



# World Economy & Development *in brief*

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## German G8 Politics on the Eve of Heiligendamm: Making everybody happy? Not really...

The German G8 agenda and the drafts for the Heiligendamm final declarations that have leaked to date are full of clichés: growth and responsibility, social and sustainable shaping of globalisation and – obviously – fair partnership with the rest of the world. That sounds good, and it even seems as were the German government inclined to make everyone happy. However, this impression is deceptive. The gigantic expense just for security is entirely disproportional to the economic and development policy outcomes to be delivered by this summit, write **Rainer Falk** and **Barbara Unmüßig**.

The German G8 presidency certainly could have gained some merit in terms of the reform of the G8 itself. For a long time now, fundamental change to the summit architecture – so that global economic relations are accurately reflected – has been overdue. Yet German chancellor Angela Merkel has more than once personally reiterated her opposition to opening the exclusive G8 club. The German government has rejected any proposals for expansion be it to a G13 or even a G20, let alone to transform it into a genuinely representative economic council within the United Nations. Perhaps that is the most important opportunity that will have been wasted in Heiligendamm.

Then, of course, the German government wanted to set different foci than those set by the British at Gleneagles two years ago—where the latter wanted to sharpen its profile with new development policy promises such as aid for Africa and debt relief for the poorest countries. The only coincidence in the British and German G8 presidencies regards the climate issue. In contrast to the British, the Germans wanted to return the G8 to its core concern: “the world economy“. Africa policy was intended to focus on promoting business rather than “aid”.

### \* An agenda against the South

However, the Heiligendamm drafts show that there is less and less consensus within the G8 as to priorities and methods of global economic regulation. Thus the sermons to the developing countries become more detailed and elaborate although these countries continue to be denied an equal role in shaping globalisation. The so-called O5 Outreach, i.e. the partial attempt to involve Brazil, India, China, South Africa and Mexico or to invite a few African leaders as a token gesture in no way suffices.

In fact, the German government has pushed two issues somnabulistically to centre of the Heiligendamm summit—investment freedom/battle against “investment protectionism“ and intellectual property protection—which are unambiguously aimed against the South, containing enormous potential for North-South conflict. The North has already failed twice gloriously to more firmly establish rules on investment protection internationally. The first time was with the OECD where negotiations for the MAI had to be discontinued years ago. The second attempt was within the WTO where the developing

countries insisted that the investment issue be struck from the agenda.

“Intellectual property protection” is no less controversial between North and South. The fight against product piracy is only a pretext. Instead of demanding one-sided protection of “knowledge holders” (i.e. the industrialised countries), a different balance between protection and dissemination of know-how and technologies is necessary. Globalisation that is socially just should give priority not to the protection of innovation but to the optimal dissemination of knowledge relevant for problem-solutions, whether climate protection (technologies for renewable energy) or the struggle against HIV/Aids and other devastating diseases (generic drugs, inexpensive medication, public research).

#### \* **Minor initiatives – major damages**

As far as the development policy focus is concerned, NGOs and artists properly criticise that the German G8 agenda lacks a sober intermediate assessment of the obligations already undertaken. Such a review of the development assistance, of debt relief, and of the promised development-friendly conclusion of the Doha negotiations is direly necessary in 2007: In mid-July, only one month after Heiligendamm, is halftime for the realisation of the Millennium Development Goals (MDGs). And all research indicates that the G8 are far from delivering even on their own commitments.

Beyond the fact that the German government might want to use the public attention surrounding the G8 summit to announce a strong increase in its own bilateral assistance, a few minor G8 joint initiatives might come out of Heiligendamm, such as new funds to fight HIV/AIDS or a new fund for micro-credits in Africa. Nothing is to be said against such initiatives, in the G8 context, however, they may well be called a “damaging diversion”, as the UN Special Commissioner for the Millennium Campaign, Eveline Herfkens, put it in a **WDEV article**. “Diversion” since no fresh money is likely to flow that has not already been promised, that means existing pledges

are being recycled as a public relations exercise. “Damaging” since the multiplication of programmes and projects counters every effort to improve the quality of assistance – which is at least as important as its quantitative increase.

The “Africa” issue illustrates clearly that the German government wants to shift the focus systematically from official assistance programmes to the private sector by pushing so-called good governance and the creation of an investor-friendly climate into the foreground. To be sure, an initiative to foster productive economic growth on the African continent is worthwhile. Above all Africa needs a rapid diversification of its economy. Yet given this challenge, the investment climate approach is much too narrow. Most foreign direct investment is already dedicated to the extractive sector of the economy. Today Africa’s economies are more dependent on commodities than ever – yet despite a rising export income recently, there has been little if any noticeable development.

#### \* **Fiasco for climate protection?**

Thus, the Heiligendamm G8 agenda is in no way designed to create the trust needed to deal with global problems in a co-operative manner. This especially applies to climate change. Here, the summit outcome could be even a fiasco. Obviously that would not be the fault of the German government alone. Here Berlin has even placed a courageous opening bet. It is the US government which left finance minister Peer Steinbrück standing in the cold on the “hedge funds” issue and will do the same with Chancellor Merkel. To date the US government wanted to delete all paragraphs of the G8 draft declaration that could indicate a binding agreement on reducing greenhouse gas emissions. The US do not even accept that negotiations should proceed within the process of the Climate Framework Convention. Hence the chancellor has to surrender the position that makes her a hostage to US-American climate policy.

The Heiligendamm climate declaration should not balk at excluding the US govern-

ment. There are conceivable formulations like „those of us who have signed the Kyoto Protocol want to proceed ...” After all the Bush administration has long isolated itself not only internationally but even from its own people. However, there are other G8 members such as Canada, Russia, and Japan that have to be persuaded of the urgency of the climate problem.

If the summit is to be worth anything at all, then Chancellor Merkel should go for the conflict. This summit must be deemed a failure if not even consensus is reached on a pledge to limit global warming to 2°C to underline the urgency of action and the commitment of the industrialised countries to their climate obligations. Heiligendamm must send a strong signal for the Bali negotiations for further reduction targets beginning in December. And: Without the credibility of the

industrialised countries, we will have to wait a long time before the emerging economies agree to more climate protection.

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