

COUNCIL *on* FOREIGN RELATIONS

58 East 68th Street, New York, New York 10065
tel 212.434.9400 fax 212.434.9800 www.cfr.org

Dear Friends and Colleagues;

September 23, 2008

The Council on Foreign Relations Global Health Program in this brief update will focus on these issues:

- Big Week at the UN and for the MDGs
- Economic Gloom and Global Health
- What Will the U.S. Congress Do?
- Capitalism Without Regulation: The U.S. Model v. the Chinese Model
- Farewell Mbeki

Big Week at the UN and for the MDGs

Yesterday marked the beginning of two extremely intense weeks in New York City for both the United Nations and the Council on Foreign Relations (CFR), as the United Nations General Assembly is opening, drawing more than 100 heads-of-state, including President George Bush, to the City. Many leaders and foreign ministers pay visits to the CFR during this period, offering their insights into key world events. It provides the CFR members with a snapshot view of the world, encapsulated in just a few short days. Our lunch speaker yesterday, for example, was President of the Argentine Republic, Cristina Fernández de Kirchner. Today's is the President of Ukraine, Viktor Yushchenko.

The global economic situation is, of course, foremost on the minds of leaders as they visit New York this week, many of them arriving from secure airports by helicopter, landing on the helipad at Wall Street. Throughout the last week, that helipad has been busy with the comings and goings of CEOs, bankers, Treasury Department and Federal Reserve Bank officials, some arriving under Apache military helicopter escort, scurrying between the headquarters of global capital and the capitol of a nation that is in search of solutions.

As the richest nation in the world scrambles to solve its economic crisis, these financial events threaten to overshadow the United Nations' attempts to take stock of halfway-point achievements in the Millennium Development Goals, or MDGs. (<http://devdata.worldbank.org/atlas-mdg/>) Four out of the eight MDGs directly concern global health.

Three weeks ago Secretary General Ban Ki-Moon issued a despairing assessment of financing for the MDGs:



September 5, 2008
[UNITED NATIONS](#)

Aid to poor nations has slumped

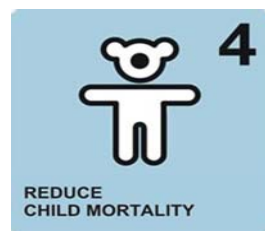
Aid dropped 8.4 percent in 2007, after a 4.7 percent drop in 2006.

The [Group of 8](#) industrialized nations pledged in 2005 to donate more than \$25 billion to Africa by 2010, but just \$4 billion has actually been delivered.

“We are running out of time,” United Nations Secretary General Ban Ki-moon.

According to the report, more than 50 nations are spending more money paying off debts than they are on public health programs. Donor nations are in arrears on their commitments towards the MDGs: The UN says achieving the goals will not only require fulfillment of past promises, but an additional \$72 billion annually, most of it targeting Africa.

“We are experiencing a development emergency,” Ban told the Associated Press earlier today. “This is one of the triple crises that I have termed – climate change, development emergency, and food crisis.”



4 of the MDGs Directly Impact Global Health



The credibility of the MDGs, as UN targets, and of donor commitments (particularly from the United States) is on the line, according to Tanzanian President, Jayaka Kikwete: If the U.S. can commit to bailing out large corporations to the tune of perhaps \$1 trillion, it should be willing to spend 1% of that sum on Africa. “Unfortunately the resources being committed and being made available are not sufficient to lift Africa out of its poverty trap,” Kikwete told Reuters yesterday.

ODA (official development assistance) from all government sources peaked in 2005 at \$107.1 billion; it has since fallen by 8.4%, hitting \$103.7 billion in 2007.

The MDGs have been controversial since they were formulated eight years ago, and many critics have charged that the United Nations should never have aspired to targets that it could not possibly meet. These critics argue that when the UN fails in 2015 to reach the targets, the bitter disappointment will undermine the institution’s credibility.

Going forward, the UN will undoubtedly try to shift the credibility gap onto the shoulders of wealthy donor states.

Economic Gloom and Global Health

When Wall Street sneezes, the bottom billion poorest people on Earth catch life-threatening pneumonia. Well before this month’s horror show unfolded on Wall Street the global economy was in trouble – especially for its poorest citizens. Food prices, and the costs of seeds and fertilizers, soared. Energy, in all forms, increased in cost. And with that, transport costs went up all over the world, both for freight and personal movement.

