

Introduction

1.1 Global Issues

1.1.1 As we enter the new millennium, the emerging global society is becoming more integrated and connected than ever before; and yet the post-Cold War world is also characterised by instability, and is fragmented and divided by new barriers, both visible and invisible. The global spread of democracy, human rights and free market principles goes hand in hand with the resurgence of nationalism, ethnic divisions, and economic inequality. While Liberal Democrats welcome the growth of 'one world', we are concerned about the factors which continue to divide nations and people.

The conditions which broadly characterise international issues for the 21st Century are:-

- **Interdependence:** economic, social and cultural globalisation are creating an ever denser net of transnational relationships that tend to marginalise national boundaries and institutions.
- **Inequality:** disparities in wealth and development between the richest and the poorest of the world's population persist, and are growing deeper.
- **Environmental Challenges:** although climate change and other global environmental threats are widely understood, international institutions dealing with the environment and development do not have the same strength as those for trade, financial and security issues.
- **Growth of Global Civil Society:** a growing world-wide recognition of human values and rights, and of global

threats to humanity, stemming from environmental destruction, creating a sense of global human identity above national distinction.

- **National and Ethnic Identity:** just as a global identity is forming, the end of the Cold War has also ignited the resurgence of ethnic identity. There is growing pressure for the acceptance of cultural rights and an alarming growth of separatist movements with the spectre of civil war hanging over many nations.
- **Collective Action:** the revival of international organisations has given the principle of collective action and international norms a heightened importance in addressing global challenges.
- **Democratisation:** there is a growing acceptance that governance by popular consent through the ballot box is preferable to authoritarian rule. Democracy is widely accepted as the touchstone to political legitimacy.
- **Growth of international crime:** The European Union has established a Europe-wide criminal intelligence service, Europol, which is intended to facilitate co-operation between different police authorities. Europol needs to be given the resources to do more to combat trafficking in drugs and weapons. In addition Liberal Democrats would wish to see it become more accountable.

1.2 Liberal Democrat Values

1.2.1 Liberal Democrats insist that humans are born with a set of inalienable human rights, and political and institutional

structures in international relations should recognise and reflect this priority. We accept too, that human, political and economic rights are interlinked and can be best secured in societies that have democratic governance structures.

1.2.2 A Liberal global order celebrates diversity and pluralism, recognising that cultural tradition and societal bonds are important sources of meaning in life. However cultural tradition should not be used as an argument for the infringement of human rights. It is our belief as we explain later that intervention by the international community in the affairs of a sovereign state may be necessary when the government of the state in question is wilfully and grossly violating the human rights of its citizens.

1.2.3 The advance of democracy is one of the most important factors in the creation of a stable international community. However, the transition to democracy is often through instability. It is incumbent on the international community to find ways and commit financial resources and know-how to assisting newly

emergent democracies in undertaking the transition peacefully.

1.2.4 Far too often, democracy is proclaimed through the holding of one set of elections alone. We recognise that the freely expressed will of people in selecting the government of their choice is a fundamental element of this process, but not the only element. To ensure that democracy is a matter of substance rather than form, Liberal Democrats believe that the following priorities must comprise the fundamentals of democratic governance:

- The rule of law, and constitutional safeguards to guarantee individual rights and freedoms;
- Government chosen by a regularly renewed democratic mandate;
- The safeguard of minority rights and religious freedom (accepting that democracy secures the rights of the majority, it becomes even more important to recognise that the rights of minorities need protection).

Reforming Global Institutions

2.0.1 Liberal Democrats are committed to working with others through the European Union, the Commonwealth, the United Nations and regional organisations to promote peaceful co-existence and democratic structures. However, most global institutions were formed over 50 years ago in a different era and need to be modernised to reflect today's reality as well as tomorrow's potential.

2.1 The United Nations

2.1.1 In successive policy documents, Liberal Democrats have argued that fundamental reform of the United Nations is required in order that it can assume its role as the cornerstone of the international institutions required for an equitable global society. Implicit in this belief is a new approach to sovereignty. Member states must have the collective capacity to challenge the sovereignty of other members for 'gross and persistent' abuses of human rights, the denial of the right to peaceful coexistence of nations and communities or wilful and widespread environmental damage. This necessarily requires the reform of the Security Council and the strengthening of the UN's finances.

2.1.2 It is a vital priority to define and establish criteria by which the international community will be justified in challenging national sovereignty within the context of international law. In Chapter 4 of this paper we set out what considerations Liberal Democrats would see as a

benchmark in the formulation of such criteria.

2.1.3 The UN's constitutional framework is also in need of reform. Regional bodies have already begun to act outside the UN, for example during the Kosovo crisis, due to deadlock and inaction within the UN itself. If regional bodies such as NATO are to be persuaded to act within UN guidelines, initiatives to overcome the institutional lethargy of the UN are urgent.

2.1.4 The capacity of the permanent five (P5) members of the Security Council to enact a veto on decisions against the will of the rest of the Security Council and the General Assembly urgently needs addressing. P5 members must be made more accountable for the use of the veto.

2.1.5 The means for challenging the veto may rest within the General Assembly. Chapter IV of the Charter states that the Assembly may discuss any matter and recommend any action to the members of the Security Council, unless it is being discussed at the same time by the Security Council. There is nothing to prevent a matter from being discussed by the General Assembly after the Council discussion has been completed.

2.1.6 Attempts have been made to upgrade the role of the General Assembly with regard to UN peace and security functions, notably the 'Uniting for Peace' resolution passed in 1950. This resolution attempted to empower the Assembly to call on member states to act if the Security

Council was deadlocked by veto. The resolution was later reinterpreted by the International Court who ruled that this prerogative rested firmly with the Security Council.

2.1.7 However, such a procedure would be worth revisiting. Before the Assembly was to be given the power to overturn Security Council vetoes, a reconstituting of the Assembly on a more democratic basis, with more regular meetings and methods of weighting votes is essential. If such a system could be agreed, the moral pressure of condemnation by the General Assembly of the use of the veto in the Security Council, would compel recalcitrant P5 members to use their veto more judiciously.

A UN Constitutional Conference

2.1.8 It would be impossible to achieve such thorough reform without the approval of the P5 as they can veto any amendment to the Charter. Liberal Democrats therefore propose that a United Nations Constitutional Conference is called in order to make proposals on the reform of the United Nations Charter and constitutional procedures. Such a Conference, operating in a similar manner to the European Intergovernmental Conferences called to make changes to the Rome Treaty, should be required report on the following areas:

- Reforming and enhancing the powers of the General Assembly in order to enable it to hold to account the diverse agencies and bodies of the UN including the Security Council;
- Reviewing the composition and operation of the UN Security Council, including issues such as qualified majority voting and the expansion of the Council to reflect current world political realities;
- Setting criteria under which and in what circumstances the principle of

domestic sovereignty under Article 2, Paragraph 7 of the UN Charter can be challenged under international law and the development of an independent body under UN auspices dedicated to the interpretation of international law;

- The creation of a more open and democratic election method for the UN Secretary General and an enhancement of the Secretariat's ability to rationalise, oversee and co-ordinate the work of the various UN agencies in conjunction with the General Assembly;
- A review and strengthening of UN finances, including the development of UN 'own resources'. Non - payment of dues should not be tolerated from any state, and the penalties for failure should be speedy and effective;

2.1.9 The UK could take a lead in this reform process, especially with regard to the Security Council, by making a Declaration of Intent regarding the use of the veto in the Security Council. In this, the UK would declare that it maintained its veto, but that on any matter where a veto is used, it would raise that issue in the General Assembly. Other countries would be encouraged to follow suit.

