

Center for Strategic and International Studies

Conference Call on the Upcoming G-7 Meeting in Schloss Elmau, Upper Bavaria, Germany

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COLM QUINN: Hi, folks. This is Colm Quinn at CSIS. I'm here with Heather Conley and Matt Goodman. Heather is our senior vice president for Europe, Eurasia and the Arctic, as well as director of our Europe Program. And Matt Goodman is our Simon Chair in Political Economy.

So I'll ask you, just before we kick off, Heather's going to start first and if I could ask you to mute your phones on your end until questions as we are receiving a fair amount of distortion. So I'm going to hand over to Heather to give us a general overview of this trip and what to expect.

HEATHER CONLEY: Good morning, everyone. I think we still have someone who hasn't muted on the line. We're just getting a little static. So if everyone could just double check and mute, that would be fantastic.

But yes, indeed, a few days away from the G-7 Summit in Upper Bavaria, in Schloss Elmau. No one could say that Chancellor Merkel is not a busy lady, last evening holding an emergency summit to address the Greek bailout situation, which remains unresolved. A few days ago, Angela Merkel hosted Prime Minister David Cameron for the beginning discussion of what a reformed EU would look like in the upcoming British referendum. In Germany itself, you see an increasing spike in anti-Americanism, very much due in part to the NSA revelations that continue to roll out in Germany. And of course, we have the increasingly tenuous cease-fire, Minsk II agreement in Ukraine, and continued Russian military buildup. So Angela Merkel, amidst all of this incredible complexity – economic, political, security – welcomes her G-7 counterparts to Bavaria.

Just to give you a very brief sense of what some of the leadership around the table will be facing, we have, of course, Prime Minister David Cameron, newly reelected, and this will be the first chance that he will meet with President Obama in person after that election. We have Italian Prime Minister Matteo Renzi, who just was slightly bruised over the weekend in some regional elections that tell us that more challenges are ahead. We have Canadian Prime Minister Stephen Harper, who is facing elections in October and will actually be visiting Ukraine on this trip to Europe. And of course, President Francois Hollande, who's – also very political dynamic and increasing popularity of the Front National and the far right popular parties, as well as challenging economics. And of course, the EU leaders will also be around the table: European Council President Donald Tusk, European Commission President Jean-Claude Juncker. Again, very much on their minds will be Greece and, of course, the situation in Ukraine.

Let me just – to give you a little bit of the – again, the geopolitical feel before I turn to Matt, who will talk you through the G-7 agenda and also can give you the perspective from Asia. He's calling in from Taipei.

But let me just take you back a year ago, where the G-7 – the newly reminted G-7 from the G-8 – was really a focused conversation about Russia: about isolating Russia diplomatically from its illegal annexation of Crimea in March of last year and the ongoing efforts to destabilize the Donbass. A year later, I think you have a policy – a transatlantic policy, a G-7 policy – in

some flux. The diplomatic isolation, quite frankly, I think is in question after Secretary Kerry's visit to Sochi, as well as other European leaders making their way to Moscow to visit with President Putin. You have where the Europeans, at the end of June and July, will have to make some decisions about continuing European sanctions against Russia, and there's some question marks about what that process looks like. You have again, as I mentioned earlier, a Minsk II agreement that is barely holding on. And quite frankly, sanctions are having a limited impact. The Russian ruble has stabilized over the last few months, and I think Mr. Putin believes he has survived the worst of this crisis. So what's next? What's the next plan? And I think there's some question marks on that.

Europe itself obviously under increasing pressure, the migration crisis that is very much continuing on – over 4,000 migrants picked up over the weekend in the Mediterranean. And Europe is struggling mightily to develop a plan that helps Europe distribute the asylum seekers, and there's been great resistance to that as well.

And then, finally, economics – something that Europe and the United States has not agreed to – job growth, austerity versus stimulus. Those conversations have unfortunately not come to agreement, and there will be much discussion on the margins, of course, of Greece. And we certainly heard Secretary Lew's comments in Dresden after the G-7 finance (ministerial ?). American concern that the conversation over Greece has a great role or potential to increase global economic insecurity.

