consulted during the project, and asked to be kept informed of progress. Italy remained receptive to recommendations from the project contributing to the health agenda in Genoa.

Comment

17. The Okinawa Conference was useful in maintaining high-level momentum on action to reduce the prevalence of HIV/AIDS, TB and malaria. It was also a useful opportunity to raise awareness of the PIU project and to appraise stakeholders' views of the gaps in reducing the prevalence of the three diseases.

18. G8 countries, the EC, some developing countries, and international institutions and initiatives were represented at a senior level. NGOs from developed and developing countries were well represented. Plenary session contributions were frequently repetitive and too often restated the problems at the expense of more detailed elaboration of possible solutions. All plenary contributions had to be tabled in advance of the start of each session, thereby precluding any meaningful dialogue between different stakeholders. Nevertheless, as with all such conferences, most important work took place in the margins.

19. G8 countries, the EC and international institutions were seized of the need to capitalise on the window of opportunity opened by the convergence of development, trade and foreign policy agendas. Momentum is gathering from all sides in favour of tiered pricing and, separately, the need for additional resources (as opposed to reallocating existing resources). There was a feeling that some international initiatives (e.g. Roll Back Malaria, GAVI) represented an interim stage reflecting frustrations at the lack of co-ordinated progress by the international community. UN agencies were refreshingly candid that the UN system was not (yet) playing the co-ordinating role required.

20. Although health is on the agenda for the G8 Summit in Genoa next July, people are beginning to look to Canada, as G8 Chair in 2002, to run with the agenda. Italy remains receptive to the PIU project, but is under-resourced and will need assistance to prepare adequately for Genoa. Health is not as high a priority for Italy as it is for Canada, and might

be squeezed by competing priorities within the Italian government. Berlusconi is expected to replace Amato at the Italian elections in April, with uncertain implications for the Genoa agenda (Berlusconi is not a natural advocate of international economic and social issues and is cautious on the globalisation agenda).

Howard Taylor
PIU 13/12/00

R 15/12

From Sir Crispin Tickell GCMG KCVO

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cc. BM
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13 December 2000

F

Dear Jeremy.

Thank you for a nice lunch yesterday. We travelled far and wide in a short space of time.

Here, as promised, is a copy of the speech I made at Chatham House on **Global Environmental Institutions: have we got what we need?** on 8 July last year. It led to the creation of a working group and a report sponsored by the DETR on the same subject. The report was completed a month or so ago, and will be published in summarized form next month. I am sure that Duncan Brack at Chatham House could let you have a copy but if there is any difficulty, please let me know.

On matters nuclear, I chair, as I told you, a Chatham House Advisory Committee on the prospects for civil nuclear energy. We have completed the first analytical stage of our work, and the result will be published in a short book at the beginning of next month. We shall then embark on phase two which is to examine and come forward with possible solutions to the many dilemmas. I will make sure that you get a copy of the little book when it comes out, but in addition I have asked those concerned to prepare a short summary which I will send you after the holidays. I gather there has been a lot of interest in our work, particularly in France and in the European Commission in Brussels. I would be happy to join any meeting you wanted to hold on the subject in the New Year.

You asked if I had any comment on the points raised at your G8 seminar on 24 November. You obviously had an interesting discussion, but I am not sure how the subjects you covered would easily fit into a G8 framework. Water issues are on everyone's agenda (notably since the GEO 2000 Millennium report from UNEP), and there is an enormous apparatus of preparation for the Rio + 10 meetings, which of course include implementation of the 1992 agreements. Technology transfer and resource productivity are a well known quagmire which I would enter with extreme caution. Tourism is another delicate area: tourism has a distressing tendency to kill the goose which lays the golden eggs (indeed I have just published an essay on the subject).

The one topic I thought looked promising was work on the financial institutions. Here the G8 have a particular responsibility as the holders of the money bags. Most would agree that the Bretton Woods institutions need a thorough overhaul to take account of changing international circumstances, and the introduction of sustainability as a guiding concept for development.

I am afraid that this is not very helpful. From my own experience of G8 meetings, some reform is needed there too. The conclusions seem to me far too long and diffuse, and have lost the more intimate political touch which was there at the beginning. I can only wish you the best of British luck.

With all good wishes for Christmas and the New Year with the hope that you can enjoy them,

Crispin Tickell

Royal Institute of International Affairs

Global Environmental Institutions - Have We Got What We Need?

Chatham House, London
8 July 1999

Crispin Tickell

1. We are currently facing pressing global problems, far beyond the ability of any nation state to resolve:

   - the elements forcing change in our societies, represented by human population increase, degradation of the quality of land, the same of water (both fresh and salt), destruction of the diversity of other living organisms, and changes in atmospheric chemistry, leading among other things to climate change;

   - the character of economic and social changes loosely labelled development, and whether all countries of the world should follow - or attempt to follow - the same track;

   - the current polarization of rich and poor, educated and uneducated, both within countries and between them.

   Obviously the level at which environmental issues should be tackled - international, regional, national, local or all of them - depends on each one. Over the next century we can expect a continuation of the trend for decision-making upwards, downwards and sideways away from traditional methodologies.

2. At the same time there are increasing questions about the relationship between not always compatible ideologies:

- a belief in free markets, with a minimum of regulation, and increasing consumption as an end in itself; liberalization of trade as part of this process, often called globalization; with it special measures of protection for foreign investors and investment, particularly in non industrial countries; and a pervading faith in the technological fix;

- protection and conservation of the global environment in all its aspects; and with it respect for the diversities of human culture, all under the banner of sustainable development.

These powerful streams of thought can sometimes flow in different directions, sometimes in parallel, and sometimes in direct conflict with eachother. They appeal to different audiences, they have their own means of expression, and can become mutually incomprehensible. Sometimes one is stronger that the other. But they are united in calling for a global approach, with global rules for the future.

3. Rules governing world trade have a long precedence. The post war General Agreement on Tariffs and Trade, recently succeeded by the World Trade Organization, can well be regarded as the prime engine of globalization. It is designed to commit all countries to participate in the global economy, and to seek redress for disputes on a fair and equal basis, building on the principles on non-discrimination, transparency and consensus. Its aim is to ensure that resources are used efficiently, advances in technology are widely spread, wealth is thereby generated world wide, and improved economic and social conditions follow.

At present there is no specific agreement within the WTO system to deal with the environment, but the environment has not of course been ignored. GATT Article XX contains some specific exemptions, although these have been narrowly construed in dispute settlement panels, and provisions dealing with environmental issues arise here and there in agreements, including Agreements on Agriculture, Subsidies and Countervailing Measures, and Trade Related Aspects of Intellectual Property Rights (TRIPS). In addition since the conclusion of the Uruguay Round agreements, there has been a Committee on Trade and

Environment. It has not so far proved particularly effective, and in particular was unable to produce recommendations for action after the Singapore Ministerial meeting of the WTO in 1998. In March this year two high level symposiums on trade, development and environment took place in which non-governmental organizations played an important role. But the relationship between trade and environment issues remains significantly difficult, with different people speaking a different language on each side, and the potentialities for conflict remain high.

4. On the other side, growth in the environmental institutions since the Stockholm conference on the environment of 1972 has been rapid. The United Nations Environment Programme (UNEP) has a mandate to be the global authority on environmental issues. This was set out in the Nairobi Mandate which was agreed at the UNEP Governing Council in February 1997. Among UN institutions, UNEP is weakened by its independence on voluntary funding. In addition there is a rich variety of Multilateral Environment Agreements, governing such issues as long range boundary pollution, the Law of the Sea, protection of the ozone layer, and since the Rio Conference on Environment and Development of 1992, climate change, biological diversity and desertification, each with its own secretariat. There is also the Global Environment Facility, and the UN Commission on Sustainable Development. It is no wonder that with the dispersal of these organizations to different parts of the world, and their different lines of reference and accountability, there should be fragmentation of the environmental case, confusion is deciding who should be responsible for what, and ineffectiveness in dealing with trade and environment issues.

In May 1998 the new Executive Director of UNEP reported to the UN Secretary General in some despair about the long term prospects. In the discussions which followed, one idea which came forward was for the creation of an Environment Management Group for the United Nations alongside the existing Administrative Committee on Co-ordination. But many believe that on the basis of long experience in UN-institution building, that such a group could not possibly manage the problems of co-ordination, and measures to cope with conflicts which may arise in the future.

The risks of such conflicts are obvious. It can be argued - and has been argued - that such multilateral environmental agreements as the Convention on International Trade in Endangered Species (CITES), the Basel Convention on export of hazardous wastes, and the Montreal Protocol on ozone depletion, are obstacles to trade. Problems over legislation governing eco-labelling are likewise unresolved. The WTO has never set out to be the forum to set standards for environmental protection or develop environmental agreements. The issue is whether WTO rules cut across environmental standard or agreements.

A recent WTO ruling on shrimp and turtles brought out the issues very clearly. The WTO ruled that a US law prohibiting the import of shrimp caught in nets that could entrap sea turtles was a barrier to trade. On this ruling the United States should import shrimp regardless of whether the harvesting methods endangered sea turtles, or face large fines. This judgement was more or less reversed on appeal. The Appellate Body took the opportunity to say

> "... we have not decided that the protection and preservation of the environment is of no significance to members of the WTO. Clearly it is. We have not decided that the sovereign nations that are members of the WTO cannot adopt effective measures to protect endangered species such as sea turtles. Clearly they can and should. And we have not decided that sovereign states should not act together bilaterally, plurilaterally or multilaterally, either within the WTO or in other international for a, to protect endangered species or to otherwise protect the environment. Clearly they should and do."

Nevertheless there are other rulings which can be held to sacrifice national legislation or consumer wishes to the demands of the global market. Europeans are legally required to import US hormone treated beef, Americans must buy tuna from Mexico which uses methods which endanger dolphins, and the US Environmental Protection Agency has had to lower air quality standards to allow imports of reconstituted petrol. Long vistas of argument are now opening up on trade involving genetically modified organisms. So far the exceptions allowed under Article

XX of the GATT regarding "measures necessary to protect human, animal or plant life or health" have been minimal.

5. So much for the moment for trade and the environment. I now turn to recent negotiations for a Multilateral Agreement on Investment. By now the importance of the environment component was better recongnized, except perhaps by some of the negotiators concerned. The whole inglorious episode represents a model of what should not have happened.

- There seems to have been a surreptitious attempt by trade specialists in member governments, egged on by certain multinational companies, to produce an agreement among investing states which would among other things have overridden the sovereignty of recipient states by removing any discrimination they might have wished to exercise against foreign investors, and imposing heavy penalties on any who dared to do so.

- In these negotiations wider economic, social and environmental considerations were virtually ignored, and no proper notice was taken of multilateral environmental agreements with their implementing regulations.

- The Environmental Audit Committee of the House of Commons has produced a detailed analysis of what happened. I commend it to your attention. From personal experience I know that key officials in Whitehall departments other than the Department of Trade and Industry, were virtually unaware of what was going on. The British did not play a heroic role. From the beginning they acquiesced in far too much, and it was the French who in the general interest eventually torpedoed the negotiations.

- The issue is not as dead as it looks. According to rumour, there are likely to be efforts to resurrect it before too long.

If so negotiations should start on a very different basis.

6. What then should be done? It is clear to the least observer that the current international arrangements for dealing with global issues are not only defective but seriously lopsided. Indeed at present they can make the problems worse rather than better. Preparations are now under way for a new Millennium Round of trade negotiations and for an Earth Summit + 10 conference to be held in 2002. Assessment of the state and effectiveness of international environmental institutions is particularly timely and will intensify.

I referred earlier to two broad streams of thought, and the differences between them. One fundamental difference arises from the value we place on the environment. I do not think that anyone will contest a recent remark by a US official that "the economy is a wholly owned subsidiary of the environment". In short without a healthy environment, there can be no healthy economy. But there is a real difficulty on how to assess health. The ideologues of free trade like to suggest the price mechanism. But as another distinguished American once remarked: "Markets are superb at setting prices, but incapable of recognizing costs". Prices are indicators. But we have to make sure that they tell the truth about costs. A pricing system should include not only the traditional costs, but also that involved in replacing the resource, and that of the damage that use of the resource may do.

A good example is coal. Current prices do not take account to the individual or to society which is caused by burning it. As the Foreign Secretary recently remarked, "economists have long recognized that markets do not function effectively when hidden costs are not taken into account". In short we have to apply such considerations as the precautionary principle, the polluter pays principle, and the principle that environmental considerations should be at the heart of decision making of all kinds. In this perspective valuation of the environment in a market or any other form of valuation is not only immensely difficult but in many cases impossible. In working for a system in which trade, investment

and environment can come together, we have to establish a different system of priorities, and see the different elements in relation to eachother.

I add that we also need a new vocabulary of discourse, in which we can get away from much current, thoroughly misleading economic jargon. A good example is the use of GNP and GDP as measurements of prosperity, and the constant demands for economic growth on current fashionable definitions.

We are not short of prescriptions for what might be done. Let me try and categorize them:

- some think that we should simply try and muddle through, and hope that conflicts and interest can be resolved on an ad hoc basis. As the various multilateral environmental organizations, including UNEP, the World Bank, and the Global Environment Facility, adopt tougher and better coordinated policies on the environment, so will be easier to reach compromises. There is certainly a case for upgrading UNEP. That seems to be the wish of the UN General Assembly. But without radical change in the financing of UNEP, and giving it pride of place among the other multilateral environmental organizations, it seems hard to believe that a greatly strengthened UNEP could easily be achieved.

- There are others who believe, not least in Whitehall, that the best tactic is to bring about change within the WTO, and in particular to give its Trade and Environment Committee real powers. One of the stated aims of the WTO is "the optimal use of the world's resources in accordance with the principles of sustainable development, seeking both to protect and preserve the environment, and to enhance the

means of doing so". On this hypothesis the best opportunity is to make the environment a major theme of the projected Millennium Round.

- Some, including me, think that neither palliative is enough. At the special meeting of the UN General Assembly of 1997, Chancellor Kohl of Germany, with the other heads of Government of Brazil, South Africa and Singapore, proposed the creation of what would amount to World Environment Organization, and since then President Chirac has expressed similar views. The outgoing Director General is of the same mind. In a speech of 15 March, he said that "if we want to strengthen the bridge between trade and the environment then this bridge needs two pillars". Having described the particular character of the WTO, he said that "we need a similar multilateral rules-based system for the environment - a World Environment Organization to also be the institutional and legal counterpart to the World Trade Organization".

- There is a penalty for failure. If new arrangements are not made, the strains on the WTO could seriously damage the WTO itself. The most obvious threat comes in relation to genetically modified organisms. If the United States decides to ignore the widespread alarm and scepticism about GMOs in Europe and elsewhere, and to make heavy handed use of WTO procedures, it will have only itself to blame if the instrument breaks in its hands. Organizations with rules that become discredited soon fall apart.

- The British Government has said that it is willing to consider all proposals which will strengthen environmental interests at the multilateral level. It has emphasized that it can be very time-consuming to secure institutional change in the UN system and that institutional reform can divert attention from other current issues.

It is true that the creation of any new international institution would take much time and trouble. But the need for some over-arching institution is, in my view, clear and unequivocal. A UNEP with a new name, new mandate and proper financial support might be able to do the job. But it would be encumbered by its past, and it might be better to start again on the lines recommended by so many leading people, including the Director General of the WTO. Beneath a World Environmental Organization could come the family of multilateral environmental institutions, and it could have a special relationship with such other bodies as the World Bank and the Global Environment Facility. It would eliminate much over-lapping, and probably save a lot of money. At least the idea should now be vigorously pursued.

We should not forget multinational corporations, which will be at the centre of globalization in the coming century. Their role will be important in finding solutions to environmental problems, particularly those which are most difficult to resolve politically. Above all they will want clear ground rules which are universally applicable. They will also want general economic stability. Such stability may be unattainable if current polarization between rich and poor continues to get worse. But at least a better balance between commercial and environmental requirements would help in managing problems which risk getting out of control.

8. Effective governance of the global environment will require a variety of approaches. The Foreign Secretary spoke of some of them earlier this year:

- we need to make sure that the lending policies of institutions like the IMF and the World Bank have a positive and not a negative impact on the environment

- non governmental organizations and the public can have a huge impact on the way in which we look after the

environment. To do this they need access to the facts and full transparency

- all international bodies, including the WTO should conduct full assessments of the impact their activities have on the environment, and open up their workings

- when institutions take decisions that have environmental consequences, they need to make sure that those who are affected by those decisions can hold them to account.

Other actions include:

- reforming or rebuilding international institutions

- creating conventions with more power

- involving multinational corporations in achieving the goals of sustainable development

- assigning proper values to the environment

- using economic instruments such as incentives and disincentives; and the removal of trade restrictions and distortions

9. I believe that the problems I have touched on - no more than touched on - will feature increasingly in public debate. If the next century is to be, as many believe, the Century of the Environment, then we need to get on as soon as possible with the establishment of the necessary institutions, and so begin that redirection of our society which I believe to be urgently necessary. So in answer to the question: "Global environmental institutions - have we got what we need?", the answer is No. Not yet.