2.1.10 The UN should abandon the practice of using nationality as a dominant criterion for personnel selection. People should be chosen on merit, subject to an attempt to maintain a rough nationality balance overall.

A UN Resolutions Audit

2.1.10 With the United Nations now over fifty years old, it is time to reassess its successes and failures. The UN has made the difference in many areas around the world, coping with the consequences of conflict and preventing in some cases conflicts from breaking out in the first place. This contribution is often taken for

granted and successes have gone unsung. There are too many Security Council Resolutions outstanding that have been ignored or not fully complied with.

2.1.11 Liberal Democrats propose that the UN undertake a 'Resolutions Audit' with a view to completion in January 2001, which determines which obligations are outstanding and what action needs to be taken to comply with them.

2.2 World Trade Organisation

2.2.1 The WTO, which grew out of the General Agreement on Tariffs and Trade (GATT), represents an unprecedented international pooling of sovereignty among its members which ensures that global trade rules are evenly applied and adhered to by member nations (the principle of non-discrimination). Multilateral, rules-based trade liberalisation under the GATT in the post-war years has banished the spectre of beggar-my-neighbour protectionism that did so much to create the Great Depression of the thirties, and has helped to ensure an unprecedented increase in both world trade and world living standards. World trade has grown seventeenfold since 1951 while world income per head has doubled. Liberal Democrat policy on international trade is set out in full in policy paper 12 *The Balance of Trade*. This section summarises and updates those policy proposals.

2.2.2 The cause of developing countries within the WTO must assume centre stage in the Millennium Round negotiations. The European Union's proposal to remove all outstanding tariffs on essentially all products from less developed countries is welcome. This concession could, over time, be extended to all products, without exception. A significant, co-ordinated assistance effort is also required to ensure

that developing countries establish the administrative capacity necessary to participate fully in WTO proceedings. Above all, the developed world must be prepared to make further market access concessions to agricultural products from the developing world (whilst maintaining the right to provide direct support to farmers). This would involve reforming the EU's Common Agricultural Policy (CAP) and would represent the single most important contribution to the welfare of the developing world.

2.2.3 Ways must be found to accommodate the objectives of high environmental protection, of public health, of labour standards and animal welfare into WTO disciplines. But these legitimate concerns of developed, democratic governments must not become an excuse to discriminate against poor countries whose standards cannot reach the same high levels. Notably, this requires:

- An acceptance of sustainability as a fundamental objective of the international trading system;
- Use of the WTO to help enforce Multilateral Environmental Agreements;
- A full incorporation of the precautionary principle into WTO agreements;
- Clarification of the rules governing the proper labelling of products;
- Examination of the rules which apply to the process and production methods used in traded goods;
- An extension of the WTO clause allowing discrimination against products produced by prison labour to other abuses of labour (notably forced, slave labour);
- Full and meaningful co-operation between the WTO and the International Labour Organisation.

- That the feasibility of permitting trade measures against products produced with particularly environmentally damaging transboundary effects, under carefully circumscribed criteria to avoid unjustified protectionism, should be considered.

2.2.4 There are two key features of the WTO. Firstly it is a non-discriminatory system of adjudicating disputes which might otherwise spark trade wars or worse, and secondly the WTO contributes to the formation of international norms by building up a substantial body of case law. The findings of the panels and the appellate body constitute a valuable corpus of rulings on what is generally acceptable in international trade. The WTO is also the forum in which multilateral trade negotiations take place. The WTO is a highly effective organisation, with probably the best and most powerful dispute settlement procedure of any international organisation. However, this can result in trade liberalisation being pursued at the expense of other objectives.

2.2.5 The pressure to accept new members in the WTO, notably Russia, China, and Taiwan, should be maintained. The WTO should evolve into a truly global guarantor of international trading rules, providing a forum for all states to negotiate equitable standards

2.2.6 New WTO rules in areas not presently covered by WTO disciplines, notably investment and competition, should be developed not only to facilitate trade but also to protect the rights of developing countries and challenge transnational, monopolistic abuses of market power. Any extension of the rights of investors through a new WTO agreement must be balanced by a similar extension of their responsibilities, for example to local communities, employees and the environment. WTO disciplines of subsidies

should be extended to new areas, including fisheries, forestry and fossil fuels, where extensive government support both distorts trade and damages the global environment.

2.2.7 Greater transparency and democratic accountability in WTO proceedings must be introduced. This is especially important in the case of the WTO's dispute settlement panel procedures. National parliaments and the European Parliament must be given far greater access to relevant documentation to exercise their legitimate role of parliamentary scrutiny, while also providing full access to non-government organisations and private companies to make representations. At the forthcoming Inter Governmental Conference the "Community method" of EU representation in WTO talks should be extended to areas presently excluded, such as services and intellectual property. This should be accompanied by full legal recognition of the need to involve Parliament in the negotiation and conclusion of trade agreements. Appointment of the WTO Secretary-General should follow a more open process, as with other senior appointments within international institutions.

2.2.8 There is also a need for greater transparency in the workings of Codex Alimentarius, although not a WTO body. It is the international scientific committee which adjudicates on evidence relating to beef hormones, genetically modified organisms etc.

2.2.9 Any WTO disciplines on cultural services, particularly concerning films, video and television, should allow for continued state support to underpin cultural diversity.

Global Prosperity, Global Sustainability

3.0.1 In the economic field, globalisation principally means the death of distance. As many traded goods become higher value, lighter, and less commodity and energy intensive, transport costs become a less significant part of the end price to the consumer. More goods can be traded. Markets thus come closer together. Many services can also be traded as air travel has grown: architecture, civil engineering, education, medicine, entertainment and tourism are all now increasingly traded services. The internet introduces a new dimension which will bring markets even closer together, opening up consumer choice and business opportunities through e-commerce. The communications revolution means that financial markets are increasingly integrated: an event on one side of the world has an immediate impact far beyond its national markets. These exciting developments increase choice, opportunity and welfare, but they also pose policy challenges.

3.1 Financial Markets and Investment Flows

3.1.1 The process of opening markets - whether for trade, direct investment or capital - has brought enormous benefits to industrial and developing countries. Korea, for example, has raised its living standards from the level of Sudan in the early sixties to that of Greece or Portugal on the eve of the millennium. This progress has also been associated with a gradual but discernible movement towards

a greater respect for civil rights, minorities and democracy. However, the price appears to have been a world economy which has become more volatile - the recent recessions in many leading emerging markets were particularly severe. A key policy question is therefore how to preserve the benefits of openness without its disadvantages.

3.1.2 The encouragement of long term committed investment, and the discouragement of short term speculative flows, may help to prevent the next economic crisis. Most of the recent crises have occurred because the countries concerned have relied far too much on short term capital, which is vulnerable to a shift in investor sentiment. When short term capital exits, countries can be forced into a dramatic economic adjustment with damaging social and political consequences.

