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### **Note for the Shadow G8:**

#### **Same old wine in new bottles?-**

#### **The Agenda for the 2007 G8 Summit in Heiligendamm**

During its launch of the prospective agenda for the upcoming G8 Summit in Heiligendamm, the German G8 presidency has emphasized that world leaders should focus more tightly on global economic matters, not least the issue of global imbalances. This directive was reiterated by German Chancellor Angela Merkel in several public meetings, in which she has criticized that the G8 agenda has become too broad in recent years. Therefore, it would be necessary to “get back to the roots” of the economic summits of the 1970s in order to return the group to its focus on the global economy.<sup>1</sup>

Subsequently, the host country introduced the overall summit theme “Growth and Responsibility” and identified as main objectives the issues of economic growth, stability and employment in order to “move the world economy forward”.<sup>2</sup> While some critics feared that the tightened focus in the proposed G8 agenda might lead to a marginalization of developing countries’ concerns such as world poverty and missed the opportunity to address climate change, the German presidency has shown certain flexibility over the last months and fine-tuned the list of agenda items. The original summit plan to focus exclusively on intellectual property protection, energy and global imbalances was modified and expanded to the issues of economic development and climate change.

While the new list of items, in comparison to previous G8 meetings, does not give the impression of an actual agenda shake-up, a closer look into the proposed direction by the German presidency shows that Heiligendamm might lead in some areas to a reformulation of earlier G8 commitments.

#### **Investment, Innovation and Sustainability**

The German government has set the tone for the core economic agenda in Heiligendamm with the proposed agenda item “Investment, Innovation and Sustainability”. According to the German presidency the main objective in the summit will be to develop a stable and predictable framework for the international trade and financial system.<sup>3</sup>

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<sup>1</sup> Financial Times: “Germany plans to shake up G8 agenda” July 27, 2006

<sup>2</sup> Guardian Unlimited: Interview with the German Ambassador to the UK, December 1, 2006

<sup>3</sup> Bundesregierung, “Focuses of the German G8 presidency” <http://www.g-8.de/Webs/G8/EN/Agenda/agenda.html>

- *Global Imbalances*

The German agenda highlights the need to identify the dimension of global imbalances and to determine policy solutions to ensure more balanced growth in the world economy. However, while the agenda does not give particular emphasis on how to rebalance the global patterns of growth, savings and investment, the focus remains rather on single countries or regions. As in previous meetings core challenges are defined as the twin deficit in the United States, the need for structural reform in Europe to bring growth to these “sluggish economies”, the scale of Asian foreign-currency reserves and the necessity for greater flexibility of the Chinese Yuan.<sup>4</sup> Moreover, the German presidency has made efforts to make the recent declining value of the Japanese Yen subject to discussion in the upcoming G7 meeting of finance ministers.<sup>5</sup>

- *Systemic stability*

With respect to the systemic stability of the international financial system the proposed G8 agenda appears rather vague and nonbinding. While the document acknowledges the need for exchanging ideas on how to improve systemic stability and transparency of financial markets, the German presidency has so far not given any indication for concrete initiatives. The only exception in this area is the German proposal to discuss policy options that could improve transparency of hedge funds.<sup>6</sup> The US government has already made clear, that it does not believe that additional regulatory oversight in this area is needed.

- *Investment*

The proposed G8 agenda emphasizes the importance of freedom of investment in the world economy. The German presidency announced that world leaders will address protectionism in investment during the G8 summit.<sup>7</sup>

- *Innovation and intellectual property rights*

While the proposed agenda for Heiligendamm acknowledges the importance of innovation in knowledge-based societies and its positive impact on economic growth, the main focus in this area will be directed at the protection of intellectual property rights. The German Government has not only announced that product and trademark piracy will be one of the main summit issues, moreover, the G8 meeting will seek to initiate a structured dialogue with developing countries on measures to improve the protection of intellectual property rights.<sup>8</sup>

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<sup>4</sup> Dow Jones International News: “Germany to address global imbalances”, October 18, 2006 and Bundesregierung, “Focuses of the German G8 presidency” <http://www.g-8.de/Webs/G8/EN/Agenda/agenda.html>

<sup>5</sup> Wall Street Journal: “German official prods G7 to weigh in on Yen”, February 7, 2007

<sup>6</sup> Financial Times: “Hedge Fund Transparency put on G8 agenda”, October 18, 2006

<sup>7</sup> Dow Jones International News: “Germany criticizes protectionism”, November 29, 2006

<sup>8</sup> Sueddeutsche Zeitung: “Vertrauliches Programm fuer den Weltwirtschaftsgipfel 2007, October 19, 2006

- *Climate Change and sustainable use of resources*

In a keynote speech at the World Economic Forum in Davos the German Chancellor underscored the need to make progress in counteracting climate change and that increasing energy efficiency will play a “major role” in Germany’s G8 presidency.<sup>9</sup> This would include attempts to achieve progress on drawing up a successor agreement to the Kyoto Protocol on climate protection. Furthermore, the agenda proposes that the G8 should set verifiable and attainable goals to increase the use of alternative fuels, particularly biofuels.