European Bank
for Reconstruction and Development

Jean Lemierre
President

Mr Yoshiji Nogami
Deputy Minister for Foreign Affairs
Ministry of Foreign Affairs
2-2-1 Kasumigaseki
Chiyoda-ku, Tokyo 100-8940
JAPAN

14 December 2000

Dear Mr Nogami,

At the Okinawa Summit the G-8 agreed to finalise a project that should help Russia to get rid of weapons-grade plutonium from its warheads. I have been informed about first unofficial exploratory contacts with the Bank in order to find an international agency to handle this project.

While I am fully aware of the very high importance of this project for the international community, I can see a number of concerns from the Bank's side. Some of them have been presented in these exploratory contacts by Vice President Joachim Jahnke.

Therefore, it will be essential from my perspective, to have serious talks between the Bank and the G-8 before the Bank is approached in any official way.

In view of the importance of this issue for the Bank, I am sending copies of my letter to your colleagues.

Yours sincerely,

Lemierre

One Exchange Square, London EC2A 2JN, United Kingdom
Tel: +44 20 7338 6258 Fax: +44 20 7338 6112

15-DEC.'00(FRI) 12:54 EBRD PRESIDENTS OFCE FAX:44 207 338 6112 P.002

cc: Mr Gaetan Lavertu, Under Secretary of State for External Affairs, Canada
Mr Armando Varricchio, Cabinet of Mr Prodi, European Union
Mr Jean-Marc Rochereau de la Sablière, Conseiller diplomatique du Président de la Republique, France
Dr. Alfred Tacke, Personal Representative of the Federal Chancellor for World Economic Summit, Germany
Mr Francesco Olivieri, Ministro Plenipotenziario, Italy
Mr Jeremy Heywood, Principal Private Secretary to the Prime Minister, UK
Ms Lael Brainerd, Deputy National Economic Advisor, USA

FAXED 15 DEC 2000

Rec 16/12
Ack by fax

European Bank
for Reconstruction and Development

Jean Lemierre
President

Mr Yoshiji Nogami
Deputy Minister for Foreign Affairs
Ministry of Foreign Affairs
2-2-1 Kasumigaseki
Chiyoda-ku, Tokyo 100-8940
JAPAN

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Yours sincerely,

Lemierre

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Tel: +44 20 7338 6258 Fax: +44 20 7338 6112

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Mr Francesco Olivieri, Ministro Plenipotenziario, Italy
Mr Jeremy Heywood, Principal Private Secretary to the Prime Minister, UK
Ms Lael Brainerd, Deputy National Economic Advisor, USA

441712706503

(F)

cc HS
BM
JPB.

cc Jeremy Heywood No 10.

cc: AW

I accept the logic of the arguments but I suspect you share my reluctance to let the Germans off the hook after all the grief they have caused us on this. I'm trying to get hold of the French who, on this letter notes, are most likely to support us in pushing Germans to honour Gretschmann's commitment.

If France doesn't support them perhaps we should back down + try to extract something else from Tarte instead.

Do you agree.

James Kariuki
FCO
29/12

James Kariuki
FCO

Department of Trade and Industry
V 129
1 Victoria Street
London
SW1H 0ET

Enquiries 0207 215 5000

Direct line 020 7215 0282
Local fax 020 7215 2845
Internet roy.collins@dti.gsi.gov.uk
Your ref
Date ~~12 December~~ 2000

URL http://www.dti.gov.uk/
Telex 8813148 DIHQ G
Minicom 0207 215 6740

FAXED
JK 1.1.0

I agree that there is no point in pursuing this unless the French strongly support.

G7/G8 SHERPA ~~MEETING~~: 2-3 DECEMBER

A response to some of the nuclear safety points in Jeremy Heywood's account of the 2-3 December Sherpa meeting in Kyoto.

Ukraine - German contribution in place of export credits for K2/R4

I think it likely that Jeremy Heywood is correct in suspecting that the Germans are trying to wriggle out of an earlier commitment to provide additional financial support to Ukraine in place of export credits for K2/R4.

You may recall that our German NSWG contacts told us informally at the time that Gretschmann was never briefed to offer an alternative German financial contribution and this this offer created considerable internal difficulties when Gretschmann returned to Berlin. Ever since then the Germans have sought to gradually downplayed this. They have certainly not made firm promises of specific assistance at NSWG level.

While it is true that the Germans have repeatedly offered Ukraine help with non-nuclear energy sector investments, firstly as alternatives to K2/R4, and more recently as additional assistance, as far as we can tell (we are checking with the Embassy in Berlin if there is any recent additional information) these discussions have never got very far - at NSWG level the Ukrainians have tended

to take the line that what they want is K2/R4 and that discussion of non-nuclear investments is a distraction from the main issue.

My own view is that it is now going to be pretty hard to get the Germans to make an additional financial contribution - given that the K2/R4 loan has been approved and we are now reasonably confident Chernobyl will close permanently on 15 December. If the lack of German export credit had been the thing which prevented K2/R4 going ahead we would be in a very strong position to press the Germans for further contributions. But it has not (in part we have been rescued by the Framatome/Siemens merger, which means that the nuclear arm of Siemens is, strictly speaking, no longer a specifically German company, and that Siemens supplies are therefore potentially eligible for French export credits!). Bear in mind also that the Germans now have G7 company in the Italians (who have rather more quietly moved from supporting K2/R4 to abstention). I do not think that many others in G7 would be very likely to join us in pressing this point - possibly we would have limited French support.. If there are areas over the coming months where the G7 is pressed to provide additional assistance there may be scope to look to the Germans to take the lead, but, beyond this, I fear we will probably have to let this drop.

I am sorry if this sounds defeatist but, assuming successful closure on 15 December, I believe Jeremy Heywood would probably be fairly isolated if he sought to pursue this much further. Our achievement with the Germans on K2/R4 has been to get them to a point of neutrality rather than opposition. This is I think in itself quite a significant achievement and has been an important factor in allowing the loan to get through the EBRD Board.

Russia

First of all, I have seen Nogami's draft letter to the Russian Sherpa and have no comments on it. It accurately sums up G7 concerns.

If I had one quibble on the letter - and it is only a quibble but one with a more general point of relevance to the recent dicussions in Kyoto - it would be that in our general approach to the Russians on this issue it probably makes sense to begin to move some of the focus away from talking about "compliance with the Nuclear Safety Account" - which tends to sound technical and complex - and on to a more simple statement, easily understood by non-experts, that we remain concerned about Russia's overall approach to nuclear safety. The two in fact amount to pretty much the same thing but there are arguments for the change of emphasis.

Firstly, at NSWG level we have been telling the Russians for at least the last year and a half that they have not been complying with the NSA. It is a tired argument - and at NSWG level at least, where our Russian interlocutors are Minatom - discussion is basically dead. No further meetings with the Russians at NSWG level are presently planned. Fundamentally, Minatom is not interested in compliance with the NSA and, as our recent briefing indicated, is now pushing Russia's approach to nuclear safety in a direction which is thoroughly at odds with that of the G7.

If we are to make any progress with the Russians on this issue we therefore need to try and move the argument away from Minatom, and on to a higher political level, where our very basic arguments - you ought to have a strong independent regulator - you surely cannot run your Chernobyl type reactors forever - have a chance of hitting home.

The proposed Nogami letter to the Russian Sherpa is a good opening step on this issue, since it will engage the Russians at a non-Minatom level. Illarionov's comments in Kyoto that "he was on the case" also suggest that there is a recognition within the Russian Government that that the Minatom proposed changes to nuclear safety regulation in Russia may not be completely desirable. In terms of our overall strategy, I think it makes sense to continue to raise this with the Russians at a senior and Ministerial level. The suggestion of a new high level group may have some merit but I think further discussion and a Russian response to Nogami's letter is required. There is no point in creating a new group unless the Russians indicate some flexibility in their position and a willingness to seriously engage with the G7 on this issue.

I hope these thoughts are helpful. Please let me know if anything more is required.

I am copying this letter to Steve Fisher and Owen Jenkins in FCO and to Ian Downing and Patricia Norton here.

Roy Collins

Sherpa Pt 35
Summitry.

Annex(i) Meeting with Andrei Illarionov - brief

niceday

No.181088 Red
No.181126 Blue
No.181164 Green
No.181203 Yellow
No.181242 Pink
No.181089 Buff
No.181127 Orange
No.181165 Assorted

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Plutonium Disposition

Aviation

Kyoto Sherpa Record

FOREIGN & COMMONWEALTH OFFICE

London, King Charles Street

SW1A 2AH

Fax Cover Sheet

Tel: 0207 270 2571
Fax: 0207 270 2266

To.....: **Andrei Illarionov Esq, Langorf Hotel** (0207 794 4483)

Fax Number.....: **0207 435 9055**

From.....: **James Kariuki, Head of UK Summit Team**

Date.....: **08/01/01**

Pages (including cover) .....: **1**

G8: Your calls in London: Wednesday 10 January

We spoke earlier. These are the calls I've arranged for you:

1130 Sir John Vereker, Permanent Secretary
Department for International Development (DFID)
94 Victoria Street
London SW1E 5JL

CANCELLED

Subject: Economic Developments in Russia/UK-Russia bilateral cooperation

(DFID is close to Victoria Station on Victoria Street. If you go to the reception and ask for Sir John Vereker, someone will come and pick you up. They will then deliver you to 10 Downing Street for lunch. It is about 10-15 minutes by foot or by car, depending on the weather!)

1230 Lunch with Jeremy Heywood, 10 Downing Street
(you will then be accompanied to HM Treasury – 5 minutes walk)

1345/1400 Jon Cunliffe, Deputy Director International Finance (Finance Sous-Sherpa)
HM Treasury

You should be finished by 1430. I'll let you know by phone or fax tomorrow that the first appointment has been confirmed. Please call me (or Deborah Mantle on 0207 270 4288) if you have any questions – or if you decide to bring a Russian Embassy colleague with you.

Signed: .....

COVERING BRIEF

Jeremy Heywood

YOUR LUNCH WITH ILLARIONOV: 10 JANUARY

1. This will be a chance to touch base with Andrei while he is in London on a private visit (his wife is giving birth here); review G7/Russia and UK/Russia Economic themes; and look ahead to the Italian Presidency. Your brief contains (mostly) one-pagers on the issues you asked for and one or two others. Andrei will be seeing Sir John Vereker before you and Jon Cunliffe immediately after. Other government departments (eg DETR, DTI) stand ready to follow up any of the issues (eg Climate Change/Nuclear Safety/WTO accession) later in the week if Andrei wishes, or if he is back in London over the next few weeks (Deborah can arrange – I'm in Paris until Thursday for the renewable energy meeting).

2. Attached to this minute are a couple of letters from Moscow, including the Ambassador's last meeting with Andrei in December. The recent hawkish line taken by Putin and Kasyanov on debt (see attached FT leader on debt), both privately (Putin-PM/Kasyanov-Chancellor) and in public, may be evidence that Andrei's influence in this area of policy is waning (compared with the low key approach he appeared to convince Putin to take at Okinawa). However, it may be too soon to conclude this since Putin gave full support to Illarionov's stance in December that Russia should pay promptly and in full. Schroeder appears to have taken the inevitable hard-line on debt this weekend. There has been some progress in the economic area (including on reform and the approval of a sensible 2001 budget), and a political commitment to advancing WTO negotiations. Sir John Vereker will have told Andrei of DFID's willingness to commit resources to help these reforms – including WTO entry – but that Russia will also have to continue to take tough decisions to keep on track. Russia will also need to understand the obligations of WTO membership. Across the rest of the policy spectrum, we and other G8 partners have been disappointed by the gap between Russian promises and actions (the Nuclear Safety issue is a good example). The new administration in Washington appears to be even less impressed by Putin than the last. Unaccompanied by Embassy officials, Andrei may give you a fairly frank account of the balance of power in Moscow.

3. On other G7/8 issues – there are some signs of progress on the FATF requirements – but plenty more to do; on Nuclear Safety Andrei should be preparing his response to Nogami's letter following the discussion at Kyoto; on Climate Change – you may wish to remind him that the PM raised the 'Green Fund' idea with Putin/Kasyanov. This is the kind of issue in which we expect a full member of the G8 to playing a leading role (NB Putin raised the 2003 Presidency in Canada last month; Chretien responded on standard 'Heywood' lines). On Plutonium, Andrei may have views on the potential role of the EBRD in the financing plan – subject of a recent exchange between Nogami and Lemierre, and quite likely to come up at your next meeting. And on Aviation, the EC have pulled the plug on the project in the face of Russian unwillingness to negotiate.

James Kariuki
EcPol

9 January

James Kariuki
EcPol
30 November 2000

RESTRICTED

pm Russia 2001

Bring up 8 Jan, 2001

) cc: Jeremy Heywood, No 10

Good to see Illarionov sticking to the UK line! We'll work on the London meeting. But if he really plans to be out for much of Feb + March his usefulness as Sherpa may suffer.

From: Tom Drew DM 21/12
Date: 17 December 2000

cc: Simon Smith
Tony Crombie
Jeremy Heywood, No 10
John Sawers, No 10
Anne Pringle, Eastern Dpt
Ananda Guha, EcPol
Andrew Crook, HMT

2) Colin Budd
HS
AG
HMA [redacted]
Rosemary Thomas, Eastern.

Illarionov won the battle with Kasyanov pre-Okinawa: Putin didn't raise debt. But since then Kasyanov hit back with the Putin-PM note. A battle to watch — but by no means clear that Putin's mind is made up. James Hankin EcPol 19/12.

RUSSIAN ECONOMY: YOUR CALL ON ILLARIONOV

> contact Russians idc new Illarionov's new plans.

1. You called on Andrei Illarionov, the President's Economic Adviser and G8 Sherpa, on 15 December to hear his assessment of the current state of the economy:

2. Illarionov agreed with your concern that the window of opportunity for Russia to carry out essential structural reforms was limited and that Russia was in danger of being too slow. He also made the following specific points.

Illarionov - Heywood Lunch No 10 + CBI's Success + Jon Cunliffe

a. **Debt:** he (understandably) declined to comment on the arguments for debt relief put forward by Kasyanov to the PM and contained in the letter handed over by Putin (which Illarionov had not read). But he rehearsed at length his views on why he believed Russia should pay its debts in full.

- it was a basis of civilised society that people honoured their debts

- it was not true that Russia could not pay because it had no money: on the basis of the trade balance, currency reserve growth and current account, Russia ranked only 110th in the world of all countries deserving relief;

- even on budgetary grounds, Russia's situation was not bad by international standards: 35th in the world in terms of foreign debt servicing to GDP and in the 70s for debt servicing to government (including regional) revenues;

- debt rescheduling cost Russia more in interest charges;

This line straight out of Heywood/Illarionov

- Russia could not ask G7 members for debt relief and expect to be treated as a full member of the G8. It was more in Russia's advantage to become a full member;

- debt repayment was now a particularly useful tool to sterilise the inflationary effects of the large inflows of capital resulting from high oil prices, without causing the currency to appreciate.

b. **Prospects for growth:** he refused to be drawn on what would be Russia's growth industries in the future. You handed him a paper on the growth of the hi-tech sector in India.

c. **The banking and financial sector:** explaining that his views were unconventional, Illarionov said that he disagreed with the CBR's view that there was no problem with the banking sector, but also disagreed on the World Bank's legislative approach to the problem. (The main legislative problem was the lack of distinction between savings banks and the more risky investment banks). The fundamental problem was that the banking sector was ineffective due to the lack of competition from foreign banks. The banking sector was in an artificial greenhouse, subsidised by other sectors of the economy.

3. Illarionov agreed to speak to the alumni on 18 January. (Katya Kapralova has confirmed that this suits the Council. You agreed to confirm the date with Illarionov.)

4. You explained that the Kremlin's decision that Putin would not receive the businessmen due to visit Moscow with the PM had caused some puzzlement in No10. Illarionov apologised profusely, adding that he had known about the proposal and that the problem had not arisen because of anything we had done, but he said he could comment no further.

5. Illarionov will be in London for much of February and March, where his (American) wife is due to give birth. He hopes to see Jeremy Heywood.

COMMENT

6. Illarionov was his controversial self, stopping only at directly disagreeing with Kasyanov and Putin's line with the Prime Minister on debt. Used sparingly, his gadfly role warning on and criticising aspects of government policy can act as a useful authoritative counterbalance. His not having seen Putin's note on debt may, however, indicate an attempt to keep him out of the loop in an area where his views are most strongly out of line (although Putin has himself made noises recently about the need for Russia to pay its debt). But his views on other macro-economic issues, such as the dangers of inflation have more resonance.

Tom Drew
Economic Section
Moscow

E-mail: thomas.drew@moscow.mail.fco.gov.uk

RESTRICTED

cc HS
DM - to add to Illarionov papers. PLS
JPB also dij at (X).
Paul Renkin, HMT
Mike Green, DfID JK 8/1

British Embassy
Moscow

Economic Section
10 Smolenskaya Naberezhnaya
Moscow 121099

Telephone: 956 7338
Facsimile: 956 7201

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thomas.drew@moscow.mail.fco.gov.uk

07 January 2001

James Kariuki
EcPol
FCO

Dear James,

VISIT OF RUSSIAN SHERPA ILLARIONOV TO LONDON, 8-12 JANUARY

1. Thank you for your fax of 5 January. Russia has yet to emerge from the holiday season, so there is little to add to our record of HMA's meeting with Illarionov last month.

