

United Kingdom Objectives for the 2002 Kananaskis G8 Summit

Political Data

Head of State:	Queen Elizabeth II
Prime Minister:	Tony Blair
Members of the Cabinet (Formed by the Rt Hon Tony Blair MP June 2001):	
Deputy Prime Minister and First Minister of State:	Rt Hon John Prescott MP
Chancellor of the Exchequer:	Rt Hon Gordon Brown MP
Chief Secretary to the Treasury:	Rt Hon Andrew Smith MP
Central Bank Governor:	Rt Hon Sir Edward Alan John George GBE
Secretary of State For Foreign and Commonwealth Affairs:	Rt Hon Jack Straw MP
Secretary of State for International Development:	Rt Hon Clare Short MP
Secretary of State for Defence:	Rt Hon Geoff Hoon MP
Secretary of State for Trade & Industry:	Rt Hon Patricia Hewitt MP
Secretary of State for Environment, Food and Rural Affairs:	Rt Hon Margaret Beckett MP
Secretary of State for Work and Pensions:	Rt Hon Alistair Darling MP
Secretary of State for Health	Rt Hon Alan Milburn MP
Secretary of State for Northern Ireland:	Rt Hon Dr John Reid MP
Secretary of State for Scotland:	Rt Hon Helen Liddell
Secretary of State for Education and Skills:	Rt Hon Estelle Morris MP
Secretary of State for Culture, Media and Sport:	Rt Hon Tessa Jowell MP
Sherpa:	Jeremy Heywood

Government

Type: Constitutional monarchy

Political Party in Government: Labour Party

Composition of Parliament (General Election of June 7, 2001)	
Party	# of Seats
Labour	412
Conservative	166
Liberal-Dem. Party	52
Ulster Unionists	6
Ulster Democratic Unionist Party	5
Scottish National Party	5
Plaid Cymru	4
Social Democratic & Labour Party	3
Sinn Fein	4
Independent	1
The Speaker (Stands as "Speaker seeking re-election")	1
TOTAL	659
(Government majority = 166)	

Next General Election due before: June 2006

Economic Data

GDP:	US\$1.4trn (2001, at market exchange rate)
GDP per capita (2001):	US\$23,753 (2001, at market exchange rate) US\$25,206 (2001, at PPP)
Annual growth rate:	+2.7% (average, 1997-2001) +2.2% (2001) <i>The Economist's Forecast (2003) +3%</i>
Consumer Price Inflation:	+1.3% (average, 1997-2001) +1.2% (2001, average)
Unemployment Rate:	ILO Rate - 5.1% (March 2002)
Interest Rate:	Bank of England – 4.0%
Currency Exchange	US\$1.44: £1 (2001, average)

Rate (Pound Sterling £):	US\$1.46: £1(June 8, 2002) Euro1.55: £1 (June 8, 2002)
Foreign Trade:	Exports of goods totaled an estimated US\$275.3bn in 2001, and imports US\$322.9bn, resulting in an estimated trade deficit of US\$47.6bn
Major Trading Partners Export to:	US, Germany, France, Netherlands
Major Trading Partners Import from:	US, Germany, France, Netherlands
3 Major Exports:	Finished manufactures, semi-manufactures, oil and other fuels (2001)
Major Imports:	Finished manufactures Semi-manufactures Food, beverages & tobacco (2001)

Source: www.Economist.com

Summit Objectives for the United Kingdom

1. Development and Africa

General Development Statistics

The following are the financial statistics for the UK in the FINANCIAL YEAR 2000-01 taken from the 2001 Edition of *Statistics on International Development*:

-Total DFID (Department for International Development) expenditure topped £2.8 billion with 51 per cent going to bilateral programs (£1414 million) and 46 per cent (£1297 million) on multilateral contributions. This represents a 9 per cent increase over 1999/2000 in cash terms (a 7 per cent increase in real terms).

-Excluding humanitarian assistance, the top five recipients of DFID program expenditure in 2000/01 were India (£105m), Uganda (£86m), Ghana (£73m), Bangladesh (£70m) and Tanzania (£67m).

-Excluding humanitarian assistance, the proportion of bilateral aid spent in individual countries which went to low income countries was 78 per cent, an increase on the 1999/2000 figure of 75 per cent and well on the way to DFID's PSA target of 80% in 2002/03.

-Excluding humanitarian assistance, Sub-Saharan Africa received 54 per cent of all bilateral aid allocable by region with Asia getting 29 per cent.