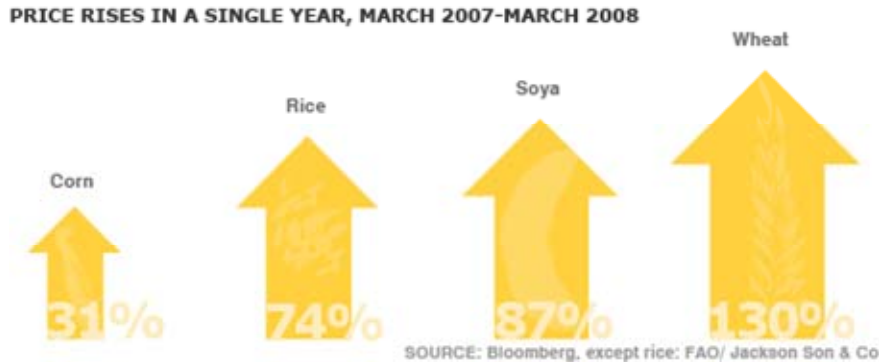
World Bank President Robert B. Zoellick:



“For two billion people, high food prices are now a matter of daily struggle, sacrifice, and for too many, even survival. We estimate that already some one hundred million people may have been pushed into poverty as a result of high prices over the last two years.”

May 2008

The resilience of fragile societies is being put to the test. Ethiopia, for example, is facing the dual challenge of drought and soaring food costs: This week the UN said Ethiopia needs \$460 million in emergency relief, or 10 million people may die. The additional economic woes will undoubtedly affect everything from the cost of antibiotics for the Rwandan Ministry of Health to the petrol prices for GAVI-funded vaccinators trying to meet UNICEF child immunization targets in Cambodia. Health is a business, and the cost of doing business is soaring.



2008

Making matters worse, the declining value of the U.S. dollar has an impact on *everything* the United Nations and its agencies try to do. Because donations are stated in dollars, the true value of current ODA is lower than the true value of the same dollar sum two years ago.



The U.S. has been contributing approximately \$2.5 billion/year to the World Bank.

The Bank now insists that U.S. contributions must increase, in light of the declining value of the dollar.

What Will the U.S. Congress Do?

All of this is happening during a highly polarized U.S. election year. We are literally counting the days until November 4th, with an election campaign underway that is currently too close to call. The stakes are excruciatingly high for both parties. For the Republicans there is a fair amount of panic right now, as they struggle to work with the Bush Administration amid crisis, while on the campaign trail try to distance themselves from a man whose presidency ranks as the least popular since the Depression era days of Herbert Hoover. This has sowed tremendous confusion in the ranks of Congressional Republicans, evident in the divisions they've displayed on the Wall Street bail-out and reauthorization of PEPFAR (the President's Emergency Plan for AIDS Relief).

The Democrats are not in an enviable position either. Because they hold narrow majorities in both houses of Congress, the party leadership knows that it will be held accountable for whatever decisions are made this week regarding bail-out of Wall Street. If John McCain is victorious in November, the Nation will certainly face years of combat between the Legislative and Executive branches of government. If Obama is elected, the Democratic Party will feel the full burden of decisions to save the global economy – even though it cannot share the blame for causing the current situation. The Clintonians within the Party will push for tough budget cuts.

Well before the latest Wall Street fiasco unfolded the Nation's budget situation was dicey, and the Democratic Party leadership knew that 2009 would witness a tough song-and-dance for liberals: Budget cutting to reduce debt, amid promises to spend more on vital social programs, all without increasing taxes for the poor and middle class.

U.S. National GDP and Debt, 1791 - 2007



Not adjusted for inflation.

© Political Calculations 2008

Two weeks ago, before bail-out mania set in, America was already spending more money than the government was taking in, with about 19% of GDP in government revenues (aka taxes), as the government spent 21% of the nation's GDP. The Nation was spending 2% more than it took in annually: the national debt, and budget deficit, were already unsustainable. For decades, the U.S.-dominated World Bank has scolded developing countries for failure to maintain budget reserves and balance their checkbooks. Now Brazilian friends say the USA seems in need of IMF intervention for a 1980s-style austerity program.

