

**BIRMINGHAM SUMMIT**

**15-17 May 1998**

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## COMMUNIQUÉ

17 May 1998

### Introduction

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

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

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

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

### Promoting sustainable growth in the global economy

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

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

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

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

- reaffirm our strong commitment to continued trade and investment liberalisation within the multilateral framework of the WTO;
- call on all countries to open their markets further and resist protectionism;
- strongly support the widening of the WTO's membership in accordance with established WTO rules and practices;
- agree to promote public support for the multilateral system by encouraging greater transparency in the WTO, as in other international organisations;
- reaffirm our support for efforts to complete existing multilateral commitments, push forward the built-in agenda and tackle new areas in pursuing broad-based multilateral liberalisation;
- confirm our wish to see emerging and developing economies participate fully and effectively in the multilateral trade system; commit ourselves to deliver early, tangible benefits from this participation to help generate growth and alleviate poverty in these countries; and undertake to help least developed countries by:
  - providing additional duty-free access for their goods, if necessary on an autonomous basis,
  - ensuring that rules of origin are transparent,
  - assisting efforts to promote regional integration,
  - helping their markets become more attractive and accessible to investment and capital flows.

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

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

- to provide effective support for the efforts of these countries to build democracy and good governance, stronger civil society and greater transparency, and to take action against corruption,

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for example by making every effort to ratify the OECD Anti-Bribery Convention by the end of 1998;

- to recognise the importance of substantial levels of development assistance and to mobilise resources for development in support of reform programmes, fulfilling our responsibilities and in a spirit of burden-sharing, including negotiating a prompt and adequate replenishment of the soft loan arm of the World Bank (IDA 12) as well as providing adequate resources for the Enhanced Structural Adjustment Facility of the IMF and for the African Development Fund;
- to work to focus existing bilateral aid and investment agency assistance in support of sound reforms, including the development of basic social infrastructure and measures to improve trade and investment;
- to work within the OECD on a recommendation on untying aid to the least developed countries with a view to proposing a text in 1999;
- to support the speedy and determined extension of debt relief to more countries, within the terms of the Heavily Indebted Poor Countries (HIPC) initiative agreed by the International Financial Institutions (IFIs) and Paris Club. We welcome the progress achieved with six countries already declared eligible for HIPC debt relief and a further two countries likely to be declared shortly. We encourage all eligible countries to take the policy measures needed to embark on the process as soon as possible, so that all can be in the process by the year 2000. We will work with the international institutions and other creditors to ensure that when they qualify, countries get the relief they need, including interim relief measures whenever necessary, to secure a lasting exit from their debt problems. We expect the World Bank to join the future financial effort to help the African Development Bank finance its contribution to the HIPC initiative;
- to call on those countries who have not already done so to forgive aid-related bilateral debt or take comparable action for reforming least developed countries;
- to enhance mutual cooperation on infectious and parasitic diseases and support the World Health Organisation's efforts in those areas. We support the new initiative to 'Roll Back Malaria' to relieve the suffering experienced by hundreds of millions of people, and significantly reduce the death rate from malaria by 2010. We will also continue our efforts to reduce the global scourge of AIDS through vaccine development, preventive programmes and appropriate therapy, and by our continued support for UNAIDS. We welcome the French proposal for a 'Therapeutic Solidarity Initiative' and other proposals for the prevention and treatment of AIDS, and request our experts to examine speedily the feasibility of their implementation.

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

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

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

foreign entities. These are essential to attract the new investment which our energy sectors need. We also recognise the importance of international co-operation to develop economically viable international energy transmission networks. We shall pursue this co-operation bilaterally and multilaterally, including within the framework and principles of the Energy Charter Treaty.

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

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

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

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

### **Growth, employability, and inclusion**

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

14. We discussed and welcomed the Action Plans we have each produced to show how the seven principles of the London Conference are being implemented. By sharing national experiences and best

practices in this area, we can improve our policies and responses. We underlined the importance of the involvement of employers and unions in securing successful implementation of these Plans.

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

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

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

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

### **Combating drugs and international crime**

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

19. Such crimes pose a threat not only to our own citizens and their communities, through lives blighted by drugs and societies living in fear of organised crime; but also a global threat which can undermine the democratic and economic basis of societies through the investment of illegal money by international cartels, corruption, a weakening of institutions and a loss of confidence in the rule of law.

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

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

- We fully support efforts to negotiate within the next two years an effective United Nations convention against transnational organised crime that will provide our law enforcement authorities with the additional tools they need.
- We agree to implement rapidly the ten principles and ten point action plan agreed by our Ministers on high tech crime. We call for close cooperation with industry to reach agreement on a legal framework for obtaining, presenting and preserving electronic data as evidence, while maintaining appropriate privacy protection, and agreements on sharing evidence of those crimes with international partners. This will help us combat a wide range of crime, including abuse of the internet and other new technologies.
- We welcomed the FATF decision to continue and enlarge its work to combat money-laundering in partnership with regional groupings. We place special emphasis on the issues of money laundering and financial crime, including issues raised by offshore financial centres. We welcome the proposal to hold in Moscow in 1999 a Ministerial meeting on combating transnational crime. We agreed to establish Financial Intelligence Units (FIUs) where we do not already have them, in line with our national constitutions and legal systems, to collect and analyse information on those

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engaged in money laundering and liaise with the equivalent agencies in partner countries. We agreed on principles and the need for adequate legislation to facilitate asset confiscation from convicted criminals, including ways to help each other trace, freeze and confiscate those assets, and where possible, in accordance with national legislation, share seized assets with other nations.

- We agree on the need to explore ways of combating official corruption arising from the large flows of criminal money.
- We are deeply concerned by all forms of trafficking of human beings including the smuggling of migrants. We agreed to joint action to combat trafficking in women and children, including efforts to prevent such crimes, protect victims and prosecute the traffickers. We commit ourselves to develop a multidisciplinary and comprehensive strategy, including principles and an action plan for future cooperation amongst ourselves and with third countries, including countries of origin, transit and destination, to tackle this problem. We consider the future comprehensive UN organised crime convention an important instrument for this purpose.
- We endorse joint law enforcement action against organised crime and welcome the cooperation between competent agencies in tackling criminal networks. We agree to pursue further action, particularly in dealing with major smuggling routes and targeting specific forms of financial fraud.
- We endorse the Lyon Group's principles and action plan to combat illegal manufacturing and trafficking of firearms. We welcome its agreement to work towards the elaboration of a binding international legal instrument in the context of the UN transnational organised crime convention.

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

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

### **Non-Proliferation and Export Controls**

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

### **Year 2000 Bug**

25. The Year 2000 (or Millennium) Bug problem, deriving from the way computers deal with the change to the year 2000, presents major challenges to the international community, with vast implications, in particular in the defence, transport, telecommunications, financial services, energy and environmental sectors, and we noted the vital dependence of some sectors on others. We agreed to take further urgent action and to share information, among ourselves and with others, that will assist in preventing disruption in the near and longer term. We shall work closely with business and organisations working in those

sectors, who will bear much of the responsibility to address the problem. We will work together in international organisations, such as the World Bank to assist developing countries, and the OECD, to help solve this critical technological problem and prepare for the year 2000.

### **Next Summit**

26. We accepted the invitation of the Chancellor of the Federal Republic of Germany to meet again next year in Köln on 18-20 June.

## **STATEMENT ON NORTHERN IRELAND**

16 May 1998

We warmly welcome the Belfast Agreement reached on 10 April. We commend all those involved in achieving an outcome which reflects the fundamental aspirations of both parts of the community in Northern Ireland and secures their rights. We recognise that the Agreement must win the support of the people in Northern Ireland and the Republic of Ireland. While acknowledging that it presents challenges to all parties, we hope it will achieve the widest possible support, not only as a basis for political stability and peace but also as an opportunity for economic development and prosperity for all Northern Ireland's people. We pledge our countries' support for this process.