-Total humanitarian assistance was £326 million, comprising £180 million of bilateral assistance and £146 million through multilateral agencies. The Balkan countries were the largest recipient of bilateral emergency aid (£32 million) followed by Ethiopia (£13 million) and India (£12 million). The remainder was support to countries affected by rapid onset natural disasters or complex emergencies necessitating ongoing humanitarian assistance, mainly in Africa and Southeast Asia.

-Around £184 million of DFID expenditure was channeled through civil society organizations, including £73 million of humanitarian assistance.

The following figures are based on the CALENDER YEAR 2001 from The Statistical Release of DFID on 2 April 2002:

- Total net official development assistance from the UK to developing countries was £2974 million which represented 0.32 per cent of gross national income (GNI).

- Private flows from the UK to developing countries were estimated at £1.4 billion.

- Total net flows including private resources from the UK to developing countries were 0.50 per cent of GNI.

- DFID expenditure remained at around the same level as in 2000

- EC expenditure on development, of which the UK share is attributed to DFID, rose by almost £40m

- Investments by CDC Capital Partners were low, particularly following the events of September 11th.

Official Development Assistance (ODA)

Prime Minister Tony Blair has strived to be the premier advocate of African issues in the G8. In his speech to the Nigerian Parliament Blair promised that at the Kananaskis 2002 G8 summit he will argue that where there is a clear commitment to reform donors should increase their aid flows. He also stated that all donors' countries should untie their aid from commercial contracts, a move that the World Bank estimates will increase its effectiveness by 25%. Also, Blair believes that the allocation of aid should not be determined by donors, but by African countries' own nationally determined, nationally led development strategies.

The UK has doubled its assistance to Africa since 1997. Chancellor Brown wants to continue this trend in increasing ODA. Mr. Brown has promised that the government would significantly raise its commitment to overseas development and its share of national income over the coming years. However, there was no indication of how much ODA would increase and how long this process would continue. To meet the UN standard, the UK must double its current ODA spending, so it is expected that the increase will be phased in over a few years.

G8 Africa Action Plan and NEPAD (New Partnership for African Development)

At last year's G8 summit, it was Britain's Tony Blair who introduced a blueprint for African recovery which was devised by the leaders of South Africa, Senegal, Nigeria and Algeria. During his warmly received trip to Africa in February 2002, PM Blair made various promises (discussed in detail below) to support the cause of NEPAD. By making these promises Blair has doubly risked his reputation. First he faces the skeptical states of the G8 (particularly the US) who have doubts about another African initiative that has most of the same principles as initiatives of the past. For Africans he must follow through his promises and accomplish something for NEPAD. With so much personal reputation riding on this, it is expected that Blair will ardently promote the NEPAD at this year's summit.

The government claims that it is primarily the dire state of African development that impels it to be a strong advocate of the G8 Africa Plan. But it is difficult to ignore the tie between Britain and Africa that has evolved out of a mixture of post-colonial guilt and a sense of responsibility to assist former colonies. The financial statistics above show that of all non-humanitarian bilateral aid, Sub-Saharan Africa receives 54%. With such a large fraction of ODA already invested in Africa, it is expected that the UK would support a plan for African development. With so much already invested in Africa, the UK realizes that it requires multilateral support to effect a more significant change in African development.

Growth

In order to meet the UN Millennium target to halve poverty by 2015, Africa needs 7 per cent economic growth each year from now until 2015. This is a real possibility for countries like Uganda (which is one of the 10 fastest growing countries in the world), Mozambique and Botswana who are achieving such levels of growth. However, the average growth rate of the continent is about half of 7%. To achieve higher levels of growth, Clare Short proposes a development strategy that delineates itself from its past. In her speech in South Africa, Clare criticizes the leftist approach for allowing excessive concentration of power in the state, which has led to political repression and economic failure. But she also criticizes her own governments past Thatcherist development strategy for having created excessive market power which has led to growing inequality, exclusion, instability and to a decline in essential public services. NEPAD and Short emphasize the pillars of development to be a robust private sector, the rule of law, universal health care and access to education, and good governance that is free of corruption. These are all the same ideas that have been preached by the OECD countries in the past. These were considered by the South to be neo-colonialist measures in the past. This time however, these same calls for reform are voiced by the African states themselves, since the NEPAD initiative is led by African leaders and governments. Having the support of the African governments themselves there is a better chance of success this time around. Moreover, it may be Africa's last chance in the near future to convince the North to back up its rhetoric in support of liberal African development with money.