So that's the menu on the geopolitics that the G-7 will look at, and I'll turn over to Matt to help you frame actually the conversation and the agenda of the G-7. Matt?

MATTHEW P. GOODMAN: All right. I only have one – (comes on mic) – OK, thanks. I hope everybody can hear me.

I'm just going to talk a little bit about the G-7. First of all, I think the first headline is the G-7 is back. Last year, as Heather said, they did convene a sort of ad hoc summit, having decided to essentially disinvite Russia. This is the first kind of scheduled G-7 meeting since 1997. Russia joined in '98 and it became the G-8, so we're sort of back to the future here in terms of the G-7 as a group. This is also the 40th anniversary of the G-7 summit. It started in 1975 with – as the G-6, actually; Canada was not at the first meeting, but joined in '76. And so this is, in a sense, a reconvening of the world's largest industrialized democracies, which (you'll recall ?) is the distinction of the G-7. When Russia was in it, that sort of threw off both sides of that or both the adjectives "industrialized" and "democratic." But we're back to the sort of original core group.

This is no longer the steering group for the global economy, as it was when it first started. The G-20 has now got that – makes that claim. But this is still a group that, you know, has an important role in setting the agenda, a number of important global economic and political issues. And so, you know, it's worth paying a little attention to.

And just to make clear that they're going to be – just to lead into the actual agenda, I would say that, you know, on the one hand you're going to have a communique at the end of

this. And that's going to go through a bunch of issues, and I'll touch on a number of those. I may not cover all of them because it is going to be quite lengthy, as usual. But then there's what is actually discussed among the leaders in the room, which is – bears some resemblance to the communique, but is obviously a subset of those issues. And you can – you know, you can – you can usually pick out the three or four issues that are going to be most prominent on the agenda, and I'll try to identify those.

So first of all, there's the economic part of the agenda. Again, this was originally a grouping to discuss economic issues. And so that will be really focused on, per usual, a number of headlines.

The first will be growth and – you know, and conditions of global, you know, secular stagnation or the new mediocre, whatever you want to call it. The group is going to be agreed that they need to work together to stimulate – that they all have an interest in greater growth. But I started to stumble because actually what they will stumble over is the question of how to go about getting growth, with a slightly oversimplified schism that one can describe between the U.S. on the one hand and Germany on the other, with the U.S. focused on generating more demand through stimulus measures and Europe focused on or Germany focused on austerity or a supply side path to greater growth. So that's going to be one of the topics of discussion, but also one of the areas of division.

Then they'll go through probably financial stability, tax evasion related issues.

They will talk about trade. And I imagine the conversation will be largely about TPP, which is, you know, close to conclusion, most people think, and then what the bridge from that to a TTIP – transatlantic agreement – might be, since amongst them the seven countries are all in either TPP or TTIP, or both in the case of the U.S.

They'll talk about energy security – you know, diversification of supply, strengthening of energy markets, clean energy, energy efficiency.

And then climate change is going to feature very prominently. It's always – or it's been – in the last several summits it's been talked about, but I think this is one that there's a common interest in trying to generate some agreement among this group on setting ambitious goals for the Paris talks in late November, early December, the COP-whatever-it-is – 21, I think. And so there will be – I think this will be one of the headline issues that I imagine will come out of all this, is some sort of joint and individual effort to address climate. Exactly how ambitious that will be, how precise that will be, I think remains to be seen. But several of the countries have already made some kind of commitments. Japan and Canada have yet to do that, and so we'll see how that plays out.