3.1.3 In order to prevent such crises, the International Monetary Fund (IMF) should encourage developing countries to levy a reserve requirement on capital inflows in line with recent Chilean practice. Under such a system, any capital inflow is subject to an interest-free deposit at the central bank for a specified period. This reduces the rate of return on capital substantially for short term flows, but is insignificant for long term ones. It therefore provides an incentive for long term, committed capital flows.

3.1.4 Another means of tackling short term international flows would be the

application of a small tax on foreign exchange transactions - the so-called Tobin Tax. We believe that this is an idea which merits further study, although there is controversy over whether it would raise substantial revenue and be easy to collect. We call for the British Government to sponsor investigation into the compatibility of the Tobin Tax.

3.1.5 Despite such preventative measures, countries are likely to continue to face financial crises from time to time. In those circumstances, they will need to have access to the resources of the IMF. However, the IMF's resources have steadily dwindled even in relation to world trade, let alone world capital flows. At present, countries not only have to finance trade deficits but they may also be faced with a sharp outflow of volatile capital. The adjustments imposed on economies by changes in world conditions are becoming bigger and bigger. This is why recessions have become more severe.

3.1.6 The IMF should undertake a new review of its own financial needs having taken into account the appropriate pace at which it is reasonable for a country to adjust to the sudden withdrawal of private finance without damaging its economy and society. IMF programmes need to perform their traditional role of cushioning an economy from excessive and damaging adjustment.

3.1.7 This can be achieved in one of two ways. The first would be to increase the size of IMF support packages which quickly revive confidence, so that private flows resume. However, large rescue packages may in turn encourage imprudent private capital flows on the assumption that they will benefit from any rewards, but will be saved from risks. In effect, such packages may merely bail out investors. This in turn may increase the chances of repeated crises in the international financial

system with very serious costs imposed on the developing world.

3.1.8 The second means of preventing excessive adjustment would be to freeze debtor interest and capital repayments until private lenders and investors were forced to negotiate a reduction in their claims - so-called 'bailing in'. The disadvantage of extensive punishment of investors is that it may severely impede the availability of private finance to the developing world.

3.1.9 One way of balancing these considerations is to distinguish between countries which succumb to crisis mainly because of their own policy errors, and others which are swept up in the contagion spread by the herd instincts of the financial markets themselves. In the first case, it is reasonable for the IMF to insist that the private lenders and investors bear a substantial part of the cost of any rescue. In the second case - which may be countries taking advice from the IMF under a stand-by programme - a full support package may be merited instead.

3.1.10 In any case, the resources available to the IMF will need to be increased following a review of needs. If this proves impossible for the US Congress to accept, the Europeans should be prepared to increase their quotas without US participation even to the point where the United States would lose its effective veto over major IMF initiatives.

3.1.11 The British Government should be prepared to set an example by incorporating into its own bond contracts clauses which would allow for a standstill during which negotiations with creditors could proceed, and which would also allow a reasonable majority of creditors to renegotiate terms. Only if the leading industrial countries - Europe, if not the United States as well - are prepared to show the way will developing countries be

prepared to avoid the stigma of introducing similar measures.

3.1.12 Such arrangements should be reviewed after a period and if they are having an excessively adverse effect on the availability of private finance to the developing world, the balance between support and private sector burden sharing should be reassessed.

3.1.13 There should also be a review of the operations of the World Bank and the Regional Development Banks to ensure that they support such a sustainable strategy through their own focus and programmes.

3.2 States, Markets and Tax Evasion

3.2.1 Transnational Corporations (TNCs) often contribute significantly to increasing the size and employment of national economies in which they invest. They can be major contributors to the income tax base of many countries. In Europe, for example, they have been responsible for the revival of formerly poor regions or unemployment black spots such as Flanders, South Wales, and the North East of England.

3.2.2 However the size of TNCs can give them great influence to tempt national governments which are anxious to attract foreign investment. A vigorous policy of combating state aids - as in the European Union - is essential if this counter-productive 'Dutch auction' is to be resisted. There should be a renewed effort to stop tax reliefs designed to attract investment. Similarly, the hand of developing countries in dealing with demands for a laissez-faire attitude to environmental or social degradation also

needs to be strengthened (and our proposals in the context of the WTO will do this).

3.2.3 TNCs account for a very high proportion of world trade, and are increasingly integrating their production across national boundaries. This in turn makes it easy to redistribute profits to low tax jurisdictions, and erodes governments' tax base in corporate profits.

3.2.4 The problem of excessive corporate influence does not apply merely to some weak developing country governments. It also applies to democratic governments in industrial countries, particularly perhaps in the United States. The lack of limits on campaign contributions (together with a ban on foreign contributions) arguably gives US-based multinationals undue influence over a key global player and its trade, aid and foreign policy agenda. Reform of campaign funding in the US is becoming a necessary contribution to international economic governance.

3.2.5 Liberalism has traditionally cautioned against the excessive concentration of unaccountable power. In the world of companies, the first line of defence is a well-functioning marketplace. For most TNCs, the world remains a competitive and often threatening environment. For example, only 6 of the biggest 25 firms in 1960 were still on the list in 1997. As once dominant IBM declined, Intel and Microsoft emerged.

3.2.6 However, a strong competition policy is essential to guard against concentrations of market power. A welcome development has been the co-operation between the competition authorities in the United States and the European Union, together with the EU's insistence that it has the right to examine whether mergers will adversely affect competition even if they are between US

companies (as was the case recently with the Boeing-McDonnell Douglas merger).

3.2.7 Governments should be prepared to break down dominant company players, or insist on divestiture of key business areas, when that is the only way of reintroducing competition. In this respect, the United States has led the way with trust-busting such as the break up of the Bell Telephone System, and the Justice Department case against Microsoft for its operating systems.

3.2.8 It is a concern, however, that anti-competitive practices are less well monitored when TNCs operate in the developing world. In this context, developing countries should have support in building up their own competition authorities together with their capacity to administer basic environmental and social regulation. It may also be time to consider whether such efforts would be strengthened by a global institution charged with promoting competitive markets and blowing the whistle on anti-competitive practices.

3.2.9 The growth of transfer pricing - the over invoicing of goods and services from jurisdictions with low tax rates to subsidiaries in high tax jurisdictions in order to avoid tax - and the increasing use by institutions and private investors of offshore centres as tax havens calls for a major effort to stop the erosion of the international tax base. One person's tax evasion is everyone else's higher tax rates.

3.2.10 An important step would be a broad withholding tax on savings income, but it is essential given the ease of capital movements that this is agreed by most of the leading industrial countries. Levying such a tax within the EU alone would merely invite capital flight to Switzerland or other countries in which the tax was not levied, and would severely damage the position of the City of London.

3.2.11 If a convention on a minimum withholding tax were agreed among the major countries, Britain should be prepared to bring considerable pressure to bear on those offshore centres under its jurisdiction (for example the Channel Islands, Gibraltar and the Isle of Man) in order to ensure that they did not become repositories of bank deposits and other savings evading legitimate taxation. The authorities of the leading industrial countries should also be prepared to use their influence to enlist other tax havens either to levy a similar withholding tax or to provide information to other tax authorities. In extremis, the bank supervisors in the industrial countries have shown that they have a powerful lever in forbidding their banking systems from making transfers to and from some jurisdictions (on the grounds of non-compliance with international money laundering standards). In principle, a similar lever could be used to ensure co-operation on fair taxation.