Zimbabwe

The fate of the G8 Africa Plan may hinge on whether the African leaders (particularly South African president Mbeki) support Mugabe's election win in Zimbabwe. Election observers from South Africa, Nigeria are ready to call the election legitimate - although Zimbabwe's own independent observers, other African observers and those from the Commonwealth are not. To those outside Africa, support for Mugabe is tantamount to support for tyrannous undemocratic governance. If Mr. Mbeki is seen to side with Mr. Mugabe in the days leading up the G8 summit, the US has said NEPAD will be dead in the water. Also, this will eliminate the moral imperative for Europe and the major industrialized nations to embrace the plan and it will soon crumble. The chairman of the

US Congress's Africa sub-committee, Ed Royce, warned Mr. Mbeki that Washington's view of NEPAD hangs in the balance of whether he considers the Mugabe's election as legitimate. The American government clearly stated that it does not recognize Mr. Mugabe's victory. South Africa's deputy president, Jacob Zuma, said the elections were "legitimate". There are similar statements by some of the South African cabinet. But Mr. Mbeki has tried to argue that these are not necessarily his views. But, in the absence of any firm statements to the contrary, these views are likely to be taken by the rest of the world as those of the South African government. Blair is going to have to get Mbeki off the fence and have him unequivocally condemn Mugabe's victory if NEPAD is to float. We can also expect to see Blair trying to convince the US and the other G8 members that Mbeke does not recognize Mugabe's victory when in fact it he is ambivalent.

Conflict and Development

Britain places some of the blame of slow or regressive development on the African states themselves. 20 per cent of the people of Africa are living in conditions of conflict, mostly within - rather than between - states, with mostly civilian victims. The obvious implication being that there is no opportunity for development in a country engaged in internal warfare. The World Bank estimates that conflict is costing every African country 2 per cent economic growth every year. For these reasons NEPAD has identified the cessation of conflict as the first condition that must be addressed in order for development to take place. Britain's Secretary of State, Clare Short, proclaims conflict resolution in Africa as the top priority of the Kananaskis summit.

PM Blair has called for UN reform in security by applying an adapted model of the Brahimi Report on UN peacekeeping. He urges the strengthening of the capacity of African nations to provide effective peacekeeping under UN auspices, possibly on a regional basis. He also wants to strengthen the UN's ability to broker and sustain peace and to support the efforts of those African countries trying to do the same. Blair wants developed nations to help provide the training, logistical support and, where necessary, funding for such peacekeeping forces to operate, as the British Military Advisory and Training Teams have done in Ghana and Nigeria. The PM also called for African countries and regional organizations to build up peacekeeping capacity of African forces. Blair has hope for an end to conflict in the Great Lakes region and Sudan since he believes that both have the natural resources that would promote development once the conflict has ended. Blair has urged forward the implementation of the Lukasa Peace Accords in DRC so that rebuilding can ensue. In Sudan, which has been mired in conflict for all but 10 years since independence in 1956, Blair asserts that there is now a chance for peace. He has appointed a Special Envoy to work with others in the search for peace in Sudan. In his speech to the Nigerian National Assembly, Blair promised that in June he will, "call upon the G8 to redouble its efforts to bring peace to these two conflicts." Britain touts its successful resolution of conflict in Sierra Leone as the model to follow to end war on the continent.

Despite British optimism on conflict resolution in Africa, the conditions that made peace possible in Sierra Leone are exceptional. It was not as ideal as Britain would make it out

to be. It was plagued by misfortune, especially with the kidnapping of hundreds of peacekeepers by rebels in 2000. This questioned the very credibility of UN peacekeeping, costing the UN billions of dollars to restore its credibility. British troops were able to make a major difference in Sierra Leone because of the close links between the two countries and the high level of respect that Britain holds in the country. (70% of Freetowners said they would like Britain to assume trusteeship of Sierra Leone until a new political dispensation can be worked out). The will of the UN to restore its credibility and the British influence allowed for a massive foreign presence in the country. It is not clear whether the UN will be able to mobilize such a force for other African conflicts.