## **POLITICAL STATEMENT - REGIONAL ISSUES**

15 May 1998

### **Indonesia**

We are deeply concerned at the situation in Indonesia, especially the recent upsurge of violence and the loss of life. We deplore the killings and urge the authorities to show maximum restraint, to refrain from the use of lethal force and to respect individual rights. We call on the public to express their views peacefully. It is essential to avoid an escalation of violence.

We recognise the hardship the economic crisis has caused. We believe the economic reform programme agreed with and supported by the international financial institutions is the only way to restore confidence and growth, and fully support the government in implementing it. But successful economic reform and international support for it will require sufficient political and social stability. We will continue to work, together with the international financial institutions, to support reform and alleviate hardship.

The current social unrest indicates that, to resolve the crisis, political as well as economic reform is necessary. The need for political reform is widely acknowledged in Indonesia. We encourage the authorities to respond rapidly, by opening a dialogue which addresses the aspirations of the Indonesian people and by introducing the necessary reforms.

### **FRY/Kosovo**

The continuing violence in Kosovo has revived fears of a new Balkans war. The region has already seen too much bloodshed. A political solution to the problem of Kosovo is vital for the peace and well-being of all the people of the region. We consider the meeting on 15 May between President Milosevic and Dr Rugova to be a positive first step. It is particularly important that President Milosevic has assumed personal responsibility in the search for a resolution of the problems of Kosovo, including its future status. We urge both sides to ensure that the dialogue now begun leads rapidly to the adoption of concrete measures to lower tensions and stop violence. Resolving the issue of Kosovo's status will be difficult but is essential for the good of all those living in the Federal Republic of Yugoslavia.

Peace and stability in Europe rest on the principles that borders are inviolable and that political change must come about through peaceful means. We reject terrorism and violence from any side to achieve political goals or to stifle dissent. The states of the region should themselves contribute to a non-violent solution to the crisis. All states should cooperate in addressing the problem of refugees and displaced persons.

We underline the importance of cooperation with the Gonzalez mission. We stand ready to promote a clear and achievable path towards the FRY's full integration into the international community. But if Belgrade fails to build on recent progress and a genuine political process does not get underway, its isolation will deepen.

The elections in Montenegro on 31 May must be free, fair and in keeping with democratic standards and their results must be respected by all.

### **Bosnia and Herzegovina**

We welcome the progress that has recently been made on peace implementation in Bosnia and Herzegovina and support the High Representative's active role in promoting the peace process. This is a critical year for consolidating peace in Bosnia, especially for refugee returns and democratic development, with nation-wide elections scheduled for September. While the people of Bosnia have accomplished a great deal under very difficult circumstances, we look to Bosnia's leaders to work harder to create a stable and prosperous future for all the country's citizens.

### **Middle East Peace Process**

We are deeply concerned at the continuing stalemate in the peace process, with concluded agreements not yet being implemented. We encourage all efforts to help revive the peace process. We strongly support the efforts to gain the agreement of the parties to a package of constructive and realistic ideas which have already been presented by the United States, including a second Israeli redeployment. We

welcome Palestinian agreement in principle to these ideas which, if accepted by all sides, would lead to the resumption of final status talks. We call on Israeli and Palestinian leaders to refrain from unilateral acts which pre-determine the final status negotiations and undermine confidence. We remain determined to work with all the parties – Israel, the Palestinians, Syria, Lebanon – for a comprehensive peace. A resumption of Israeli-Palestinian negotiations would build confidence in the region and help to restore momentum to the peace process as a whole. A continuing blockage on the other hand could have grave consequences for security throughout the region.

### **Indian Nuclear Tests**

We condemn the nuclear tests which were carried out by India on 11 and 13 May. Such action runs counter to the will expressed by 149 signatories to the CTBT to cease nuclear testing, to efforts to strengthen the global non-proliferation regime and to steps to enhance regional and international peace and security. It has been met by immediate international concern and opposition, from governments and more widely. We underline our full commitment to the Non-Proliferation Treaty and to the Comprehensive Test Ban Treaty as the cornerstones of the global non-proliferation regime and the essential foundations for the pursuit of nuclear disarmament. We express our grave concern about the increased risk of nuclear and missile proliferation in South Asia and elsewhere. We urge India and other states in the region to refrain from further tests and the deployment of nuclear weapons or ballistic missiles. We call upon India to rejoin the mainstream of international opinion, to adhere unconditionally to the NPT and the CTBT and to enter into negotiations on a global treaty to stop the production of fissile material for nuclear weapons. India's relationship with each of us has been affected by these developments. We are making this clear in our own direct exchanges and dealings with the Indian Government and we call upon other states similarly to address their concerns to India. We call upon and encourage Pakistan to exercise maximum restraint in the face of these tests and to adhere to international non-proliferation norms.

## **G7 CHAIRMAN'S STATEMENT**

15 May 1998

1. The Heads of State or Government of the G7 countries and the President of the European Commission met today, 15 May, to discuss the world economic and financial situation, and the challenges we face in strengthening the global financial system.

### The World Economy

2. We discussed recent developments in our own economies and economic developments in the rest of the world. In our own economies we will work together to achieve sustained non-inflationary growth. Such growth and stability are more important than ever, not only for our own economies, but also for other economies in the world, particularly the recovering economies in Asia.

3. We also agreed that the challenges facing each of our own economies remain different:

- the US, Canada and the UK have enjoyed continued strong growth. In these countries the task is to sustain growth while standing ready to prevent any possible resurgence in inflationary pressures and while increasing national savings in the US;
- In Germany, France and Italy, economic growth gained momentum last year and is now strengthening further; it is important that it be increasingly supported by domestic demand, which will have a positive effect on employment. Continuing structural reform is also essential to improve the longer term prospects for growth and employment.
- We strongly welcome the Japanese Government's substantial economic policy package announced last month and the progress toward implementation to revive confidence and to achieve long-lasting domestic demand-led growth. Japan explained its intention to strengthen the financial system, including by resolving decisively non-performing asset problems, and stressed the importance of promoting structural reforms.

4. We welcome the decisions taken on 2 May on the establishment of European Economic and Monetary Union. We look forward to a successful EMU which contributes to the stability of the international monetary system. The commitment in European Union countries to sound fiscal policies and continuing structural reform is key to the long term success of EMU, and to improving the prospects for growth and employment.

5. We recognise that all countries in the world have an interest in growth and stability in our countries. Equally we have an interest in sustained growth and stability in their economies. While we are encouraged by the progress in implementing sound policies in emerging markets that have been affected by the Asian crisis, events in recent days demonstrate that the situation remains fragile. In particular, we welcome the contribution made to global stability by the pursuit of sound economic and financial policies. Moreover, prompt action by some emerging and transition countries to strengthen their economic policies has helped limit spillover effects. Sound macroeconomic policies, open markets and continued structural reform in all countries are essential for long term stability in the world. Recent experience emphasises the importance also of good public governance.

### **Strengthening the Global Financial System**

6. Globalisation has the power to bring immense economic benefits to all countries and people. But the Asian financial crisis has revealed that there are potential weaknesses and vulnerabilities in the global financial system. In particular we are conscious of the serious human and social consequences of such crises when they occur. We therefore see an urgent need to take steps to strengthen the global financial architecture, to reduce the risks of such crises recurring in future and to produce a system that is more robust to shocks when they occur.

7. Previous summits have also dealt with ways of strengthening the global financial system, and this should be seen as a continuing process of reform. It is essential for individual countries to pursue sound economic policies, open markets and good governance, if stability is to be achieved. At the same time we confirm the central role we see for the International Financial Institutions (IFIs) in promoting these sound policies, in helping to prevent failures in future and in responding when crises occur. Their response has been crucial in addressing recent problems and we must find ways to strengthen their role in the future.