2. Domestically, Illarionov caused a stir in December with his criticism of the Government and Chubais' plans for restructuring the electricity monopoly RAO UES. This saw him sided even against the liberals in Government, such as Finance Minister Kudrin. It is not clear whether he had the full support of Putin for this, as he claimed, or not, but his influence was nevertheless strong enough for a final decision on the details to be postponed. Richard Crowder's teleletter of 20 December gives details, but I doubt this is a subject which will come up with Heywood.

3. On debt, you will have seen the reports that Russia does not intend to make its repayments to the Paris Club in the first quarter of 2001, while it is in negotiations on restructuring. (4 January's FT carries a report). This is not a great surprise and carries the hallmarks of the aggressive approach to debt talks favoured by Kasyanov. It is important to note that Russia has not said it will not pay if restructuring talks fail. Indeed Gref and Putin last year both said that Russia would pay if it had to. The next developments to watch for are Putin's meetings with Schroeder this weekend and the next IMF mission towards the end of this month. Given Illarionov's personal views on debt (my note of 17 December), it is unlikely that he will have much to add, but it is nevertheless worth sounding him out on the subject.

✓ (X) —

4. Simon Evans (1st Sec, Science and Technology) has been in

touch separately with his departments on nuclear and environmental issues. They will be in touch with you directly.

5. Monday 8 January is a public holiday in Moscow, but do call me at home (00 7 095 956 2355), if you need.

With best wishes,

Tom

Tom Drew

cc: Ananda Guha, EcPol
Owen Jenkins, Eastern Dept
Nigel Gould-Davies, RA/ERG
Andrew Crook, HMT

Deborah Mantle

From: Jeremy Pilmorebedford
Sent: Tuesday, January 09, 2001 2:23 PM
To: Deborah Mantle
Subject: FW: FT Leader on Russian Debt

-----Original Message-----
From: Jeremy Pilmorebedford
Sent: Tuesday, January 09, 2001 10:20 AM
To: Thomas Drew
Cc: James Kariuki; Owen Jenkins
Subject: FT Leader on Russian Debt

Editorial comment: Talk tough on Russian debt
Published: January 8 2001 19:57GMT | Last Updated: January 8 2001 20:00GMT

Russia is heading for dangerous waters in its prolonged talks over debt rescheduling with western governments. After months of sniping from both sides, tempers have flared following threats of default from Moscow. This will do little good.

Russia needs close relations with its creditors in future, even if it feels it can ignore them in its current economic upswing. For the west, agreement is less pressing. Even a comprehensive default, which seems unlikely, would hardly break the bank. But a failure in talks would cast a shadow over all kinds of co-operation.

Russia last year secured a generous deal from the London Club of private sector lenders, which wrote off two-thirds of $32bn in debt. The Kremlin wants similar terms from the Paris Club of sovereign lenders on a further $48bn, most of it dating back to the Soviet era. Germany, which is owed 40 per cent of the total, has refused to countenance reductions of this order.

The Kremlin last week raised the stakes by appearing to delay repayment of DM10m ($4.9m) to Germany and dropping hints of defaults on other debts. During a weekend visit to Moscow Gerhard Schroder, the German chancellor, rightly warned Vladimir Putin, the Russian president, against this aggressive approach.

With a record $60bn trade surplus last year, Russia could comfortably pay in full this year's Paris Club obligations of about $3.4bn. But Moscow is unwisely trying to use its current oil-financed economic recovery to cock a snook at the west. As well as attempting to extract generous terms from the Paris Club it is arguing over an agreement with the International Monetary Fund over future financing and economic reforms.

Moscow is in danger of overplaying its hand. Even if it feels today that it needs no external financial aid, the outlook could change rapidly. Also, Russia's economic future cannot be secured without consistent reforms to promote private sector investment in its decrepit industries. Such reforms are better implemented with supportive creditors than without.

For the west, there is no hurry. The 1990s showed that pouring money into Russia without strict conditionality was a waste. Mr Schroder and other western leaders should not be pushed into premature deals.

However, the west should show some flexibility. Swapping debt for Russian industrial assets, as Moscow has suggested, is a serious possibility. Another is balancing tough talk on debt with generous offers of aid for other western aims such as nuclear decommissioning, demobilisation of soldiers and military withdrawals from countries such as Georgia. A breakdown in debt talks would make discussion of these sensitive issues all the

more difficult.

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POLITICAL/ BILATERAL

VISIT OF RUSSIAN SHERPA ILLARIONOV: 10 JANUARY 2001

Bilateral Issues

1. 2000 was a busy year for bilateral relations; the Prime Minister visited Russia twice and President Putin, Prime Minister Kasyanov and Defence Minister Sergeyev all made visits to the UK. The records of the Prime Minister's November visit to Moscow are attached. Putin and Kasyanov raised debt and aviation issues. There have been letters to both answering the queries they raised. These issues are covered in separate briefs. When Kasyanov visited the UK in September he raised four queries on IPPAs, debt, OECD credit rating and EIB loans. Our position on these issues are set out in an FCO/No 10 letter of ...

A

B

References

A - Records of talks during the Prime Minister's visit to Moscow, 20-21 November.

B - FCO letter to No10 about issues raised during Kasyanov's September visit.

1 28846 100.
Eastern Dept (ST) (A)
(Top Copy).

10 DOWNING STREET
LONDON SW1A 2AA

ESB 026/006/00

From the Private Secretary

21 November 2000

TS 22/1

Dear Richard,

PRIME MINISTER'S VISIT TO MOSCOW: 20-21 NOVEMBER
TALKS WITH PRESIDENT PUTIN

The Prime Minister spent some 6 hours with President Putin during his brief visit to Moscow. They had a dinner with just interpreters present (on which I shall do a separate note, drawing on Tony Bishop's read-out); 90 minutes in restricted session in which they discussed Iran, Chechnya, terrorism, foreign policy generally, NATO and European defence and the Balkans. With delegations present and over lunch they touched on the MEPP, Kyoto implementation, economic reform, WTO membership and bilateral business links. This letter covers the main foreign policy issues.

Iran

Putin began the restricted session by raising Iran. In 1995, the US and Russia had concluded an aide memoire restricting arms sales to Iran. The document was strictly confidential, but Clinton's opponents had published it during the election period (presumably in 1996). This had damaged Russia, as it had looked as if they were constraining trade with one of its main customers without telling them. So they had been forced to say that they would withdraw from the agreement. But Russia had no interest in pouring weapons into Iran, in particular not sensitive weapons. He wanted to inform the Prime Minister that he had, yesterday, instructed the Foreign Ministry to enter confidential discussions on cooperation on sensitive issues. (I was not clear who with or on what.)

The Prime Minister said Iran was an example of the West's approach to foreign policy now being based on an overwhelming desire for stability, rather than pursuing influence. The West wanted Iran to pursue steady secular change, with Khatami and his supporters bringing Iran into the 21st century. We still had

concerns on Iran, the role of the extremists there and their determination to develop nuclear weapons. None of that would be in Russia's interest, indeed it posed a real threat to Russia.

Chechnya, terrorism, arms and drugs

Putin said Russian forces were gradually getting the situation under control, though not without difficulty. They were working with the local population, but there were attacks every week against local administrators and Imams. Once the terrorism stopped, which he hoped would be in the next six months, they would arrange elections in Chechnya. Maskhadov's term of office expired in January and at that time his legitimacy would cease.

Putin expressed concern about the activities of the Chechen information centre in London. The Prime Minister said legislation was now going through Parliament to allow us to take action against Islamic extremism in London. The law had previously been insufficient: we had even had the absurd situation of terrorist groups acting against British targets abroad, operating out of London. Putin laughed in disbelief. He thought we had passed anti-terrorist legislation last summer to deal with this. The Prime Minister assured him that the present law went further.

Putin did his usual number on his fears of an Islamic international terrorist network involved with arms smuggling and drugs trafficking. He mentioned the recent attack on the SIS HQ. These people were using democracy to destroy it. The Prime Minister said he too was concerned by the close links between terrorist groups. He was also worried about Afghanistan, where some 90 per cent of the hard drugs coming to the UK originated. Putin said he knew that, and an increasing amount of the drugs came through Central Asia and Russia. The issue had been raised at the EU-Russia Summit and he wanted to cooperate with Europe and with the system of police cooperation we were evolving to tackle it.

Foreign policy, NMD, NATO and European defence

The Prime Minister emphasised that the driving issue of Western foreign policy now was to ensure stability. We were not competing for spheres of influence, but had to deal with threats to stability wherever they arose. Countries like Britain had to provide for their own defence. But we were much more likely to use our armed forces in cooperation with others to ensure stability beyond our borders. Where NATO acted, we had to make sure it did so effectively. If the

US did not want to be involved, then we needed to enable the EU to step in. That was what the European Defence Initiative was about - making sure Europe had the capability to act on occasions where NATO as a whole was not engaged. We were also working to improve the UN's effectiveness where it intervened; Sierra Leone was an example of a threat to West African stability. Overall, our aim was to ensure that whenever we intervened to enforce stability, we did so with maximum effectiveness. We were modernising Britain's armed forces, filling gaps needed by our services to carry out this role, alongside forces of other nations.

He stressed that this was a strategic shift in the West. Our dealings with Iran and Iraq were examples of this. (Iraq had been discussed the previous evening. Putin had been initially sceptical about UK/US policy towards Iraq, but when the Prime Minister explained that it was about dealing firmly with the threat to Gulf stability which we believed Saddam posed, Putin had become quite enthusiastic!)

The Prime Minister applied the same logic to NMD, which he said was causing difficulties for relations between Russia, the US and Europe. The Americans were motivated by the threat to stability from North Korea. But the progress made in Korea at the political level changed the nature of the argument. The more that change could be pushed forward to open up North Korea the more reassured we would all feel. This would have an effect on the NMD debate.

In this exchange, the Prime Minister gently encouraged Putin to see NATO as a partner and not as a threat. Putin commented that he did not like NATO's Eastward enlargement. But he did not want to be viewed as anti-NATO, and he would not try to slow down the process. More generally, he responded positively to the Prime Minister's pitch on stability, saying that he thought it was correct and was a good framework for Russia's relations with the UK, the EU and the US. (Later, over lunch, Foreign Minister Ivanov said that Russia was following the debate on European defence with interest. They did not want to become involved now, but once the issues had been concluded at Nice, Russia would want to work with the EU on defence. The Prime Minister said that would be helpful.)

Balkans

The Prime Minister used the same approach to introduce discussion of the Balkans. Our concern was to provide a framework of stability for Balkan

countries and an opportunity for their economies to recover. With Milosevic gone, the situation was transformed, and our focus would be as much on preventing ethnic Albanians causing problems as Serbs.

Putin gave a long account of his views, which he stressed were his own and not based on a Foreign Ministry brief. His starting point was the need to ensure stability and territorial integrity of the FRY. He had talked to Chirac, but had detected some nuances. Chirac had said that if the Kosovar Albanians did not want to live in a united Yugoslavia, then it was hard to make them. Chirac had also said that he was not sure what to do about the French troops in Kosovo. Putin was worried by all this: his experience from Chechnya was that it was better to deal with this sort of problem within the framework of a bigger country, in Kosovo's case the FRY. A line had to be drawn, a barrier erected. If Kosovo's claim to independence was recognised, they would try to expand their influence and cause problems beyond their borders. He had asked Chirac why the KLA had not been disarmed, pursuant to UN Resolutions. Chirac said it had been the US, not France which had armed the Kosovars and it was not now possible to disarm them.

Putin was also concerned about Montenegrin independence. The population was only 600,000, 15 per cent Moslem. The introduction of the deutchmark was a clear step towards independence. He had kept telling Djukanovic that the international community would not recognise an independent Montenegro: it would cause problems for many countries in Europe which had secessionist problems including the UK, Spain, France and Italy. When Europe became a single entity, these things may not matter. But it would take a long time to mature to that phase.

The Prime Minister said we should keep to what we had agreed on Kosovo: territorial integrity within the FRY, and civil rights for all, Serbs as well as Kosovar Albanians. Putin pointed out that 200,000 Serbs had fled Kosovo. The Prime Minister said Rugova's election over Thaci was important in that context. Putin said he didn't trust any of them (implying, I think, Moslems). His main experience outside Russia had been with Germany where he had lived for five years and he had spent another ten years mentally preparing for that. Chechnya had been a new experience for him, and he was gaining a sense of how utterly different it was. Every house included a small prison underground to train people. Killing infidels was a noble deed. When they lied, they were in harmony with themselves. He recognised the need to develop democratic institutions in these areas, but we had to be prepared for far worse outcomes.

The Prime Minister made clear he did not believe this applied to the Balkans. Milosevic's departure changed everything. His philosophy was to give people stability so that they acquired an interest in economic growth and so were less attracted by extremism.

Comment

The Prime Minister's arguments seemed to make some impression on Putin, despite his embittered view of Moslems. There were no anti-American sentiments expressed, on the contrary, in the restricted sessions Putin was refreshingly free of the zero sum approach to foreign policy. With the focus on these broader issues, less progress was made than was ideal on proliferation, particularly vis a vis Iran. We will need to follow up on exactly what Putin means by pursuing confidential consultations on sensitive exports.

I am copying this letter to Julian Miller (Ministry of Defence), Hilary Jackson (Home Office), Richard Abel (Cabinet Office), and to Roderic Lyne (Moscow) and Christopher Meyer (Washington).

Yours ever,

JOHN SAWERS

Sherard Cowper-Coles
Foreign and Commonwealth Office

CONFIDENTIAL

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Eastern Dept (56)

(Top Copy)

10 DOWNING STREET
LONDON SW1A 2AA

ESB 026/006/00

From the Private Secretary

21 November 2000

TS 22/11

(A)

Dear Howard,

PRIME MINISTER'S VISIT TO MOSCOW: 20-21 NOVEMBER ECONOMIC, COMMERCIAL AND BILATERAL ISSUES

The Prime Minister had a full discussion with Prime Minister Kasyanov on economic and commercial issues, and also touched on them more briefly with President Putin. The main points were as follows:

British investment in Russia

Kasyanov observed that there was a great deal of interest from British companies in Russia, but not much was happening. What were the problems? The Prime Minister said foreign investors were looking for the same things as domestic Russian businesses - a legal system with integrity, a reliable banking system, international accounting standards, protection for intellectual property rights and rules on investment which provided a level playing field. The CBI delegation had been eager to come to Russia, but they would make their investment decisions based on these tests where further progress needed to be made. Once they were persuaded, he believed they would come in strength. Shell and BP were particularly important because of the scale of the projects and because they were seen as market leaders by other British companies. But to attract them would require workable Production Sharing Agreements.

The Prime Minister also raised the specific cases of Taylor Woodrow, where the company was waiting for a decision on the St Petersberg Transportation Project, and air services, where our designation of a second carrier was still blocked by Russia.

With Putin, the Prime Minister said he understood why it had not been possible for him to receive the business delegation, but he hoped he would find

time to see business leaders at some stage. British companies could play a bigger role, but there were still issues to resolve. Putin seemed not to be aware of the suggestion that he see business leaders, and said he would be happy to see them in the future, possibly with a group of Russian businessmen.

IMF programme and debt rescheduling

Kasyanov said he was satisfied with the performance of the Russian economy. Inflation was down from 36% last year to 21% this year and the target for next year was 12-14%. Growth was at 7%, which was above forecast, though Russia would do well to achieve 5% growth next year. Unemployment was down, 3 million more Russians had found jobs this year. But the situation was not sustainable because oil and gas prices would fall: Russia hoped the oil price would remain in the $23-35 a barrel range. Even then, rescheduling of loans would be important. The budget already included $11 billion for debt servicing next year. Without rescheduling, a further $3 billion would fall due, increasing to 40% the proportion of the Russian budget committed to debt servicing. The IMF were negotiating toughly, and seemed to believe that Russia's strong balance of payments position meant that rescheduling was not needed. But a new budget would be required, which would cut social spending and lead to social disruption, if there was no debt rescheduling. He urged the Prime Minister to give a political signal to the IMF that we were in favour of a further rescheduling agreement.

The Prime Minister said the key to rescheduling was agreement on a new IMF programme. Russia's debt to the UK was small, and we would not oppose a new Paris Club agreement. But the key was Germany, and Kasyanov should talk to them. The G7 would move together. Kasyanov said he would be seeing Schroeder soon. He stressed he was not looking for debt write-off. He pressed again for a political signal: restructuring of the railway and electricity industries would not be possible if debt repayments had to be increased next year. The Prime Minister pointed him firmly in Germany's direction.

Putin touched briefly on the issue and handed the Prime Minister a letter (which the Embassy are translating). The Prime Minister should reply: I should be grateful for an agreed Treasury/FCO draft.

Economic reform and WTO membership

The Prime Minister asked Putin what the next big steps would be on economic reform, now the tax code was in place. Putin listed the following:

- banking and financial sector reform;
- improvements to the judicial system;
- reform of customs procedures and reduction of both the number and level of tariffs.