Three weeks ago the Congressional Budget Office drew gasps of dismay when it announced that this year's budget will run a near-record deficit of \$407 billion. The CBO said:

The economy is likely to experience at least several more months of very slow growth. Whether this period will ultimately be designated a recession or not is still uncertain, but the increase in the unemployment rate and the pace of economic growth are similar to conditions during previous periods of mild recession."

The CBO predicts that the economy will grow 1.5 percent this year in real terms and slip to just 1.1 percent growth in 2009.

Unemployment topped 6%, according to CBO. To put this in perspective, the deficit for 2007 totaled \$161.5 billion, up from \$159 billion in 2002. In 2000, when George Bush took office, the Nation had a budget surplus and record-low unemployment. Contrary to widely held mythology, the deficit is not primarily due to the wars in Iraq and Afghanistan or the economic impact of 9/11: GOP tax cuts enacted in early 2001 are the primary cause of falling revenues. The CBO estimates that even reversal of that legislation, reverting to 1990s taxation policies, would fail to balance the budget sheets for years to come.

That CBO estimate was released *before* the Bush Administration Department of Treasury decided to bail out mortgage lenders Fannie Mae and Freddie Mac. And before last week's decision to buy up "toxic loans" extended by AIG and other large corporations, perhaps included foreign companies.

Now what? Well, Congress, Wall Street, and the Bush Administration are still arguing, and it may be months – even years – before we know the true cost of bailing out Fannie, Freddie, AIG and other companies. Part of the cost to the Nation is lost revenues, due to declining taxable corporate and individual incomes. Those losses will be especially hard-felt here in New York City, where revenues are expected to decline by billions of dollars over the next 12 months. But the national impact will be real, as well. On September 5th the Dow closed at 11,388. It has since boomeranged all over the place, fluctuating wildly day by day. On Monday (September 22) the market plunged 372 points, closing at slightly over 11,000 (the recent low point was on September 17th, at 10,609.). Bad economic news, and

declining stock values, translate into less taxable income, therefore lower national budget revenue.

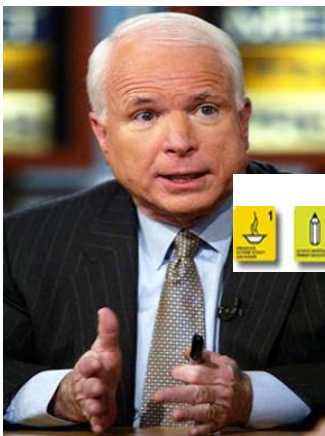
The Bush Administration wants Congress to approve a package of \$700 billion to buy out bad loans. This is *on top of* billions of dollars previously committed to saving Fannie and Freddie. All tolled the price of saving Wall Street and the global economy from a Depression-era tumble could top \$1 trillion, according to multiple economic analysts. If appropriated immediately, this would put the United States Government into record deficits that are so vast that it will force the next Administration to borrow and juggle monies in ways that seem hard to even fathom at this writing.

Is there any good news? Yes. The U.S. GDP has risen 2.2% over the last 12 months, mainly because a weaker dollar means stronger exports. Most economists say that has kept the U.S. from sinking into a bonafide recession (though average Americans feel recession blues already).

The challenge for global health advocates will be in defending ongoing U.S. investment in foreign assistance, writ large, and health programs, specifically. This will require a full court press – a *unified* effort – not only on Capitol Hill in January, but also at the White House. Just because money has been *authorized* by Congress for FY2009 doesn't mean it's going to be *appropriated*. PEPFAR supporters take note: There is nothing sacred about that \$48 billion authorization when a budget-terrified 2009 Congress looks the national deficit in the eyes, and, like deer caught in headlights, starts slashing wildly.

A smart pitch may be precisely the issue under discussion at the UN this week: the MDGs.

**Do You Want to See the MDGs Fail –*Miserably*
– On Your Watch?
(If not, funding cycles for achievement are *now*.)**



The Council's Global Health Program has long-warned that a budget crisis loomed, and health and development advocates needed to consolidate their pitches, aiming at a combined target. Squabbling over whose disease is most important, or development scheme best, is not appropriate when Congress and a new Administration are in budgetary panic. Smart advocates will need to invoke the wisdom of "soft power", diplomacy, and anti-poverty efforts to win back America's former friends in the world, and keep support in Africa. And it's worth reminding Congress and a new President that *all* foreign assistance, combined, only comes to less than 0.5% of the national budget – including reconstruction aid for Afghanistan and Iraq.