8. We welcome and endorse the report by our Finance Ministers on ways to strengthen the global financial architecture. Of their ideas, we attach particular importance to the following:

- increasing transparency:
  - encouraging IMF members to provide more accurate and accessible financial data for example by subscribing to its Special Data Dissemination Standards and identifying publicly those who fail to meet the Standards;
  - welcoming the adoption of a code of good practice on transparency in fiscal policy and encouraging its promotion and supporting consideration by the IMF of a similar code of good practice for financial and monetary policy.
  - encouraging the IMF to publish more information about its members and their policies, including its concerns about members' policy making and vulnerabilities; and also to publish more information about its own decision making.
- helping countries throughout the world prepare for global capital flows:
  - providing advice on how best to manage orderly capital account liberalisation and assisting them with the required strengthening of domestic policies and institutions.
  - urging the IMF to examine how to monitor effectively capital flows, particularly short term flows, to provide information and promote market stability.
- strengthening national financial systems:
  - encouraging all countries to adopt and implement the Basle Core Principles on Effective Banking Supervision.
  - developing international codes and guidelines for corporate governance and accounting principles.
  - establishing a system of multilateral surveillance of national financial, supervisory and regulatory systems. Our Finance Ministers will consider ways, and have asked the relevant international institutions to develop proposals on ways to achieve greater co- operation in this area, including options for institutional reform.
- ensuring that the private sector takes full responsibility for its own decisions in order to reduce moral hazard:
  - developing a framework to ensure that the private sector plays a timely and appropriate role in the resolution of financial crises.
  - asking the IMF to signal that in the event of a crisis it will be prepared to consider lending to countries that are in arrears, including in situations where debt standstills have arisen, if the debtor country adopts appropriate adjustment policies.
  - encouraging clauses in international bond issues that allow for re-negotiation in the event of default.

9. We ask our Finance Ministers to take forward these ideas in co-operation and discussion with emerging market and other countries, with the International Financial Institutions and the private sector. We also ask our Finance Ministers to consider further how the existing global discussion fora, particularly the IMF's Interim Committee, could be developed to permit a deeper and more effective dialogue. We hope firm proposals on all these issues can be put forward for decision later this year, and we ask our Finance Ministers to report to us on progress without delay.

### Ukraine

10. We renewed our resolve to work with Ukraine to implement strong financial and economic reform. We look forward to the Ukrainian government and parliament taking the steps necessary to agree on an Extended Financing Facility with the IMF.

11. We reaffirmed our commitment to the full implementation of the Memorandum of Understanding (MoU) between the G7 and Ukraine. In addition we have made a major effort with the funding of the Shelter Implementation Plan. We note that the funding from the G7 and other international donors envisaged under the MoU is dependent on the closure of Chernobyl taking place on schedule by the year 2000. The safety of Chernobyl Unit 3 is already giving rise to concern.

12. We commend the Ukrainian Government's decision to adopt a Financial Recovery Plan for the energy sector. We look to the Government of Ukraine to implement the fundamental reforms which are needed to make investments in the energy sector and elsewhere financially viable. With the Financial Recovery Plan in place, we look to the EBRD to complete its review of the Khmel'nitsky 2 and Rovno 4 (K2/R4) project swiftly and to contribute substantially to a successful loan package, while respecting the Bank's due diligence requirements. This, like the other funding, will of course depend on the Ukrainian Government fulfilling its undertakings under the MoU.

## **Response by the Presidency on Behalf of the G8 to the Jubilee 2000 Petition**

16 May 1998

On behalf of the G8 Heads of State and Government gathered here in Birmingham, I welcome the commitment so many of you have shown today to help the poorest countries in the world. Your presence here is a truly impressive testimony to the solidarity of people in our own countries with those in the world's poorest and most indebted. It is also a public acknowledgement of the crucial importance of the question of debt.

I can assure you that all leaders here fully share your concern over the debt burden faced by many poor countries. More than that, we are all committed to helping heavily indebted poor countries free themselves from the burden of their unsustainable debts. This is why over the years we have, where possible, cancelled bilateral aid debt and in the context of the Paris Club rescheduled or cancelled substantial proportions of other bilateral debt. Aware that this still was not enough, we initiated in Lyon two years ago, the Heavily Indebted Poor Countries Initiative designed to ensure a sustainable exit from their debt burden for all the most affected countries. Over the last three years, official creditors in the Paris Club have forgiven in favour of the poorest countries US\$ 8 billion with more than US\$ 5 billion of that relief going to Africa.

Since then we have focused our attention on implementing the Initiative successfully. This requires a partnership between creditors and debtors and effort on both sides. Debt relief in itself is no magic solution; it can only be part of the answer to achieving sustainable development. Where a country shows a real will to pursue policies that will relieve poverty and build a sound economy, we will do our part and contribute the funds necessary to reduce their debt burden to a sustainable level. This will ensure that the resources freed up are put to good, productive use, generating growth and bringing real benefits – in the form of better education, better health, and sound, honest government – to the poorest people. We will continue to support such efforts through our development assistance programmes, through which G8 countries currently deliver some US\$10 billion a year to heavily indebted poor countries.

So far six countries have qualified for debt relief from the HIPC initiative totalling around US\$ 5.7 billion. Among those six countries, Uganda has been the first to complete the process, recently receiving additional debt relief of nearly US\$ 650 million. In addition to these countries, two more countries have already benefited from preliminary positive indications regarding their possible eligibility under the HIPC Initiative.

Our ambition, reaffirmed by all G8 leaders today, is to ensure the speedy and determined implementation of the initiative and encourage all eligible countries to take the policy measures needed to embark on the process as soon as possible, so that all can be in the process by the year 2000. We will work with the others concerned to ensure that all eligible countries get the relief they need to secure a lasting exit from their debt problems. We are keenly aware of the importance of making progress. For the sake of our citizens in our own and all other countries, we must not fail.

## CONCLUSIONS OF G7 FINANCE MINISTERS

9 May 1998

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

### World Economy

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

### Strengthening the global financial system

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

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

- enhanced transparency and data dissemination;
- helping countries prepare for integration into the global economy and for free global capital flows;
- strengthening national financial systems;
- ensuring that the private sector takes responsibility for its lending decisions;
- enhancing further the role of the International Financial Institutions and cooperation amongst them and with the international regulatory fora. We are considering ways, and ask the relevant institutions to develop proposals on ways, in which greater co-operation can be achieved including options for institutional reform.

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

### Financial Stability: Supervision of Global Financial Institutions

6. Since the Lyon and Denver Summits, work has been underway to strengthen the international financial system. Recent events in Asia, combined with the rapid consolidation and globalisation in the financial sector, have highlighted once again the need to improve urgently co-operation between supervisors of internationally active financial institutions. We welcome the work done by the international regulatory bodies in this area and urge them to move quickly towards implementation of the concepts they have devised. Today we have reached important conclusions in a separate report. We commend the 10 Key Principles on information exchange which we will be promoting throughout the world as standards to which all countries should aspire. The G7 also looks forward to the continuing contribution of the private

sector to developing international standards that enhance the supervision of global financial firms, while reducing regulatory burdens. On the year 2000 issue, we call on the Basle Committee, the International Organisation of Securities Commissions (IOSCO), the International Association of Insurance Supervisors (IAIS) and the Committee on Payment and Settlement Systems (CPSS), and their newly formed joint Year 2000 Council to monitor the work that firms in the financial area already have underway, and to do all that they can to encourage compliance.

## **Financial Crime**

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

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

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

9. We also recognise that action must not be confined to G7 members and we emphasise that all countries should provide effective international administrative and judicial cooperation. In particular, we are concerned at the number of countries and territories, including some financial offshore centres, which continue to offer excessive banking secrecy and allow screen companies to be used for illegal purposes. We recognise that the Financial Action Task Force (FATF) has already taken significant steps in this area and endorse FATF's efforts to support the Offshore Group of Banking Supervisors in its mutual evaluation process. We therefore call on the FATF to review the present position and make recommendations to Ministers by the Köln Summit on what can be done to rectify these abuses.