And then there's development. So development has been part of the agenda for a number of years – even, at this point, probably a decade – in the G-7/G-8. And I think here, while there will be a wide range of issues talked about, including things from – everything from women's empowerment to a range of issues in Africa, I think the main focus certainly of Angela Merkel's interest is health. And so I would look for some, you know, significant announcements – not

big-number initiatives, but I think that she's certainly going to want to put a focus on health, inspired on the one hand by the Ebola outbreak last year in the sense that countries need to be better prepared, that the WHO – the World Health Organization – needs to be – have more capacity to deal with these issues, that countries in Africa and other places – Asia – should have a strengthened health system. I think that will be the main focus. There will be some other things, like taking on, you know, antibiotic resistance and neglected tropical diseases and so forth. But I think health is going to feature fairly prominently here.

Then quickly on the political agenda. So there's – all those are economic-related issues. And then on the political agenda, as Heather said, Ukraine is going to feature prominently, and so I won't elaborate on that. We can talk about that if you're interested.

I'd say the other big issues on this list will be ISIS – ISIS-plus. So let's say you got issues in – Syria, Iraq, Yemen, Libya are the various hotspots in that part of the world, which various G-7 members have more or less interest in. Iran will be another issue that'll be presumably hot, with culmination later this month of a potential – (off mic) – on the nuclear issue. And then a range of other political issues: counterterrorism, human rights, Middle East peace, the DPRK and proliferation. And then maritime security, which the foreign ministers of the G-7 issued a statement about a few weeks ago. So that will probably be among the numerous political issues that they will talk about.

And then, finally, I think that one other issue that will be talked about but not probably explicitly reflected in the – in the communique will be China. I think there is – there is some gap within the G-7 between perceptions of the China challenge, I would say roughly speaking divided between the three Pacific countries in the G-7 – that is, the United States, Canada and Japan – on the one hand and the European members on the other, and a sense of everybody wants good economic relations with China, but those relations are more or less a challenge. And then there are security concerns, which probably the United States and Japan are more concerned about than the Europeans. And I think there will probably be an interest, certainly on the U.S. part, in having a kind of heart-to-heart about China, particularly in the wake of this Asian Infrastructure Investment Bank debacle, where, you know, as you know, the U.S. and its European friends had a parting of the ways.

So I think that is probably the main headlines or highlights of the discussion. Happy to follow up on any of that.

MR. QUINN: OK, folks, so we'll open to your questions. We'll follow White House protocol and have anyone on the wires to put the first question. Thanks.

Q: Hey, guys. This is Justin Sink from Bloomberg. Can you hear me?

MS. CONLEY: Sure can.

MR. QUINN: Yes.

Q: I was just wondering if you could maybe talk about the stakes for President Obama, both maybe in terms of – you know, the Obama Doctrine, his foreign policy being kind of at a point of stress between Russia and the Islamic State, but also this as sort of a last chance to put an imprint down for climate change and other major priorities for him.

MS. CONLEY: Matt, would you like to go first and then I'll follow –

MR. GOODMAN: Yeah. Yeah, I mean, I think – I think Heather will have a perspective on this as well.

But I mean, I think this is – he's certainly – look, President Obama is certainly in legacy mode. He is looking to – you know, to get as much done as he can in his foreign policy agenda. And, you know, one of the issues that I alluded to in passing will be – you know, one of the issues discussed here is the Trans-Pacific Partnership, and ultimately potentially a Transatlantic Partnership, although I don't think many people expect that to be concluded in the Obama administration. But I think he wants to get TPP done and wants to get as far as he can on TTIP, so that's an important part of his – of what he perceives as his legacy.

On the climate, for sure, as I mentioned, that's going to be a high priority for him on this trip. I think that that's one of the remaining to-do items on his list. And so he'll – he's going to want to see the G-7 make a strong statement of ambition heading into that Paris meeting later this year. And so I do think that'll be part of it.

The others strike me as more damage control and management of issues as opposed to actually trying to really advance the ball. Maybe let Heather jump in, particularly on the Russia-Ukraine stuff.

MS. CONLEY: Yeah, I mean, I think there's some – there's some real confusion right now on exactly where the Obama administration is on several policy fronts. Today's meeting in Paris focusing on the Daesh coalition, which is significantly made up of European countries – unfortunately, Secretary Kerry is unable to participate in that. But I think there's a real question about what is the U.S. approach here, and is the plan or is thinking evolving about a new approach, a new strategy.