Putin said the steps on customs were aimed at tackling corruption. I pointed out that they were also important to prepare the way for Russia's WTO application, where improved market access would be crucial. Putin said some in the Russian Government had opposed customs reform precisely because it was relevant in the WTO bid. Ivanov said that the Foreign Ministry had opposed it, in order to keep in reserve issues which would be useful in the negotiations. But he had been told that this was "old thinking". Putin made clear that he had overruled that approach. The Prime Minister commended him for that: WTO membership was important for Russia to show that it was a full member of the international club and attractive to foreign investors. (Comment: a fascinating glimpse of the debate inside Russia between the modernisers and the old school.)

EBRD air traffic control project

Kasyanov raised this, describing it as a much needed project to improve Russia's air traffic control in the Far East. He said its funding was linked to overflights dues. There was now a problem over payments. He asked that big companies like British Airways should give a signal to the EBRD that they did not want the air traffic control project to be blocked. The Prime Minister, who was unfamiliar with the issue, said he would look into it. It sounded like a decision for the EBRD, but he would get back to Kasyanov. (Grateful for advice and a draft letter from DFID.)

Military reform

The Prime Minister welcomed the military cooperation between British and Russia, both between the services, and in supporting the downsizing of the Russian military. He understood that our retraining project was soon to graduate its 10,000th trainee. Roderic Lyne added that we were proposing to continue the project for a further two years and to extend it to Kaliningrad. Putin was aware

of the project, describing it as training for retired officers rather than for existing servicemen. The Prime Minister pointed to its role in helping with downsizing, which Putin agreed was an important and difficult issue.

Press freedom

The Prime Minister warned Putin that press freedom in Russia was a concern in Britain, and it might come up at their press conference. If it did, he would play down the issue. Putin was relaxed.

I am copying this to Tom Scholar (HMT), Bernadette Kelly (DTI), Peter Unwin (DETR), Chris Austin (DFID), Julian Miller (MOD), Richard Abel (Cabinet Office) and Roderic Lyne (Moscow).

Yours ever,

JOHN SAWERS

Sherard Cowper-Coles
FCO

CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 November 2000

Dear Sherard,

PRIME MINISTER'S VISIT TO MOSCOW: 20-21 NOVEMBER
MEPP

There was a brief plenary meeting attended on the Russian side by Foreign Minister Ivanov and several officials as well as President Putin. Putin used the occasion to give Ivanov the floor to report on his recent visit to the Middle East.

Ivanov was downbeat. Both the Israeli and Palestinian leadership were more interested in increasing tension than finding solutions. A mechanism had not yet been found to get back to the pre-crisis situation. He favoured deploying international observers, but Israel was categorically opposed for fear of internationalising the dispute. Ivanov thought a way could be found through if the mandate was strictly defined, time-limited and with the observers deployed "along the 28 September line". Another possibility was to redeploy the Hebron observers, a move supported by some Israelis but not by Barak. Ivanov was sceptical about the fact-finding mission, though Russia would accept it. Mutual mistrust was so high that an international effort of any sort was desperately needed. He had been surprised at the extent of anti-Americanism among the Saudis and Kuwaitis he had talked to. Britain too was being criticised.

The Prime Minister said he had told Barak that the first priority was to restore stability. He believed the key was to persuade Israel to accept international help in this task. He knew from his own experience in Northern Ireland that violence in the streets weakened the commitment of each side to peace. He was not surprised at the criticism made of us and others: as he had told Arab leaders, if they wanted him to have influence with Israel, there was no point in attacking them.

CONFIDENTIAL

Ivanov said he was worried too about Israel's justified fear of a second front opening up in South Lebanon. The Prime Minister said the key here was pressure on the Syrians.

Comment

Little new here. The most striking impression was Putin's complete lack of interest in the issue.

I am copying this letter to Richard Abel (Cabinet Office), Jeremy Greenstock (New York) and Roderic Lyne (Moscow).

Yours ever,

JOHN SAWERS

Sherard Cowper-Coles
FCO

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 November 2000

Dear Richard,

PRIME MINISTER'S VISIT TO MOSCOW: 20-21 NOVEMBER ENVIRONMENT

The Prime Minister raised The Hague Conference on implementing the Kyoto Treaty with both President Putin and Prime Minister Kasyanov. Success in The Hague was very important, and agreement on the proposal for a Green Fund for Russia, whereby receipts from emissions trading would be reinvested in environmental improvements, would be an important part of a successful outcome. This would also increase pressure on the United States to ratify Kyoto. Britain and Russia were well placed, as we were both on track to meet our Kyoto targets. He urged the Russian Government to look again at the issue.

Kasyanov said that Russia might now need more of its Kyoto quota than originally expected because of recent economic growth. Putin also pointed to the decisions on the fuel mix for Russia's domestic use, which would have an impact on environmental concerns. Neither seemed familiar with the Green Fund proposal, but both reacted positively. Kasyanov said he would personally talk to the Minister responsible to pursue the idea.

Deputy Foreign Minister Avdeev regretted that it had not been possible to reach agreement on the proposed text but it had only reached Moscow on Sunday evening. There had not been time to clear it with those responsible in Moscow.

Comment

The late proposal on our side meant that Russian agreement to a joint statement was always unlikely. The fact that we proposed it has sensitised the Russians at the highest levels to the importance we attach to The Hague

Conference. Kasyanov seemed genuinely interested, and is probably the right channel to pursue this further.

I am copying this to Peter Unwin (DETR), Brian Hackland (No.10 Policy Unit) and Richard Abel (Cabinet Office).

Yours ever,

JOHN SAWERS

Sherard Cowper-Coles
FCO

(13)

DRAFT PS/PS No.10 LETTER

Your letter of 18 September asked for advice on the four areas where the Russian Prime Minister Kasyanov had pressed the Prime Minister for UK support.

On the three multilateral issues he raised, international processes are already underway:

- On debt, we will continue to take our cue from Okinawa where we said that we expected Paris Club talks to negotiate a new rescheduling agreement, to begin after a new IMF programme was in place, and there was evidence of a financing gap requiring international assistance. This provides Russia with a further incentive to establish a track record of reform, which will be key to western readiness to accommodate Russia. The latest indication from the IMF is that a programme looks unlikely to be in place this calendar year, so the originally envisaged timetable is slipping somewhat. The fact that we are a minor creditor means that it is difficult for us to march out of step with others in the G7, especially Germany (as the Prime Minister implicitly acknowledged in his remarks to Kasyanov). But it also means that we need not be in the forefront of those denying Russia.

- Russia's OECD credit rating (used in determining the minimum price that can be charged for risk in export credit cover) will be discussed at a meeting of OECD Country Risk Experts (ECGD for the UK) on 24-26 October in the light of all the latest macroeconomic data. The final decision is reached by consensus amongst the experts on the basis of the data, and we would not want to see it politicised. While Russia is currently benefitting from the high oil price and the new government offers prospects that reform may accelerate, it is probably too soon to judge how far and how quickly reform will progress. Until significant progress has been made the economy remains vulnerable to external shocks and so improvement - if any - in Russia's overall OECD rating at that meeting is likely to be small;

- EIB lending to Russia would require a unanimous decision by ECOFIN to provide a Community Budget guarantee (which would be very difficult to achieve without breaching the current Financial Perspectives). ECOFIN has indicated its readiness to consider the possibility of EIB lending to Russia at its mid-term review of current lending mandates in 2003, if there was a stable market economy and if lending under the usual sound EIB banking principles were feasible. It is worth noting, however, that only around 10% of EIB lending is outside the EU and current priorities are the pre-accession states and the Mediterranean region. Nor is the EIB able to engage in very high risk investments. A positive response to Kasyanov might be to advise him to focus his efforts on the

EBRD as the main vehicle for project financing. EBRD lending has the advantage that it is explicitly linked to progress on economic reform. Russia is already the biggest single EBRD customer, and the Bank will be looking to increase significantly its Russian portfolio under its newly agreed Russia Strategy.

The bilateral issue of a new Investment Promotion and Protection Agreement (IPPA) with Russia is more complicated. The UK/USSR IPPA signed in 1989 remains in force. In 1992 the Russians showed interest in signing a UK/Russia IPPA. We welcomed the idea, hoped they would agree to encourage investment by improving on the old text, and passed a model to them. Despite periodic reminders, the ball has remained in the Russians' court.

The Russians' purpose in suggesting a new IPPA after so long may reflect a genuine desire to promote trade and obtain UK support for economic reform. But Kasyanov will also be aware of proceedings launched by Nomura International against Russia under the current IPPA, in which Nomura is seeking compensation for the loss it suffered on its holding of Russian Treasury securities when Russia unilaterally restructured its debt in 1998. The dispute is currently before an international arbitration panel, which is expected to decide in the first half of 2001 whether Russia has a case to answer. At this stage, under the terms of the IPPA, the case remains one for Nomura, the Russian government and the arbitrators alone, and we have accordingly resisted indirect pressure from the Russians to support their position.

The Russians may therefore be trying to influence the outcome by starting negotiations on a new IPPA. To negotiate while the direction of the current arbitration is unclear would risk HMG's position being used in the dispute and could disadvantage other investors. The case might also have much wider implications for the restructuring of sovereign debt and our existing and future IPPAs. We hope the panel's ruling will make negotiating a new IPPA more straightforward, since a modern, high-standard IPPA would encourage investment. But it is premature to agree to start negotiating one now.

We would provide lines to take on all of the above issues for the Prime Minister's visit, but would recommend that officials here and in Moscow spend time covering these issues over the coming weeks with a view to dampening expectations.

Finally, you also asked for views on Kasyanov's suggestion on preparing a joint statement for the Prime Minister's visit, setting out a range of activities on both sides to improve the investment climate. Instinctively we would want to resist this idea, but the Russians already had a draft up their sleeves - Flag B - which Kasyanov handed over

in his meeting with Stephen Byers. He suggested that the declaration could by signed either by Mr Byers or the Prime Minister.

The draft confirms that our initial instincts were right; it is a poorly drafted and ill-focussed document. Apart from seeking commitments on the IPPA and ECGD cover, it contains little of substance. Now that a draft has been tabled, however, it will be difficult to reject the proposal outright. But the Russian text is not something which we could recommend that Ministers sign. We are working with BTI on an alternative draft, which will be shorter and punchier, make clear that much of the field is for the private sector, not government, and seek to get commitments from the Russians to implement the serious structural reforms needed by British companies before they will commit to further investment. BTI aim to submit substantive advice shortly.

DEBT

VISIT OF RUSSIAN SHERPA ILLARIAINOV, 10 JANUARY

DEBT

Points to Make

- G8 Summit declarations still stand. Rescheduling agreement only possible with an IMF programme that demonstrates a financing need. Comprehensive solution dependent upon a track record of significant economic reform.
- Important that Russia does not back-track on commitments, which will only serve to undo excellent progress over the past year.
- Puzzled by recent developments. Can you help?

Background

Russia is making a strong push for relief on Soviet era debts:

- Putin raised the issue when he met the PM in November, emphasising that repayment in full would hamper the government's ability to implement its economic modernisation programme.
- Russian Finance Minister Kudrin has just written to Paris Club creditors along similar lines. (see draft letter from Jon Cunliffe - attached). Kudrin said that Russia would pay certain categories of debt - but remained silent on the rest (90% of the total). This could imply that Russia will not pay the bulk of its Paris Club debts - a familiar Russian opening gambit for negotiations.
- Putin discussed debt with Schroeder at their meeting at the weekend. Schroeder made it clear that Germany would not be making any "Christmas gifts", and that the Germans expected Russian "to stand by its international debt service commitments in full". Russia missed its payment on Soviet era debt to Hermes due just prior to this meeting.
- In December Kasyanov and Schroeder discussed the possibility of a debt-equity swap for the transferable rouble debt from the GDR (not the Paris Club debt). Follow-up talks were held between German Gref and the German Economics Minister Werner Muller later in December without results. Further talks are scheduled.

In view of the equivocal noises coming from the Russians on meeting their Soviet era obligations the Paris Club Secretariat wrote to the Russians telling them that they were in danger of coming into technical default.

As Jon Cunliffe's letter argues, the G7 line from Okinawa remains valid - that no rescheduling is possible without an IMF programme which demonstrates a financing need.

If the Russians stick to the formula in Kudrin's letter they will pay only 9% of the $3.2bn due this year ($88 million of which is owed to the UK).

Kasyanov is probably the driving force behind this recent drive on debt relief. He has become personally identified with Russia's sovereign debt negotiations and has been

actively pursuing a Paris Club write-down since he successfully secured a generous debt deal with the London Club last spring.

Illarianov's views on debt are well known. He believes that Russia has no need of debt relief and should meet its international obligations. Constant talk of debt relief sends the wrong message to the markets as well as making Russia a supplicant within the G8. This view prevailed with Putin at Okinawa, but it appears that Kasyanov's position has the upper hand at the moment. It would be useful to probe Illarianov further on this.

ECONOMY

Visit of Russian Sherpa Illarionov, 10 January 2001: Russian economy brief

Points to make

- 2000 was an excellent year, both in terms of economic performance, and the Government's success in getting the ball rolling on economic and structural reforms.

- The prospect of economic slowdown makes it even more imperative that reform drive is enhanced in 2001.

Reference:

A: Telegram from Moscow on Russian Economy; 2001 Budget Passed, 5 January, 2001

Background

Russia is booming, on the back of rouble devaluation and a rise in the oil price. The fall in the rouble has made exports more competitive and has promoted import substitution. The oil price has added to export revenues, foreign currency reserves and raised the Government's tax take. The recovery is increasingly broad-based. Company profitability is rising, and investment is being stepped up. Incomes are growing and consumers are increasingly spending more. The growth outturn for 2000 should be around 7%, the current account surplus up to 20% of GDP and the Government will have succeeded in running a budget surplus for the first time.

The Government appears firmly committed to economic reforms. It has legislated on a series of far-reaching tax reforms (including a flat-rate 13% income tax) and announced a 10-year economic plan. So far, it has only set out what it intends to do in the first eighteen months (but ongoing evaluation of this will be fed into the action plan for the next eighteen months). The priorities for the initial period include enhancing social spending and safety nets, improving the competitive and regulatory climate, reforming the banking sector (which does not provide financial intermediation), tariff reform with view to WTO accession, tax reform (particularly on the corporate side) and privatisation.

This agenda may appear too ambitious to implement in the short timeframe envisaged, but it is important we continue to encourage the Russians to do as much as possible and build up some momentum. There are substantial constituencies in Russia which oppose reform, and the going is likely to get tougher if the government starts to push through more socially difficult changes. For instance, reform of the natural monopolies is complicated by the fact that domestic energy prices are determined by administrative fiat and remain well below world and cost prices. In effect, they constitute a substantial non-monetary subsidy to Russian industry and consumers that the Government will find difficult to remove.

Economic developments in 2001 will need to be monitored closely. The fall in the oil price should reduce windfall profits of oil companies and thus tax revenues, and further

real appreciation of the rouble (stagnant nominal exchange rate against the dollar and 20% inflation) is likely to further diminish export revenues. Nonetheless, 4% growth is expected, and the Government intends to keep the budget in surplus. But whether growth and economic performance can be sustained beyond this "window of opportunity" will depend on how much the reform process succeeds in improving economic efficiency.

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SUBJECT: RUSSIAN ECONOMY: 2001 BUDGET PASSED

T/L of 23 October and Tel 618 refer

SUMMARY

1. Russia starts 2001 with an agreed sensible, balanced budget. Contains unrealistic assumptions on revenues from IFIs and debt relief, but Finance Ministry expects to cover shortfall from higher other revenues and excess revenues carried over from 2000.

DETAIL

2. On 27 December, Putin signed the 2001 budget into law. This is only the second time in the post-Soviet era that Russia has had a budget by the beginning of the year (the first was last year) and the first time it has had a deficit-free budget.

3. The main parameters and departmental spending allocations remain unchanged from those agreed in the second reading (TLUR). The most important development in the third reading (1 December) was the compromise on how to spend excess revenues: the Government wished to leave itself as much scope as possible to meet its debt obligations in the absence of relief; the Duma argued for increased other spending. The first 70bn roubles ($2.5bn) of excess revenues will be divided 50:50 between debt and other expenditure; above that the division will be 70:30 in favour of debt - a result with which the Government is happy. The fourth (proof-) reading was notable for the Government's decision for the first time to publish a breakdown of current expenditure on the armed forces, which like last year's decision to extend the work of the Federal Treasury to the military, is a welcome sign of commitment to tighten financial discipline in the area. The over 2/3 majority at the Duma's fourth reading made passage by the Upper House on 20 December a near certainty.

4. The main parameters and assumptions are:

GDP growth: 4% (to R7,750bn (c $260bn))
Inflation: 12-14%
Oil price (Brent crude): 21 USD/barrel
Revenues: R1,193bn (c. $40bn or 15.4% of GDP)
Expenditures: R1,193 bn (c. $40bn or 15.4% of GDP)
Primary surplus (before debt servicing): 3.1% of GDP
Average exchange rate: R30/$

The main sources of revenue are VAT (40%), excise taxes (16%), corporate profit taxes (14%) and export tariffs (11%). The largest expenditure items are defence (18%), regional transfers (16%) and foreign debt servicing (15%).