## **Financial Action Task Force**

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

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

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

## **Tax Competition**

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

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

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

16. In addition we encourage international action to enhance the capacity of anti- money laundering systems to deal effectively with tax related crimes. Action here would both strengthen anti-money laundering systems and would also be an essential component of a coherent programme to increase the effectiveness of tax information exchange arrangements. Action could be based on furthering the following objectives:

a) Effective anti money laundering systems must ensure that obligations to report transactions relating to suspected criminal offences continue to apply even where such transactions are thought to involve tax offences.

b) Money laundering authorities should be permitted to the greatest extent possible to pass information to their tax authorities to support the investigation of tax related crimes, and such information should be communicated to other jurisdictions in ways which would allow its use by their tax authorities. Such information should be used in a way which does not undermine the effectiveness of anti-money laundering systems.

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

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

## **Customs Procedures**

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

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

## **Ageing**

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

## CONCLUSIONS OF G8 FOREIGN MINISTERS

9 May 1998

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

### GLOBAL ISSUES

#### Environment

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

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

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

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

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

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

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

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

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

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

### **Nuclear Safety**

12. Nuclear safety is a top priority. As our Energy Ministerial colleagues confirmed when they met in April, we intend to meet in full our commitments at the 1996 Moscow Summit on Nuclear Safety and Security. This will involve our active and constructive participation in the work of the international conventions on the safety of nuclear power installations and spent fuel and radioactive waste management. We discussed the situation at Reactor No. 1 of the Kursk nuclear power plant. We agreed on the necessity of the full observation of all the provisions of the Nuclear Safety Account Agreement. We noted that the Russian authorities have invited an EBRD team to examine jointly with Gosatomnadzor the safety conditions of the reactor in the middle of May, and that they have undertaken that any further operation of the reactor prior to the completion of the indepth safety review should comply with the recommendations of both authorities. It is also important to continue developing and implementing national and international nuclear liability regimes. We welcome the adoption of the Protocol to amend the Vienna Convention on Civil Liability for Nuclear Damage and the Convention on Supplementary Compensation for Nuclear Damage.

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

### **UN Issues**

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

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

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

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

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

19. Violent conflicts often have roots in social and economic injustice. Trade, aid and economic reform programmes should take account of this. When violence ends, the Security Council should support the transition from military peacekeeping operations to peacebuilding and reconstruction. UN civilian police, with human rights field officers, have a key role to play in this, protecting human rights and rebuilding democracy. However, there is a need for better training and rapid deployment. We reaffirm the importance of UNDP's role as the UN focal point for peacebuilding.

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

### **Non-Proliferation, arms control and disarmament**

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

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

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

the conclusion of the negotiations. We reaffirm our commitment to all States Parties' obligations under Article VI of the NPT.

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

### **Anti-personnel landmines**

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

### **Democracy and human rights**

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

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

- emphasise the key role of civil society by increasing human rights awareness, including among young people, minorities and other vulnerable groups, and by extending new types of assistance to civil society groups; and, bearing in mind the goal of universal ratification of human rights treaties, continue our efforts to maximise accession to human rights instruments;
- provide political and financial support for the new High Commissioner for Human Rights, by seeking to ensure that an adequate share of the UN regular budget is devoted to human rights as well as by continuing voluntary contributions to the funds and programmes which she administers; support efforts to harmonise and integrate human rights, including a gender perspective, into all UN programmes and policies, including peacebuilding activities; and commemorate the 50th Anniversary of the UDHR;
- press for an early conclusion to the International Labour Organisation's (ILO's) efforts to achieve a new Convention on Extreme Forms of Child Labour; increase support for the ILO's International Programme for the Elimination of Child Labour and implement the action plan of the Oslo Conference on Child Labour; work to protect the rights of children and to prevent their exploitation in situations of armed conflict; and support the activities of the UN Secretary General's Special Representative for Children and Armed Conflict;
- strive for the adoption of the ILO Declaration on Core Labour Standards;
- encourage the adoption of voluntary codes of ethical business practices, based on recognised international standards;

- focus further attention in the International Financial Institutions on issues of openness, transparency and good governance;
- in reaffirmation of our commitment to democracy, development, respect for human rights and peace, strengthen the impact of good governance programmes in developing countries by encouraging their own initiatives and improving co-ordination both among donors and with recipient countries, for example through OECD pilot efforts with Africa where an unprecedented multilateral workshop on Development and Good Governance was held in Mali on 4-5 May; co-operate on peacebuilding programmes targeted at stability and reconciliation; and work to address the problem of excessive military expenditures;
- affirm the value of government-sponsored organisations which promote democracy.

## **Terrorism**

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

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

- Preventing terrorist fund-raising. We identified points for G8 action and are comparing national legislation. G8 experts will meet to share best practice and determine practical measures for enhanced cooperation.
- No concessions to terrorists. A united front against ransom payment is essential to deter hostage-takers. To promote a common approach we have agreed a set of principles and have proposed advice for organisations operating in high risk countries. A G8 workshop will strengthen coordination and information exchange.
- Denying terrorist access to arms, explosives and related items. The Lyon Group is taking forward an action plan to counter trafficking in illegal firearms. We are comparing export controls on explosives and related materials and have agreed the basis for future work, including determining the scope for tighter export controls on items of use to terrorists.
- Strengthened aviation security. Ten years after Lockerbie, and recalling the atrocities perpetrated against Air India (1985) and UTA (1989) flights, we expressed grave concern at the evidence recently collected by the ICAO of a continuing lack of satisfactory implementation of international aviation security measures by some Contracting States. We reaffirm the G8's commitment to full implementation of Standards and Recommended Practices agreed under the Chicago Convention and strongly urge all states to pursue implementation with vigour.

## **Infectious Diseases**

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

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

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## **Intellectual property-related crime**

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

## **REGIONAL ISSUES**

### **Bosnia and Herzegovina**

32. Peace and reconciliation in Bosnia which is directly linked to security in Europe remains a top priority of the G8 countries' foreign policy. We welcome the progress achieved on implementation of the Dayton/Paris Peace Agreement in Bosnia and, in particular, in Republika Srpska following President Plavsic's and Prime Minister Dodik's move towards peace implementation and cooperation with the international community. But we also remind all signatories to the Dayton/Paris Peace Agreement that any attempt to obstruct or reverse the Peace Process will carry severe consequences. The resolution and co-ordinated approach of the international community, together with that of the High Representative, is proving decisive. We encourage the High Representative to continue taking an active role in the Bosnian Peace Process, using all the authority given to him under the Dayton/Paris Peace Agreement and by the Peace Implementation Conference. The future of the peace process will largely depend on the willingness of the Bosnian authorities themselves to fulfil their commitments to move the peace process forward and build a prosperous and democratic Bosnian state with two pluralist and multi-ethnic Entities. 1998 is a critical year for peace implementation, in particular for all the questions associated with refugee return, freedom of movement, and for the elections held across Bosnia in September. More progress is now also needed on building the central institutions, police reform, economic reform and cooperation with the International Tribunal for the former Yugoslavia. We therefore welcome SFOR's efforts to maintain a secure environment and provide support to civilian implementation. We urge the leaders in Bosnia and Herzegovina to cooperate fully with OHR, UNHCR, OSCE, IPTF and other international agencies to achieve the necessary goals and reaffirm our willingness to assist those who do.

