China mocks G7, a gathering of debtors, disastrous confrontation

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Vladimir Putin didn’t get an invite to the Angela Merkel-hosted G7 Summit in Bavaria last week, which means the Russian President not only missed out on two days at the scenic Castle Elmau, but also on lederhosen shopping with US President Barack Obama who, judging from eyewitness accounts and a variety of amusing photo ops, channelled his inner Clark Griswold upon touching down in the Bavarian town of Krun. The G7 isn’t pleased with Russia’s ‘behavior’ in Eastern Europe and so, Moscow has been expelled from the cool kids club until such a time as the Kremlin agrees to uphold Western democratic values.

An equal opportunity exclusionist

But the G7 is an equal opportunity exclusionist which means it’s not just former superpowers that aren’t welcome, but rising superpowers as well, which means you won’t be seeing Xi Jinping at the table either.

But “Big Uncle Xi” (as he is affectionately known in China) likely isn’t losing any sleep because in the eyes of Beijing, the G7 — much like the IMF and the ADB — is a relic of a global economic and political order that is well on its way to obsolescence if it isn’t there already.

The Global Times (which, it should be noted, is owned by the ruling Communist Party’s official newspaper, the People’s Daily) has more on why the G7 is largely irrelevant in the modern world.

Via The Global Times:

The G7 summit concluded in Germany last week. Chinese scholars and media barely showed any interest to this outdated informal institution, except for a Declaration on Maritime Security issued by G7 foreign ministers. The declaration expressed their concerns on "unilateral actions" in the South China Sea, with China as the obvious target.

Judging from the agenda and outcomes of this year's G7 summit, it has run counter to the global trend of peace, development and cooperation and become mere of a geopolitical tool.

Aims to maintain the collective hegemony of the US-led West

Since the very beginning of the establishment of the G7, it has been a rich-man’s club that consists of Western major powers and aims to maintain the collective hegemony of the US-led West. It used to focus on the world's economic issues, and then extended to political and security affairs. After the Cold War, Russia was included in this grouping, which almost became the core of global governance and looked as though it might replace the UN Security Council.
However, the other G7 members never treated Russia as an equal partner. Russia was only entitled to discuss politics and security but not financial and economic issues.

As the world entered the 21st century, new economies started to emerge and the world's political and economic center has gradually shifted to the Asia-Pacific. The 2008 global financial crisis forced G7 members into a stalemate, and these nations started to realize that they could only get rid of the crisis with the help of emerging economies. Therefore, the US proposed defining the G20 as the main platform to discuss international economic problems. Within the G20, although the G7, as a sub group, intends to dominate the agenda-setting, the G7 cannot play its role without cooperation from new economies whose voices can be heard more nowadays.

Yet countries such as the US and Japan can hardly accept the rising international status of emerging economies and are reluctant to give up their hegemony. When the financial crisis eased slightly, Western media vigorously propagated the "revival" of the G7. But the economic performance of G7 members meant the summit was a gathering of debtors.

IMF and the World Bank are under the control of G7 members

To some extent, the role of the G7 in global economic governance is negative. The IMF and the World Bank are under the control of G7 members. This is one of the reasons for the low implementation capacity of the G20.

In the field of politics and security, Western powers relentlessly promoted the role of the G7. But the G7 has proved to be unable to maintain regional stability, and has led to chaos in the Middle East instead. After the Ukrainian crisis, the West excluded Russia from the original G8, making the current G7 grouping on the way to becoming a Cold War relic.

Russia and China are main targets of the discussion at this G7 summit. They decided to continue to impose pressure on Russia amid the ongoing Ukrainian crisis. As for China, they focused on issues around the Asian Infrastructure Investment Bank and the East and South China Sea. But it is worth noting that European members have shown a different stance from the US and Japan on both matters.

Whether the G7 will become a geopolitical tool or a Cold War relic largely depends on European countries. Unlike the US, Europe shares a closer geopolitical and economic links with Russia. If the G7 becomes a platform for the confrontation between the West and Russia, it will undoubtedly be a disaster for Europe. Seeking a peaceful solution to the Ukrainian crisis with Russia fits European interests. As for the East and South China Sea disputes thousands of kilometers away from the European continent, these countries needn't necessarily get involved.
During the G7 summit, Japanese Prime Minister Shinzo Abe tried to pull European countries to Japan's anti-China bandwagon. China should continue to stay wary of the Japanese government.

Take with a grain of salt

Obviously this is to be taken with a grain of salt considering it comes directly from the politburo, but nevertheless, there are some important observations here that deserve attention.

For instance, China equates the G7 with the IMF and the World Bank, two institutions which Beijing is well on its way to challenging via the AIIB and The Silk Road Fund. In public, China has been careful to adopt a conciliatory stance towards existing multilateral lenders. This partly reflects the fact that China isn’t eager to ruffle any feathers among the Western countries who took a rather palpable political risk by throwing their support behind the AIIB in the face of fierce opposition from Washington. Beyond that though, adopting an overly critical stance towards institutions whose goals are ostensibly similar to those of the AIIB risks sending the wrong message to countries who depend on supranational institutions for aid. That said, equating the IMF, The World Bank, and the ADB with the G7 before subsequently calling the latter a “Cold War relic” is a kind of backdoor way of suggesting that the G7-dominated multilateral institutions are, by virtue of their leadership, hurtling towards irrelevancy.

Economic growth in the West has simply stalled

Further, the assertion that “the economic performance of G7 members [means] the summit [is] a gathering of debtors” is on the one hand hypocritical (China, after all, is sitting on $28 trillion in debt) but on the other hand speaks to the fact that, even as China’s economic growth slows as Beijing marks a difficult transition from an investment-led economy to a consumption driven model, economic growth in the West has simply stalled out altogether and as for Japan, well, Tokyo has been grappling with a deflationary nightmare for decades, something Abenomics has so far failed to correct. In other words, China’s economic miracle may be “landing hard” so to speak, but there’s certainly an argument to be made that even in its crippled state, the Chinese economic machine is still capable of outperforming the West.

Finally, and perhaps most importantly, China suggests Washington’s dominance has led the G7 to pursue myopic foreign policies that have conspired to stoke sectarian chaos in the Middle East (it’s now almost impossible for the US to keep track of where it supports Shiite militias and where it backs Sunni militants) and create the conditions for a second Cold War in Eastern Europe. The deliberate exclusion of Russia, Beijing says, risks transforming the G7 into what is effectively the political arm of NATO, which undercuts the institution's ability the foster peace and cooperation.

The underlying geopolitical analysis is spot-on
Again, some of this is propaganda served hot and fresh straight from the Communist Party kitchen. That said, the underlying geopolitical analysis is spot-on even if it's presented with a hyperbolic veneer.

The G7, like the IMF and the World Bank, is quickly falling victim to the arrogance of its most powerful members. If an overriding sense of Western exceptionalism is allowed to create the same type of complacency and rigidity that has paralyzed the IMF, it may not be long before the world's emerging powers supplant entrenched political bodies much as they have moved to supersede ineffectual economic institutions.