5. This is in many ways the most sensible post-Soviet budget and fulfils the Government's commitment to balanced budgets in its economic modernisation programme. But its main weakness is its lack of realism with respect to its international commitments. The budget assumes $4bn in external funding (from the IMF, World Bank, Japan and international financial markets), but even the Finance Ministry admits it is working on the real assumption of $0.5bn. It also assumes $3bn of debt relief from the Paris Club. The potential shortfall of $6.5bn would be more serious if the budget was not correspondingly conservative in its revenue predictions: the Finance Ministry's internal GDP forecast is now R8,000bn and it expects excess revenues of R100bn ($3.5bn). Even this revised estimate is thought be many observers to be conservative: it still assumes oil prices of $21/barrel; the IMF forecasts $23/barrel. In addition R100bn ($3.5bn) of the R300bn of excess revenues from 2000 has been carried across to cover the expected lack of international financing. That it is in the budget is one of the less convincing arguments that the Russians have used for debt relief. The actual oil price will be critical, but the excess revenues should largely compensate for the funding gaps.

6. The 2001 budget is notable also for having had the smoothest ride of any post-Soviet budget. The scratchiness over, for example, the use of excess revenues has been mild compared with the battles of previous years. This is tribute to the Government's good relations with the Duma and the networking efforts by Deputy PM and Finance Minister Kudrin, who did not have to resort to bringing in the heavier guns.

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FATF

Money Laundering

Points to make:

The UK:

- welcomes Russian commitment to the FATF 40 Recommendations
- looks forward to the implementation of new laws to combat money laundering, and their effective implementation in practice.
- believes that international cooperation to fight money laundering is essential.
- is willing to provide support and advice to Russia to help it continue its transition to a market economy, including support and advice on measures to combat money laundering.

Handling

Financial Crime was discussed at Okinawa. Russia had shortly before the summit been named as one of the 15 FATF non-cooperating countries in the fight against money laundering. Russia accepted its nomination stoically, and did not demur from the FATF findings.

The issue is therefore not likely to come up as a major issue. If it does, the approach should be simply to acknowledge that Russia still has a long way to go, and that improvements will need political commitment, and that the UK stands ready to provide assistance where it would be helpful. You could also ask what is happening on producing a new law on anti-money laundering and when something will be enacted.

Background

Russia was one of 15 jurisdictions listed as "non-cooperative" by the FATF on 22 June 2000. The most critical problems are the lack of a comprehensive anti-money laundering law and implementing regulations that meet international standards. In particular, Russia lacks: comprehensive customer identification requirements; a suspicious transaction reporting system; a fully operational FIU with adequate resources; and effective and timely procedures for providing evidence to assist in foreign money laundering prosecutions.

Russian authorities have stated that they are committed to implementing the FATF Forty Recommendations. In this regard, they have been working for some time with the Duma in a Trilateral Commission to try and reach agreement and passage of a comprehensive anti-money laundering statute. Various drafts have been produced – the latest in mid-November – and have addressed some of the issues raised by the FATF. In particular, the latest draft contains provisions for mandatory reporting of suspicious transactions to the "Interagency Centre for countering the Legalisation (Laundering) of Illegally Derived Proceeds" (established in mid-1999). But the Interagency Centre cannot function as an effective Financial Intelligence Unit

until the new law, and supporting regulations, have come into force and there is great bureaucratic rivalry within the Government as to who should run it. Putin himself will have to decide this.

Impatience with Russia's failure to enact a new money laundering law has led to some consideration being given within the G7 to making it a condition for the release of IMF funds. This is not something we suggest you raise with Illarionov; if he mentions it to you, say that you are not aware of any formal proposal for linkage as yet, but the fact that people are taking about it indicates the extent of concern about delays in bringing forward new laws.

In addition to the problem of underdeveloped market institutions and lack of fiscal resources, Russia faces a capital flight problem on a uniquely large scale. Russian efforts will not succeed until high level support provides the impetus to implement effective laws and provides sufficient resources to back them up.

The October meeting of the FATF discussed the de-listing process. There is no question of Russia coming off the list until it makes changes to its system. The FATF is committed to providing technical advice to Russia if this would help them make the necessary changes, but the real question is one of political will rather than technical expertise. If Russia does not improve its system, the FATF could start to consider possible countermeasures.

The Council of Europe will consider a mutual evaluation report on Russia next week. We have not yet seen the report, but understand that it will be very critical.

DEVELOPMENT

BRIEFING FOR MEETING WITH RUSSIAN G8 SHERPA ILARIANOV, 8-12 JANUARY - The Government Reform Programme and Poverty Reduction

Key Points

- Keen to support the Russia's reforms through the Britain-Russia Development Partnership. What is your assessment of Government's priorities and where UK assistance would be most useful?
- Note that we are providing technical assistance to support Russia's WTO application. But the speed of Russia's accession will depend on the implementation of reforms required to meet membership criteria - is there the will to do so?
- How does the Russian Government plan to address the spread of HIV/AIDS?

Background

Successful implementation of the Government's plans for economic and social modernisation are the key to poverty reduction in Russia. DFID is looking to support this plan through the Britain-Russia Development Partnership and is encouraging the Russian authorities to seek our help. Most recently we have been working with the Ministry of Finance on public expenditure reform. One gap in the government's plans is reform of public administration, responsibility for which rests with the Presidential Administration. Our interlocutors in the Ministry of Trade and Economic Development have encouraged us to raise this in contacts with senior officials.

We have just started a technical assistance project (value £1.15m) to support the Ministry of Trade and Economic Development to prepare Russia's WTO application. We are concerned that the Russians should not underestimate the task in hand - joining the WTO will require the implementation of significant legislative reforms. Whereas the Russians talk of WTO membership by 2001, our judgement is that 2003 would be a realistic target.

Although the rate of HIV/AIDS infection in Russians is still at a relatively low level and confined mainly to high-risk groups such as intravenous drug users, the rate of growth is one of the fastest in the world (number of people living with HIV at end 1999 was 130,000, estimate at end 2000 is 300,000). We are supporting harm reduction programmes (needle exchanges), one of which in Sverdlovsk was visited by Keith Hellawell in July. Although these local initiatives are proving successful, we are concerned that there is not sufficient political leadership at the federal level to mobilise resources to address this problem.

EECAD/DFID
January 2001

WTO

ACCESSION OF RUSSIA TO THE WTO: BRIEFING FOR VISIT OF RUSSIAN SHERPA
10 JANUARY 2001

Lines to take

- UK supports Russia's accession to the WTO on the right terms. Welcome new political impetus behind Russia's application for WTO membership.

- Technical preparations for WTO accession, and implementation of the Gref Plan of economic and structural reform programme, should be mutually reinforcing.

- Priorities for Russia's WTO accession should be:

  - to submit revised market access offers (tariffs, agriculture, services) closer to WTO standards of liberalisation.

  - to accelerate legislative and institutional reform to comply with WTO rules from the date of accession.

- Hope the EU-Russia Conference on 30 March will be an important staging post in the accession process.

- Pleased that UK (through DfID – a three year technical assistance programme worth £1.15m) is able to help Russia in her WTO preparations.

Timing

- Accession by 2003 is a realistic prospect. But it will require sustained commitment to the concept and detail of economic and structural reform. The pace of the accession is largely in Russia's hands, however the scale of commitment should not be underestimated.

RUSSIA – WTO ACCESSION

Russia's accession to the WTO is some way away despite recent encouraging signs of a new political impetus behind her application for WTO membership. However, the political desire by an acceding country to become a member on its own is an insufficient requirement to accede to the WTO. The last working party in Geneva on Russian accession (18 December) was a disappointing affair that produced little significant progress, but which may have belied the progress Russia is making behind the scenes.

2. A revised market access offer on goods was received by the European Commission (which negotiates on Member States' behalf) just before the last working party meeting. An initial assessment of the offer by the Commission indicated that while some progress had been made, the offer was patchy in terms of covering the EU's priorities. A revised offer on services is expected by February 2001, as is a paper by Russia on its agricultural policies.

3. The Swedish Presidency is planning a conference in Moscow on 30 March on Russia's WTO accession, and the Commission have been trying to get Russia to view this is as an opportunity for a "half- way" review. However, the Commission has said that unless it has received all the offers from Russia, then it will be difficult for serious negotiations to take place. Russia should be encouraged to view the conference as an important staging post in the process, and to come forward with market access offers before then.

4. At the last working party, it was clear that many other members were also still awaiting revised offers from Russia. Because those offers had not been received, little progress was made at the working party. Russia needs to come forward with those offers, for the negotiations to move to the next phase.

5. Russia also needs to accelerate legislative and institutional reform to comply with WTO rules from the date of accession. To date legislative reform has been patchy, but the last working party suggested that Russia had a lot of legislation in the pipeline intended to meet her obligations. That is to be welcomed: such legislation needs to be in place, otherwise Russia would be in breach of her WTO commitments from day one of her membership. Some negotiation may be possible on implementation periods for a limited number of agreements, but given the multilateral nature of these negotiations – cannot be taken for granted. However, few details about the legislation were forthcoming. Russia should be transparent about the changes it is putting in place and allow members of the working party to scrutinise the legislation. Members will want to assure themselves that Russia is meeting its WTO obligations.

6. Depending on whether the market access offers from Russia are forthcoming, a further informal session of the working party may be held in February to discuss the next steps.

7. Accession by end 2003 is a realistic timetable, but it will require sustained commitment to the concept and detail of economic and structural reform. Russia should not underestimate the difficulties and scale of commitment required to join the WTO. The cause of reform is unlikely to be helped if false expectations are raised that cannot be met.

8. The majority of steps that need to be taken to join the WTO are for Russia, and while we can support and encourage her in taking those steps, the pace of accession is to a certain extent in her hands. For negotiating reasons, there are strong arguments that technical assistance should be targeted towards improving the quality and WTO-consistency of Russian trade legislation and administration, rather than to the process of preparing revised market access offers. DFID has approved a £ 1.15 million three year technical assistance project to support Russia's capacity to participate in international trade, working principally with the Ministry of Economy and Trade.

TP1b
8/1/2001

CLIMATE CHANGE

JEREMY HEYWOOD'S MEETING WITH ILLARIANOV, 9 JANUARY 2000
CLIMATE CHANGE

Points to make:

- Emphasise that climate change is not just an environmental matter – it is also an important foreign policy issue.

- Obviously we are disappointed that the negotiations in The Hague last November did not result in agreement. But important progress was made. It is vital we do not allow the negotiations to lose momentum now.

- We are very interested in the Russian proposal to re-invest the proceeds from the sale of surplus carbon credits into clean energy projects. This proposal may be helpful in the climate change negotiations: particularly if it addresses EU concerns about the environmental credibility of selling surplus carbon credits.

- We are keen to see the Russians develop this proposal before the climate change talks re-convene. Consider that a firm commitment towards the scheme by the Russian Government would be a very positive development.

Background:

1. The Sixth Conference of the Parties to the UN Framework Convention on Climate Change took place in The Hague 13 – 24 November 2000. The talks failed to reach a deal on implementing the Kyoto Protocol, although a UK-brokered compromise package between the EU and members of the Umbrella Group (non-EU developed countries) came close to reaching agreement. Russia tried to play a constructive role, but their weight in the negotiations was severely hampered as a result of an internal power struggle within their delegation (not helped by the fact that departmental responsibility for climate change is in limbo in Russia). COP6 is likely to resume in Bonn in May/June 2001. (REF A)

2. Under the Kyoto Protocol, Russia agreed to return its greenhouse gas emissions to 1990 levels by 2008-2012. Following economic collapse in Russia, the Russian allocation of CO2 emissions is far in excess of its needs and economic reform could lead to even further emissions reductions (though they now argue that their emissions may be higher than previously thought due to economic growth). There are concerns, particularly within the EU, that this will undermine the environmental effectiveness of the Kyoto Protocol. A proposal that the proceeds from the sales of excess emissions "credits" be reinvested in clean energy projects has been floated by various parts of the Russian Government. The Russian private sector (particularly Russia's largest energy company RAO UES) is also actively working on the idea.

3. The Prime Minister raised the proposal with President Putin and Prime Minister Kasyanov during his visit to Moscow in November. And the UK delegation held several meetings with Russian officials at the climate change talks in The Hague to talk through the proposal. However, the level of backing from the Russian government for their proposal is not yet clear. (REF B)

Tel

To: James Kariuki ECPol
Fax: 2266
From: Ben Darkin EPD
Date: 8/1 Pages:

(A)

TELEGRAM RETRIEVED FROM DATABASE 28 December 2000

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INFO IMMEDIATE DETR, DFID, DTI

CLIMATE CHANGE: SIXTH CONFERENCE OF THE PARTIES

DETR FOR GA
DTI FOR ENV AND EAPD
DFID FOR EPD

SUBJECT: CLIMATE CHANGE: SIXTH CONFERENCE OF THE PARTIES

SUMMARY

1. COP6 fails to reach agreement, despite a bold attempt by the DPM to broker a compromise in the final hours. The session has been suspended, and will resume next year. Important to build on the progress that was made in The Hague if we are to avoid a serious loss of momentum for the climate change process.

DETAIL

2. The Sixth Conference of the Parties to the UN Framework Convention on Climate Change (COP6) came to a close on 25 November. The aim of the Conference was to put the flesh on the bones of the Kyoto Protocol. After two weeks of negotiations, the second with Ministers present, the Conference was not able to come to an overall agreement.

3. One area where there was some movement earlier at a political level was funding for developing countries relating to climate change. The Umbrella Group (non-EU developed countries) managed to steal a march on the French Presidency's strategy to build bridges with developing countries by putting forward a proposal for a new Convention Fund, for which one source of funding would be a share of each country's assigned amount (emissions allocation). It is useful to have this option on the table, which would be less damaging for the UK than extending the adaptation levy to all Kyoto mechanisms.

4. The EU entered the bidding war with promises to provide total funds of USD 1 billion per annum, from unspecified sources (we successfully resisted an attempt to include in this proposal extension of the adaptation levy). In the end, however, the structure and sources of funding remained unresolved as negotiations closed.

5. Some second order, but sensitive issues were also resolved in the course of negotiations. In particular, all countries agreed to that they would refrain from using nuclear and large scale hydro projects to obtain emissions credits.

6. There were some genuine efforts to put forward new proposals on the major political issues (for example an Umbrella Group proposal on additional sinks) in attempts to identify possible areas for compromise. But in reality positions did not move significantly closer on these issues - supplementarity (the extent to which targets should be met through domestic action), sinks (forests) and the development of a compliance system - right up to the last night.

7. As it became clear in the early hours of 25 November that the formal negotiations were going nowhere, the DPM initiated a bold attempt to work with the US to broker a deal between developed countries on these core issues. French and German officials joined the UK to negotiate, and it was clear that the US was willing to work for a deal. One seemed in sight when a core group of developed countries, including France, Sweden and Germany, as well as the Commission, backed a solution based on tight limits on the use of additional sinks under Article 3.4, and exclusion of sinks from the clean development mechanisms (CDM). However, after intense internal discussions, where a number of countries questioned whether there was enough information to be assured that the extent of the inclusion of sinks was acceptable in terms of the environmental integrity of the Kyoto Protocol, the deal was finally rejected by the EU.

8. Further informal contacts between the EU and the Umbrella Group continued on Saturday morning, but to no avail. With no overall agreement on the political package, the COP was suspended, to be resumed in May or June next year. Detailed draft decisions, in many cases heavily bracketed, will go forward for further consideration then, together with the paper prepared by Pronk that had served as a basis for formal negotiations towards the end of the week.

Comment

9. It is probably not possible to attribute the failure to do the deal to any particular factor. It must in part be due to failure of process. In hindsight, the COP President should have done more to force the pace of negotiations through the week, particularly when faced with a G77 leadership (Nigeria) heavily influenced by Saudi Arabian stalling tactics. In the event there were no negotiations in a group small enough to begin to work out a deal until the final night. Pronk's announcement on the Thursday evening that he would only seek to agree a paper setting out the political package, and not detailed negotiating texts, probably also contributed to a lack of momentum.

10. The question must also be asked as to whether the outcome might have been different if the French EU Presidency had been better coordinated, or more effective in pursuing established EU objectives, rather than French national interests. In the event, the lack of transparency, and the tendency of the Presidency to discuss negotiating positions as much with other groups as within the EU did little to build trust. That, and the way the final hours of the negotiations played out will result in tensions between several member states on climate change issues.

11. There is a risk that failure to reach agreement in The Hague will lead to a serious loss of momentum for the climate change

process. Getting back to a point where a deal is possible may not be easy. Some will want to get more out of a future deal than they may have thought possible at COP6. Developing countries will react negatively to the idea of a deal being pre-cooked between developed countries, and will try hard at a resumed COP to extract an even higher price for agreement on the Kyoto mechanisms and sinks in terms of further development assistance. Prospects may also depend to some extent on the outcome of the US election: if Bush is elected, the conditions for reaching a deal will be much tougher in six months time.

12. Although no final agreement was possible, however, the potential compromise that arose from the DPM's initiative has identified a possible ball-park area for a final deal, in particular on sinks. We did come very close to agreement, and under different circumstances there probably could have been a deal. If we can build on the progress on that was made, there must be a chance of success when COP6 reconvenes.