3.3 E Commerce

3.3.1 E-commerce holds out the prospect of greater choice, better value and more convenience for consumers. It is also a major vehicle by which businesses can grow and prosper as they satisfy new consumer wants. However, e-commerce is only likely to be successful if the sometimes conflicting needs of consumers and businesses are reconciled.

3.3.2 If e-businesses are made liable to meet legal actions from consumers in every jurisdiction in which they deliver, the risk is that only the big transnational corporations will take advantage of the medium. Small businesses would be too scared that they may have to face legal action in some remote court and language. But equally consumers need effective means of redress if they suffer from shoddy products. While protecting the consumer's ultimate right to

go to the courts in the business' home country, it should be possible to develop alternative remedies by means of certified providers or trade associations (one such model is the Association of British Travel Agents' bonding scheme). The objective should be to balance consumers' protection while encouraging the growth of small businesses through e-commerce.

3.3.3 New legislation on e-commerce needs to safeguard intellectual property rights in order to ensure that businesses have an incentive to invest (in films, music, writing). Widespread piracy will ultimately destroy the flow of pirated works.

3.3.4 Indirect taxes should be levied at the rate normally paid by the purchaser at the destination address. Users of e-commerce are also entitled to the highest standards of data protection.

3.3.5 E-commerce is also likely to revolutionise financial services, and call into question the ease with which supervisors and regulators can operate. Given scandals such as the pensions mis-selling, both consumers and providers have an interest in ensuring that the internet is not used as a vehicle for gulling the credulous. Legislation needs to ensure that the consumer is aware how legal supervision and guarantees may differ from those operating in the consumer's home country, and make available speedy and adequate means of redress.

3.4 Weak States, Poor Countries

3.4.1 Countries in the developing world are increasingly vulnerable to the threats of conflict, AIDS and economic instability leading to situations of extreme poverty. Standard of governance can also be problematic. Political rule without checks and balances can lead to corruption and the

diversion of aid payments rather than sustained development. Money is fungible - foreign exchange may be made available for poverty relief but nevertheless be used for military purposes or diverted to offshore havens.

3.4.2 The Department for International Development's (DfID) spending on bi-lateral aid programmes is set to rise over the next few years. But development aid must be more effectively targeted, perhaps in partnership with NGOs, to improve facilities for education, clean water and immunisation against disease. Often, the best form of aid comes in the form of actual teachers and doctors, text books, building hospitals and colleges, not just money.

3.4.3 Liberal Democrats remain committed to the goal of increasing Britain's spending on overseas aid towards the United Nation's target of 0.7% of GNP within ten years. But we believe that promoting development is about much more than aid alone. Policies to promote conflict prevention such as strengthening arms export policies and addressing the issue of arms trafficking and brokering (see chapter 4) should be a high priority. But the fight against AIDS and HIV is equally serious. The UN estimates that in 1998, 1.7 million young people contracted HIV in Africa and in the 4 worst effected sub-Saharan countries 20-26% of people aged between 15-49 were HIV+. An international strategy to find a vaccine against AIDS must be developed urgently.

3.4.4 Developing countries still suffer from gender inequality problems. In 1997 the UN estimated that in developing countries 60% more women than men are illiterate, female primary school enrolment is 13% lower than men and an African woman is 500 times more likely than her Scandinavian counterpart to die from a pregnancy related cause. In graphic terms,

the toll of maternal deaths in the developing world is the equivalent of a jumbo jet full of women crashing every six hours every day of the year. Liberal Democrats believe that this is unacceptable. All aid packages should help to address gender inequality and ensure that access to family planning and maternal health services are prioritised.

3.4.5 The European Union's development policies recently have been under fire. EU development aid is not targeted to the world's poorest countries. In terms of aid per capita the EU provided \$0.7 to low income countries, \$1.4 to middle income countries and \$4.5 to others. Liberal Democrats believe that EU aid should be re-directed to target the poorest countries of the world. Greater efficiency of EU aid delivery would be achieved if development policies came under the authority of one commissioner.

3.4.6 The IMF and World Bank's Highly Indebted Poor Countries (HIPC) initiative is failing to deliver its promise of permanent debt relief, and countries are spending money on debt repayments and not measures to improve education, health and sanitation. The Liberal Democrats have broadly welcomed the latest HIPC debt agreement concluded at Cologne in June 1999. However, we are unsure that the HIPC initiative is giving enough relief to ensure that it provides a permanent exit from debt. We are particularly concerned that the two countries who received debt relief in 1998, (Uganda and Bolivia) have already returned to levels of unsustainable debt. Debt relief must be linked to social sector spending and good governance.

3.4.7 Liberal Democrats would ensure that Britain:

- Takes a leading role in pressing for the reform of the HIPC debt initiative, notably that poverty criteria is given the

same level of importance as economic criteria by the World Bank and IMF;

- Implements the cancellation of unsustainable debt, conditional on the debtor country's willingness and commitment to poverty eradication and human rights including the 100% cancellation of bi-lateral export credit guarantee debts for Highly Indebted Poor Countries;
- Works for a firm commitment by G8 countries for continued funding of debt relief and for these additional resource costs to be met by treasury and not development budgets.

3.5 *Environmental Sustainability and Security*

3.5.1 The existence of a healthy natural environment is an essential part of the Liberal Democrat aim of ensuring that individuals and communities can realise their talents and take control of their destinies. Without clean air, water and land, lives are blighted and society bears the costs of environmental destruction; communities and economies may find their very existence under threat.

3.5.2 Yet policies to achieve environmentally sustainable development are meaningless if they are confined within national boundaries - pollution, the exhaustion of non-renewable resources and the destruction of biodiversity are all global problems and must be tackled on a global scale.

3.5.3 As an essential first step, this means building an effective and comprehensive framework of international environmental law, encapsulated primarily through 'multilateral environmental agreements' (MEAs), or environmental treaties. Nearly 200 of these exist, dealing with topics such as climate change, ozone depletion, desertification, endangered species, hazardous waste and toxic chemicals; several more are currently under negotiation. Most major issues are now covered, but Liberal Democrats call for the opening of new agreements on forestry and on fisheries, and the speedy completion of talks on genetically modified organisms (GMOs) and their products (for more detail on Liberal Democrat policies on GMCs and the draft Biosafety Protocol,

see Policy Paper 31, *Keeping the Balance* (1999)).

3.5.4 Many key MEAs were agreed and entered into force in the 1980s and 1990s. The decade now opening needs to be the decade of implementation, where governments pay more attention to the effective enforcement of MEA provisions. This includes:

- Greater resourcing of MEA institutions - secretariats and implementation bodies - to ensure that the necessary data is collected and monitored and governments' failure to comply with an MEA's provisions is rapidly corrected.
- The provision of additional resources (normally through the Global Environmental Facility (GEF)) to help poorer countries implement MEAs.
- The development of tougher non-compliance mechanisms, including trade sanctions where appropriate; this also means that the threat of a WTO challenge to such trade measures must be removed (see further in 2.2.X).
- Better coordination between enforcement agencies in tackling the growing problem of international environmental crime, such as illegal trade in endangered species and illegal logging and fishing.

