

## G7, the weight of words

Miguel Jiménez / Julián Cubero

Diario Expansión (Spain)

The periodic meetings of the group of most developed nations took shape in the mid 1970s as a forum for discussing economic issues of global importance. At that time they dealt with major events such as the collapse of the exchange rate system based on the convertibility of gold and the dollar, or the Middle East oil embargo. Over the forty or more years since then there have been changes in the participants, the frequency of the meetings and the variety of matters dealt with, but always with the basic idea that it is good to have a multilateral forum in which to discuss matters that affect all, with a more manageable size than the UN for example, and drawing together the interests of a group of relatively similar countries.

The meeting in Taormina last weekend left no doubt that the G7 is at a very low point, and even calls into question its very composition. This reflects a panorama where the US foreign and trade policy is guided by bilateralism, the UK is negotiating the terms of its exit from the EU and, in contrast, the countries now proclaiming themselves champions of economic openness and multilateralism, such as China, do not belong to the G7.

One indication of the poor results of this latest meeting in Italy comes from the lightweight final communiqué, the shortest since 2012 at just 4,000 words, far removed from last year's record 14,000 plus words. But the main point is that it was much less assertive than in the past. The word "will" does not come very high up in the ranking of words in the final communiqué, in contrast with 2013, 2014 and 2015, when there was greater ambition to take decisions on such matters as tax havens, money laundering and the challenge of climate change. In 2016 and 2017 words like "welcome", "support" and "commit" are more frequent, all of which denote lesser involvement.

As for the issues discussed last weekend, foreign policy and the fight against terrorism figured more prominently in the communiqué than in previous years (and accounted for nearly all the instances of "will"). There were many more caveats regarding the defence of world trade, with phrases contextualising the rejection of protectionism, a defining trait of the G7, to accommodate the new US trade policy. But even this de minimis agreement was impossible as regards the fight against climate change, on which the US is reviewing its position, whereas all the rest have reaffirmed their commitment to the Paris Agreement of 2015.

China, which does not belong to the G7 but is now the world's second biggest economy, with growing external relations and flows of trade, finance and people, is taking advantage of the opportunity presented by the multilateral withdrawal of the US. China has signalled its support for free trade and the fight against climate change, as well as promoting a global multilateral architecture closer to the current distribution of economic power, which is shifting from the Atlantic to Asia. Some examples are the Asian Infrastructure Investment Bank, the promotion of more trade agreements or the "One Belt, One Road" initiative, which will allow it to increase its influence across Asia and Europe in a far-reaching move.

There will always be interest in a multilateral forum in which to discuss matters of global importance; what is less clear is who will continue in the core group driving it and who will be mere bystanders. Perhaps in time in the meetings of the group of countries most committed to multilateralism we will have to count not just the number of "wills" but also that of its Chinese equivalent "will" ("jing").



This document has been prepared by BBVA Research Department, it is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance. This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

In regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions in the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. It is forbidden its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process, except in cases where it is legally permitted or expressly authorized by BBVA.