Follow-up

13. It will take some days for the dust to settle sufficiently to reach a clear view on the way forward to further negotiations next year. We would welcome a read-out of any views from host government in the first week in December.

14. Any press enquiries should be directed to the DETR press office. If host government contacts raise the issue, you may draw on the following:

- The DPM tried at the last minute to save a process that was clearly reaching deadlock. He did so with the support and involvement of the Presidency. Germany was also involved in putting a compromise proposal together. This was a genuine attempt to reach a good deal for all. Absolutely not a case of abandoning the EU.

- Understandable that tensions will arise under pressure of this sort, after more than 24 hours of non-stop negotiations. Must now looked forward, and work together constructively to see how we can achieve an agreement when negotiations resume.

- Understand that the US was also playing a constructive role in seeking a compromise. We came very close to a solution. We must all continue to work together to recreate the conditions where we can reach agreement.

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CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 November 2000

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RECEIVED IN REGISTRY
05 DEC 2000
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REGISTRY Action Taken

Dear Richard,

PRIME MINISTER'S VISIT TO MOSCOW: 20-21 NOVEMBER ENVIRONMENT

The Prime Minister raised The Hague Conference on implementing the Kyoto Treaty with both President Putin and Prime Minister Kasyanov. Success in The Hague was very important, and agreement on the proposal for a Green Fund for Russia, whereby receipts from emissions trading would be reinvested in environmental improvements, would be an important part of a successful outcome. This would also increase pressure on the United States to ratify Kyoto. Britain and Russia were well placed, as we were both on track to meet our Kyoto targets. He urged the Russian Government to look again at the issue.

Kasyanov said that Russia might now need more of its Kyoto quota than originally expected because of recent economic growth. Putin also pointed to the decisions on the fuel mix for Russia's domestic use, which would have an impact on environmental concerns. Neither seemed familiar with the Green Fund proposal, but both reacted positively. Kasyanov said he would personally talk to the Minister responsible to pursue the idea.

Deputy Foreign Minister Avdeev regretted that it had not been possible to reach agreement on the proposed text but it had only reached Moscow on Sunday evening. There had not been time to clear it with those responsible in Moscow.

Comment

The late proposal on our side meant that Russian agreement to a joint statement was always unlikely. The fact that we proposed it has sensitised the Russians at the highest levels to the importance we attach to The Hague

Conference. Kasyanov seemed genuinely interested, and is probably the right channel to pursue this further.

I am copying this to Peter Unwin (DETR), Brian Hackland (No.10 Policy Unit) and Richard Abel (Cabinet Office).

Yours ever,

JOHN SAWERS

Sherard Cowper-Coles
FCO

NUCLEAR SAFETY

VISIT OF RUSSIAN SHERPA ILLARIONOV: WEDNESDAY 10 JANUARY

NUCLEAR SAFETY - RUSSIA

Points to make

- We discussed G7 concerns about Russia's approach to nuclear safety in Kyoto. Yoshiji has since written to you (letter of 26 December) further elaborating on our concerns. Would be interested in your preliminary response on these issues.

- Nuclear safety remains an important issue for the G7 in its relations with Russia. In particular we see a fully independent and properly resourced nuclear regulator as fundamental to ensuring high standards of safety. Still very concerned about legislation put forward to the Duma which would weaken GAN's powers.

- Also concerned about Russia's plans for lifetime extension of its RBMK (Chernobyl type) reactors. Recognise that it is not possible for Russia to close these reactors at once, but do believe that Russia should be planning for their gradual closure, not for their indefinite continued operation.

- Would finally like to raise one separate but related issue. We have pledged assistance to Russia to help with the decommissioning of nuclear submarines in NW Russia, but we need to agree the text of a Supplementary Bilateral Nuclear Agreement setting out the terms of our co-operation. This seems to presently be stuck in the Russian system, even though the text follows very closely that of an agreement already signed between Russia and Norway. Any help you could give to speed up agreement on this would be very much appreciated.

Background

1. There have been no major developments on this issue since the last Sherpa discussion in Kyoto. Then Illarionov asked for further guidance on the G7's concerns - Nogami's letter of 26 December (copy attached) is a response to this. We await a Russian reply. (Ref A)

2. On the legislation affecting the Russia nuclear regulator (GAN), Illarionov may argue that it simply aims at clarifying responsibilities between the Ministry of Atomic Energy (Minatom) and GAN. This is the Minatom line, but it is not credible. The legislation would appear to strip GAN of licensing powers which form a key part of its regulatory responsibilities, and is firmly opposed by GAN itself. On RBMK lifetime extensions, we would like to see some acknowledgement from the Russians that these Chernobyl type reactors should be gradually phased out. The present Minatom position is that these reactors are safe, and there are no plans for closure.

3. The final self-explanatory point to make is an attempt to speed up signature of a bilateral agreement with the Russians which will move forward UK assistance to help decommission nuclear submarines in NW Russia.

Roy Collins, NID, DTI

MINISTRY OF FOREIGN AFFAIRS
TOKYO, JAPAN

26 December 2000

Dear Andrei,

Further to our discussions at the last Sherpa meeting, I would like to draw your attention to the following concerns on nuclear safety in Russia, which are shared by most of our G8 colleagues. Although considerable progress has been achieved in improving the safety of Soviet designed reactors in Russia, Russia's transition to internationally accepted safety standards and practices remains some way from being completed.

I would like to briefly explain the content of our main concerns, as outlined below:

1. Change of the Federal Law on the Use of Atomic Energy

On this important issue of a modification of the authority of GAN, the regulatory authority, in the context of the draft change of the Russian Federal Law "On the Use of Atomic Energy," I refer to my letter dated 21 November 2000 and look forward to a positive reply to our request for a meeting to clarify this important issue.

2. Resources of GAN

I would underline the great importance of having a national regulatory authority that has the independence and resources necessary to fulfill its licensing and inspecting role.

3. Failure to fully implement the licensing procedures agreed under the NSA

According to the Nuclear Safety Account (NSA) Agreement between Russia and the European Bank for Reconstruction and Development (EBRD), full implementation of In-Depth Safety Assessments (IDSAs) is necessary in order to award longer

term operating licenses up to the end of the original lifetime of the reactors. The re-start of Kursk 1, without full review and implementation of the results of the IDSA is, therefore, in breach of the NSA Agreement. We are also deeply concerned by Russia's reported intention to continue operation of reactor units beyond their original lifetime of 30 years. This is also not in line with the agreement and should be addressed as a matter of urgency.

I look forward to hearing your response to these points as soon as possible.

I am sending a copy of this letter to our G8 colleagues.

Sincerely yours,

Yoshiji Nogami

PLUTONIUM DISPOSTION

BRIEF FOR JEREMY HEYWOOD ON PLUTONIUM DISPOSITION/ INVOLVEMENT OF EBRD

BACKGROUND:
At the NPEG meeting on 13 November 2000, the G8 established a Plutonium Disposition Planning Group (PDPG), co-chaired by Russia and the United States. This group is meeting regularly to develop the Russian plutonium disposition programme: it is due to develop a project plan and financing plan in time for the Genoa Summit in July.

The PDPG has not yet made a decision on the possible involvement of the EBRD, pending further analysis of the options and definition of a framework. The PDPG has commissioned a number of papers for its next meeting on 5-6 February, including two on the role of the EBRD (from Russia and the EC). The Russians in particular may have some doubts about EBRD involvement.

It is probable that the PDPG will concentrate first on developing a framework before entering into any negotiations with the EBRD (if this is the eventual decision). While the EBRD has not yet been approached formally about establishing a fund for the plutonium disposition programme, informal contacts have been made – see attached letter. Further discussion will be necessary on the exact role for the bank. The framework for the fund would probably be based on those for the EBRD-administered Nuclear Safety Account and Chernobyl Shelter Fund.

LINE TO TAKE:
We feel that the EBRD is the best available option. There is no other organisation with such relevant experience, and while there have been some problems with previous projects, we can learn from these in developing the EBRD role in this project. We and G7 partners are wary of setting up a new organisation to manage this programme, which is the only real alternative. (Cleared with DTI and Treasury).

I attach as background documents:

A. Letter from EBRD President Lemierre to Japanese Sherpa Nogami, of 14 December, with regard to informal contacts

B. Nogami's reply to Lemierre of 28 December

C. Letter from EBRD Vice-President Jahnke, to US Fissile Material Negotiator Guhin, of 2 December 2000, with EBRD's initial response to informal contacts

D. Letter from US Treasury to G7 counterparts, 18 December, setting out Treasury's reservations on use of EBRD

E. Letter from Guhin to Okamura, MoFA Japan, with US position on use of EBRD

To: Jeremy Heywood
Fax: 2266
From: Margaret Beckett MP
Date:
Pages: 1

LEMIERRE TO NOGAMI

(A)

European Bank
for Reconstruction and Development

SSH
cc: AMD
JK

Jean Lemierre
President

Mr Yoshiji Nogami
Deputy Minister for Foreign Affairs
Ministry of Foreign Affairs
2-2-1 Kasumigaseki
Chiyoda-ku, Tokyo 100-8940
JAPAN

14 December 2000

Dear Mr Nogami,

At the Okinawa Summit the G-8 agreed to finalise a project that should help Russia to get rid of weapons-grade plutonium from its warheads. I have been informed about first unofficial exploratory contacts with the Bank in order to find an international agency to handle this project.

While I am fully aware of the very high importance of this project for the international community, I can see a number of concerns from the Bank's side. Some of them have been presented in these exploratory contacts by Vice President Joachim Jahnke.

Therefore, it will be essential from my perspective, to have serious talks between the Bank and the G-8 before the Bank is approached in any official way.

In view of the importance of this issue for the Bank, I am sending copies of my letter to your colleagues.

Yours sincerely,

Lemierre

cc

DM - Plutonium Disposition
Pls circ.
Lead department is NPD
Also to DFID + HMT for
EBRD angle.
+ EBRD rep; Moscow; Washington -

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NOGAMI'S RESPONSE TO LEMIERRE'S LETTER

(13)

MINISTRY OF FOREIGN AFFAIRS
TOKYO, JAPAN

28 December, 2000

Dear Mr Lemierre,

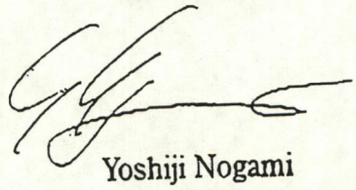
Thank you very much for your letter dated 14 December 2000 regarding the issue of surplus weapon-grade plutonium disposition in Russia. As you are aware, the G8 members have been working for several years on this issue and we finally agreed at the Kyushu-Okinawa Summit to develop an international financing plan and a multilateral framework to coordinate our cooperation. Based upon this agreement, we have set up the Plutonium Disposition Planning Group (PDPG), under the G8 Non-proliferation Experts Group (NPEG). The PDPG is to report the result of discussion to the NPEG by mid-April, 2001.

On the multilateral framework to carry out the project, the G8 have not made a decision regarding the involvement of the EBRD. Taking into account the EBRD experiences with the Chernobyl Shelter Fund and Nuclear Safety Accounts, as well as the circumstances of the plutonium disposition undertaking itself, the PDPG is giving priority attention to a framework that could include a key EBRD role in the construction phase of the project if that were agreed by interested parties (including, of course, the Bank).

The G8 will continue to discuss the matter intensively next year while closely consulting with the Bank. The PDPG, I understand, intends to have serious talks with the Bank, as your letter suggests, before the Bank is approached in any official way. Obviously, careful evaluation of this matter will need to go forward in the G8 PDPG, as well as the finance ministries.

After the PDPG reports to the NPEG, I expect that Italy will handle this matter as the G8 presidency in 2001.
I am sending a copy of this letter to the G8 Sherpa colleagues.

Yours sincerely,



Yoshiji Nogami

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(33) (C)

European Bank
for Reconstruction and Development

Joachim Jahnke
Vice President

02/12/00

Mr. Michael A. Guhin
US Fissile Material Negotiator
& Senior Cutoff Coordinator
US Department of State
Washington DC 20520
United States of America
Fax: +1 202 736 4417

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RECEIVED REGISTRY
08 JAN 2001
REGISTRY
IN Action Taken

Dear Michael,

Following our meeting in London, I had more discussions with the management of the Bank on how the Bank should react if addressed with the request to establish a fund for the Plutonium Project. As indicated in our meeting, there has not been a need yet for the Bank to come to any final decision, as it has not yet been approached officially. However, I want to inform you about the present state of considerations that are marked by substantial caution:

- The Project is not a project that easily fits to the Bank's agenda of supporting transition to market economies in Eastern Europe, while our operations on nuclear safety of existing plants have such a link, since here the low level of safety is also a product of the lack of market conditions.

- Such a project may bring the Bank into substantial controversy with some areas of civil society, because of the general strong opposition in some shareholding countries against reprocessing of plutonium. It is not clear for the Bank whether even all G-7 countries will uniformly and actively support such a project. We understand that, for instance, the German Government is not to contribute financial resources to the project and has been undergoing a very delicate process of opinion building. By all means, the Bank would need to understand fully the political implications and the situations within G-7 countries on this issue, the more so since presently the G-7 are divided, for instance, even in their support for the K2R4 NPP completion project in Ukraine leading to the closure of Chernobyl and having its background in the agreed G-7/EU MOU with Ukraine. With K2R4, the Bank already has its share of controversial projects in the nuclear sector.

- The Bank also needs to understand where the line is between administrating a fund for investment for the facilities to handle the plutonium and the operation of such facilities. In no way, a fund with the Bank should become involved in the production business of MOX.

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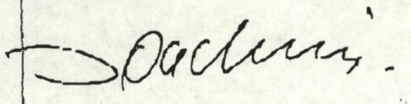
European Bank
for Reconstruction and Development

- It is also not clear how the MOX production for Russian NPPs fits to the very unsatisfactory nuclear safety conditions in Russia, that are well known to the Bank through the Nuclear Safety Account. In particular, the plan to extent the lifetime of highly dangerous first generation Soviet designed NPPs is worrying, and also in breach of the Nuclear Safety Account established at the Bank. It is not clear yet whether some of these older plants would be used for fuelling with MOX reprocessed from weapons grade plutonium. Another highly worrying situation exists at the existing reprocessing plant in Mayak.

- If the Bank should decide not to engage itself in such a project it could still be available to provide its know-how in setting up and administrating such funds to any other agency to be created for the project.

I hope these points can help to understand the process within the Bank, and would encourage you to keep your colleagues informed about the concerns. As we understand, there will be another meeting of the G-8 group on the project coming week, at which you may want to come to conclusions concerning the next steps to be taken towards the Bank.

Best regards



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12/27/00 WED 08:59 FAX
DEC-26-2000 12:12

(B)

(D)

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

UNDER SECRETARY

DEC 18 2000

Dear Colleagues:

Regarding the question as to whether the EBRD should manage a G-8 plutonium disposition program, I would like to lay out our understanding of the proposal and some concerns we have regarding EBRD involvement. I note that we have not developed a final position on this issue.

We understand that the proposal aims to establish specific schedules for U.S. and Russian plutonium disposition, contingent on financing for Russia's disposition program. EBRD's proposed role would be to manage the construction phase of the disposition effort, but would not extend beyond this to the program's operations phase. EBRD participation is under consideration because of its expertise in the Chernobyl Shelter Fund and Nuclear Safety account. EBRD would not be required to finance the program, as funding would come from donors. We understand that the program currently requires approximately $600 million in additional funding.

Let me outline some concerns and questions for consideration as we evaluate the proposal:

1. Weapons-grade plutonium disposition is outside of EBRD's core project finance/transition mandate and technical expertise. While it may have broad similarities with EBRD management of the Chernobyl Shelter Fund, the program's operation on Russian soil poses highly complex security and military issues (such as plutonium handling, storage, and treatment). We are concerned that the EBRD is not equipped to address these issues.

2. We must devise a clear framework addressing: (i) EBRD exit from the program; and (ii) how the program would move forward without future EBRD involvement. Fundamentally, we should evaluate whether it makes sense to involve the Bank in a potentially long-term plutonium disposition program.

3. We should fully analyze alternative options for managing Russian plutonium disposition (such as, for example, an IAEA managed Trust Fund which would coordinate donor contributions, contract with private engineering firms on construction, and get help on expertise and oversight from the G-7). Which other institutions have been considered for this role? What was the basis for identifying the EBRD as an alternative?

4. The proposal is still short of needed funding commitments. How will this gap be filled? Should we begin designing the program before full funding is assured?

Going forward as next steps, I recommend that we carefully evaluate these issues and work to develop clear measures for addressing them. Given this program's critical security and policy importance, we must take great care to ensure that we identify the appropriate options for managing Russian plutonium disposition. I look forward to hearing your views on these issues.

Sincerely,

Timothy F. Geithner

To: Messrs. Draghi, Fried, Jouyet, Koch-Weser, Kuroda, and O'Donnell

United States Department of State

Washington, D.C. 20520

January 4, 2001

Mr. Yoshifumi Okamura
Director, Arms Control and Disarmament Division
Ministry of Foreign Affairs
Tokyo

Dear Mr. Okamura:

This responds to Mr. Sano's questions to me on December 25 concerning the meeting between State Secretary Eto and Mr. Lemierre, President of the EBRD, scheduled for January 10.