### **Croatia**

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

### **Kosovo**

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

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

36. Finding a political solution in Kosovo through dialogue is in the interest of all the people in the region. We stand ready to promote a clear and achievable path toward Belgrade's full integration in the international community. However, in the light of Belgrade's failure to start a dialogue to bring about a

political solution in Kosovo, Canada, France, Germany, Italy, the United Kingdom, the United States and the European Commission have agreed to implement the decision by members of the Contact Group to freeze funds held abroad by the FRY and Serbian Governments and to stop new investments in Serbia. Japan supports this approach and will study possible action. Other countries are encouraged to take similar action. The Russian Federation does not associate itself with these measures.

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

### **Albania**

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

### **Cyprus**

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

### **Middle East Peace Process**

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

### **Iran**

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

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

### **Iraq**

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

### **Algeria**

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

### **Afghanistan**

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

### **Cambodia**

45. Free and fair elections are indispensable to restoring representative government and political stability in Cambodia. We welcome recent positive developments, such as the return of Prince Ranariddh to Cambodia on 30 March and the return of King Sihanouk, whose role remains central to the proper functioning of Cambodia's institutions. We further welcome the efforts undertaken by the members of ASEAN, Japan and the other Friends of Cambodia countries. We remain willing to provide electoral assistance subject to acceptable conditions on the ground. However, serious concerns remain. We call for all parties and political figures to be permitted to participate in the electoral process, and for all sides to respect the result of the elections. We encourage all fighting forces to implement fully the cease-fire as soon as possible. We attach the utmost importance to the respect of human rights, and we urge the

Cambodian authorities to investigate human rights abuses, including those catalogued by the United Nations, and to bring the guilty to justice without further delay.

## **Myanmar/Burma**

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

## **Korean Peninsula**

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

## **Great Lakes Region**

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

## **Nigeria**

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

## **Angola**

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

## **Somalia**

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

## CONCLUSIONS OF THE JOINT MEETING OF G8 FOREIGN AND FINANCE MINISTERS

9 May 1998

1. We, the Foreign and Finance Ministers of the G8 and representatives of the European Commission, met in London on 9 May. We discussed a range of issues, some in preparation for the G8 Birmingham Summit next week. The Managing Director of the IMF, the President of the World Bank and the Director General of the WTO joined us for our discussion of recent developments in Asia and their wider implications. The outcome of our discussion will be reported to our Heads of State or Government meeting in Birmingham in preparation for discussion of this issue.

### Development

2. We discussed practical steps to implement a genuine partnership with developing countries as set out at the Lyon and Denver Summits and in the OECD's 21st Century Strategy adopted in 1996, and building on the landmark UN Summits of the past decade and our work bilaterally and with the multilateral development institutions, to achieve measurable short and long term results on development goals. We are grateful to our officials for reporting on the follow up to Denver. We welcome the progress made.

3. The goal of this partnership must be to stimulate growth in a way that contributes to sustainable development and reduction of poverty. It requires action by all partners, by governments and civil society, and by the private sector. We recognised the importance of action to integrate economies better into the global economy, and the critical role of flows of private capital and trade flows and the policy reforms required in those countries to attract them. We also recognised the importance of official support for developing countries which are seeking to tackle deep-seated social and economic problems.

4. In relation to official support, we gave particular emphasis to:

- the continuing need for substantial flows of official development assistance, particularly to the poorest developing countries, through bilateral and multilateral channels;
- the importance of making such assistance as effective as possible. An increased share of official development assistance should go to those developing countries which are pursuing effective strategies to address good governance, sustainable development and poverty reduction. Assistance to such countries should also be more flexible and better co-ordinated. We agreed to work in the OECD Development Assistance Committee, the IMF/IBRD Development Committee, the Special Programme for Africa to promote more flexible funding of aid and technical assistance programmes to developing countries, programmed in partnership with recipient countries. Where we have an effective partnership and share common goals, we should, to the extent possible and consistent with our programmes, aim to provide stronger support for budgets and balance of payments for countries undertaking bold reform in the context of sound development strategies. We will also work to help countries to develop sustainable public expenditure plans and build capacity to manage them in a transparent and accountable way;
- the importance of evaluating progress against multilaterally- accepted targets for poverty reduction and for improvements in primary education, basic health care, gender equality, water and sanitation, food security, environment and governance, and economic growth. We welcomed initiatives being taken by the UN, World Bank and OECD to report regularly on progress towards these goals;
- the substantial debt relief already given under Naples terms and the results achieved, with six countries already declared definitely eligible for HIPC debt relief and a further two countries likely to be declared eligible shortly. We encourage all eligible countries to take the policy measures needed to embark on the process as soon as possible so that all can be in the process by the year 2000. We agree that our export credit agencies should seek to ensure their export credits to HIPC countries are used productively.

5. We stressed the importance of more developing countries making the necessary reforms to attract flows of foreign direct investment and to mobilise additional domestic resources. To this end we agreed to:

- support countries seeking to create a business environment that encourages stable and productive private flows, in particular through education and training, institution building and improvement in legal systems, and in other aspects of social and economic infrastructure;
- encourage more innovative use of multilateral and bilateral investment guarantees, consistent with improving the efficiency of capital markets.

6. We called specifically on the international financial institutions to:

- support the development and implementation of regulatory frameworks for the financial sector;
- develop lending programmes which would more effectively create the elements of an attractive investment climate;
- make temporary resources available to countries undertaking ambitious trade liberalisation where this gives rise to short-term balance of payments or fiscal difficulties.

7. We emphasised the value of regional integration among developing countries that wish to pursue it, particularly in Africa, where many countries suffer from small and fragmented markets and poor transport facilities. We remain ready to support this process with technical assistance. We also urge the international financial institutions to develop more effective support and new instruments for regionally based initiatives.

8. We recognise the particular trade problems of the least developed countries. We stress the importance of effective implementation of the WTO plan of action for the least developed countries, including programmes of integrated technical assistance. We will keep progress under review at the WTO Ministerial.

9. We will also support efforts of all developing countries, particularly those being made in Africa, to promote good governance and participatory development and to fight corruption, including through the development of operational codes, as well as to create regional groupings to combat money laundering.

## **Electronic Commerce**

10. Information and communication technologies offer all countries - industrialised, emerging and developing - the opportunity to revolutionise their quality of life and economic wellbeing. The potential impact of electronic commerce on global growth and employment is profound. Huge advances have already been made. Electronic markets link traders around the world and many jobs are dependent on the internet worldwide. We will work with the international institutions and the private sector to offer the best opportunities for the future: a predictable and stable environment and a seamless, decentralised global market place where competition and consumer choice drive economic activity. In particular, we welcome the work of the WTO, OECD, other appropriate international fora and the private sector, and encourage:

- removal of inappropriate and unnecessary legal barriers to the electronic conduct of business;
- taxation to be technology neutral. It should neither stifle commercial opportunities by creating unnecessary barriers nor provide increased scope for tax avoidance and evasion. International co-operation through the OECD is essential;
- the international institutions and the private sector to accelerate the development of global frameworks, to promote competition; protect privacy, consumer interests and intellectual property; encompass the use of electronic authentication facilitating contracting over the Internet; and include the promotion of open and internationally agreed standards;
- rapid progress in the work of UNCITRAL on electronic authentication and of the OECD on the implementation of the cryptography policy guidelines;
- public administration to use electronic means to deliver programmes and services, promoting progress in the WTO Working Group on Transparency in Government Procurement and the reform of the WTO Government Procurement Agreement, and pushing forward the work on trade facilitation in the WTO and elsewhere;

- governments to involve business and consumers in this work to ensure that any proposals are practical and take into account the demands of the market place.

11. We look forward to progress at the Ottawa OECD Ministerial Conference in October and in other international fora. A framework on taxation is a priority. We have asked officials to report back next year.