## **Focus on Africa**

In comparison to the commitments made by the G8 in Gleneagles in 2005 on debt relief, trade and Official Development Assistance (ODA), the proposed agenda for Heiligendamm implies a retreat from earlier priorities. This can be seen as an interesting shift in priorities of the German presidency, since the last G8 summit in Germany in 1999 led to broader and deeper debt relief for developing countries.

- *Reform partnership and investment promotion*

While the German G8 agenda recognizes poverty in Africa as a pressing problem, the suggested program for Heiligendamm does not acknowledge the need to evaluate progress in the implementation of the Gleneagles commitments in the area of debt relief, trade and ODA. Germany proposes instead to develop a “reform partnership” with the African continent in order to establish “a new and stable framework for private investment”. Moreover, this new proposal should give priority to African countries that are pursuing good governance, fighting against corruption and are using raw materials responsibly.<sup>10</sup> In order to achieve tangible results in this area a separate summit on Africa with participation of heads of government of African countries will be organized by the Ministry of Development Cooperation prior to the G8 meeting.

- *Health and HIV/ AIDS*

As in previous G8 meetings, the agenda for Heiligendamm acknowledges the need for the strengthening of health care systems and the fight against HIV/ AIDS in Africa. However, it seems to be uncertain that this might lead to any new initiatives in this area. A good indicator for pessimism is that despite the initial euphoria in the intergovernmental campaign for new innovative sources of finance (Lula initiative), progress to agree on new financing mechanisms to fight hunger and infectious diseases has recently stalled.

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<sup>9</sup> Press Release, Office of the German Chancellery, January 24, 2007

<sup>10</sup> Agence France Press: “Germany’s G8 dialogue: Dialogue with new eco players and rewards for Africa”, October 18, 2006

## **Dialogue with emerging countries and G8 reform**

While senior officials of the German government have announced that Germany will introduce in Heiligendamm the proposal to invite leaders from Africa, Asia and Latin America to all future G8 meetings, the German presidency has stated at the same time that this would not lead to an enlargement of the group. It is rather envisioned to start “a new form of dialogue” with emerging countries such as Brazil, China, India, Mexico and South Africa to give them the “opportunity to regularly play a role in influencing the development of the international economy”.<sup>11</sup> The language in the proposed agenda for the G8 summit sticks to a “business as usual” approach and reinforces the common practices in previous G8 meetings.

## **Conclusion**

The announced themes for the upcoming G8 summit in Germany entail hardly any groundbreaking initiatives. While financial stability and global imbalances are again on the agenda, new measures to improve the systemic stability of the global economy were not outlined for Heiligendamm. The only exception in this area is the attempt by the German presidency to discuss for the first time the systemic risks arising from the activities of hedge funds. US opposition to any additional regulatory oversight will make a decision in this area rather unlikely.

The chapter on innovation in the G8 agenda mainly prioritizes measures to improve the existing regime of intellectual property rights. Such a focus does not suggest any concessions to developing countries on this topic.

The attempt of the German presidency to counteract climate change and to start debate about a successor agreement to the Kyoto Protocol should be welcomed. It is however not clear to what extent the suggested initiative will impact developing countries. The carrot and stick approach in which the German presidency has introduced the using of raw materials in the poorest countries as an indicator for good governance and a pre-condition for development cooperation raises doubts about policy space for the Global South in this area.

The proposed Africa agenda for the G8 summit is disappointing, as it retreats from the commitments made by world leaders in Gleneagles in 2005. The program for Heiligendamm does not only leave out important areas such as debt relief, trade and ODA, the proposed agenda does furthermore not initiate any new measures for the strengthening of health care systems or the fight against infectious diseases on the African continent.

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<sup>11</sup> Agence France Press: “Germany wants emerging nations at all G8 summits”, January 25, 2007