2005 AND SUSTAINABLE DEVELOPMENT:
WHY THE UK GOVERNMENT IS PART OF THE PROBLEM

Tony Blair has set himself up as the champion of Africa, promoting 2005 as the "year of decision" in which the world must choose between a successful Africa "standing proud in its own right in the international community" or a continent blighted with continuing poverty.[1] Blair has also positioned himself as champion of the environment, calling for a "green industrial revolution" to confront the challenge of climate change.[2] Not to be outdone, Gordon Brown has set out his own Marshall Plan for the world's poorest countries, with the UK taking the role of lead benefactor in aid and debt relief.[3]

Yet in reality the UK government remains one of the chief obstacles in the fight against international poverty and environmental degradation. The government continues to espouse an economic model which promotes privatisation and liberalisation as the keys to poverty reduction and environmental protection, despite massive resistance from local communities across the world. Those on the receiving end – many of them partners of the organisations listed above – have stated clearly that the UK's lead role in promoting privatisation, deregulation and 'free trade' has led to increased poverty and environmental degradation on a grand scale. We believe it is time for their voices to be heard.

Privatisation of public services such as water, health and electricity has increased the poverty of low-income households in developing countries, who have found themselves unable to afford the higher prices charged by private providers and have been forced to turn to dangerous and environmentally damaging alternatives instead. Yet the UK has regularly imposed privatisation of public services as a condition of British aid to the poorest countries – and still seeks to do so, as noted in the 'new' strategy on conditionality issued as part of the government's current consultation on aid.[4]

Similarly, millions of small-scale producers have been devastated by trade liberalisation measures which have flooded their markets with cheap imports and destroyed their sources of income. UN studies of the world's least developed countries confirm that those states which have liberalised their trade regimes most dramatically have also seen the greatest increases in poverty over the past ten years.[5]

2005 – KEY MOMENTS

- March: Tony Blair's Commission for Africa publishes its final report
- July: UK assumes EU Presidency for second half of 2005
- July: G8 summit at Gleneagles, with Africa and climate change the two lead themes
- September: UN summit on the Millennium Development Goals, New York
- December: WTO Ministerial, Hong Kong

The UK's promotion of privatisation and liberalisation is ultimately a promotion of corporate interests, not an agenda for sustainable development – and nowhere has the link between government and business been more explicit than in the UK's refusal to support regulation which would hold corporations accountable for the impact of their activities on communities and the environment. As the examples in this briefing show, corporate interests have dictated the thrust of the government's globalisation policies – often as a result of direct lobbying by UK companies, the CBI and other industry groupings. This has been good for UK plc, but not for the poor and vulnerable in the developing world.

1. Trade negotiations at the WTO

The UK has been at the forefront of EU efforts to carry through an aggressive 'free trade' agenda at the WTO. The EU's highest decision-making body, the Council of Ministers, has outlined its priorities for new EU Trade Commissioner Peter Mandelson to follow at the WTO, including an "offensive" agenda which aims to open up developing country markets to EU exports in the industrial and services sectors.[6] The UK has pushed forward this agenda within the EU bloc, and has dismissed developing country pleas that they should be allowed to defend their infant industries from the onslaught of major European and North American multinationals.

This promotion of EU corporate interests is of particular concern in the run-up to the WTO's Hong Kong Ministerial in December 2005. Despite being responsible for the collapse of the WTO's Cancún Ministerial in 2003, the UK and its EU partners still hope to use 2005 to take forward ambitious negotiations in Geneva on the liberalisation of world markets. This aggressive self-interest undermines any hope of achieving a pro-development outcome to the current round of trade negotiations. Instead, the UK must publicly acknowledge the legitimacy of developing country concerns and abandon its attempts to open up Southern markets through negotiations at the WTO.

2. Economic Partnership Agreements (EPAs)

Even as they attempt to defend themselves from the free trade agenda of the WTO, many of the world's poorest countries are facing an equally grave threat through bilateral free trade agreements with the EU. These Economic Partnership Agreements are designed to open up the markets of African, Caribbean and Pacific countries to EU exports, and threaten to expose small-scale producers in those countries to overwhelming competition from the world's most powerful multinationals. As a result of this competition, even the European Commission's own impact assessment has predicted that EPAs could lead to the collapse of the manufacturing sector in West Africa.[7]

Similar predictions have been made of the impact of EPAs on small-scale producers in East Africa and the Caribbean. Yet the UK and its EU partners continue to press for EPAs which will open up 90% of the markets of the African, Caribbean and Pacific countries to EU exports. In addition, the UK is hoping to use EPAs to force these same countries to accept damaging new agreements on investment, competition policy and government procurement – precisely the negotiations which caused the collapse of the WTO's Cancún Ministerial and which developing countries managed to remove from the WTO's work programme in August 2004.[8]