# **G8 ACTION PROGRAMME ON FORESTS**

[RELEASED BY G8 FOREIGN MINISTERS]

9 May 1998

## **I. Introduction**

1. Recognising the continuing pressure on the world's forests and the positive contribution that sustainable forest management can make to sustainable development, the G8 members at Denver reiterated their commitment to implement the proposals for action contained in the report of the Intergovernmental Panel on Forests and agreed to support a practical action programme. The following elaborates such a Programme which reflects a political commitment and aims to complement the extensive range of actions currently being taken by the international community and various regional and international processes and to strengthen some activities G8 members have identified as issues of particular importance. The Programme focuses on domestic actions in the G8 member countries and areas where they can make unique contributions through their bilateral assistance programmes and through their support for intergovernmental processes. G8 members intend to follow up this action programme individually and/or co-operatively and to review and report on progress as appropriate to G8 summits.

## **II. Monitoring and Assessment**

2. The G8 members participate in international processes within which national level criteria and indicators for sustainable forest management have been developed. These criteria and indicators are tools for monitoring and assessing national trends across land ownerships in forest conditions and forest management. As such, they provide a common framework for describing, monitoring and assessing, over time, progress towards sustainable forest management. The link between national level criteria and indicators and the Food and Agriculture Organisation's ongoing global forest resources assessment programme is also important in providing consistent, reliable and compatible forest data on a global basis.

3. The G8 members will:

- monitor and assess the state of their own forests using agreed national level criteria and indicators for sustainable forest management and make the results, including areas where additional information is needed, available to interested parties;
- drawing on national level assessments, provide information and data to the Food and Agriculture Organisation's global forest resource assessments and particularly Forest Resource Assessment 2000;
- work with partner countries to build national capacity to:
  - participate in regional criteria and indicator processes
  - develop and apply agreed criteria and indicators to monitor and assess the state of their own forests
  - develop national forest inventory and monitoring systems which take account of these criteria and indicators
  - improve scientific underpinning of the economic, social and environmental indicators of sustainable forest management;
- improve access to remote sensing data and geographic information processing technologies, including geographical information systems (GIS) and global positioning systems (GPS), to groups and organisations with an interest;
- exchange information and experience with partner countries on monitoring and responding to large scale disasters affecting forest ecosystems, such as forest fires.

## **III. National Forest Programmes**

4. Countries have sovereignty over their own resources as set out in para 1 (a) of the Forest Principles adopted by the United Nations Conference on Environment and Development and are responsible for achieving sustainable forest management. National forest programmes and other actions to promote sustainable forest management will contribute to national strategies for sustainable development, which the United Nations General Assembly Special Session called on all countries to formulate by 2002. They

encompass a wide range of approaches to achieve sustainable forest management which reflect national circumstances including land ownership patterns and the fact that in many countries the responsibility for forest management is allocated among federal/national, state/provincial and local levels of government, as well as indigenous people. These programmes assess the environmental, social and economic values of forest resources, establish national priorities and identify specific steps to manage forests sustainably in a participatory and transparent manner.

5. The G-8 members will:

- share their experience in developing and implementing their national programmes to promote sustainable forest management and encourage partner countries to develop their own national forest programmes;
- focus technical and financial assistance on those partner countries which give priority to sustainable forest management in the programming of their overseas development assistance (ODA);
- support partner countries in the elaboration and implementation of their national forest programmes, including by supporting new approaches, initiatives and partnerships that promote sustainable forest management;
- work to improve a global understanding and recognition of the role of boreal and temperate forests as important carbon sinks, biodiversity reservoirs and sources of other goods and services, in support of national forest programmes and the sustainable management of these forests;
- identify and support international initiatives which contribute to sustainable forest management, such as the pioneering work of the International Tropical Timber Organisation in respect of tropical forests to achieve the Year 2000 Objective;
- further co-ordinate their in-country support to partner countries, within the framework of respective national forest programmes in support of the International Forum on Forests proposals for action, and urge international institutions, particularly the international financial institutions, to do likewise.

#### **IV. Protected Areas**

6. Forests contain 70% of the earth's terrestrial biodiversity and as such are among the world's richest and most diverse ecosystems. They also provide a wide range of ecological services and other values. There are, however, forests with important biodiversity or ecological values in danger of being lost or degraded which warrant special recognition through the establishment of protected forest areas intended to maintain such values. Given that protection is an important element of sustainable forest management, geographic networks of protected areas of representative forest ecosystems at a national, transnational and global level can contribute to protection and recognition of these forests. In this context, a better understanding of protected area management classification systems is needed.

7. The G-8 members will:

- work in domestic, regional and international fora, such as the Convention on Biodiversity and International Forum on Forests, to achieve a broad consensus on categories of protected areas, their management and the biodiversity and other ecological values and benefits they bring to key stakeholders, drawing on the International Union for the Conservation of Nature 'Protected Area Management Categories' and related Food and Agriculture Organisation and other classification systems;
- on this basis, analyse and categorise their existing protected forest areas and identify their key forest types not sufficiently represented in the different categories of protection;
- also, on this basis, encourage the achievement of a global assessment of the effectiveness of protected forest areas in maintaining forest biodiversity and ecological values in co-operation with relevant organisations;
- work with partner countries to maintain and, where necessary, establish protected forest areas and associated networks, including border parks and other transnational and international initiatives, aimed at protecting important forest biodiversity and other ecological values, through for example innovative financial mechanisms, such as Joint Implementation, debt-for-nature swaps and public/private partnerships.

## V. Private Sector

8. Sustainable forest management requires a range of partnerships to be successful and is not possible without the positive involvement and commitment of the private sector, which includes forest owners, forest industries, civil society, non-governmental and community-based organisations and indigenous people. In some countries the private sector is playing an increasing part in the management of forests. It is therefore vital that the private sector should make a greater contribution to securing sustainable forest management. It is the responsibility of each government to involve all private sector stakeholders in achieving sustainable forest management and encourage responsible private sector initiatives.

9. The G-8 members will:

- encourage the private sector, particularly forest-related industries, to develop and apply voluntary codes of conduct that support sustainable forest management, both domestically and internationally;
- further examine ways of promoting private investment and partnerships in sustainable forest management and the identification of innovative financing mechanisms to attract private sector finance;
- encourage private voluntary market-based mechanisms that would support improved management practices in the forest sector;
- share experiences with partner countries on ways in which they encourage the private sector to increase efficiencies and reduce waste in forest product processing and recycling;
- assist partner countries to develop a regulatory institutional and economic framework which encourages responsible domestic and foreign private sector investment and practices.

## VI. Illegal Logging

10. Illegal logging robs national and subnational governments, forest owners and local communities of significant revenues and benefits, damages forest ecosystems, distorts timber markets and forest resource assessments and acts as a disincentive to sustainable forest management. International trade in illegally harvested timber including transfer pricing, under invoicing and other illegal practices, exacerbates the problem of illegal logging. Better information on the extent of the problem is a prerequisite to developing practical and effective counter measures.

11. The G-8 members will:

- encourage the sharing of information and assessments on the nature and extent of international trade in illegally harvested timber as a basis for developing practical and effective counter measures;
- identify and assist in implementing measures to improve economic information and market transparency regarding the international timber trade, including through International Forum on Forests and International Tropical Timber Organisation;
- identify and assess the effectiveness of their internal measures to control illegal logging and international trade in illegally harvested timber and identify areas needing improvement;
- take measures to implement their obligations under international agreements aimed at combating bribery and corruption in international business transactions as they pertain to trade in timber;
- work with interested partner countries and through international organisations including the International Tropical Timber Organisation to develop their own capacity to assess the nature and extent of illegal logging and trade in illegally harvested timber and their capacity to develop and implement counter measures.

1. Non-legally binding authoritative statement of principles for a global consensus on the management, conservation, and sustainable development of all types of forests. United Nations Conference on Environment and Development, Rio de Janeiro, 1992.