The UK in particular, with its professional and efficient civil service, good links with developing countries (through, for example, the Commonwealth) and familiarity with drafting legal documents in

English, already plays a leading role in negotiating and developing MEAs, and this should continue.

3.5.5 The global environmental institutions that coordinate MEAs and other global action to protect the environment must similarly be adequately supported. The United Nations Environment Programme (UNEP) has carried out much useful work, but its budget (less than \$100m a year) is trivial compared to the real problems the world faces. Governments must increase their funding of offices, and develop into a real World Environment Organisation, playing a high profile role alongside the WTO and other international institutions. We recognise that this will be a long process and that we should begin now.

3.5.6 The current imbalances in world society, where an average citizen of an industrialised country consumes XX times as much of the world's resources as an average citizen of a developing nation, mean that poorer countries will not, and should not, take action to protect the environment unless richer countries take the lead, demonstrate effective progress at home and provide resource transfers to them. This includes more careful targeting of development assistance on projects contributing to environmentally sustainable development, greater funding for the GEF and similar bodies, and investment in particular in 'capacity-building', developing the institutions and expertise necessary to implement effective environmental regulations in developing countries.

3.5.7 It also includes the more effective transfer of environmentally sound technologies to developing countries, helping them avoid the damage richer countries have made on their own, and to the global environment in their own course of development. This is not an easy task, as it is not, in general, governments which

own the patents on new equipment and processes. Innovative solutions should be developed, such as:

- Global technology banks, where patent rights are purchased by industrialised-country governments and made freely available to developing country enterprises.
- More incentives for western companies to invest in sustainability projects in developing countries; the clean development mechanism of the Kyoto Protocol on climate change (where companies can earn credits for reducing greenhouse gas emissions) is an excellent example which should begin operation as soon as possible.
- The use of seedcorn funding to channel private investment towards projects, and countries, which benefit the environment but are currently not taken up by investors (the global investment agreement we call for under the WTO Millennium Trade Round (see 2.2.X) should help achieve these objectives).

3.5.8 It is not possible to deal with every threat to the global environment within a short paper like this, but one stands head and shoulders above the rest: climate change, or 'global warming'. Liberal Democrat policies on tackling the potentially disastrous consequences of the massive disruption of climatic patterns that is currently beginning were set out in Policy Paper 26, *Living in the Greenhouse* (1997). For the purposes of this paper, however, it is worth stressing these points:

- The Kyoto Protocol agreed at the end of 1997 must enter into force as soon as possible. 55 countries representing 55% of carbon dioxide emissions must ratify it before it enters into force, which effectively mean that the US (where Congress is currently hostile) does not have as long as most of the rest of the industrialised world does.

The faster the Protocol enters into force, the quicker the international trading scheme in emissions permits will be set up, and the greater the incentive the US will have to join, in order to participate. The UK should take the lead in persuading other countries to ratify so that the US is pulled along.

- The remaining details of the Protocol's mechanisms, including the emissions trading scheme, the clean development mechanism, and an effective non-compliance process, must be agreed as soon as possible, preferably by the sixth conference of the parties in November 2000.
- The UK should take a lead in arguing for massive world-wide investment in the research and development and commercialisation of renewable sources of energy (including solar, biomass, waste, wave and wind) so that the newly industrialising countries (chiefly China) do not have to invest in climate change-accelerating fossil fuel power stations as their populations' energy demand soars (as it is now doing). Similar investment in gas fields in new areas such as central and north-east Asia, and in gas pipeline, will help ensure that gas, the least polluting of the fossil fuels, is used instead of coal (the most polluting) while renewable sources are being developed.
- Aviation fuel tax: work must begin immediately on removing the current tax exempt status on aviation fuel. As a major and growing source of greenhouse gas emissions, air transport must be put under pressure to develop higher fuel efficiency.

3.5.9 The problems of climate change help reinforce the message that the promotion of environmentally sustainable development must become an over-riding objective of the first decades of the new century. This is not a topic that can be left

to environment ministries, UNEP and the GEF, to achieve. The environmental imperative must permeate the actions of all national ministries - particularly trade, industry, economics and finance, agriculture, transport and development departments and agencies - and all international institutions - including the IMF World Bank, regional development banks, UNCTAD and UNDP, and the G8 and the UN Security Council themselves. Indeed, environmentally sustainable development should be seen itself as a crucial component of security policy, as the failure to achieve it will pose a direct threat to the lives, health and property of the citizens of every country.

3.5.10 1992 saw one of the most important events in the short history of international cooperation for the protection of the environment, the UN Conference on Environment and Development, or 'Earth Summit' in Rio de Janeiro. Among other things, Rio saw agreement on several important MEAs and the signing of 'Agenda 21', a programme of principles and policies for sustainable development for the twenty first century. 2002 will see the 'Rio Plus Ten' conference. It is essential that this is not simply a celebration of what was achieved ten years before, but a further staging post in the achievement of the objectives we have set out above. The UK, working through the EU, should now set out its objectives for the conference, which should include as a minimum:

- Entry into force of the Kyoto Protocol and the Biosafety Protocol.
- Agreement on new MEAs, including forestry and fisheries conventions.
- The transformation of UNEP into a modernised World Environment Organisation, with an accompanying increase in resources, powers and responsibilities.

- A substantial increase in GEF funding for its four primary objectives (tackling climate change, ozone depletion, biodiversity loss and depletion of freshwater resources). Agreement on modifications of the WTO and its agreements to ensure that trade liberalisation accelerates environmentally sustainable development, instead of retarding it.

3.6 Human Rights in a Changing World

3.6.1 The 20th Century has, in many ways, been a century of extremes. A century that has witnessed the horrors of the holocaust and the persistent abuse of human rights, has also seen the development and growth of international human rights law.

3.6.2 After the Second World War, the international community undertook to create a new agenda, creating systems and mechanisms for conflict prevention and the protection of fundamental human rights through the United Nations. There is now a system of international law and universal rights that set out the expectations of the international community and responsibilities of nation states. These include the:

- Universal Declaration of Human Rights
- International Convention on Civil and Political Rights;
- International Convention on Economic, Social and Cultural Rights;
- International Convention on Elimination of all Forms of Racial Discrimination;
- Convention on the Prevention and Punishment of the Crime of Genocide;
- Convention on the Rights of the Child;
- Convention on the Elimination of all Forms of Discrimination against Women;
- Convention Relating to the Status of Refugees.

3.6.3 These Conventions, among others, such as the European Convention on Human Rights, outline the conditions of liberty and social justice which it is the responsibility of states and individuals to protect and enlarge.

Moving from Declaration to Implementation

3.6.4 As we enter the 21st Century, it is time for the international community to reaffirm and reassert its commitments and obligations under international treaties and to strive for a world in which all people share the same basic rights and accept their obligations to one another, and in which they live together in peace and freedom from fear and want. The time has come to move from the process of '**declaration**' to the '**implementation of commitments**'.

3.6.5 It is integral to this process that all nations recognise that the struggle for human rights can only be successful through international action based on a mutual recognition of the interdependence of all the world's people and the need for responsible stewardship of the earth and its resources. The process of peace and disarmament, the elimination of world poverty and the collective safeguarding of democracy will only be achieved by all countries playing a full and constructive role in international organisations which share similar aims and objectives

3.6.6 Liberal Democrats recognise that this requires the United Kingdom, in all its external relations, to promote environmental and social responsibility and to maintain a commitment to human rights and sustainable development; these are fundamental requirements for an equitable and peaceful international order, a durable system of common security and the development of friendly relations between nations.

