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From the G20 in Osaka to G7 in Biarritz: where is Europe going?

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The G20 summit in Osaka closed on 30th June. Crisis was avoided. Everyone can now move forward at the risk of further divergence. Hence the G7 summit from 24th to 26th August in Biarritz, will be a meeting and exercise for the world's main democracies to implement joint solutions with two major issues in view: inequality and climate change.

In Osaka, after the chaotic pre-summit declarations, such as customs duty threats and truce proposals on the part of the USA toward China, the Chinese red lines (refusal to discuss Hong Kong) or those of the French (refusal to sign any declaration which did not refer to the climate), everything finally went well. After tough discussions that were not reflected in the final communiqué, which was similar to that signed in Buenos Aires last year, it seems that discussions will resume between the USA and China over trade, with Huawei obligatorily featuring in the package to be negotiated. Regarding the climate, the USA are isolated, for good this time.

The [final G20 communiqué](#) speaks of joining forces for greater growth, by reducing inequality and achieving a world in which everyone's potential is fulfilled. One can only agree with that. Trade must develop freely and fairly. The WTO must be improved, but what will the USA do, since it is preventing the reform of its Appellate Body? The digitisation of the economy is to be continued and made more secure. The financial world must be strengthened, IMF quotas revised (a permanent request on the part of China, which wants to have a greater share in the organisation's capital, meaning a vote in the American Congress so that the USA can demonstrate that it agrees).

Regarding climate change^[1], the American position remains firm, but because of this the USA are isolated. They have withdrawn from the Paris Agreement "because it damages American workers and tax-payers" whilst the other participants have committed to increasing their efforts (innovation, financing, smart cities etc.).

Regarding migration, the communiqué concludes

that it involves dialogue, addressing the roots of the problem and responding to the increase in humanitarian requirements. The G7, under the French presidency, will be prepared with a "tighter" programme, which promises to be interesting.

THE "GS", AGAINST CRISES

"Family photos", handshakes and body language, threats of drama and smiles, demonstrations - the "Gs", these meetings of heads of State and government of the world's main industrialised countries, punctuate every year. They were born of crises and aim to solve them. This is fortunate, because we are not about to run out of these!

First a little history. The G7 was born in 1975 of the oil crisis. The G20 dates back to 1999, when the Finance Ministers and the governors of the Central Banks met in Berlin to address financial crises, some of which were recurrent, but of "low to average impact". In other words, crisis that did not originate in the USA. It became the G20 in its present format in 2009 in Pittsburgh, following the Washington Summit of 2008, which addressed the world crisis which, this time, was of American origin - the so-called "subprime mortgage crisis". Evidently it was far bigger than the G7 but this type of meeting was to be decisive for the redesigning of the world's financial system.

Hence the G7 and G20 have become major venues for world discussions and meetings, and why not, rapprochements, to prevent the worst and move forward together, with fine tuning between experts, then later, more general commitments between leaders. Ordinarily ...

1. We no longer say « warming »

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Economically Europe profiles high if we consider the GDP as a gauge, not to mention its "political weight". The G7 represents around 45% of the world's GDP for 10% of its population; the G20 represents 85% of the world's GDP, for 2/3 of the population[2].

The EU counts for 21.3% of the world's GDP (6.6% of the population) and the euro zone for 15.5% (4.5% of the population), the EU counts for 25% of the G20 and the euro zone for 18%. Within the G7 the Union counts for 47% of its GDP and the euro zone, for 34%.

We understand, that with these figures, the Gs represent the "richest populations", rather than the "average person". The GDP per person of a G20 country is 1.3 times higher than that of an "average person" - if we might express it like this -, and 4 times in the case of a G7 country citizen, 3.2 times in the case of a European and 3.5 in the case of someone originating from a euro zone country.

In macro-economic terms, Osaka brought together "those slightly richer" and Biarritz will convene "the richest", hence the problems of growth that might be raised in the G20 and inequality in the G7.

EUROPE AT THE G20 IN OSAKA

On 28th and 29th June in Osaka, the G20 summit took place with 4 EU Member States taking part (Germany, France, Italy, UK) and the European Union, plus two other guest countries (Netherlands and Spain). It aimed to conclude a series of thematic meetings that were initiated in 2018 : Work and Employment (1st and 2nd September 2018), Healthcare (19th and 20th October), Tourism (25th and 26th October), Foreign Affairs (22nd and 23rd November, Agriculture (11th and 12th May 2019), Finance 8th and 9th June), Trade and Digital Economy (8th and 9th June), Energy and Environment (15th and 16th June). Hence individual themes were addressed, from a general point of view targeting stronger growth, with more exchange and support to innovation in a world that took greater care of the environment, the role of women, development and healthcare.

2. Source IMF.

Expressed in this way these issues possibly look like a catalogue of good intentions and certainly frictions and tensions were unavoidable. Indeed, trade develops as long as it is reciprocal, innovation if it respects intellectual property rights, energy if it respects the environment.

We also note the points of friction between the USA and China regarding trade balances, the protection of patents, the opening of public procurement and "free, fair competition", as we say in Europe, as well as the non-manipulation of exchange rates.

Nor should we forget the tension between the USA and Germany regarding the German trade surplus, over the comparative customs duties between French and American wines and even the discord over the euro deemed by Donald Trump, to be unduly weak in comparison with the dollar.

The present crises are no longer the same

Regarding the G20, although questions pertaining to growth and distribution via trade were on the Ministers' programme, the issues were different and closer to the bone for the heads of State and government. Even though they were not expressed in these terms, they now challenge post-war American multilateralism, with costs and advantages and a will to build "an alternative multilateralism" on the part of the Chinese with their "Silk Roads". These challenges fuelled the political debates of the G20 leaders and will affect those of the G7.