## **STRENGTHENING THE ARCHITECTURE OF THE GLOBAL FINANCIAL SYSTEM**

(REPORT OF G7 FINANCE MINISTERS TO G7 HEADS)

15 May 1998

1. Previous summits have focussed on ways to strengthen the global financial system. Over the past four years considerable progress has been made in the face of rapid globalisation and technical change in developing and implementing specific recommendations. However, the process of globalisation and recent events in Asia have revealed a number of weaknesses and vulnerabilities in national and international financial systems, as well as in the borrowing and lending practices of banks and investors. We therefore need to act to strengthen the global financial system, both to reduce the likelihood of such crises occurring in future and to improve our techniques for handling crises when they do occur.

2. This report presents proposals where there is now an emerging consensus for modifications to the architecture of the international financial system. It does not, however, complete the process. There are important aspects of the issues discussed that require further work. Discussion within our countries, with emerging market countries and other interested countries, with the International Financial Institutions and with the private sector will continue over the coming months.

3. We have identified the need for action in five key areas:

- enhanced transparency;
- helping countries prepare for integration into the global economy and for free global capital flows;
- strengthening national financial systems;
- ensuring that the private sector takes responsibility for its lending decisions;
- enhancing further the role of the International Financial Institutions and co-operation between them.

This report outlines how work is being taken forward in each of these areas and signals a number of areas for further work.

4. Broad based prosperity and growth require financial institutions, commercial enterprises and entrepreneurial individuals that are prepared to take risks. Risk inevitably involves the possibility of failure. We could not and should not seek to eliminate failure entirely, rather large financial systems need to be robust enough to accommodate the occasional failure and to contain risks which might threaten the whole financial system. And borrowers and lenders, be they governments, companies or individuals should be responsible for their decisions and actions. The principles and measures set out below are designed to help meet these objectives.

5. This report focuses on a range of areas where specific changes could help prevent and handle future crises. This focus should not undermine the important message that, as far as individual countries are concerned, the pursuit of sound economic policies that promote sustainable broad based non-inflationary growth is the most important single contribution to avoiding a crisis. And when countries implement an IMF supported reform programme, their commitment to and ownership of the programme is crucial to its success. Sound policies need to tackle structural economic issues so that sufficient provision is made for the poorest sections of society and other vulnerable groups, development is sustainable and living and working standards for all are improved. This is also key to securing the support needed for successful economic reform. In this respect we also encourage the IMF and MDBs to work with the ILO to promote core labour standards and with the competent international institutions to promote sound environmental standards.

## **Transparency**

### Disclosure of data and information

6. Accurate and timely economic data are essential for prudent economic management, improved risk assessment by investors, enhanced market stability, and effective surveillance. The Asian crisis has revealed the need, for example, for better and more timely information on countries' official international reserve assets and reserve-related liabilities and on the short term external assets and liabilities of the financial sector.

7. Work is underway to improve the timeliness and accuracy of data.

- We welcome the efforts of the Bank for International Settlements (BIS), working with national authorities, to continue to speed up the collection and publication of data on the level of external bank exposure and to improve the quality of that data.
- The IMF should continue to look at ways of encouraging its members to provide transparent data, including for example through its surveillance work and in particular by encouraging countries to subscribe to its Special Data Dissemination Standards (SDDS). It is working to update the standards to include internationally comparable measures of reserves, the external exposure of financial sectors and indicators of financial sector stability. It should examine the best approach for improving the quality of data on external debt of the corporate sector. It needs to ensure member countries that subscribe to these standards implement them fully. The Fund should find ways of publicising failures to meet the standards, perhaps by detailing complaints on its Internet Bulletin Board and by publicly removing countries from the SDDS if they fail to remedy such failures. We recognise that this is a major investment for emerging market countries and call for technical assistance to be made available to assist them in their efforts.
- We also encourage the private sector to make full use of the SDDS as a source of information on economic and financial statistics, and as an indicator of the transparency and quality of national data, and to play their part in the ongoing effort to improve data standards.

8. In addition, it would be useful if countries were to provide more qualitative descriptive information on their financial systems, markets, institutions, laws, and other aspects of the financial sector including detail on banking supervision, bankruptcy procedures and the credit culture, skills and structure of banking sectors, including the relationship between banks and the government and industrial sector. We need to consider further, in conjunction with the International Financial Institutions, who should collect this information and how it should be published.

### Openness in policy making

9. More openness in national policy making could have helped anticipate the crisis, and more generally helps to inform the market as well as promote public understanding and support for sound policies.

- In this context, we particularly welcome the IMF's Code of Good Practices on Fiscal Transparency. We also welcome the IMF's decision to examine the case for developing a similar code for financial and monetary policy. We think the code on fiscal transparency, and a further code on financial and monetary policy, would provide useful benchmarks for assessing the openness of policy making during Article IV consultations. We will also be encouraging the Multilateral Development Banks to promote the code.
- We encourage the IFIs to place more emphasis on governance issues and the openness of the policy making process in their operations and surveillance work.

### Openness at the International Financial Institutions

10. The Fund and World Bank have traditionally communicated their concerns and recommendations for policy action in confidence. This avoids the risk of provoking an undue market reaction and gives countries the opportunity to take action on their own account. However, we think there is a case for greater openness at the Fund and the World Bank, as well as for encouraging members to comply with the standards they and others set and advice they provide.

11. It is important for the IMF and World Bank to publish information on member countries on a regular basis to help investors take better informed decisions. The World Bank and the MDBs have made substantial progress on this front over a period of years. The IMF has also taken steps to provide more

information in recent years. In particular the introduction of Press Information Notices (PINS) last year was an important step forward in enhancing transparency. These enable members to release the conclusions of IMF Article IV consultations, if they choose to do so.

- We need to consider how to build on recent work by the IMF to increase its openness. Options include working towards timely and systematic publication of PINS for all Article IV consultations, publication of letters of intent and policy framework papers, and including more country detail in the IMF's World Economic Outlook. It is also important for the IMF and World Bank to consider building incentives for countries to publish such information, for example in programme design.
- At the World Bank, we believe further serious consideration should be given to developing a policy with regard to Country Assistance Strategies aimed at increasing their disclosure.
- There should be further consideration of the possibility of the IMF developing a mechanism of "tiered responses" to communicate with the Board and with countries when advice is ignored. In addition, it may be helpful for the Fund to make public statements of concern about its assessment of countries' policy making and vulnerabilities.
- We also encourage the IMF and World Bank to consider ways of doing more to explain their policies and processes in public - in order to promote better understanding of their role in the global economy. We welcome the steps the IMF has taken to arrange external evaluations of some of its activities. We encourage it to explore ways of making this external evaluation more systematic.

### **Helping countries prepare for Global Capital Flows**

12. International capital flows enable a better global allocation of capital and foster economic development. However, events in Asia have shown that weaknesses can suddenly be exposed by global capital markets, making countries with weak fundamentals, including weak financial systems, more vulnerable to external shocks. It has also highlighted the dangers of poorly sequenced and unbalanced liberalisation.

- To ensure that the process of capital account liberalisation is orderly, it is important that sound macroeconomic policies and supervisory and regulatory practices are put in place. Correct management of the liberalisation process is crucial. And the process needs to be accompanied by reforms to strengthen the domestic financial system.
- The IMF has and should have an important role to play in this area, providing advice on how best to manage orderly capital account liberalisation and monitoring countries' vulnerability to capital flows.
- We support measures to improve the IMF's capital markets expertise, and to collect more information on levels of external debt as part of its regular surveillance work. In doing this, the Fund should collaborate with the World Bank, BIS and OECD.
- We urge the IMF and other fora to examine how to monitor effectively capital flows, including short-term capital flows, with a view to providing information to the market and promoting stability.

13. Capital account liberalisation should not be confused with open access to domestic markets for foreign firms.

- Open access to domestic markets for foreign firms can help with the development of the deep and liquid domestic financial markets, with soundly managed and well capitalised firms, that are needed to help improve the conditions for liberalising capital flows.