Off-Budget Spending

Britain is forging new links between development and security with its Report on Off-Budget Military Expenditure. Off-Budget Military Expenditure involves the practice of hiding Defence expenditure under other sectoral budget lines. For example, military vehicles have been known to appear in health budgets as ambulances engaged in peace operations. It also includes outlays that do not appear in the budget at all because they are business activities of members of the armed forces, such as state-owned firms, racketeering and drug trafficking for personal profit. It is thought to be most prevalent in countries where the military exercises a great deal of influence in Government and the private sector. In the past, a blind eye was turned by the OECD countries to missing defence money because it was spent on military hardware bought from the donor country. Off-Budget military expenditure cripples development efforts in these countries since it is a flagrant waste of money that could be spent on development. In the recent past, there has been a tendency amongst donors to simply set limits on military spending. The Report proposes that the security sector of recipient countries should be subject to proper accountability, transparency and discipline, in the same way as all other parts of the government budget. It identifies the need to strengthen the financial management of the security sector. Also, there is a need to create incentives for countries to reduce off-budget defense expenditure. Better financial management of the security sector involves new overhead costs. But this cost is expected to be compensated by the reduction in off-budget military expenditure. Finally, the Report proposes that the World Bank and the Fund take proactive role on the issue.

The UK has already been active in off-spending issues in Uganda, Sierra Leone and Indonesia. While Uganda's defence expenditure in the past has been based on a limit of 2% of GDP, now the budget allocation is based on a thorough assessment of Uganda's security needs, which is assisted by UK. In Sierra Leone, the UK is helping the Government to comply with an undertaking to review its defence spending in return for debt relief. And in Indonesia, the UK is working to try to move military expenditure on-budget by ending the practice in place of the armed forces being financed through commercial enterprises.

The off-budget measures would improve the amount of aid received by Africa. Many aid donors have cited that Aid in Africa is squandered on military spending and use this as

their excuse for shriveled ODA. With access to transparent budgets, the donor countries would be assured that its ODA is being spent on development, not the military. This British initiative is a measure that facilitates greater Aid to Africa.

Conflicting British Policy

NEPAD and Britain have identified the first priority at the G8 summit concerning development to be the resolution of conflict in Africa. Clare Short has chastised OECD aid donors for turning the blind eye to off-budget military spending because some aid money goes to the purchase of domestically produced military equipment. But the British government has blatantly ignored its own implorations and jeopardized its credibility as an advocate for peaceful development in Africa. There are numerous cases in which the British government has publicly condemned conflict in Africa, but supplied conflicting countries with arms.

Britain is one of the worlds leading arms manufacturers. It also strives to expand its defense industry. British arms sales to Africa leapt from £52m (in 1999) to £125m a year later. The Department of Trade and Industry has sponsored British firms to attend an arms exhibition in Delhi according to the British newspaper, the Guardian. In Africa, Blair's government will be sponsoring companies to attend an arms exhibition by the title of Africa Aerospace and Defence 2002. There is also a government department, Defence Export Services Organizations (DESO), which is a dedicated department within the Ministry of Defence charged with assisting military exports. DESO will soon be making a trip to Africa.

Since Blair's Labour came to government, small arms (typically pistols, assault rifles and machine-guns) have been sanctioned for sale to Egypt, Ghana, Kenya, Morocco, Sierra Leone and Zambia. This has been sanctioned despite Amnesty International's condemnation of Kenya for widespread torturing and the border disputes between Morocco and the Western Sahara. Labour decided to supply Hawk jet spare parts to Mugabe's air force right up to the beginning of 2000 despite Zimbabwe's involvement in the Congo war and internal political repression.

In the last Calendar year, Tanzania received £64M from UK ODA. But that year the UK government granted British Aerospace (BAE) an export license to provide Tanzania with a US\$40m military air traffic control system for its fighter jets. It is estimated that US\$40m would be enough to finance an annual minimum package of public health for over 3m people in Tanzania. This amounts to two thirds of the budget savings Tanzania will make as a result of the heavily indebted poor countries (HIPC) initiative.

British jets were sold to India(which is not a member of the Nuclear Nonproliferation Treaty) which can be adapted to carry nuclear weapons or used to train pilots to fly nuclear-capable aircraft. These sales flew in the face of the government's commitment to sustainable development, its guidelines concerning arms exports, and its pledge to nuclear nonproliferation. The UK is now lobbying to sell £1bn of Hawk jets to India. These Hawks are designed to train pilots to fly the British Jaguar jets already possessed

by India. Or the Hawks could be used in their own right as ground attack aircraft in the conflict over Kashmir.