I could say the exact same thing for Ukraine and the larger policy toward Russia. As I mentioned in my opening comments, you know, the policy was quite robust and rigorous in the first few months after the illegal annexation of Crimea. But it seems to be in a bit of a float. Russia has not changed its behavior. If anything, President Putin I think is doubling down on multiple fronts. And the cohesiveness feels like it's not there. People don't know what's next, how are we going to continue on. So that's why this opportunity with the G-7 summit, beyond the formal agenda which is very meaty, it's going to be a conversation of exactly where is U.S. thinking. And I think all of the G-7 leaders are going to have a lot of questions for President Obama, focusing on what's next, what's the plan.

Just to echo Matt's comments on climate change, this is where the United States and Europe are in complete agreement on the importance of climate change. President Hollande,

he's – the COP 21 summit is a major legacy piece for him. The Europeans view themselves, and certainly are, climate change leaders in some of the targets they've put forward. So certainly the climate change is where there is, I would say on the European and American side, complete agreement.

Q: Can I – can I follow on that? This is George Condon with the National Journal. Can you hear me OK?

MS. CONLEY: Sure, George. Yeah, sure thing.

Q: President Obama made no secret at all in his early years of his disdain for the G-8 and now the G-7. He wanted the G-20. He was – would have been happy to have the G-8 completely abolished and no more – no more summits. Has he changed on that? Has he come around or is he going to be just as bored at this one? And secondly, how is affected at this summit if he loses the TPA vote in the House? And is he boosted if he wins it?

MS. CONLEY: Matt, that's yours. (Laughs.) Oh, please, Matt, be on the line. (Laughs.) Oh, did we lose Matt? We may have lost Matt.

Well, hopefully we can get Matt back on the line. George, I think – and Matt has a closer sense of this than I do – I think the president has always a lack of interest in just, you know, meetings for the sake of meetings. He likes to see results coming from them. And I think in this particular case – I thought there was greater distain for the U.S.-EU summit than the G-7 or G-8. But you know, we obviously want these types of summits to produce tangible results.

In my defense of the G-7, and to pull on Matt's comments, I think actually because of the crisis in Russia, as well as in the Middle East, that this values community actually is a very important group and message. While the G-20 obviously are the right economic leaders, that group of countries does not share values. And so when there is a crisis in the world, we lean towards our values community to impose sanctions, to really enforce and uphold the international system that this body largely created.

So I actually think over the last year it has made this year more important, trans-Atlantic cohesiveness is critical. So whether the president likes these types of shindigs or not, I will leave that up to the – to the White House for comment, but I think this particular moment it's really critical for the values community to speak very clearly not just on the G-7 formal agenda but all of these geopolitical issues that are profoundly challenging to the international system.

MR. GOODMAN: Sorry, Heather, I dropped – the line dropped – this is Matt, I'm back on. Was there a question about how Obama feels about the summits and whether they're useful?

MS. CONLEY: (Laughs.) Yes, and if the TPA vote is lost, the impact of that on the president in this group.

MR. GOODMAN: Well, that would be just – I would say if TPA is lost that's not just going to be a problem for this group, I think that's going to be a major setback for the president

and his agenda, his legacy and would be frankly, I think – I think it would be catastrophic for the U.S. position in Asia, in particular, because this is directly related to getting – it's an essential part of getting TPP concluded, which is essential to the U.S. position in Asia. So I think it would be hugely damaging.

You know, as to whether this is – this is a process that he likes, I actually think we tend to undervalue these forums because they seem like talk shops and they don't often produce, you know, juicy headlines that you guys can use for stories that will catch people's eye. But actually, the conversation itself I think is quite important. It is quite valued by the leaders. If you think about it, these leaders don't have much time to talk to each other, or to talk to anyone. They're quite lonely people because they really don't have peers to consult with very often.