### **Strengthening National Financial Systems and Corporate Governance**

14. Weaknesses in the financial sectors in some Asian countries increased their vulnerability to external shocks. These weaknesses included over-extended lending to the property sector, the build up of large off-balance sheet positions, excessive exposure to highly leveraged borrowers, policy directed loans and excessive reliance on short-term borrowing in foreign currency. Had information about these developments been more widely available earlier, the international markets and International Financial Institutions might have been better placed to assess the risks in Asia and elsewhere. The crisis also highlighted weaknesses in risk assessment in our own financial sectors. Some institutions paid inadequate attention to risks. There is therefore a need for strengthened mechanisms to ensure appropriate risk analysis. This points to the need for enhanced international surveillance and improved

prudential standards, and to the need to encourage internationally active financial institutions to act prudently on available information.

- Supervisors, co-operating at Basle and elsewhere, should work to encourage private sector financial institutions to adopt better systems in private sector financial institutions for country risk assessment.
- We need to continue to improve the supervision of large internationally active financial groups. A separate G7 report on financial stability addresses the need to improve co-operation and information sharing between national supervisors on the activities of such groups.
- Supervisors and regulators should consider how best to encourage individual banks and their supervisors to monitor the adequacy of foreign currency liquidity (maturity of liabilities in relation to assets) separately from domestic currency liquidity.

15. A primary need is to encourage countries to strengthen their own financial systems, to ensure that banks and other financial intermediaries have the information, skills and corporate incentives to take well founded credit and risk decisions, and are properly supervised and regulated; that corporate and financial sectors follow good accounting, disclosure and auditing practices; and to promote deeper, more transparent and more open local bond and equity markets that will provide alternative sources of finance to short-term foreign currency bank borrowing.

- In addition to the core principles for banking supervision, we also need to develop internationally accepted principles for auditing, accounting and disclosure in the corporate sector, together with arrangements for ensuring that these principles are put into practice.
- We also welcome the OECD's initiative to develop standards and guidelines on corporate governance, and to report by Spring 1999.

16. Strong efforts are needed to ensure that sound and transparent standards are implemented. While this is primarily a matter for the national authorities concerned, incentives need to be put in place that will help deliver this. The primary incentive is the need for emerging markets to maintain confidence in order to access capital market. In addition:

- The Fund has taken steps to sharpen the focus of its surveillance of the financial sector, for example during Article IV consultations. We encourage the Fund to build on this in collaboration with the supervisors, and to promote the Basle Committee Core Principles on Effective Banking Supervision. Similarly we encourage the World Bank to strengthen its reviews of countries' financial sector policies and corporate governance, and highlight these issues in its Country Assistance Strategies.
- Further consideration should be given to how incentives to adopt, within a reasonable period of time, the core principles of financial supervision could be strengthened for example by making access by foreign financial institutions to major financial centres conditional in part on the implementation of adequate prudential and regulatory standards in their home countries.
- We encourage the World Bank and regional development banks to help foster transparent markets, open to all well founded financial institutions, skilled management, independent banks able to make professional credit and risk decisions, and market structures that support these objectives.

17. There is a gap in the current international system with respect to surveillance of countries' financial supervisory and regulatory systems. Enhanced surveillance in this area would help encourage national authorities to meet international standards and help reduce financial risk. Such assessments of supervision and regulation can lay the groundwork for policy discussions and appropriate assistance, where needed, from the IMF and MDBs for programmes to strengthen financial systems. We need to address how best to organise international work in this and related areas. A number of international institutions are involved in various aspects of policy advice in the regulation of national financial systems. Their functions include assistance at times of financial crisis, long-term systems building and regular surveillance. There is a case for considering how to co-ordinate this work more effectively.

- The International Financial Institutions and international regulatory bodies have an important role to play in providing technical assistance and advice to emerging markets on strengthening and restructuring financial systems. The World Bank has enhanced its capacity to provide advice on financial sector development, through the establishment of the Special Financial Operations Unit

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(SFOU) to provide assistance to crisis countries. Also the Basle Committee and the Bank for International Settlements have established an institute for financial stability at Basle.

- We see an urgent need for a system of multilateral surveillance of national financial, supervisory and regulatory systems. This could encompass surveillance of such areas as banking and securities supervision, corporate governance, accounting and disclosure, and bankruptcy. We are considering ways, and ask the relevant institutions to develop proposals on ways, in which greater co-operation can be achieved including options for institutional reform. In any event, this will include greater co-operation and an improved relationship among all these institutions, and drawing on national regulatory expertise. We will review progress on this important area by the autumn.

### **Burden sharing by the Private Sector and Moral Hazard**

18. The global economy needs private sector financial institutions that take risks on the basis of careful assessment. If such institutions believe that the entities to which they lend will be bailed out, they have no incentive to make a proper risk assessment. It is therefore important to ensure that the private sector takes responsibility for its own lending decisions. We also need approaches to ensure that the private sector is involved in crisis resolution, and bears the costs as well as the rewards of its lending decisions.

19. There will always be pressure in the event of a crisis to act quickly to stabilise the situation. We need to find ways in which this can be done without implicitly insuring debts to the private sector. It would be highly desirable to create in advance a framework for handling debt arrears to make it clear that all exposed institutions in the private sector will bear some costs.

- National policy should focus on creating the right incentives: by introducing effective bankruptcy laws; by making explicit and establishing financially viable deposit insurance schemes; and by ensuring that lender of last resort assistance in domestic currency is provided for illiquid institutions only when there is real systemic risk. These measures, along with improved prudential supervision, will help send the appropriate signals to the private sector.
- The IMF should signal that in the event of a crisis it will be prepared to consider lending to countries that are in arrears, including in situations where debt standstills have arisen, if the debtor country adopts appropriate adjustment policies.

20. There needs to be a framework for ensuring continuing private sector involvement when a country, or its financial or corporate sector, is facing difficulties in meeting its foreign currency liabilities as they fall due.

- We need further discussion with other countries and the private sector on how best to establish such a framework.
- In particular we should consider ways of giving effect to the G10 recommendations on flexible forms of debt agreements.

### **IFI Resources and Financing**

21. The response of the IMF and World Bank to the Asian crisis has confirmed their role at the centre of the international financial system. The Asian Development Bank has also played a crucial part in responding to the crisis. However, this has involved an unprecedented level of new commitments for the IMF and other International Financial Institutions. We need to address the increased demand on resources:

- To enable the IMF to play its central role in the international monetary system, it is essential to implement from January 1999 the increase in quotas as agreed under the IMF's recent Quota Review in order to ensure the IMF has sufficient usable resources. It is also essential to bring the New Arrangements to Borrow (NAB) into effect as soon as possible. We welcome the creation of the Supplemental Reserve Facility (SRF).

22. The Asian crisis also demonstrated that in special circumstances bilateral financing can provide a source of additional financing for balance of payments:

- It will be important to ensure that bilateral financing is developed in conjunction with the IMF, is consistent with the IMF response and does not undermine IMF conditionality.

23. We have suggested a number of ways to enhance the role of the IMF and World Bank.

- It will be important to consider whether the distribution of staff and resources needs to be adjusted to address the new priorities.
- Closer co-operation between the Bank and Fund will be particularly important to avoid overlap and maximise use of expertise.

### **Strengthening Global Dialogue**

24. These issues and our response to them have demonstrated the need for a more intensive global dialogue on developments in the global financial system between industrial and emerging market countries and countries in transition. We have had useful discussions over the last few months, in the lead up to the Birmingham Summit. We would like this report to be seen as a contribution to the debate on the lessons of the Asian crisis, and we will continue to consult widely as we develop our thinking.

- Further thought is needed on how the existing global fora for discussion of such issues, in particular the IMF Interim Committee, could be developed to permit a deeper and more effective dialogue.