Congress will be overwhelmed by domestic concerns. Health care, the fastest increasing segment of the U.S. budget, must be controlled, but no magic bail-out scheme sits conveniently on the political horizon.

On the eve of this summer's International AIDS Conference in Mexico City activists in the U.S. forced the Centers for Disease Control and Prevention to release data on new infections and HIV prevention, domestically. The results were abysmal. Both incidence and prevalence of HIV rose over the last three years, with African American men bearing the brunt of the increased burden of disease. Amid strong demands that America gets its HIV epidemic under control, the CDC this week said it needs an additional \$4.8 billion to control domestic spread of the virus. It's an astonishing number, as the year-to-year increase in new infections was on the order of about 20,000 individuals. (Dare we divide \$4.8 billion by 20,000?) **For further details on the CDC request see "CDC Needs Additional \$4.8B To Reduce Annual Number of New Infections, Officials Say" at the bottom of this update.**

Capitalism without Regulation: The U.S. Model v. the Chinese Model

Experts say we are in our current financial mess globally because of "toxic loans" and "toxic money" spread around primarily by Western investment banks and hedge funds. This "toxicity," they argue, was fueled by a Bush Administration deregulation of the financial marketplace. The marvelous blogger Chris Nelson (Samuels International) wrote on Monday:

If this was China, we could hope for the satisfying spectacle of a few hapless souls led into the public arena to receive a shot in the back of the head; whether any psychic blood-letting will take place here is perhaps problematic, but you do have to wonder if "merely" losing their money is sufficient deterrence to future management idiocy.

China is, however, in its own "toxic capitalism" crisis -- literal poison. It is becoming clear that the Chinese government cannot regulate its pharmaceutical and food markets adequately to guarantee safety. The current crisis, which has sickened minimally 53,000 infants in China, with 13,000 hospitalized right now, and killing at least four of them, involves a company that routinely added the chemical melamine to baby milk formula. Melamine causes kidney stones in the unfortunate consumer, and a virtual epidemic of infant kidney stone disease has now spread well beyond China, to its export markets in Asia and Africa. The first complaints of baby formula-related illnesses in China were filed with Sanlu, the manufacturer, in December, but government action did not publicly take place until this month. As investigation unfolds in China, we are learning that toxic chemical additives have been inserted into all sorts of food in China, and much of it has been exported.

This latest scandal comes on the heels of the pet food contamination hysteria two years ago, the heparin horrors earlier this year, and a widening range of food Chinese products thought to be unsafe.

The U.S. Food and Drug Administration is hard-pressed, at current staffing levels, to screen all imported food and drugs from China, or anywhere else. The FDA is currently at loggerheads with an Indian generic drugs maker, Ranbaxy, which manufactures low-cost anti-HIV drugs. The FDA claims Ranbaxy is making 30 drugs right now in unsafe conditions. Some are purchased by PEPFAR for distribution in Africa. The FDA scrutiny of Ranbaxy caught many observers by surprise, as it is considered one of the best generic drug manufacturers in Asia.

Farewell Mbeki

Over the weekend the African National Congress deposed one of its leaders, President Thabo Mbeki, forcing Mbeki to resign from office. Over the next 30 days a new government will be created, and Mbeki and his close followers will be ousted. Depending on who takes power, this could be good news for those battling HIV and tuberculosis in South Africa. Mbeki has famously doubted that HIV is a pathogen, siding with the so-called Denalists. In concert with Denialist views, Mbeki opined that "AIDS" was actually "poverty" or a side effect of US-made pharmaceuticals taken to treat the nonexistent disease. Though powerful ANC members eventually convinced Mbeki to keep his mouth shut on the AIDS question, he never renounced his views.

Mbeki's bizarre perspective on an epidemic that now infects at least a quarter of his adult population has effectively slowed down HIV treatment and prevention programs nationwide. It has cost lives. Further, Mbeki appointed a like-minded spirit as his Minister of Health, Manto Tshabalala-Msimang. Manto, as she is popularly called, put up a seemingly endless series of obstacles blocking doctors and NGOs wishing to provide antiretrovirals for HIV treatment. She famously insists that a combination of African roots and garlic, swigged down with lemon juice will cure AIDS.