PM Blair's Labour government has recently introduced an export bill into parliament that would set conditions for the export of arms and prevent the sale of arms to countries with compromised human rights records and countries that are engaged in condemned warfare. However, the Labour government dropped a clause calling for arms exports to be stopped if they threatened, "sustainable development". The opposition is striving to have this clause reinstated, but the government continues to oppose these attempts.

The credibility of Britain as a sincere advocate of African peace and development has been marred by these conflicted foreign policies. These major political hypocrisies are going to make it more difficult for the UK to convince other G8 states to contribute money for the G8 Africa Plan. It is less likely that G8 members will want to contribute to an Africa Plan introduced by Britain when British foreign policy sometimes seems to be a sales campaign for its defense industry. Moreover, it's claim that the first priority for the Africa Plan to reduce conflict cannot be taken seriously when it is willing to supply arms to countries that are in desperate need of basic human services. The only redeeming policy that the UK can cling to is the new watered-down export bill described above.

Trade and Development

More than 70 per cent of Africa's exports are unprocessed commodities, and most of these commodity prices are falling consistently, decreasing the terms of trade for Africa. Clare Short has admitted that Western Powers have lectured the developing world about trade liberalization, but have created barriers to market access to developing countries, particularly in agriculture. Agricultural subsidies in OECD countries are worth over \$320bn a year - roughly equivalent to the entire GDP of Africa as a whole. The new trade round launched at Doha last November provides the opportunity to create better trading access for African-export commodities. But there are still high trade barriers between African countries, and Short has urged Africa to deal with this problem for its own sake.

Although it may theoretically favour market access for Africa, Britain is an entrenched member of the European Union which has protectionist measures compromising the market access of African goods, particularly in agriculture. Unilever Chairman Niall Fitzgerald has commented that every cow in the European Union is subsidized by approximately \$2 a day - the same amount that 450 million people in Sub-Saharan Africa subsist on daily. PM Blair has stated that all the countries of the G8 should introduce duty-free and quota free access for imports from all of the Least Developed Countries. Moreover, he has proposed that the G8 seek early progress in phasing out agricultural subsidies. The PM has also promised to argue at Kananaskis that the G8 members should commit not only to a reduction in overall tariff levels in the WTO round, but to the peaks and escalation of certain tariffs which hit African countries the hardest.

The UK has instituted a new £20M WTO training package to assist Africa in gaining market access. Under this package, £6.5 million new funding is to assist developing countries to cope with the demands of negotiations in the a new trade round. Also in this package, £7.5m Africa Trade and Poverty Programme will help countries and regional organisations in Sub-Saharan Africa build the capacity to formulate, analyse and implement trade reforms which serve poverty reduction goals.

Even if Blair aggressively campaigns for African market access, it may fall on deaf ears, especially with the US. The US preaches free trade but in practice hands out billions of subsidies to its rich farmers which artificially depress commodity prices such as cotton, which are crucial to an African economic renaissance. Moreover, the US has waged bitter court cases to preserve protectionist measures.

In a draft document leaked in April of this year, the EU is demanding full-scale privatization of public monopolies across the world as its price for dismantling the Common Agricultural Policy in the new round of global trade talks. This effectively opens up sensitive sectors of its trading partners' economies including water, energy, sewerage, telecomms, post and financial services. Since EU is going to be going be a difficult negotiating partner in the New Trade round, the US can be expected to act similarly. So Blair's efforts to convince the US to improve market access are going to be extremely difficult since the EU is not yielding concessions.

HIPC Initiative

Britain has achieved 100% removal of bilateral ODA debts to HIPCs. In some cases, their relief went further to fully write- off HIPC debts as of their decision point and a reimbursement of any debt service paid before the decision point. The total UK pledge to the Heavily Indebted Poor Countries (HIPC) Debt Initiative Trust Fund is US\$306 million, including a US\$85 million share of the EC contribution. In 2001–02 DFID paid US\$33.7 million to the Fund. The total outstanding bilateral debt owed to the UK by the Heavily Indebted Poor Countries (HIPC) is £1.529 billion; the amount written off is £0.703 billion. The G8 has been able to succeed in achieving debt relief for the poorest African countries, but there seems to be an attempt by Britain to expand debt relief to other developing states. In a speech in Nigeria, which is not poor enough to qualify as a HIPC, PM Blair has stated that provided a clear track record of economic reform the UK(its largest creditor) is prepared to consider debt relief for Nigeria. But this is only a possibility. The major work on debt this year by Britain concerns Vulture Funds.

