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## The Heiligendamm Dialogue Process: Joining forces to meet the challenges of the world economy

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Alongside climate policy and Africa policy, the agenda of last summer's G8 Summit in Heiligendamm was defined by another, third issue: Together with their counterparts from China, India, Brazil, Mexico, and South Africa, the G8 heads of state and government resolved to deepen their cooperation and to conduct, for the two years to come, a joint-issue-oriented dialogue, which has since become established as the Heiligendamm Dialogue. In essence, the dialogue amounts to an attempt to build new structures for cooperation on informal global governance. Changes in the world economy had already played a crucial role in the establishment of the G8, and they will continue to figure prominently in the Heiligendamm Process.

The impacts of the mid-1970s oil crisis, in conjunction with the collapse of the Bretton Woods System that preceded it, affected Germany no less than it did all of the other Western industrialized countries. As a former economics and finance minister, Helmut Schmidt, at that time German federal chancellor, was particularly aware that clear-cut limits were set to national action when it came to an international crisis of this scope. The world economic crisis in the late 1920s, with its devastating economic and subsequent political implications, had showed only too clearly what consequences may result from lack of international coordination. For Helmut Schmidt and his French colleague, President Valéry Giscard d'Estaing, the only way to overcome the crisis was to work closely together with the other affected industrialized countries. In 1975 the two therefore invited their counterparts from Italy, the UK, Japan, and the United States to Rambouillet for the first world economic summit. Canada was to at-

tend the second summit, and Russia was to be invited to attend several years after the Iron Curtain had been lifted.

Since then, these annual consultations have become firmly established as part of the international political agenda. But they have always also been subject to the changing demands of international politics and world economic development. The "fireside chats" that Helmut Schmidt was so fond of have now evolved into a high-level political event - and events of this magnitude will of course inevitably also draw criticism. Along with a good number of nongovernmental organizations, Helmut Schmidt himself is today one of their most prominent critics. He sees the summits as too big and inefficient. "Nowadays all the whole thing amounts to is a big media spectacle," the former chancellor noted in an interview with a major German daily. There is little doubt that the framework has grown bigger and the style more professional, and today we can still say that these summits provide the heads of state and government a unique forum for their consultations. In addition to the economic issues always under consideration there, the agendas of the G8 summits have been increasingly adjusted to include political and global challenges as well. This can ultimately be seen as a reflection of the public expectations placed in the meetings of the G8 heads of state and government. This is why the important topics dealt with at recent summits have included issues like the fight against international terrorism, climate change, and measures to combat infectious diseases like AIDS.

Today the world economy is again in a state of transition. The breakneck pace of economic

growth in the emerging economies, above all in China and India, has entailed new challenges - including challenges for global political governance. International organizations like the World Bank, the IMF, or the OECD are clear about these challenges and intend to take steps to better integrate the major emerging economies. These are challenges that the G8 countries too have faced and continue to face.

### **1 Challenges for the German G8 presidency**

While the host head of state or government plays an important role in defining the agenda of a G8 summit, it would be somewhat short-sighted to assume that the host has a completely free hand in setting the agenda. Both the general international political situation and unanticipated crises may influence or sometimes even dominate a summit agenda. If a summit is to be relevant, it must give due consideration to current political and economic issues.

China, India, Brazil, Mexico, and South Africa, the major emerging economies, had already been invited to attend the G8 summits in Gleneagles in 2005 and St. Petersburg in 2006. The G8 had in this way signaled to the world public that it perceived the economic importance of these countries and intended to respond accordingly.

A look at gross world product (GWP) figures will serve to illustrate the progress these countries have made in closing the gap on the leading industrialized countries: if measured in terms of purchasing power parity, the G8 in 1995 accounted for 50% of GWP, the figure had declined to 43% in 2006, while in the same period the share of the emerging economies rose from 20% to 27%. Even now we are justified in asking where, in view of the looming recession in the US, the world economy would be without the stabilizing demand originating in these countries. Their growing influence is also making itself felt more and more in international politics, and it is as good as inconceivable that an effective follow-up arrangement for the Kyoto Protocol could be found without an active integration of the major emerging economies into a new agreement, one with binding obligations.

It is against this background that ideas were developed on the preparatory work for the German G8 presidency - including a proposal on how the G8 might best shape its relations with the major emerging economies in the context of future G8 summits. The concern here was what, in organiza-

tional and substantive terms, the most promising approach would be to what is known as outreach, i.e. the participation of guests countries invited by G8 heads of state and government.

### **2 The enlargement debate**

The form finally found for this outreach was given its special political significance and dynamic through an initiative launched by then British Prime Minister Tony Blair shortly before the Russian G8 summit in 2006. In an interview with the Financial Times in the summer of 2006, he had proposed enlarging the G8 to include the major emerging economies Brazil, China, India, Mexico, and South Africa; indeed as early 2005, at a press conference on the occasion of the end of the UK presidency, Blair had declared that he would find it "difficult to imagine" holding future G8 summits in which they did not participate.

This raised an important political question for the German presidency in the events leading up to the Heiligendamm summit in Germany: As G8 president, the chancellor was expected to develop a proposal concerning the relations between the G8 and the major emerging economies. She could assume here that an enlargement of the kind proposed by Prime Minister Blair was not particularly realistic. It was e.g. unclear whether the five emerging economies, which differ substantially in terms of their historical, economic, and political givens, would be interested in the first place in joining the G8. At the same time, it was also clear that there would be no consensus on this issue within the G8. It must be considered that such an enlargement of the G8 would give rise to a number of fundamental questions that could - not least - affect the summit's ability to reach decisions.