A Human Rights Agenda for Action

3.6.7 We propose that a practical approach for the UK to undertake is to develop policies designed to tackle the processes which can lead to the abuse of human rights, such as the illegal arms trade, environmental degradation, resources depletion and uneven economic relationships, as well as being firm with

those countries who systematically ignore their treaty obligations.

3.6.8 Throughout this paper, we have made practical proposals on many of these issues, but it is worth highlighting some of the practical actions we expect the UK Government undertake as a matter of urgency. These are reflected in the Harrogate Commitment that was launched at the Liberal Democrat Conference in September 1999 and include:

- Ensuring that the UK ratifies, at the earliest opportunity, the Rome Statute establishing the International Criminal Court and that the Court has the resources to be effective;
- Pressing for the targeting of overseas aid on measures to improve education, healthcare and sanitation in the poorest countries and a commitment to permanent unsustainable debt relief;
- Seeking strict controls on arms sales to nations which are engaged in internal oppression, including the strengthening of the EU Code of Conduct on Arms Sales to require the registration and scrutiny of arms brokers;
- Striving to ensure the universal recognition of the Ottawa Treaty banning the use of landmines and the establishment of a 'Global Landmines Taskforce' to develop strategies for the eradication of planted mines;
- Advancing a co-ordinated European approach to refugees based on a respect for fundamental rights and non-discriminatory in its application;
- Promoting ratification and adherence to the International Covenant on Civil and Political Rights and its Optional Protocols by all countries;
- Pushing for the extension, during the 'Millennium Round' of trade talks, of the current GATT clause permitting discrimination against products produced with prison labour to cover forced labour;

- Working in support of the UN and other organisations for the global abolition of the death penalty;
- Establishing criteria under which the United Nations and its agencies are justified in challenging the sovereignty of member states for gross and persistent denial of the provisions of the Universal Declaration of Human Rights;
- Supporting the building of democratic institutions world-wide that promote environmental responsibility and respect for human rights.

3.6.9 Repressive regimes augment their power by suppressing information. The BBC World Service in particular is an important source of information for citizens under censorship in many parts of the world - its influence is incalculable. Liberal Democrats are committed to maintaining financial support for this valuable British contribution to global order and the promotion of democracy and human rights.

Transforming Global Security

4.0.1 Liberal Democrats are committed internationalists. We believe that every person, regardless of their nationality, should have the right to live in peace, without the threat of war or oppression. That right is currently under threat from the actions of oppressive regimes, uncontrolled arms sales and brokering, and the threat posed by weapons of mass destruction.

4.0.2 It is increasingly apparent that the traditional threats to global security are being augmented by a series of further threats that global, regional and national security structures must recognise and for which response and prevention mechanisms must be developed. As discussed in previous chapters, environmental degradation, resource depletion, volatile markets and unequal economic relationships will play an important role in the next decades in fostering insecurity at both the state and sub-state level.

4.0.3 But the effects of conventional war and ‘environmental and socio-economic’ actions remain the same - in a modern conflict, 90% of all casualties are likely to be unarmed civilians. Following closely behind civil unrest and inter/intra-state conflict are the spectres of poverty, disease, the displacement and disenfranchisement of peoples. The civilian has replaced the soldier as the primary casualty of warfare.

4.0.4 Liberal Democrats believe that the containment and eventual elimination of such conflicts depends on three fundamental processes:

1. The negotiation and implementation of international treaties by governments.
2. The commitment by governments to honour their treaty obligations with international judicial procedures to ensure the observance of such obligations.
3. The acceptance that national sovereignty does not grant the right for state governments to deprive their citizens of the fundamental human rights set out in the UN Declaration of Human Rights.

4.0.5 Britain is located at the centre of a web of international links. Our memberships of the UN Security Council, NATO, the Commonwealth, the European Union, OSCE and G8 mean that we are ideally placed to encourage these processes and to play an important part in the promotion of peace, prosperity, the universal observance of human rights and more equitable socio-economic and environmental relationships.

4.0.6 The United States is, for the foreseeable future, unchallengeable as a military power, and as the dominant force in maintaining world order. We do not

however consider this global dependence on a single dominant state to be sustainable or desirable in the long term. The European Union must be prepared to take up its responsibilities as a regional power, acting with its allies whenever possible, but with the capacity to act independently if necessary.

4.1 Transforming European Security

4.1.1 Liberal Democrats recognise that Britain's first concern should be with the security of our own citizens and our own region. Our contribution to global security should be within the context of European, trans-Atlantic and international treaty obligations.

4.1.2 Although the UK faces less of a direct military threat today than at almost any point in its history, there are many potential threats to our neighbours and allies. The instabilities in the regions surrounding Europe - North Africa, the Caucasus and Middle East - threaten to spill over into Europe. Conflicts within Russia, as over Chechnya, threaten to destabilise Eastern Europe. Instability in those regions is felt in Western Europe as is demonstrated by the number of refugees seeking entry to the EU in recent years.

4.1.3 NATO, embodying the American commitment to Europe, remains essential to UK and European security. But we cannot expect the USA to continue to shoulder such a large share of the burden of European defence. The Kosovo conflict has highlighted just how far behind the US the European Allies are in areas such as rapid reaction, technology, heavy lift and intelligence. Although having more than two million men and women under arms,

the European members of NATO had great difficulty in assembling only 2% of that number in Kosovo. The US supplied some 75% of the aircraft and 80% of the munitions.

4.1.4 It is this mis-match of resources that has prompted calls, on both sides of the Atlantic, for greater European commitment to improve the effectiveness of national defence efforts through closer integration. Liberal Democrats have long supported proposals for the creation of a European Pillar within the Atlantic Alliance. We therefore welcomed the Franco-British initiative launched at St. Malo in 1998, and support the objective of the merger of Western European Union with the European Union to provide the framework for a more effective European common foreign and security policy. A European Defence Review

4.1.5 It is a Conservative nightmare that any further move towards closer integration will lead to the creation of a common European army. British and Dutch marines have worked together within commando units for 25 years; it is common sense to aim to extend this practice further. The decision to commit forces must always remain a national one; but the case for greater integration in European defence is overwhelming. Europe's defence industry has already embarked on consolidation. As defence budgets in European countries come under increasing pressure, a European Security and Defence Identity (ESDI) will only be maintained and developed by embracing common procurement, inter-operability and force specialisation.

4.1.6 Defence spending in relation to GDP has fallen substantially across Europe since 1989, in some cases, such as Germany, by as much as 50%. European spending on research and development is particularly low. EU countries spend less

than 7% of their defence budgets on R&D compared with over 14% in the US. The UK is no exception to this trend.

4.1.7 The SDR has helped UK forces to be better placed to operate effectively in the kind of peace support operations we can expect over the next decade. For a Government that seeks to play a leading role in Europe, the SDR was however astonishingly deficient in relation to the closer integration of European defence. UK security policy cannot be based on the unchallenged assumption that we will in all circumstances underpin the foreign policy of the United States. There is a presumption that our interests will on most issues be similar, but capacities for autonomous actions must be explored and enhanced.

