

## **The Heiligendamm G8 Summit**

**“Deine Stimme gegen Armut” appraises the Summit from a development perspective**

### **Official Development Assistance (ODA)**

Merkel declared in her parliamentary statement that “[t]he far-reaching promises which we have made over the last few years to increase official development assistance can come to fruition. We will keep these promises.” In 2005 the G8 had promised to increase development aid by US\$ 50 billion per year. This would have doubled development aid to Africa. It was clear from the start that this goal could only be achieved if strong and consistent pressure was maintained on the G8. The G8 had allowed itself a comfortable time period – till 2010 - in which to keep these promises, perhaps hoping that by this time their promises would have been largely forgotten by the general public. As the German platform of the Global Call to Action against Poverty (GCAP), Deine Stimme gegen Armut took on the challenge in Germany of exerting this pressure on government.

In 2004, the baseline year on which the promises were based, ODA from donor countries was US\$ 79.4 billion. If the G8's promise was to be kept, ODA would need to increase to US\$ 129.4 billion by 2010. When Germany took over its presidency, the G8 was still a long way off from this goal. In 2006, total ODA from all donors was US\$103.9 billion. At first glance this would appear to be approaching the half way mark, but the figures are deceptive, as they are artificially inflated by including debt relief. We have always criticised this method, as it misrepresents the resources actually available for fighting poverty.

The figures for 2006 contain nearly US\$14 billion in debt relief to Iraq and Nigeria. This will be fully written off even before 2010, and will at that point no longer appear in the figures. By then this amount will have to have been replaced by ‘fresh’ funds from actual budget resources. Allowing for this, the deficit is still US\$38.5 billion – in other words, of the US\$50 billion of additional ODA promised, the G8 is currently delivering only US\$11 billion, and has thus so far achieved only one fifth of the promised increase by 2010.

It was to be hoped that in the run up to the G8 summit a bidding war might develop, in which individual member states would seek to salvage their consciences in time for Heiligendamm by outbidding each other with increases in ODA. Unfortunately the German government was the only G8 government which pledged any sort of increase in its overall ODA expenditure, promising an extra 750 million Euros. This means that in the coming year, the ODA budget will increase more than any of the other ministries' budgets, which can without a doubt be counted as a success by Deine Stimme gegen Armut. Nevertheless, Deine Stimme gegen Armut and its supporters VENRO and Herbert Groenemeyer have assessed the recently announced aid increase

as a drop in the ocean, since according to our calculations Germany's ODA level needs to be increased by a further 5.81 Billion Euros by 2010 if Germany is to keep its original promises.

The other G8 countries made no concrete pledges to increase overall ODA either before or at Heiligendamm. At times it actually appeared that some G8 countries were reluctant even to include the Gleneagles pledges to increase aid in the final declaration of the Heiligendamm summit. Their reluctance was overcome, and the Heiligendamm Africa communiqué does repeat the pledges from Gleneagles; however it does not contain any binding implementation plan. Even the German government's suggestion to task the OECD with reporting back on the implementation of these pledges did not meet with consensus within the G8. Clearly this would have been uncomfortable for the G8, as their total ODA contributions are actually decreasing again.

### **HIV/AIDS, Malaria and Tuberculosis**

One of the few concrete pledges of financial support made in Heiligendamm relates to the three infectious diseases HIV-AIDS, malaria and tuberculosis. The G8 promised to make US\$60 billion available to fight these diseases. Yet despite being apparently concrete, this announcement created more confusion than clarity, as the Heiligendamm declaration is silent regarding the number of years over which the US\$60 billion will be spread. It also remains unclear whether this figure is intended only for Africa, or for all developing countries, or indeed for the global fight against AIDS. Last but not least, the crucial question as to whether this increase will consist of 'fresh' resources, or whether other areas or development aid will be reduced to finance the fight against AIDS, remains unanswered.

In all probability the US\$60 billion was calculated by adding together individual pledges made by each G8 country. The US government had announced a week before the summit that they would be making US\$30 billion available for the fight against HIV/AIDS over a period of five years. The other G8 countries clearly agreed to match this amount and thus double it. It is at least clear that Germany will be raising its contribution to the fight against AIDS to 500 million Euros per year (an increase of 100 million Euros).

One must not be too carried away by these apparently impressive figures, however. American AIDS experts have observed critically that the US currently already contributes just under US\$6 billion to fighting AIDS and Tuberculosis. So President Bush has simply re-marketed the status quo for the sake of publicity as though it were a new promise. In addition, the United Nations AIDS programme (UNAIDS) has calculated that around US\$23 billion is needed per year to fight the HIV-AIDS pandemic. Assuming that the US\$60 billion were made available over a period of five years (i.e. US\$12 billion per year), this pledge just about covers half the actual financial resources needed.

Unsurprisingly, the G8 distanced itself in Heiligendamm from its promise for 'Universal Access' to treatment. In Gleneagles, they had promised 'as close as possible to universal access' to HIV treatment for all people in need of treatment by 2010. Though the pledge is repeated in one part of the final declaration, the declaration also refers to a fixed number of 5 million people, which is

less than half the total number of people needing treatment for HIV/AIDS. Heiligendamm was the death knell for the 'Treatment for All' notion for the moment.

## **Intellectual Property and Patents**

The costs of fighting HIV/AIDS and other diseases depend on a number of factors. One of the most important is the price of medication. Deine Stimme Gegen Armut and many other campaigns had called in the run-up to the summit for the G8 to loosen of patent laws on essential medicines, so that poor patients can access inexpensive generic medicines.