And there's nothing like actually getting together in a – in a group like this, particularly now that it's just likeminded countries and they can actually have a pretty frank dialogue and I think these do tend to be pretty frank conversations. And President Obama, in my impression, does actually value this opportunity to share – to share perspectives with his peers.

As I heard Heather say at the end, they always say in their communiqués – well, sorry – they used to say at the beginning of the G-7 – in the very first communiqué in 1975, they said something like we came together because of shared beliefs and share responsibilities. And they – in the last summit communique last year, which was the first G-7 one, they revived that phrase, shared beliefs and shared responsibilities. And I think you'll see that again.

And I think that is an important piece of this. This is a likeminded group, for all our differences. And when they look at these issues, they have a pretty common perspective broadly about the problem. And they may disagree about the precise solutions to that, but they sort of know how to talk to each other about these issues in a pretty straightforward way. And I think the president values that.

Q: Hello. This is Howard LaFranchi, Christian Science Monitor.

Could you talk a little bit about, you know, after Kerry's trip to Sochi, which was mentioned, and as was also mentioned other leaders, you know, going to – you know, visiting Moscow, contacts with Putin, how that might – so now here we are, back to the G-7s. So where does that really stand Russia's kind of isolation from this group? Is it – are we in the process of – are they re-emerging? And you know, are we likely to be back to the G-8 in coming years?

And then, specifically on Syria, do you expect to see anything specific? You know, there's been a lot of talk about a need or some kind of new direction there. So I'm wondering you expect to see anything out of this meeting on Syria.

MR. GOODMAN: Well, I'll let Heather talk about Russia, but my perspective on the G-7/8 question is that the G-8 is indefinitely suspended. I don't think it'll be reconvened until there's a fundamental change in Russia's position, behavior and the view – the group's view of Russia's value to the group. So I think that the G-7 is here to stay. That's why I said that the G-7 is back.

And I think that there's a sort of new wind in their sails, in particular you can sense that, that they feel much more comfortable with this group. And I think there's no particular hurry to bring Russia back. Whether there might be some value in actually having Russia there to talk about some of these issues is another question, but I don't think that's going to happen in the near term.

MS. CONLEY: Howard, thank you. I think – I think that the policy right now is in transition. You're correct. I think there was – there was great confusion follow Secretary Kerry's meeting in Sochi. I think in the first instance because the Russians immediately portrayed the meeting publicly and the U.S. was a little slow, I think, in responding – exactly what happened, what was discussed.

And again, that always makes certainly our Central European allies quite nervous when they don't understand, is this a new – is this a shift in policy? Was something promised? Was something agreed to? And I have to say, I felt Vice President Biden's remarks last week on Ukraine in some ways was an effort to restate the position, just to be clear that there was not a shift in U.S. policy. That was at least my interpretation of this series of events.

But as I mentioned, we're just – we're just in a transition period. What was put in place last year did – was strong and united for the first several months, but you can just feel that we're now – we need a long-term strategy. And I think the trans-Atlantic partnership isn't quite prepared to sacrifice both economically as well as in enhanced security presence to confront this long-term challenge.

I think if hope is a plan, there's a lot of hope that something will happen that will somehow be able to produce some momentum. I just see – I see the reverse happening. I think it's just a question of, you know, how long this very fragile ceasefire lasts until we roll into something certainly much more concerning. We're monitoring, obviously, recent Russian legislation on these so-called undesirables, the suspected poisoning of yet another very prominent Russian opposition figure.

I mean, these are very concerning signs, in addition to the Russian military buildup. So I don't think we can kid ourselves that the policy and right now the actions on the ground are producing the results we want. The question is, do we need to reassess that policy? And how do we go about doing it? What's the U.S. view? What's the European view? And I think Angela Merkel will, as always, play an important role in that.

On Syria, Howard, I would just say let's see what comes out of Paris today. If there are some real questions about – obviously there's a focus on Iraq, but if there's some questions, whether leaders will pull some of those questions into the conversations about the larger regional challenge over the G-7. I think we just have to wait and see what comes out of Paris today.