4.1.9 The conclusions reached at St. Malo, the Washington Summit and Cologne, as well as in the Labour-Liberal Democrat Joint Cabinet Committee paper on European Defence have gone some way to redressing the balance. ESDI has now taken centre stage in the European Council and in NATO. [To be updated after Helsinki European Council, December]

4.1.10 Proposals to agree Memoranda of Understanding with EU governments for the use of national forces in the formation of a European rapid reaction capability are a small step forward. A welcome initiative from the Washington Summit was the Defence Capabilities Initiative. This, along with the WEU Audit, will provide a good analysis of existing European capabilities. None of these are a substitute for a formal review.

4.1.11 Liberal Democrats believe that Britain should, along with its European partners, institute a co-ordinated 'European Defence Review' to assess the capacity of European forces to undertake UN peace enforcement operations and

fulfil the peace support operations of the Petersburg Tasks included in the Amsterdam Treaty, creating a true ESDI. An ESDI will increase the operational effectiveness of European forces within NATO. It will allow European forces to act alone when the US is unable or unwilling to contribute forces to joint actions. The taxpayers of Europe will get better value from their defence budgets if their governments and armed forces work more closely together. An effective ESDI will strengthen NATO and redistribute the burden of European security.

4.1.12 Liberal Democrats propose that a European Defence Review should:

- Highlight where existing resources could be better utilised without infringing on the national interests of member states;
- Assess the practicability of pooling certain command and control, intelligence, surveillance and logistics capabilities in order to identify areas of duplication and waste;
- Strengthen joint strategic planning facilities;
- Assess possibilities for force specialisation and the sharing of sensitive technologies;
- Set standardisation guidelines for light weapons, ammunition and ordnance;
- Assess the specific capabilities required in areas such as satellite technology, advanced communications, heavy air and sea lift and advanced technology weapons;
- Strengthen joint procurement initiatives and adopt measures to encourage the further rationalisation of European defence industries;
- Assess the scope for European co-operation on bilateral conflict prevention and defence diplomacy initiatives;

- Provide for convergence criteria to benchmark and monitor national performance in implementing the outcomes of the review.

4.2 Global Security and the UN

4.2.1 The UN has an indispensable role in promoting global security. The institutions of the UN require substantial reform in order to equip the UN with the funding, procedures and tools it requires to promote peace and security (see 2.1).

4.2.2 The Memoranda of Understanding that the UN is currently negotiating with member states for supply of forces to peace enforcement operations are welcome. Liberal Democrats believe forces assigned to the UN, constituted from well-equipped and well trained national forces and prepared for deployment on peace support duties at short notice are essential. Deployment would require agreement of the Security Council, and UN members would always retain the right not to deploy their forces in particular operations. But the time is ripe to equip the UN with the tools it needs to promote peace and security. The development of UN commanded rapid reaction forces is a necessary part of this process.

4.2.3 To assist the development of an effective UN command system. Liberal Democrats would seek agreement on the establishment of a UN military staff college which would be available to train UN and national forces in peace enforcement duties. Given Britain's expertise in such matters, we would press for the college to be established in the UK.

4.2.4 Natural and man-made disasters also require rapid international responses. Dealing with the aftermath of destructive earthquakes, hurricanes and large scale ecologically threatening industrial disasters requires the co-ordination which military forces alone may be able to provide. Liberal Democrats advocate the formation of a 'UN Rapid Reaction Disaster Task

Force' to tackle such emergencies. It would utilise the experience of military forces and NGOs and the expertise of national specialists in disaster relief operations.

4.3 A Right of Intervention

4.3.1 The post-cold war world has proven to be a unstable place. The upsurge in intra-state warfare, ethnic tensions and the abuse of human rights has made it imperative for the international community to address under what circumstances the principle of domestic sovereignty under Article 2, Paragraph 7 of the UN Charter can be challenged under international law.

4.3.2 International law did not begin, nor does it end, with the UN Charter. A right of intervention without a Security Council mandate may not be authorised under the UN Charter but that does not mean that intervention is never possible without the explicit authorisation of the Security Council. The 1948 Genocide Convention, for example, lays down an obligation on all state-parties to prevent and punish the crime of genocide.

4.3.3 There is nevertheless a need to codify new doctrines and practices for international intervention. Decisions should still be based on the presumption of non-intervention but we need to set out clearly in what circumstances that presumption can be challenged.

4.3.4 Liberal Democrats propose the following criteria:

1. All available diplomatic avenues for resolution have been exhausted.
2. Firm evidence exists of gross violations of international law or the Universal Declaration of Human Rights.
3. Regional stability has been compromised by creating large numbers

- of refugees or threatening environmental damage on a large scale.
4. Intervention is militarily and politically practical.
 5. Applicable UN Security Council resolutions have been flouted or ignored.
 6. Intervening powers are prepared to commit substantial peace enforcement and economic resources to the region in the long term once stability has been restored.

4.3.5 A formal, qualified 'Right of Intervention' should also recognise that the object of any intervention should be 'a better state of peace' - or to misquote Horace - "*In war, a wise man should make suitable preparation for peace.*" Since solutions to conflicts will ultimately have a major political aspect, this means that diplomatic preparations must be made in parallel with any military operations to ensure that actions do not lead to a more insecure and precarious peace than that which preceded it. It is prudent to ensure that plans for an eventual settlement are in place in order to break cycles of radicalisation that can often occur in civil or ethnic conflicts.

4.4 Controlling Arms Sales

4.4.1 The international arms trade constitutes a great threat to the security of states. Irresponsible arms exports have fuelled instability around the world. A global reduction in the arms trade, especially small arms and the volume of weapons available for use, is essential. Liberal Democrats believe that the development of effective international controls on the arms trade would be a vital contribution to global security.

4.4.2 The main issue to be addressed is how to manage the international market in arms. We must find ways to encourage arms producing states to agree to responsible and traceable procedures for arms transfers and tackle the activities of unscrupulous arms brokers operating independently of national and regional verification procedures.

4.4.3 No-one has more eloquently described the need for control in the arms trade than President Eisenhower in his Chance for Peace address in 1953 when he said "*Every gun that is fired, every warship launched, every rocket fired signifies, in a final sense, a theft from those who hunger and are not fed, from those who are cold and are not clothed. The world in arms is not spending money alone - it is spending the sweat of its labours, the genius of its scientists, the hopes of its children.*"

A UK Strategic Arms Export Bill

4.4.4 Export orders are an increasingly important aspect of the business of UK defence companies. The MoD estimates that in recent years export orders for defence equipment have accounted for as much as 50% of the UK's defence industrial output. It should not be a matter of pride that Britain is one of the biggest arms exporters in the world.

4.4.5 Whilst an effective arms industry is necessary for the security needs of Britain and its allies, the mechanisms that exist to ensure that UK arms exports do not contribute to regional instability or the abuse of human rights are sadly lacking. The Labour Government has moved slowly in fulfilling its manifesto commitments for transparency and accountability of decisions on export licences for arms. It could and should do much more.

4.4.6 Most pressing is the swift introduction of a Strategic Arms Export

Bill to replace the Import, Export and Customs Powers (Defence) Act 1939, which is out of date and lacks provisions for accountability to Parliament. It is over three years now since Sir Richard Scott's Report of the Inquiry into the Export of Defence Equipment and Dual-Use Goods to Iraq and Related Prosecutions. The White Paper published by the Government in July 1998 contained many deficiencies, especially with regard to scrutiny, control of brokering and end-user responsibilities.