I assume the reference to the U.S. Department of Treasury's concerns about utilizing the EBRD as the multilateral framework for the final preparation and construction phase of the plutonium disposition program refers to those set forth in Under Secretary Geithner's letter of December 18 to G-7 counterparts (a copy of which is enclosed for reference). I am pleased to respond to the questions posed by Mr. Sano.

This will confirm that the Department of State consulted with Treasury on utilizing the EBRD before circulating the November 21 U.S. discussion paper on "Multilateral Cooperation to Support Disposition of Excess Russian Weapon-Grade Plutonium" in advance of the November 28 donors' meeting and the December 7-8 meetings of the Plutonium Disposition Planning Group (PDPG). Treasury concurred in circulating that U.S. paper to G-8 PDPG counterparts.

As I stated in the donor and PDPG meetings, the U.S. Government has not taken a final position on utilization of the EBRD in this case pending further analysis and description of how the arrangement would work. PDPG colleagues have undertaken to review how such cooperation might be structured for plutonium disposition, taking into account lessons learned from the Chernobyl Shelter Fund and Nuclear Safety Accounts.

The EBRD has been identified for priority review for reasons besides its previous, relevant experience. If properly structured and acceptable to interested parties, the U.S. remains open to the possibility of utilizing the EBRD as long as it is limited to the capital-construction phase, targeted for completion by December 31, 2007, and does not extend into the operations phase. As noted in the

December meetings, our goal is to have sufficient funding commitments for the capital-construction phase as an integral part of the multilateral arrangements and financing plan.

Careful evaluation of these matters is required in the PDPG, in G-7 finance ministries and, of course, within the Bank itself. I am taking this opportunity to forward copies of this response to our other PDPG colleagues.

Best regards,

Michael A. Guhin
U.S. Fissile Material Negotiator

AVIATION

VISIT BY ILLARIONOV: 10 JANUARY

RUSSIA/AVIATION

Points to make

- Keen to see Aviation Modernisation Fund in place as quickly as possible. EBRD Russian Far East Air Navigation systems project important step towards that end. Can Russia agree date with European Commission for talks to move implementation process forward?

Background

1. Russia and the European Commission have been in dispute because Russia insists that foreign airlines make royalty payments to Aeroflot for permission to over-fly the country, in additional to the normal air traffic control charges. This is in breach of the Chicago Convention.

2. To provide incentives for the Russians to address the issue and normalise their aviation sector, the Association of European Airlines, the European Commission and the EBRD have proposed a Russian Aviation Modernisation Fund. The Fund would include contributions from airlines instead of the royalty charges, together with loans from the EBRD. The first tranche of this EBRD assistance is to be a proposed loan of €43 million to modernise Russia's Far East navigation systems. In response to the Russians' persistent refusal to discuss the issue of over-flight charges, the EBRD Board on 12 December withdrew the project from the agenda, signalling a suspension rather than indefinite postponement. We want to see the Aviation Modernisation programme proceed and for Russia to meet the Commission's minimal demand of a meeting to discuss the necessary reforms. We do not wish to stand out from other MS in lest we be singled out for retaliation by Russia, complicating several on-going bilateral aviation disputes.

3. Kasyanov raised this issue with the Prime Minister in Moscow. Chris Austin wrote to John Sawers on 8 January with advice and a draft letter for the Prime Minister to send to Kasyanov (attached).

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EU

• Hd/EUD(E)

cc: PS
PS/Mr Vaz
PS/PUS
Dr Jones Parry
Mr Budd
Mr Darroch
Hds: EUD(I)
EUD(E)
EUD(B)
News
Planners
Legal Advisers
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DFID Department for International Development

94 Victoria Street, London SW1E 5JL

Telephone: 020-7917 0419
E-mail: chris-austin@dfid.gov.uk

From the Private Secretary

John Sawers Esq
10 Dowing Street
London SW1A 2AA

8 January 2001

Grateful for advice.

Dear John,

EBRD: RUSSIAN FAR EAST AIR NAVIGATION SYSTEMS PROJECT

This issue was raised with the Prime Minister by Kasyanov in Moscow. Russia and the European Commission have been at loggerheads for some time because Russia insists on requiring "royalty" payments to Aeroflot to overfly the country, in addition to the normal air traffic control charges. The Commission and EU Member States have blocked this project at the EBRD until Russia agrees a date for talks on resolving the dispute. The UK has adopted a low-key approach to avoid our airlines been singled out for retaliatory action by the Russians.

The blocking of this EBRD project was raised by Kasyanov during the Prime Minister's last meeting with him in Moscow. Your letter reporting the visit, dated 21 November, asked for advice and a draft letter from DFID.

The EBRD project has been stalled since earlier this year following Russian suspension of consultations with the EU on "royalty" payments to Aeroflot. EU countries, including the UK, have long believed that these charges contravene an international agreement (Article 15 of the Chicago Convention) and the objectives of the EU-Russia Partnership and Co-operation Agreement. Payments from European airlines exceed Euro 200 million a year. Moreover, there is no transparency over the final destination of this revenue.

To provide incentives for the Russians to address the issue, the Association of European Airlines, the European Commission and the EBRD have developed a Russian Aviation Modernisation Fund. The Fund would include contributions from airlines instead of the over-flight charges, together with loans from the EBRD. The first tranche of this EBRD assistance is to be a proposed loan of Euro 43 million to modernise Russia's Far East navigation systems.

Despite some contradictory signals from the Russians - at times during recent months a breakthrough has seemed possible - they have in the end refused even to discuss the proposal. The Commission has specified only that Russia agree to discuss the issue and set a date for doing so. The European Commission and EU Member States have effectively blocked the EBRD project pending progress with the Russians.

\ The DETR leads on overall policy in this area

08-JAN-2001 14:42 FROM

The DETR leads on overall policy in this area and would strongly prefer that no response were sent to Kasyanov if it were felt that the Prime Minister's commitment could be left to slip without causing offence. They fear that if the UK stands out from other EU countries in this respect we could find our own airlines - particularly British Airways and Virgin - singled out for retaliatory action by the Russians.

On the other hand, silence on this occasion may draw more attention to the UK than a brief response which emphasises our wish to see this project proceed as part of the Aviation Modernisation Fund for Russia, with appropriate reform being implemented by the Russians. I attach a draft response agreed between all interested departments along such lines.

I am copying this letter to Tom Scholar (HMT), Sherard Cowper-Coles (FCO), Peter Unwin (DETR), Nigel Sheinwald (UKRep Brussels), Sir Roderic Lyne (Moscow) and to Richard Abel (Cabinet Office).

Yours ever

Chris Austin
Private Secretary

DRAFT LETTER FROM PRIME MINISTER TO KASYANOV

Mikhail Kasyanov

Prime Minister of the Russian Federation

When we met in November I agreed to write to you on the subject of the EBRD's Far East Air Navigation Systems project.

As matters currently stand the project has yet to be discussed by the EBRD's Board. The project should not of course be seen in isolation, but as an initial step towards reform within the context of the EU's proposal for an Aviation Modernisation Fund in Russia. This fund would provide financing for the development of air traffic control facilities in a way which is transparent and auditable.

We wish to see the Aviation Modernisation Fund implemented as quickly as possible, not least for the contribution it would make to improving safety and promoting the transition towards market-orientated operations for the aviation sector in Russia. To that end, it would be helpful if you could agree a date with the European Commission for talks to begin and to move the process forward.

TONY BLAIR

KYOTO SHERPA RECORD

5. DEC. 2000 14:12

RESTRICTED - POLICY

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

4 December 2000

Dear James,

G7/G8 SHERPAS: 2-3 DECEMBER MEETING IN KYOTO

G7/8 Sherpas had their final meeting under the Japanese Presidency at Kyoto on 2-3 December. As ever, many thanks to you and Whitehall colleagues for the excellent briefing pack.

Future of the G7/G8

Invited by Nogami (Japan) to open the discussion I set out our position in familiar terms:

- in the long run it would be desirable to make Russia a "full" member of the G8 and to disband the separate G7 Heads meeting.

- but in the short to medium term it was not realistic to think of Russia chairing the G8 and hosting the annual summit (WTO, NSWG, FATF, etc)

- however we should keep something in our back pocket in case Putin decided to press the issue. A special summit in 2003 was probably the least bad option.

This approach was fully supported by the rest of the G7, except Tacke (Germany), who stressed that Germany was in favour of full Russian membership of the G8. This could help the reformers in Russia to facilitate the country's full integration into the world economy. It was not sensible to set up too many obstacles or preconditions.

Lavertu (Canada) reported that he had been warned that Putin was likely to raise this whole issue when he met Chretien on 17/19 December. Canada had recently been reviewing its whole approach to Russia and the G8. Their

conclusions were identical to mine. Russia was simply not in a position to play a leadership role on WTO issues, debt, the international financial architecture etc. Nor was it clear what the political situation would be in 2003. A special summit in 2003 was one option; but we should also consider the (less high profile) alternative of holding one or two G8 Ministerial meetings in Russia. Sabliere (France) and Nogami preferred a special summit. Sperling (US) was pretty hostile to anything. Olivieri (Italy) thought that Putin's immediate priority was to be given some sort of informal involvement with the G7 leaders meeting. But it was not clear what this meant.

role of Russia

Ukraine

/ 5/12

G7 Sherpas agreed that Nogami should write to Lemierre attaching the approved G7 NSWG statement. I questioned Tacke on whether the German Government had decided yet how to make its promised financial contribution to the K2/R4 project, without directly supporting the project itself. Tacke said that Germany was not planning to make any contribution! After further probing from me and Sabliere he subsequently clarified this by saying that discussions were still going on in Berlin on whether to make a further German contribution.

Varrichio (EC) said that the Commission were making available 65m euros over the next three years to help with the fuel gap; the EBRD would find a further $100m. In answer to my question Sperling said that as far as he was aware there was no problem about the US supporting the K2/R4 project through export credit cover. (Comment: it was not clear whether Tacke, making his debut, was unbriefed; and it was difficult for me to press any harder given the absence of support from anyone else. But on the face of it it seems that Germany may be trying to wriggle out of her earlier commitment to provide additional financial support to the Ukraine.)

Nuclear Safety in Russia

G7 Sherpas agreed to take a tough line with Illarionov (Russia) on the proposal to transfer key regulatory responsibilities from GAN to MINATOM. Nogami and I were also concerned about emerging signs that Russia was intending to extend the life of the RBMK reactors. Lavertu argued that we should reconsider the role of the NSWG in relation to Russian nuclear safety. At present we were not getting proper engagement from the Russians. The NSWG should perhaps prepare a paper for Sherpas looking at how the current arrangements might be strengthened – for example should the NSWG be disbanded and turned into a higher level forum?

role of NSWG

Nogami agreed that the NSWG should prepare a paper. We should also raise our concerns with Illarionov. In the light of his reaction we should consider getting Mori to write to Putin on behalf of the G7, reminding him of Russia's obligations under the Nuclear Safety Agreement (NSA). Sperling stressed the urgency of this - it was important to push back hard in the short term to ensure that the proposed legislation on MINATOM was not passed by the Duma.

When the discussion resumed at G8 Illarionov said that he was on the case - he needed a bit more time to sort out some internal political problems, but he was hopeful that he would have good news to report by March. In return he hoped G7 colleagues would accept that it was for Russia alone to determine who should represent the country at NSWG meetings (ie MINATOM or GAN).

After some wrangling about this procedural point (with Nogami taking a very tough line) I tried to broaden the issue out - what was important was that Illarionov should understand our deep and mounting concern over Russia's failure to meet the conditions of the NSA. Illarionov asked Nogami to send him a paper setting out in detail what our precise concerns were. He had not seen any previous papers on this issue and no-one had told him that the G7 was unhappy with Russia's approach!

Russia and debt

G7 Sherpas were clear that there was no possibility of agreeing a Paris Club rescheduling without an IMF programme. Tacke said that Russia had no need for debt relief in 2001. (NB: he made no reference to debt-equity swaps. What lies behind yesterday's FT story?)

HIPCs

Nogami said that he had asked Finance Sous Sherpas (FSS) to try to resolve their outstanding differences. It was now looking more hopeful that 20 countries would get through before the end of the year, though there were pending issues with Rwanda and Nicaragua. He was also concerned about the slow progress of the export credit agencies' discussions on non-productive expenditure. Sherpas needed to give clear guidance on this and stop experts' trying to re-open what leaders had agreed at Okinawa. The DAC and ECG needed to co-operate much more effectively on data issues.

I agreed on export credits. I also agreed that FSS should work on their current differences. But here too Sherpas should give some political guidance. There was no doubt that the debt issue was not going to go away. Our Heads would be faced once again, at Genoa, with strong pressure to go further on debt. To a large extent the successes of Okinawa had been over-shadowed in media terms by the lack of progress on debt. FSS should be left in no doubt that we did not want to see this happen again. We should ask them to look more creatively at what could be done in three areas: setting a new (internal) target for the number of countries that should have reached Decision Point by Genoa; providing 100% flow relief from Decision Point; and making sure that countries which had already benefited from debt relief were given additional help if the increase in oil prices meant that their new debt burdens were still not sustainable. No doubt the FSS could come up with some further ideas too.

FSS

Sabliere agreed with my general approach, though he was cautious about setting a new target. We should press FSS to come up with some new ideas and to get as many countries as possible through by Genoa - 25 or 26 should be achievable. It might also be possible to go further on interim relief.

Sperling took a more cautious line - it had required huge efforts by Summers and himself to get the HIPC funding bill through Congress. It was now vital that the countries getting debt relief used the money sensibly. We should not lower the barrier simply to get more countries through quickly. This could provoke a disastrous reaction in Congress. Tacke agreed - it was essential not to weaken conditionality. He agreed that where possible we should do more. But many countries were held back by civil war or weak governance. We should not lower the standards to let them into the scheme.

Olivieri said that he was hoping at Genoa to put the focus back on to poverty relief more generally and away from debt relief per se. But there would be no easing up on HIPC. He could not support a lowering of standards. But if there were bureaucratic obstacles these should be removed. He was not in favour of setting a new numerical target. But we should try to get 25 or 26 countries through by Genoa.

Lavertu agreed with me that additional efforts were required. He was not sure that the process we currently had in place was sufficient to get us to where we wanted to be. Nor was it clear that FSS could be trusted to drive this forward. Would it not make sense to set up a meeting in the New Year of FSS and development experts (or FASS), with the World Bank and the IMF to go

through the remaining HIPCs one by one and identify what the obstacles were in each case and what specific messages we needed to send each country? Varrichio agreed - such a meeting could also focus on the role of the MDBs. At present these were not doing much to support the HIPC initiative. Sabliere and I expressed interest in the idea of a meeting in the New Year. But the main point was that Sherpas should receive a report at our next meeting looking in detail at what needed to be done to get each of the remaining HIPCs through to Decision Point.

Nogami agreed that the issue was not going to go away. He would send a clear message to the FSS. But the political context in Japan was similar to that in the US. There was strong pressure within the governing coalition to reduce Japanese ODA by 30% over the next three years. MFA - since reassured cut = ≤ 30% Telelette

When the discussion resumed at G8 I briefed Sherpas on the Chancellor's latest debt initiative and urged other countries to follow suit. Sabliere and Olivieri thought the announcement sounded very interesting - indeed ingenious. Nogami commented, acidly, that any unilateral UK initiative was welcome given Japan's continuing concerns about burden-sharing.

Trade

Nogami introduced his non-paper, emphasising that it did not in all respects reflect the Japanese Government's position. It was a personal paper, based on "common sense". He intended to use it over the next few months with key non-G7 countries to canvass support for a new round. He had already talked to Brazil, Hong Kong, Australia and Singapore. They were broadly supportive of the approach set out in the paper.

Varrichio agreed that Nogami's paper was largely common sense. But it missed the key word "comprehensive". It was clear that there would be no deal if investment, competition, trade facilitation and the environment were not included in the round. The EC was totally opposed to the building block approach.

Lavertu said that Canada liked Nogami's paper very much, particularly its emphasis on the need to built a core agenda that would be supported by the whole WTO membership. The essential first step was to get agreement within the Quad, particularly between the EU and the US. Without that we would not get anywhere. There was a real dilemma - what was desirable or what might

realistically be achievable. We should certainly add market access, industrial tariffs and trade facilitation to the BIA. But the rest was more complex. Canada would also give more emphasis to capacity-building than Nogami's paper did.

Sperling rejected Varrichio's approach. It was all very well arguing for a "comprehensive" round. But the EC had absolutely no political strategy for achieving this. At least Mike Moore was trying to do some thinking about how to make real progress. The US too had been kicking around some new ideas - particularly a "two baskets" approach, in which we would start off with a core basket of market access, trade facilitation and tariffs, while leaving to one side a second basket from which issues could be taken at a later stage of the negotiation. The strong suspicion of US trade negotiators was that the EC's insistence on a comprehensive round was driven by those who were simply not prepared to make concessions on agriculture. Similarly the position others were taking on anti-dumping was completely unrealistic given the stance of the US Congress.

Varrichio reacted strongly to this intervention, emphasising that the EC did want a successful round. But concessions on agriculture would only be acceptable if the EU made progress on other issues, including the environment. Tacke and Sabliere both supported.