Chancellor Gordon Brown has demanded urgent action to clamp down on vulture funds, which are financial institutions that buy up the debt of poor countries at discount prices and use the courts to extract payment in full with interest. Brown believes a number of heavily indebted poor countries such as Nicaragua and Ethiopia might decide to pay commercial creditors rather than become ensnared in legal battles they cannot afford. The vulture funds are essentially robbing these poor nations of money that could be going to basic health care needs. Moreover, these poor counties would be faced with the threat of defaulting, something that would have a disastrous impact on their financial market

confidence. Mr. Brown's condemnation of vulture funds is likely to win the support of the World Bank. One proposal is to provide money and technical assistance to help HIPC nations effectively contend with legal action. A G8 fund similar, but smaller in scale, to the G8 Health Fund could be the right weapon to deal with these financial scavengers.

Infrastructure

The UK has established the US\$305M Emerging Africa Infrastructure Fund (Emerging Africa) to make long-term debt financing available for private sector infrastructure companies in sub-Saharan Africa. Of this US\$305M, DFID is underwriting US\$100 million. US\$120M is coming from other international development funds, and US\$85 million is coming from private banks. This money is going to development in the following sectors: power generation, transmission and distribution, telecommunications, transportation (roads, railways, ports, airports, gas/water pipelines etc), water (supply, distribution, treatment/purification etc). Currently, investment in Africa is steered away by poor infrastructure. The intent of this program is to make private investment in Africa more enticing to prospective investors. The fund is expected to mobilize about \$2 billion of investment in infrastructure overall. PM Blair stated that he wanted the G8 to give additional support to the Emerging Africa Fund, implying that Britain will solicit the fund at Kananaskis.

Health

According to World Bank GDP figures, Britain has guaranteed US\$200 million to G8's Global Health Fund over a five-year period. However, Britain is not an unconditional supporter of the fund. The Secretary of State, Clare Short warned that the fund should not be used for the development of health systems, which she insists should be provided by governments with the help of development agencies. The UK has contributed to strengthening healthcare systems and building their capacity to provide care effectively by spending around £1 billion on this issue since 1997. "The fund needs to be able to promote change needed to bring in better drugs, encourage research, get the commodities and encourage countries to put in place the basic healthcare systems and delivery mechanisms," said Short.

More importantly Clare Short holds the perspective that Aids treatment drugs are not the priority for the Health Fund. (Privately, Clare Short does not believe that the fund should have ever been launched - her view is that existing bilateral aid programs can best address the problem.) She has pressed to ensure that the Fund would focus equally on three diseases - TB and malaria as well as HIV/Aids. She believes that the best way to deal with HIV/Aids is through prevention through condoms and microbicides, instead of expensive treatment drugs. The British emphasis on prevention rather than treatment may be due to the fact that prevention measures dovetail its work with the United Nations Population Fund to improve the availability of reproductive health commodities in poor countries. The UK contributed an additional £25 million to the UNPF, on top of its core

grant, last year to help meet immediate needs for reproductive health products, including condoms, in a number of countries.

Short holds Senegal and Uganda as model countries who have demonstrated that levels of HIV/AIDS infection can be held down (in the case of Senegal) or drastically reduced (as in the case of Uganda) with a strong commitment to public education, testing, treatment of sexually transmitted disease and widespread availability of condoms. In recent years, HIV prevalence rates in Uganda has fallen from its peak of over 20 per cent to less than 6 per cent. Short asserts that research evidence suggests that we will have an AIDS vaccine and a microbicide that will enable women to protect themselves from infection in the near future. For this reason the UK has supported the work of the International AIDS Vaccine Initiative (IAVI), to which it contributed £14M in 1999. Continuing with its emphasis on the less publicized lethal diseases of Africa, the DFID has sponsored the Working Group on Access to Medicines - which brings together Ministers, international organizations, the pharmaceutical industry, foundations and developing countries' representatives to identify ways to address under-investment in research and development into diseases affecting the poor.

However, prevention may not be as effective in sub-Saharan Africa due to cultural obstacles. Of the 5m infected with HIV in 2001, 3.5m live in sub-Saharan Africa, which is mostly constituted of patriarchal societies where women have little control over their sexuality. Also, there is high incidence of rape that increases with conflict. However, Britain's support for the IAVI, in conjunction with its measures to increase health care accessibility is compensating for these cultural obstacles.