### **3 The structured, issue-oriented dialogue between the G8 and the major emerging economies- a constructive attempt to strengthen international cooperation**

In mid-October 2006 the German cabinet, headed by Chancellor Merkel, adopted the program for the German G8 presidency, with its two central focuses, "Growth and responsibility in the world economy" and "Growth and responsibility in Africa." One of the key political proposals contained in the part of the program devoted to the world economy was to place the dialogue with the emerging economies on a new footing.

Once the cabinet decision had been taken, i.e. still prior to the German presidency, the projects were presented to the other G8 partners by the German Sherpa, State Secretary Dr. Bernd Pfaffenbach; and it turned out that the other G8 members were quite interested in reformulating their relationship to the emerging economies.

This was in line with the objectives envisioned by the German Chancellor, who wanted Heiligendamm to send out a clear signal on strengthening international cooperation. The political reasoning was obvious: Pressing global problems - from the stability of the world economy to international climate protection - call for more and closer cooperation. One avenue open here to the G8 was to seek to further develop informal global governance.

In international terms, Germany seemed well positioned to develop an initiative of this kind: The German Federal Republic had, for over forty years, played a key role in shaping cooperation and integration in Europe, also showing itself internationally to be a reliable and responsible partner. Even after reunification, Germany had the political strength to forge on, in the face of some resistance, with two largely parallel processes, building internal unity and the eastern enlargement of the EU. It must also be noted here that Germany benefited here from a set of good bilateral relations on which Chancellor Merkel could build.

#### **4 The Heiligendamm Process - The decision taken by the 13 heads of state and government.**

To prepare for the Heiligendamm summit, parallel talks were held, for the first time headed by a German Sherpa, between G8 and G5; the talks were concluded in Heiligendamm. Thus far the G8 Sherpas had as a rule met on their own, and there seemed to be no good reason to break with the tradition in the lead-up to Heiligendamm. In this connection the German presidency negotiated, with the personal representatives of the heads of state and government of Brazil, China, India, Mexico, and South Africa, a joint declaration on the Heiligendamm Dialogue.

In the final summit document, "Growth and Responsibility in the World Economy," the heads of state and government of the G8 countries offer Brazil, China, India, Mexico, and South Africa - which now refer to themselves as the G5 - an issue-oriented political dialogue, which is to serve as

the political basis of the dialogue process. It is to extend to the following four issue complexes:

- Investment, including responsible business conduct
- Innovation, including protection of intellectual property rights
- Energy efficiency
- Development policy, with a targeted focus on Africa.

The Heiligendamm Dialogue is a political discussion process, not a negotiating process. It is an issue-oriented, structured dialogue process in which the participants seek to develop a common understanding of the issue complexes named above as well as to build on the results with a view to developing a set of common political perspectives.

The attending heads of state and government agreed to conduct this dialogue for a two-year period, that is, to present an interim report in 2008, on the occasion of the summit in Japan, and to adopt a final report in 2009 at the summit set to be held in Italy.

#### **5 The OECD to serve as the platform for the Heiligendamm Process**

The decisions taken by the G8 and the G5 in Heiligendamm include elements that indicate a need to create a set of suitable implementation structures. An issue-oriented, structured dialogue between G8 and G5 not only requires expert work to prepare for and process the results, it also calls for a continuous process of political steering. Viewed against the background, it was clear to the German government that it would be better not to have a "German" G8 office in Berlin organizing the Heiligendamm Dialogue when the German presidency came to an end. This would not have been consistent with the practices customary among the G8 - indeed, it would have been tantamount to a de facto prolongation of the German G8 presidency. Nor was simply handing on the project to subsequent G8 presidencies seen as a real option, since this would have massively prejudiced their attempts to set priorities of their own.

The solution finally found was to ask an international organization to provide a platform for the Heiligendamm Dialogue, and accordingly the decisions reached at the Heiligendamm summit included a request for support from the OECD. As early as in mid-July 2007 the OECD member coun-

tries had given their go-ahead to set up a Support Unit for the Heiligendamm Dialogue Process.

The dialogue process is directed by a steering committee made up of high-ranking government representatives (Sherpas) from all of the countries involved in the dialogue. Four working groups were set up, mirroring the four pillars of the dialogue. Both these working groups and the steering committee will receive organizational and analytical support from the so-called Heiligendamm Dialogue Process Support Unit.

With the Heiligendamm Dialogue, both the G8 and the G5 are breaking new ground. The dialogue is first and foremost a processes conceived to contribute to strengthening mutual confidence and improving mutual understanding. It would be wrong, plainly and simply, to underestimate these aspects of the dialogue. The dialogue is furthermore a first step on the road to exploring commonalities shared by the various partners and to seeking, on this basis, to develop a set of common political perspectives for the four pillars of the dialogue.

But it is also important not to place any overly ambitious political expectations in the dialogue: It can already be seen as a major success that the dialogue partners have come together and reached agreement on a joint program. Developments in the world financial markets and the world economy show that international cooperation is more necessary today than it ever has been. The task of the dialogue partners will now be to demonstrate that the Heiligendamm Process can provide a contribution to informal global governance.

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