3. Privatisation of public services in developing countries

The UK has led the international drive to privatise public services in developing countries, despite evidence of the harm which such privatisations have caused poor and vulnerable communities around the world. The Department for International Development (DFID) has used the UK aid budget to set up a range of new financing mechanisms aimed at leveraging private sector investment into public services in developing countries – including the Emerging Africa Infrastructure Fund, which aims to mobilise up to US$450 million for private sector involvement in infrastructure services in Africa. DFID is explicit that no money from the Fund will be forthcoming for strengthening public sector services.[9]

In addition, DFID has channelled millions of pounds from the aid budget to privatisation consultants such as KPMG, PricewaterhouseCoopers and the Adam Smith Institute, all of which have been engaged to steer developing country governments towards privatising public services.[10] DFID has also set up new 'technical assistance' bodies such as the Public Private Infrastructure Advisory Facility to promote private sector involvement in infrastructure services in the developing world. This use of the UK aid budget to promote privatisation of public services is incompatible with DFID's stated commitment to poverty reduction and the realisation of the Millennium Development Goals.

4. Climate change

Despite its claims to be leading international efforts to deal with climate change, the UK has failed to demonstrate that it can control its own greenhouse gas emissions. The UK government has failed to stand up to powerful industry lobby groups and introduce the tough policies needed to deliver year on year reductions in emissions. Until it does this, it is in no position to preach to other countries about climate change.

The impact of global warming is felt most keenly by the world's poorest communities, which are already seeing their food production, water and health systems undermined by climate change. There are fears that global warming may already be a threat to the achievement of the Millennium Development Goals. Rich, stable economies like the UK must lead by example, delivering deep cuts in emissions so that developing countries can increase their emissions while global emissions decline.[11]

5. Corporate accountability

The UK government has undermined international calls to hold multinational companies to account for their activities overseas. In 2002, world leaders agreed at the World Summit on Sustainable Development in Johannesburg to promote corporate accountability at all levels, including through the "full development and effective implementation of intergovernmental agreements".[12] To this end, the UN has now formulated a set of 'Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights' for debate at the 2005 session of the UN Commission on Human Rights.[13]

Yet the UK government has steadfastly opposed the regulation of companies through frameworks of corporate accountability. Instead, the UK has sided with business groups in championing the voluntary alternative of 'corporate social responsibility', which allows companies to promote themselves as responsible actors without requiring them to change their behaviour. 2005 offers the UK government the opportunity to change its position on corporate accountability – both through supporting the UN Norms and through its ongoing review of UK company law.[14]

Can the UK become part of the solution?

The UK's commitment to privatisation, liberalisation and a corporate-led agenda has set it against the interests of poor people and the environment across the world. As such it has become part of the problem – yet 2005 offers the government a unique opportunity to rethink its policies and become part of the solution. We call on the UK government to seize this opportunity and position itself alongside the millions of people worldwide campaigning to make 2005 a year to remember for all the right reasons.

Three to watch in 2005

1. **Debt relief:** Gordon Brown has proposed measures to tackle the continuing scandal of Third World debt, whereby the world's poorest countries still pay £30 million every day to the World Bank, IMF and rich country donors. Yet these measures will be self-defeating if the UK government continues to impose harmful economic policies such as privatisation and trade liberalisation on developing countries as a condition of receiving debt relief. Moreover, the UK-led initiative to grant a moratorium on debt repayments to countries affected by the South-East Asian tsunami must be upgraded into complete debt cancellation for those countries, offering them a genuine chance to rebuild in the wake of the disaster.[15]

2. **International Finance Facility (IFF):** This initiative forms the centrepiece of Gordon Brown's Marshall Plan for aid, raising additional finance in the short term through bonds issued against government pledges to increase aid levels in the long term.[16] Yet even the World Bank has expressed concern at the damaging impact of this 'frontloading' of aid, noting that it could lead to a "substantial" decline in aid levels when the bonds have to be repaid.[17] In addition, Gordon Brown has stated that the government will require poor countries to open up their markets to foreign imports as a condition of receiving aid under the IFF, which would threaten to cancel out precisely the benefits it seeks to achieve.[18]

3. **Commission for Africa:** Tony Blair's Commission for Africa is due to publish its final report in March 2005. The Commission has consulted on how rich countries can best help to combat poverty and build a strong and prosperous Africa, declaring its interest in "solutions which are sufficiently radical to make a real difference to the people of Africa".[19] Yet the Commission has already come under pressure from within the UK government to water down its proposals so that they do not conflict with the UK's promotion of the 'free trade' agenda, and there are fears that its final report will fail to include any of the genuine policy solutions to Africa's sustainable development needs.

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