2. Terrorism

Traditionally committed to supporting the international community in its fight against terrorism, Britain will act as a leader in the discussion on Terrorism at this year's G8 Summit in Kananaskis. Britain will begin by condemning the use of terrorist tactics, regardless of motive, and emphasize the need for greater international co-operation in generating and improving preventative and enforcement strategies. More specifically, the United Kingdom will target the resources available to terrorists by stressing the need to cut off terrorism funding and thereby also addressing money laundering issues. Moreover, Britain will urge other nations to adopt the international conventions for the suppression of terrorism, particularly the International Convention for the Suppression of the Financing of Terrorism, and stress the need to increase co-operation with international organizations, financial institutions, and the private sector.

Since the attacks of September 11th, Britain has supported the United States in its efforts to counter the threat of terrorism. A party to the far-reaching detrimental effects of the vicious attacks, the British government immediately put forth and ratified emergency legislation, the Anti-Terrorism, Crime and Security Act 2001, to meet new international

standards against terrorist financing issued by the Financial Action Task Force (FATF).¹ The new Anti-Terrorism Act provides:

- Police powers to seize terrorist cash anywhere in the United Kingdom
- Police powers to freeze funds at the outset of investigation
- Police powers to monitor accounts which may be used to facilitate terrorism
- Tougher obligations on people to report suspicious financial flows
- Other measures target the illegal trafficking of peoples and drugs²

In response to the 8 Special Recommendations³ on Terrorist Financing issued by the FATF, the British Chancellor of the Exchequer, Rt Hon Gordon Brown MP, stated it was essential that “every country adopts and implements these standards” by the FATF deadline of 30 June 2002 and expressed Britain’s readiness to share its experience in fighting terrorism with other countries and to provide technical assistance as needed.⁴ In a report issued in April 2002 by Her Majesty’s Treasury, the government outlined the steps taken by Britain in its full commitment to freezing the assets of terrorists.⁵ Britain has fully met the commitments set out in the November 2001IMFC Communiqué; has fully implemented C UNSCR 1373 (Terrorism) and C UNSCR 1267 (Taliban), UNSCR 1333 (Usama bin Laden) and 1390 (Taliban/UBN); has frozen the assets of over 100 organisations and 200 individuals acting under the UN Terrorism Order 2001 and UN Al-Qa’ida and Taliban Order 2002; has frozen over \$88 million assets; as a founding member of the Egmont Group, established a multi-agency Terrorist Finance Team within its National Criminal Intelligence Agency (NCIS); British banks and financial institutions have cooperated fully, constructively and with dedication in seeking out sources of terrorist funding; has introduced a new domestic regulatory regime to insure the effective implementation of money laundering regulations by the de change and money transmitters; already adheres to the 8 FATF Special Recommendations and will soon be fully compliant with FATF new regulations dealing with wire transfers by money remitters. In essence, the United Kingdom strongly supports international co-operation, enhanced mutual understanding and effective means of tackling terrorist financing and in

¹ The FATF is an independent international body housed at the Organisation for Economic Co-Operation and Development (OECD). For further information, see <http://www.fatf.org>.

² “Terror laws at-a-glance,” *BBC News* (13 November 2001). Available http://www.news.bbc.co.uk/hi/english/uk_politics/newsid_1653000/1653721.stm.

³ The 8 Recommendations issued in November 2001 commit members to: Take immediate steps to ratify and implement the relevant United Nations instruments; Criminalise the financing of terrorism, terrorist acts and terrorist organizations; Freeze and confiscate terrorist assets; Report suspicious transactions linked to terrorism; Provide the widest possible range of assistance to other countries’ law enforcement and regulatory authorities for terrorist financing investigations; Impose anti-money laundering requirements on alternative remittance systems; Strengthen customer identification measures in international and domestic wire transfers; Ensure that entities, in particular, non-profit organizations, cannot be misused to finance terrorism.

⁴ British Government, “New international standards against terrorist financing,” (1 November 2001). 10 Downing Street, Newsroom. Available <http://www.number-10.gov.uk/output/page3743.asp>.

⁵ Her Majesty’s Treasury, “International Fight Against Terrorist Financing UK Progress Report,” (12 April 2002). HM Treasury, International Issues. Available [http://www.hm-treasury.gov.uk/Documents/International_Issues/terrorist_financing/int ...](http://www.hm-treasury.gov.uk/Documents/International_Issues/terrorist_financing/int...)

light of that fact, terrorism will form a large part of that country's agenda at the G8 Summit in Kananaskis.