Nogami reverted to the issue of whether the next step should be to try to engage some of the more influential developing countries or to try to find a breakthrough within the Quad. He strongly favoured the former. I agreed. We were currently talking to EU partners about the idea of convening an informal Ministerial meeting in the New Year to try to take this forward. The aim would be to engage at political level. Olivieri thought this sounded interesting - perhaps we should be thinking of a "seminar" rather than a full Ministerial meeting. Sperling thought that we were thinking along similar lines to Mike Moore.

Nogami said that he himself was intending to convene a senior officials meeting soon to discuss his paper. The G7 would not be invited! His aim was to build support from Brazil, Australia, Singapore, India, Eygpt, South Africa and Hong Kong.

Iraq

Sperling raised the issue of Iraq and oil. He hoped G7 colleagues would agree to stick firmly to the current sanctions regime and to respond in a concerted way, as necessary, to stabilise the oil market. It was important that the US and

Saudi Arabia were not seen to be acting in isolation. Nogami noted that the IEA had already put out a good statement. Tacke stressed that there were real problems in deploying the EU oil reserves. In addition it was important not to do or say anything that would alarm the markets.

E-mail network

Following a long (and completely pointless!) discussion of the technical options it was agreed that Nogami and Olivieri would prepare a paper in the next week or so setting out the pros and cons of two options – individual mail servers in each country or a single rotating Presidency server. The new system should be designed to allow Heads, Sherpas and Sherpas' Assistants to e-mail each other collectively or bilaterally; it should allow the Presidency to circulate all papers in future by email; and it should be at least as secure as the current fax system (but no more).

Health

Nogami said that preparations for the Okinawa Conference were well-advanced. The President of Zambia would attend, along with Mrs Wahid and Mrs Brundtland. The main gap in the revised draft Chairman's report was specific financial commitments from certain countries (NB: including the UK!). I briefed colleagues on our PIU project and asked how the Italians were intending to follow the conference up. The action plan was very ambitious – how could we best ensure that it was delivered? Was there a case for a Development Ministers' meeting to discuss progress in the margins of the Spring Meetings?

Olivieri said that he would reflect on this. He thought FASS should play the main role in monitoring progress, but there might also be a role for G8 Health experts or Development Ministers. Lavertu, Tacke and Varrichio all emphasised the need to avoid the creation of new structures or new bureaucracy. Sabliere circulated a note on the planned Aids Conference.

Renewables

Nogami, who had not received Clini's letter and clearly still felt completely out of the loop, was pretty scathing about the Task Force. He had heard that the idea of a $75 billion fund had been floated at the last meeting. This was plainly absurd. There was no sign that the Task Force was really getting to grips with the issues. Lavertu agreed – it was important that the Task

Force did not look at this in a purely technological way. They needed to come up with a realistic policy framework, and to look at financial barriers, institutional capacity, regulatory issues etc. He was becoming increasingly uneasy about the whole process. It might be wise to set up a G8 officials' meeting in the margins of the next Task Force plenary to try to get a grip on the work. This group could then report to Sherpas on what was going on.

Nogami agreed that this would be a good idea. His own view was that the Task Force's report should not simply be about the environment (though there were links to COP6 that should be brought out), it was also about poverty reduction and "empowerment". The focus should be on correcting market failures, not simply allowing Western companies to win more orders.

In contrast, Sabliere said that France was happy with the way the Task Force was going. Olivieri and I, too, did our best to be reassuring. I said that there was no problem about G8 officials' meeting in the margins of the next Task Force meeting. But any report to Sherpas should be from the two co-chairs. The main process issue was when the Task Force report should be published. After some discussion we agreed that if the report looked sensible it should be presented at the Summit; if not it should be published (and rubbished) earlier.

(Comment: I hope someone has a grip on this. I am simply taking it on trust that Canada and Japan are wrong! I would be grateful for Colin Budd's advice please.)

Drugs

I circulated the draft outline of our conference and urged the Japanese to invite INCB, WCO and Interpol to theirs!

COP6

Lavertu said that there would be a meeting in Ottawa on 6 December of the chief COP6 negotiators from the G7, Australia, Norway, Sweden and Belgium. This might be followed up after Nice with a meeting of Ministers in Oslo ahead of the EU/US Summit. This was news to the rest of us! Sabliere said that we were very close to agreement.

Dot Force

Nogami said that the first meeting had gone well. There were just two problems. First China had not turned up (possibly because they did not want to attend a Japanese-chaired meeting); second, the Egyptians were pressing hard to chair a Dot Force meeting. It would be difficult to accommodate this if South Africa chaired the next one.

We then had a long discussion on whether the Dot Force should be wound up after Genoa or whether it should become a permanent feature of the landscape. Sabliere, Tacke and I were all very cautious about giving the Dot Force a permanent existence. This had not been the original intention; the G8 was not equipped to oversee the Dot Force on a long-term basis; it would only be successful if it produced recommendations that could be "mainstreamed"; and the Dot Force had a fairly arbitrary membership and was financed in a very ad hoc way - these issues would have to be addressed if there were any question of keeping the Dot Force beyond the summit.

On the other hand Sperling thought it was vital to keep the group going. One option would be for it to develop independently of the G8. On the other hand the developing country participants seemed very happy for the group to be steered by the G8. Olivieri agreed that this issue would need to be resolved at the February Sherpa meeting.

Food Safety

Prompted by Nogami I ran through my letter. Since writing it I noted that there had been two important developments. First, we had had good bilateral discussions with France on the idea of establishing a scientific panel or forum. Sabliere and I would produce a joint paper for the February meeting. Second, I had heard that the OECD had decided to go ahead with a conference in the US after Genoa on the environmental impact of GMOs.

Nogami said that he had talked to the OECD about this latter idea. He did not think it need get in the way of the helpful UK proposal to hold an Edinburgh II Conference. The environment conference was not scheduled until November 2001. There was ample time to co-ordinate before then. Sabliere agreed. He liked the idea of having a follow-up to the useful Edinburgh Conference. This should focus on GMOs, and food safety more generally. Sperling, in a rush to catch his plane, said that the US supported my proposal and was keen to see

progress on this whole issue by Genoa. Italy's ban on an EU-approved biotech corn product was a particular concern. The US did not want to see any new institutions. They would prefer to build on the Inter Academy Council. It was also important to keep Codex as a technical not a political body.

Olivieri agreed that it was vital to make progress on food safety before Genoa; and the UK proposal was a very helpful step forward. Lavertu said that Canada too was happy to support the UK proposal (as well as the OECD Conference). It was important to involve the WHO and the FAO as well as the OECD. It was also vital to stress the positive aspects of GMOs.

To double check that we were all talking about the same thing I asked colleagues to confirm that they were happy with the proposed scope of the conference, as summarised on page 2 of my letter. They all said that they were. It was therefore agreed that the UK would speak to the OECD and tell them of the G7's desire to hold a separate conference in May/June on food and crop safety.

Education

Sperling and I both stressed the need to implement Dakar. I offered a UK paper on this.

Italian Presidency

Olivieri ran through his initial thoughts on the Italian Presidency (see attached schedules). Amato was keen to avoid covering the same ground as the Sherpas. Instead be wanted a fairly unstructured discussion on issues of the highest political importance. The idea was that two documents would be published at the Summit - the usual Sherpa-drafted communiqué and a separate, non-agreed, Presidency summary of the main points discussed by Heads. Amato was particularly keen that Heads should discuss two issues:

(i) what to do about the emergence of single issue pressure groups which posed an increasing challenge to elected governments;

(ii) migration, both the economic and social dimensions.

The current intention was to do the G8 Summit in one day. The previous day would start with a short G7 and then an outreach event. The latter would be slightly different from the Tokyo meeting, in part to avoid establishing a "norm".

A small number of developing country leaders would probably be invited, each to talk about a specific issue.

This presentation sparked a great deal of concern from others. Most of us felt that Heads would have to consider at least some aspects of the Sherpas' work (eg food safety), not least to iron out differences. There was also anxiety about the idea of trying to limit the summit to a single day. Olivieri stressed that plans were not set in stone. He would circulate further ideas in due course. For example, it would probably be sensible to look at the position of middle income developing countries. I suggested three other possible topics for "unstructured discussion" - trends in energy dependence; the future of Africa; and how to ensure that developing countries benefited fully from scientific advances. These ideas received a fair amount of support, particularly from Germany and France.

I am copying this letter to Colin Budd (Foreign and Commonwealth Office), Jon Cunliffe (HM Treasury) and Anna Wechsberg.

Yours,

JEREMY HEYWOOD

Mr James Kariuki
FCO

International Herald Tribune
09 Jan 2001
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Oil Windfall Delays Hard Choices in Russia

By David Hoffman
New York Times Service

MOSCOW — President Vladimir Putin delivered a tongue-lashing to the Russian Central Bank recently, saying it had failed to restructure the troubled commercial banking system.

"I would not say our banking system is functioning normally," he said.

In fact, a long-needed overhaul of the banking system was just one of the major structural-reform issues that Mr. Putin and his government largely ignored over the last year. Analysts say the explanation is not hard to find.

With the Russian economy growing rapidly for the first time since the 1991 breakup of the Soviet system, buoyed by high world oil prices and the lingering effects from a ruble devaluation, the impetus has all but vanished for carrying out difficult reforms.

Mr. Putin surrounded himself last year with liberal advisers and said he supported a progressive economic agenda, promising to improve the country's unfavorable investment climate, to reform taxes, cut red tape, end an impasse on land reform, defend property rights and strengthen rule of law.

But after enacting a significant tax overhaul in the summer, Mr. Putin and Parliament have been coasting as oil revenue lifted the budget and economy, according to analysts and politicians.

Oil and gas are Russia's largest exports and the high oil prices last year generated a budget windfall and huge trade surplus.

"From the economic point of view, he lost the whole year," Liliya Shevtsova of the Carnegie Moscow Center said of Mr. Putin. "From the political point of view, he has consolidated everything — the Duma and everything else is in his pocket."

In an unusual public appearance last month, Mr. Putin's liberal adviser, Andrei Illarionov, lambasted the government for squandering its massive oil-income windfall. Mr. Illarionov, a maverick who was one of the first to warn in 1998 of the need for a ruble devaluation, told journalists the government could have managed the oil dividend far better and should have used the income to bring down Russia's huge foreign debts.

Instead, the government burned up oil revenue on a fresh spurt of domestic spending such as raising the minimum wage and subsidizing agriculture, he said.

More than just an economic criticism, Mr. Illarionov's comments appeared to be a deliberate gambit, perhaps to shock the political elite out of complacency, or to give Mr. Putin some political cover if the economy turned sour. But sources say Mr. Illarionov, a strong-minded economist, also made the comments because he was concerned that structural reforms had ground to a halt in the euphoria of the oil revenues.

In a television interview with Russian journalists aired in late December, Mr. Putin said "some alarming trend" had appeared in the economy. The most alarming, experts say, is that oil-boom growth is waning and oil prices have begun to decline. Mr. Illarionov said the stimulus from the 1998 currency devaluation might be running its course. Jitters about what comes next for Russia are already being felt.

Russia announced Thursday that it did not plan to make a full first-quarter payment to the Paris Club of creditor nations on debt inherited from the Soviet period. Russia owes $48 billion and was scheduled to pay $3.4 billion this year — $1.5 billion in the first quarter.

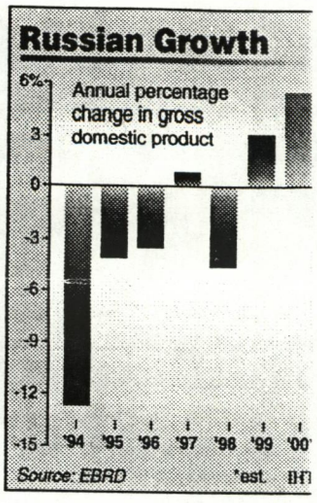
Germany, which accounts for about 40 percent of that debt, demanded full repayment, saying Russia can afford it. Mr. Putin announced after a Russian Christmas weekend with Chancellor Gerhardt Schroeder that Russia "intends to and will pay the debts of the former Soviet Union," but might seek more time.

Before talks with the Paris Club can begin, however, Russia is required to complete an agreement on its economic program with the International Monetary Fund.

An IMF delegation, which made an inconclusive visit in November, is expected to return this month or early in February.

Vladimir Rodionov/The Associated Press

Mr. Schroeder, left, and Mr. Putin at a Moscow airport before the chancellor's departure. Germany is Russia's largest creditor.



Energy accounts for two-fifth of Russia's exports, and 13 percer of the national output, making th economy extremely sensitive t global energy price fluctuations. I a refreshing turnabout from its lon stagnation, Russia's econom grew by slightly more than 7 pe cent last year, the best performanc since the Soviet collapse, but ex perts say the rise in oil prices ac counted for about a third of th growth. Russian growth this yea will be 3 to 4 percent.

Chronic budget woes tha plagued Russia in the 1990s hav eased. Russia recently adopted balanced budget for the first tim since the Soviet collapse Moreover, Russia's foreign cu rency reserves, up to $28 billio from about $12 billion at the sta of 2000, have exceeded levels las seen before the rubie devaluation

The devaluation cut way dow on expensive imports, and mad Russia's exports more competitiv abroad. Moreover, the widesprea problems of barter, wage arrear and nonpayments between firm that plagued Russia in the 1990 appear to have abated and inflatio remains moderate, although capita flight has grown.

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09 Jan 2001
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Russia Turns Gas Off (Or On) as a Message

Ex-Soviet Republics Fear Moscow's Power

By Douglas Frantz
New York Times Service

ISTANBUL — When President Eduard Shevardnadze of the Caucasian nation of Georgia had to send his energy minister to Moscow last week to beg for a resumption of natural gas to keep the heat and lights on in Tbilisi, shivers went through the corridors of capitals throughout the region.

Russia's willingness to suspend vital gas supplies to Georgia is seen in the region as a message that Moscow is determined to use its extensive gas and oil supplies as leverage to rebuild its dominant Soviet-era role.

Georgian officials say Russia is pressing Mr. Shevardnadze to rescind a demand that Russian troops be withdrawn from Georgia, a former Soviet republic. Two of Russia's four bases in Georgia are scheduled to be closed by July, but Georgian officials said the Russians were pressing for a 15-year extension.

Russia contends that Georgia is providing support for rebels across the border in Chechnya. Relations between the two countries are at an all-time low, Georgian officials say.

In nearby Azerbaijan, another former Soviet republic in the Caucasus, there is growing concern about shipments of Russian weapons to Armenia.

President Vladimir Putin of Russia is scheduled to make his first trip to Baku, the Azerbaijani capital, this week, where President Heydar Aliyev plans to argue that the weapon shipments threaten regional stability.

"Everyone is very worried about Russia's intentions," a senior Azerbaijani diplomat said in anticipation of Mr. Putin's visit.

Since the collapse of the Soviet Union a decade ago, its former republics in the Caucasus and Central Asia have struggled to make a transition to democracy and to wean themselves from the centralized economy that dominated the region for 70 years.

The shortages of gas for electricity and heat are a stark reminder that success has been mixed at best.

Electricity shortages are common throughout the former Soviet bloc.

The main reason is last summer's drought, which left water reserves too low at hydroelectric plants to generate sufficient electricity. The countries have aging generating plants and spotty supplies for gas-fired generating plants.

The problems are perhaps clearest in Georgia, which is dependent on Russia for gas. There have already been public protests this winter over chronic shortages of electricity.

With Georgia already restive over economic conditions, Mr. Shevardnadze can ill afford the unrest likely to be caused by further electricity cuts.

The Russian company that supplies gas for Georgia's main power generators cut off supplies in early December.

The company, Inertgazstroi, said the American corporation providing electricity to Tbilisi was paying too little for the Russian gas. The American company, AES Corp., agreed to a 10 percent increase, and the supply resumed.

On Jan. 1, Inertgazstroi again cut supplies, saying it acted under orders from the Russian government.

By Wednesday, AES was down to a few hours of gas for the main generator west of Tbilisi.

Shutting it down would have left Tbilisi and the rest of the country without electricity except for such basic operations as hospitals and baking bread.

"We are caught up in a geopolitical squeeze and there is no legitimate reason for our gas supply's being suspended," Michael Scholey, the AES director in Tbilisi, said in a telephone interview.

David Mirtskhulava, the Georgian energy minister, reached a last-minute agreement with another Russian company, Itera, to sell gas to Georgia, which prevented a shutdown, at least for the time being.

Russia's readiness to use energy supplies as political leverage poses a potentially difficult issue for the Bush administration if it expects to continue the previous American policy of minimizing Russian influence in the region, particularly over energy matters.

An executive with a major Western energy company in the region said the Russian moves underlined the necessity of ensuring that Caspian Sea oil and gas flow to the West through pipelines that bypass Russia.

The primary means under development is a pipeline from Baku through Tbilisi to the Turkish port of Ceyhan.

But officials in Turkey and the Caucasus last week expressed concerns over the fate of the pipeline after President-elect George W. Bush selected former Senator Spencer Abraham, Republican of Michigan, regarded as an opponent of the pipeline, to be secretary of energy.

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