The summit's resolutions, tragically, point in exactly the wrong direction. The main concern of German corporations was the protection of intellectual property - that is to say the strengthening of patent laws - as they see their profits at risk of being eaten away by imitations of their products from newly industrialised countries such as China and India. The German government caved in to the corporate lobby and included the issue in the G8 summit agenda. The other G8 countries supported the declaration on intellectual property rights.

The consequences of tighter patent laws for poor countries would be fatal. Higher prices mean that programmes fighting HIV/AIDS and other diseases reach fewer patients. They also begin to take on the character of subsidy programmes for the pharmaceutical industries using development aid. Even the transfer of technology to poor countries would be obstructed, as they can hardly afford the high prices for products protected by patent. It would also make halting climate change even more difficult, as modern renewable energy technology cannot easily be transferred to developing countries. With these resolutions on intellectual property, the G8 has bulldozed its own efforts in the areas of anti-poverty work and climate change. This is the opposite of coherence.

## **World Trade**

Even in their attempt to re-shape world trade rules in a fairer way – one of DSGA's main demands – the Heiligendamm resolutions are at best weak, at worst counter-productive. The first draft of the Africa communiqué still envisaged giving the poorest developing countries tariff- and quota-free access to G8 markets for their products by 2013 at the latest. In the final version, however, this date had been removed, leaving no more than a totally non-binding declaration of intent.

The critical theme of G8 agricultural subsidies was not even explicitly addressed. This means that global market prices for the products of many hundreds of millions of small farmers in the third world will continue to be kept so low that they have no chance to escape poverty.

The fact that trade-related aid ('Aid for Trade') is to be raised to US\$4 billion per year, to help integrate developing countries in the world market and prepare them for free trade, is largely unhelpful in this context. For developing countries, the financial damage which will be done to them through further opening up their markets with the current unfair trade rules will far exceed the US\$4 billion Aid for Trade money. In this context, Aid for Trade is simply a way for the G8 to

open up developing countries' markets for their own exports and investment – to their own economic advantage, rather than that of developing countries.

If development assistance is to be in any way effective, trade rules must be shaped coherently; that is to say, favourably to development. Developing countries need better access to markets in the global North, so that they can increase their income from exports. At the same time, they must be permitted to protect their own markets at least for a transition period, so that they can build up agricultural and industrial companies able to be able to compete globally. In Heiligendamm, these necessary steps were for the most part ignored.

### **Fighting Climate Change**

The fight against climate change was an issue particularly actively pushed by Germany. In the first draft of the G8 communiqué on 'Growth and Responsibility in the Global Economy', which leaked out to the public, there were a number of concrete goals for climate protection and increased energy efficiency, regarding both amounts and time periods. For example, the G8 was to commit itself to limiting the increase in the global temperature to 2 degrees; to halving greenhouse gas emissions by 2050; and to raising the energy efficiency of vehicles, buildings and power stations by 20% by 2020. The political goal of the German G8 presidency was to encourage the G8 to agree climate protection goals as ambitious as those recently agreed by the European Union.

From the start, the assumption that this could succeed was optimistic, as the US government traditionally resists concrete goals for time periods or defined amounts. And indeed all these concrete time periods and specified amounts were lost by the wayside during the negotiation process. Only the commitment to 'seriously consider' halving greenhouse gas emissions by 2050 made its way into the final declaration, and even then only in a non-binding formulation, which does not really force the reluctant G8 member states to undertake any real action in any case.

At least the decision was taken to continue these negotiations within the United Nations, to which the US has also now committed itself. This opens up the opportunity for the forthcoming UN climate conference in Indonesia to reach some of the overdue decisions not taken in Heiligendamm. In Heiligendamm, the solution to the problem of climate change was simply postponed once more – to the detriment of the populations of developing countries who are already suffering from droughts, floods and other consequences of climate change.

### **The Heiligendamm Process on Involving Emerging Economies**

As was frequently mentioned in the run-up to the summit, the G8 are no longer the eight most economically powerful nations in the world. China has risen to become the 4th largest economic power, overtaking even Great Britain and France. The G8 are also no longer able to act alone to solve global problems such as climate change or the stability of finance markets. Even in development cooperation with Africa, the G8 are no longer the only actors, since China has emerged as a competitive new donor and large-scale investor.

The German G8 presidency thus tried to involve the five most important emerging powers in the negotiations, without, however, offering them full membership of the G8. Already in the ministerial conferences in the run-up to the summit, representatives of the so-called Outreach 5 (O5) - Brazil, China, India, Mexico and South Africa - were occasionally allowed to participate. In Heiligendamm, too, there was a working meeting between the G8 and the O5. The so-called 'Heiligendamm process' aims to institutionalise and consolidate this collaboration. Under the umbrella of the OECD a dialogue forum is to be created for this purpose.

The advantage of this arrangement is that the emerging powers of the global South will be better integrated into the G8 negotiations. Through the involvement of countries from Africa, Asia and Latin America, the G8+O5 are much more regionally balanced. The forum also gains more legitimacy, as the G8+O5 together represent about half of the world's population, whereas the G8 by itself represents only 13%.

On the other hand, the new forum threatens to continue to marginalise the rest of the world's countries within the international system – including all the poorest and least developed countries. In this light it seems more appropriate for the G8 to limit itself to its core tasks, do its homework, and leave negotiations about global issues to institutions which boast (near) universal membership and thus greater representation and legitimacy – the United Nations and its subsidiary organisations.

It also remains questionable whether the involvement of the O5 will mean that the interests of poorer sections of the world's populations are better represented in the future. The summit in Heiligendamm provided a taste of the sort of 'lowest common denominator' results to be expected in the future: the G8 drafted a statement on corporate responsibility which, due to intervention by the O5, was reduced to an entirely non-binding statement in the joint declaration.

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