3. Economy

Overview

This year Maintaining economic stability was the focus of the British Government. Even though last year was a difficult year for the world economy, the United Kingdom experienced steady and stable growth, while unemployment continued to fall and inflation remained subdued. In fact the United Kingdom grew faster than any of the other major G7 economies. On April 17, 2002 Chancellor Gordon Brown introduced Britain's 2002 budget. The Budget reveals that the UK Governments public finances remain on track to meet the Government's strict fiscal rules, with both borrowing and debt well under control; that the UK economy is expected to grow by 2 to 2 1/2 per cent this year and by 3 to 3 1/2 per cent in 2003; and also that inflation is also set to remain low and close to the Government's target - the longest period of sustained low inflation since the 1960s. Although the British economy is rising, it is doing so at a slow pace. In April, economic growth was reported at .1% up from the earlier 0%, but still far below expectations of 4% within the first quarter of 2002. Despite reforms, British companies are lagging in productivity. Currently interest rates have remained unchanged at 4% for the past seventeen months, yet because of the buoyant retail and housing markets, that rate is expected to jump to 5% by 2003. In March Britain's trade deficit in Goods was 3 billion pounds, higher than expected. However this is balanced by a surplus in Trade in services of .7 billion pounds. Total public spending is expected to be around £418 billion this year, around £7,000 for person within the UK. Public spending is also estimated to rise to £455 billion in 2003-04 and to £481 billion in 2004-05.

Employment

The 2002 Budget takes further steps to promote employment opportunity across the UK. This will be accomplished with the introduction of a new Working Tax Credit which will start in April 2003, and with increasing the basic credit in the Working Families' Tax Credit by £2.50 a week starting June 2002. There are proposed pilots to extend the eligibility for the New Deal 25+ to jobseekers who have been out of work for 18 months out of the previous three years; the idea of introducing personal mentors to help lone parents into work and extending eligibility for the childcare tax credit; and launching a new £5 million fund to tackle transport problems that limit employment opportunities in deprived areas.

2002 Budget

Other key budget measures include: the largest ever sustained increase in NHS resources, in order to put the health service on a sustainable long-term financial footing; one per cent extra on national insurance contributions (NICs) paid by employers, employees and the self-employed on all earnings above the NICs threshold of £89 a week from April 2003; a cut in the starting rate of corporation tax from 10 per cent to zero and a cut in the small companies' rate to 19 per cent; increases of £2.50 a week in the Working Families' Tax Credit from June 2002 and £3.50 a week in the child allowances in Income Support

and Jobseeker's Allowance from October 2002; a new Child Tax Credit from 2003 that will provide a secure stream of income for families with children; a new Working Tax Credit from 2003 that will make work pay for people on low incomes with and without children; a freeze in all road fuel duties, including ultra-low sulphur petrol and diesel, and in vehicle excise duty rates; and a freeze in duties on spirits, wine and beer; a real-terms increase in the duty on alcohols; and a rise in tobacco duties in line with inflation.

EMU

On January 1, 2002 the physical Euro notes were launched. The UK Government pushed forward with an extensive educational campaign directed towards businesses as well as both commercial and personal travelers about the new currency. The changeover occurred with minimal disruptions or confusion. Chancellor Gordon Brown is sticking to his decision not to involve the United Kingdom in the European Monetary Union until the five tests are successfully completed. The Five Tests are:

- Sustainable convergence between Britain and the economies of a single currency;
- Whether there is sufficient flexibility to cope with economic change;
- The effect on investment;
- The impact on Britain's financial services industry;
- Whether it is good for employment.

The Government has said that it will complete an assessment of the Five Tests within two years from the start of this Parliament. The assessment has not yet begun, however the necessary preliminary analysis (technical work required to allow Britain to undertake the assessment within two years) is underway. A recent poll suggests that Britons still oppose joining the Euro, but in principle, the UK Government remains in favour of UK membership in the Economic and Monetary Union (EMU), and there have been much accommodations for the new economic scene. Some concessions for the changeover include that the City of London offers the full range of euro services in wholesale financial markets; British businesses are free to trade and manage their accounts in euro. British banks are making euro payments and offering euro accounts for businesses, and Some major British retailers are using the euro and there are likely to be many more euro customers now that the euro currency is available to consumers.

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