4.4.7 Liberal Democrats wish to see these deficiencies remedied in swift legislation which includes measures to:

- Licence and regulate arms brokers;
- Tighten end-user controls, for example by refusing to grant licences unless the end-user allows monitoring of use;
- Bring forward criteria for control of licensed production in third countries;
- Establish a Select Committee of Parliament to monitor arms export policy and to scrutinise individual export licence applications;
- Require the production of an annual report on arms exports which contains detailed and easily understood information of what arms have been exported and to which countries.

Strengthening the EU Code of Conduct

4.4.8 Unilateral measures by the UK to effect a true 'ethical dimension' to arms exports would be a huge step forward. But action at an EU and international level is the only way to ensure a cessation of exports to those states which threaten their neighbours or which are engaged in internal repression.

4.4.9 The EU Code of Conduct on Arms Exports still needs significant strengthening if it is to operate as an effective tool for

arms exporting countries in Europe. In particular, it should be amended to ensure:

- The agreement and adoption of a comprehensive control list of military, security, police and dual use equipment and services in line with European Parliament resolutions;
- A requirement for Arms Brokers operating in the EU to register under the Code and adhere to its provisions;
- The extension of the Code to apply to the licensed production agreements outside the EU by EU-based defence manufactures;
- Stronger transparency and accountability measures with special regard to member state approval and denial of licences.

Export Credit Guarantees

4.4.10 Government export credit guarantees are often sought as part of arms trade contracts. With the consolidation of the European defence industries co-ordination and control of export credit guarantees are required to ensure that intergovernmental bidding wars do not ensue. If an arms contract is a risk to regional stability, or will cause environmental or human rights abuses, no European nation should support it.

4.4.11 Liberal Democrats would work towards agreement on a legally binding European Code of Conduct for Export Credit Guarantees and Incentives consistent with World Bank and OECD social, environmental and conflict prevention standards.

Action At the UN Level

4.4.12 The UN has an important role to play in controlling the arms trade. Liberal Democrats support further development and strengthening of the UN Register of Conventional Arms. It should require the

compulsory registration of arms exports and imports.

4.4.13 Of special need for urgent action is curbing the proliferation of small arms. Small arms have been the only weapons used in 46 out of 49 conflicts fought since 1990 and such weapons are responsible for over 80% of all casualties in modern warfare. The UN should establish a decommissioning body to control and co-ordinate the destruction of small arms that are seized or decommissioned as part of UN peacekeeping or conflict prevention missions.

4.5 Weapons of Mass Destruction

4.5.1 The eventual elimination of all weapons of mass destruction should be the goal of the international community. The use of weapons of mass destruction for military purposes has been extremely rare since the end of the First World War, but the threat of the use of chemical, biological and nuclear weapons remains with us, especially from so-called 'rogue states'.

4.5.2 Firm action to conclude verifiable treaties to prohibit or limit the use, possession and proliferation of such weapons remains a high priority for Liberal Democrats. Britain has played a leading role in the measures which have been taken over the past thirty years to limit weapons of mass destruction and should continue to be a forceful advocate of non-proliferation and disarmament.

Chemical and Biological Weapons

4.5.3 The Chemical Weapons Convention (CWC) came into effect in April 1997 with the UK as one of the original parties. The Convention has strong verification mechanisms that have already opened the chemical arsenals of Russia, China, Iran,

India and the US to inspectors preparing for their eventual destruction required under the Convention.

4.5.4 The corresponding treaty which outlaws biological weapons, the 1972 Biological and Toxin Weapons Convention (BTWC), does not incorporate any verification regime without which the Convention remains less effective than its chemical equivalent. The EU has been pressing for a new legally binding Protocol to establish such a verification regime. At the fifth Review Conference of the BTWC due to take place in 2001 there must be intensive efforts to achieve such a regime of verification.

Nuclear Weapons

4.5.5 The UK has a legal obligation to work towards the eventual elimination of all nuclear weapons under Article VI of the 1970 Nuclear Non-Proliferation Treaty (NPT) which was renewed for an indefinite period in 1995.

4.5.6 The NPT divides the world into weapons and non-weapons states. The nuclear tests of India and Pakistan have brought this discrimination into sharp relief since they continue to be classified as non-weapon-states under the NPT even though they have exploded nuclear weapons. Diplomatic efforts to convince both states to adhere to the obligations of weapon-states under the NPT must be made as a matter of urgency.

4.5.7 The deeply disappointing decision by the United States Senate to reject ratification of the Comprehensive Test Ban Treaty (CTBT) provides no encouragement to India, Pakistan and other threshold nations and puts non-proliferation at risk. Only by being committed to a comprehensive and universal regime which applies to all

signatories can Britain hope to influence the policy of ‘threshold’ weapons states.

4.5.8 The proliferation of ballistic missile systems has increased the potential threat from weapons of mass destruction. Rogue states such as North Korea, Libya and Iraq have benefited from the spread of missile technology and are reported to be close to the completion of medium and long range ballistic missiles. Unlike the NPT, the Missile Technology Control Regime (MTCR) is neither an international treaty nor a legally binding agreement.

4.5.9 The threat of missile strikes from rogue states has led to increasing pressure in the United States for the deployment of an anti-ballistic missile system as a counter. This would be a violation of the ABM Treaty agreed in 1973 between the United States and the Soviet Union. Since it came into force the ABM treaty has been considered by all UK governments as the bedrock of global nuclear stability. In our view a “breakout” from the ABM Treaty would be deeply destabilising and would simply lead to additional resources being devoted to missiles and nuclear weapons in those non-NATO states (such as China and Russia) whose security policy is based on nuclear deterrence.

4.5.10 There is a threat to global security from the large number of nuclear weapons and associated nuclear weapon materials and expertise under questionable control in the former Soviet Union. While the United States has devoted considerable political and financial resources to this problem,

Europe has done less than it could have. The best way of reducing the number of nuclear weapons in Russia is for a new START-type agreement for further deep cuts in the number of nuclear weapons in all nuclear weapon states including the UK.

4.5.11 Liberal Democrat priorities are:

- The convening by the UK of a Conference of the five permanent members of the Security Council to prepare the way for a new round of strategic arms reduction talks covering the weapons of all existing nuclear weapon states including the UK. The Conference should include a review of all previous nuclear weapon agreements, including the ABM Treaty, and negotiations to formalise the MTCR in a legal treaty with obligatory guidelines and verification procedures to prevent the proliferation of advanced missile systems;
- To bring about an annual declaration of nuclear weapon stocks held by all *de facto* nuclear weapon states under a United Nations Nuclear Weapons Register that monitors stocks of weapons and weapons-grade materials held by declared and threshold nuclear powers, with a view to identifying and tracking all such items;
- The negotiation of a Nuclear Weapons Convention to match those for chemical and biological weapons to formalise the commitment of all nuclear weapon states to nuclear disarmament;
- The establishment of an EU Decommissioning Agency to co-ordinate EU-financed efforts to decommission obsolete civil and military nuclear equipment in the former Soviet Union in association with Euratom.