Will the new ANC country leadership be better for health advocates? ANC Party leader Jacob Zuma cannot take the Presidency at this time because he is not a member of Parliament – a requirement under the South African constitution.

It is expected he will name his Party deputy, Kgalema Motlanthe, as temporary President until the previously planned national elections take place in late 2009 or early 2010. (Or those elections may be cancelled – the situation is in wild flux at this time.) Like Zuma, Motlanthe served time in prison for political activities during the Apartheid years and honed his political chops in the trade union movement. The 59-year-old Motlanthe is a very different character from Mbeki, and will garner widespread grassroots support. During the worst years of Apartheid repression in South Africa, Thabo Mbeki lived outside the country, in exile, studying Marx and Lenin with his ANC comrades. Once back in South Africa, Mbeki formed alliances with business leaders and other former-exiles – such as his Minister of Health. In contrast, Motlanthe and Zuma remained inside South Africa, and spent years in Robben Island prison alongside Nelson Mandela. And Motlanthe came to the anti-Apartheid movement through the Black Consciousness, a civil rights campaign led by the famous martyr, Steve Biko. Those close to Motlanthe optimistically predict he and Zuma will appoint a more pragmatic Minister of Health, and pave the way for wider access to TB and HIV treatment.

Finally, we would like to bring to your attention a new documentary on the Discovery channel that aired last night: *Killer Virus: Hunt for the Next Plaque* explores the outbreak of Nipah virus and Avian influenza in Bangladesh. Senior Fellow Laurie Garrett, Dr. Stephen Luby of the ICDDR,B in Dhaka, and many other infectious disease experts are interviewed. The program will be aired again on October 4th at 8pm on the Discovery channel.

The Global Health Program will endeavor to keep an eye on these, and other developing health issues, and provide future updates as indicated.

Sincerely,



Laurie Garrett

CDC Needs Additional \$4.8B To Reduce Annual Number of New Infections, Officials Say
[Sep 17, 2008, Kaiser Daily Health Report]

[CDC](#) officials on Tuesday at a [House Government Reform and Oversight Committee](#) hearing said they would need an additional \$4.8 billion dollars over the next five years to reduce the

annual number of new HIV infections in the U.S., [CQ HealthBeat](#) reports (Stanchak, *CQ HealthBeat*, 9/16).

According to the [Los Angeles Times](#), the hearing came after CDC released a [study](#) last month that found that about 56,300 new HIV infections occur annually in the U.S. (Dizikes, *Los Angeles Times*, 9/17).

CDC Director Julie Gerberding based on the new estimates the agency would need an additional \$877 million in 2009 to reduce the number of new HIV infections. According to the *Times*, the fiscal year 2009 budget request for HIV prevention funding is \$892 million, which includes \$752.6 million requested by CDC. Waxman said that he would try to work with the [House Appropriations Committee](#) to increase funding for domestic HIV prevention efforts but added that he is "not very optimistic" the Bush administration will increase funding (*Los Angeles Times*, 9/17).

Gerberding; Kevin Fenton, director of CDC's [National Center for HIV/AIDS, Viral Hepatitis, STD and TB Prevention](#); and Anthony Fauci, director of the [National Institute for Allergy and Infectious Disease](#), told the committee that although the additional amount of money requested is high, it could reduce the HIV transmission rate by 50% over 12 years. In addition, the increased funding could help reduce the number of HIV-positive people who are unaware of their status by 50% and help reduce racial disparities.

Gerberding said that the agency would use the increased funding to expand HIV testing, research new prevention techniques and evaluate prevention programs. Fauci added that increased funding also would allow research into new areas of HIV prevention research, such as preventing coinfection with other sexually transmitted infections, providing antiretroviral drugs to HIV-negative people as a preventive measure, testing microbicides and vaccine development.

Although the \$4.8 billion request is a significant amount of money, it would be more expensive not to treat HIV, Fauci said. A "[professional judgment budget](#)" (.pdf) released by the panelists noted that each HIV infection costs more than \$1 million in treatment and lost productivity and that if CDC can prevent 4,800 new infections over five years, the programs established with increased funding would be "cost saving to society."