Hence, these are no longer the "regular" crises, even though the latter have not disappeared. The crises of excessive credit, improper surveillance, with their knock-on effect, were the speciality of the IMF, and reparations that of the World Bank. These "old" crises were basically those of the inadequacies of post-war multilateralism, which a more precise, richer multilateralism should have resolved. Post-war multilateralism, with the UN, the IMF, the World Bank and the IRB, comprised a growing series of codes and signs that forecast deregulation, followed by the crisis, with systems to correct trajectories and resolve the damage.

The new economic crises we are now witnessing originate in the IT and communication revolution, as they did in their time, those of steam and electricity, with their political and hegemonic effects.

The IT revolution (Internet of Things) is accelerating the globalisation of trade which has done wonders since the 1970's, but in a bid to replace them better, it has destroyed the old structures to a greater degree and faster.

But this Schumpeterian creative-destruction is now occurring at high speed at world level. The duo "information-trade" is disrupting growth everywhere, hence the average increase in revenues and wealth, and especially growing inequalities. World growth is slowing and is becoming increasingly unequal, leading to greater tension between the winners, who are extremely wealthy, world monopolies and "the others". Their capacities and knowledge are crumbling. Everywhere productivity is declining and salaries stagnating. Hence, if nothing is done world growth will slow. With the ageing population, conflicts in sharing will rise all the more.

Hence in addition to the conflicts in distribution set by this phase of slower, imbalanced world growth, there are others – not just in terms of production but also innovation between the dominant powers: USA 21,300 billion \$ GDP[3] ; China 14,200 billion and the EU 18,700 billion (13,600 in the euro zone).

These new conflicts are occurring on the frontiers of innovation, more over those involving sustainable growth management, in other words the environment. This implies the opening of markets, reciprocity, freedom of trade, protection of rights etc ... Pollution and climate change are at the heart of this. Situations are becoming complicated with rising pressure, not so much for world domination – Sparta against Athens – it involves a remake of Thucydides Peloponnesian War.

THE G7 WILL COMPRISE 17 PARTICIPANTS AND A "TENSE" PROGRAMME

In Biarritz there will be four European countries: France will preside, Germany, Italy and the UK, as well

as the EU, alongside the USA, Japan and Canada: 7+1. "Four major partners, committed to the protection and promotion of democratic freedom" will join them: South Africa, Australia, Chile and India. The presence of these "main democracies" will imply "strengthening the protection of fundamental freedoms in the context of digital development and artificial intelligence and of protecting the planet by highlighting the protection of biodiversity, the climate and the oceans". Chile will be hosting the COP25 in December 2019 and in this context, it will be an ally of size.

Then we have the "6 African partners to build an equal-to-equal partnership with this continent of the future". To rise to the challenge of inequalities in the world, the French Presidency of the G7 hopes to form a partnership with Africa.

Apart from South Africa, four countries, which play a driving role on the continent and which are players in multi-lateral cooperation, attached to the protection of biodiversity and the ambitious implementation of the Paris Climate Agreement, have therefore been invited to Biarritz and to several preparatory meetings: Burkina Faso, Egypt, Senegal and Rwanda. Naturally, these four countries have been invited "es qualité": Burkina Faso is chairing the G5 Sahel, Egypt the African Union, Rwanda chaired it in 2018 and Senegal, is chairing The New Partnership for Africa's Development (NEPAD), the African Union's development agency.

The tone aims to be less global and a priori stronger, due to the reduced size of the group and its homogeneity. But France, the organiser and master of the timetable, hopes that this "revised format" will succeed in making a front-end analysis of the issues at stake. It deems that the development of world issues implies the fight to counter inequality, which is affecting all of the "major democracies", hence the reason for the countries which have been invited. At the same time, the issue of "climate deregulation" has been raised, a threat to the species and therefore to democracy. The triplet of issues in this G7 are therefore: inequality, climate, democracy. It means exploring how democracies can respond to illiberalism by responding to the issues of our time.

3. According to the IMF

**G20 AND G7 ARE PLAYING THEIR ROLES,
JAPAN AND FRANCE, THE TWO ORGANISERS
ARE FOLLOWING CONVERGENT RATIONALES**

The G20 aims to be more technical, trying to settle tension and differences via thematic meetings. But it is failing over the opposition between the USA/China, liberalism/illiberalism, freedom/stability, technological frontiers and power.

The old economies are monitoring those who want to replace them, notably by observing their attitudes to the issues of climate, inequality, technological revolution, ageing and also the management of major political bodies. We might hope that the differences and tensions will decline, that the need to manage the technological revolution as well as the problems related to climate and ageing, will lead to convergent, mutually advantageous solutions. But these are more difficult to achieve in a slowing world. This is where the G7 comes into play, to put forward real, democratic proposals.

This is why [the G7 in Biarritz](#) aims to listen to "active groups": young people, women, NGOs, unions, employers, think-tanks, scientists, lawyers and academics etc ... not to mention local players who have been invited to take part. All of this might appear

complicated. But taking action is increasingly difficult, whilst issues are intrinsically more complex, especially if we aim to show the superiority of democratic societies, by explanation and persuasion. This is vital now more than ever before.

G20, G7: what lessons can we draw from these meetings? What will their effects be in the short to medium term? What influence will Europe have? How do we take our concerns and proposals in terms of peaceful, then sustainable, balanced growth forward in this slowing world economy which is in danger of collapsing? How do we reconnect countries in a world of increasing, ever interdependent exchange, in a time when its success is questioned? And how can Europe, which is becoming strained under Brexit and due to internal, euro-zone related issues, make proposals for progress, both for it and everyone? After this global G20, it will be up to the G7 to provide the answers.

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