Q: OK, thanks.

MR. QUINN: OK, guys, we have time for a few more questions with anyone else who wants to step up.

Q: Yes, hi. This is Hillary (sp) with ARD German TV. Can you hear me?

MS. CONLEY: Yes, Hillary (sp). Thank you.

Q: Oh, awesome. I have a question in regards to the climate issue that will be addressed in Germany. I think Chancellor Merkel is giving it a good push again. She already did that, if I remember correctly – (inaudible). Do you have any sort of specific ideas that you think the United States might be rolling in and around – (inaudible)? Thank you so much.

MR. GOODMAN: I don't. I mean, I don't know what's going to come out of this – I don't know whether Heather has any greater insight on this. I mean, my sense is that, you know, the focus, as we said, is going to be on trying to get a strong – giving a strong push to the COP meeting in Paris later this year. And as I say, the first step is that both Canada and Japan have not yet announced any kind of ambition or target for that meeting.

I think Japan has now committed, when Prime Minister Abe was in Washington, to making such a commitment at some point. I don't think it's going to happen before the G-7 summit. But that's the first step, and then trying to get others to join them. And so I think that's the main thrust. When there's some other specific idea in mind, I personally am not aware of that. But that doesn't mean there isn't one.

MS. CONLEY: Well, and Hillary (sp), I – the only thing I can add – I mean, I suspect that the Europeans are trying to excise the ghosts the Copenhagen in 2009 when they were left out of the room when the most important decisions were made on, you know, the levels and things. Again, I think, as you rightly said, Chancellor Merkel and other European leaders, when the Obama administration first came into office, just lined up coming into Washington. And climate change was on the top of their minds because of the Copenhagen 2009 summit.

I think, again, they'll – I think they'll be seeking some reassurances that Europe will remain a critical voice at the table, in addition to bringing in the emerging economies that obviously need to step forward as well. So I'm sure some of that is just demonstrating European leadership and wanting to be at the table fully in Paris when key decisions are being made.

Q: This is Nedra Pickler from the AP.

Heather, can you expand a little bit on what you said at the beginning about a spike in anti-Americanism there in Germany and what kind of climate President Obama's going to be going into over there. And can you just talk about how the view of America has changed since the NSA revelations and since the president has tried to repair that relationship.

MS. CONLEY: Yeah, thank you. It's a tremendous question because while we tend to view a lot of the impact of the NSA revelations in Europe as subsided, they have not subsided in Germany.

In fact, just very recently yet another very highly explosive just came out in Der Spiegel, suggesting that the Germany intelligence agency, BND, was collecting information on Airbus and others, and there's been a real challenge, I think, and Merkel's coalition partner, the Social Democratic Party, has sort of used this to drag – to harm Chancellor Merkel's popularity. And so this issue remains very live and very potent for – you know, for political purposes. And in some ways, it is being used as a very overt attempt to, I believe, weaken the chancellor and all that she's doing – whether that's vis-à-vis Russia or in other areas.

You know, my critique of this is that the Obama administration was quite slow to understand the dramatic domestic impact that this story had in Germany, and that it continued to have legs, so to speak, for quite some time. But I think after a period of time when they saw the damage that this was doing, they did try to put in some dialogue, with Chief of Staff Denis McDonough having a dialogue, and really trying to work the issue. But I will tell you – and this issue is being used in multiple ways to increase, I think, anti-Americanism in Germany and to weaken the chancellor.

You have on top of this, just to bring in one that Matt mentioned about the Trans-Atlantic Trade and Investment Partnership – this too has become an increasing vehicle for anti-Americanism. TTIP has always been sort of behind, if you will. In, you know, the Trans-Pacific Partnership, that's always been ahead of the line. But now it's sort of slowed and groups – very, very strong organizations, civil society is very much against this, which is also another vehicle for anti-Americanism.

So the Pew Global Survey came out last year that had a very high unfavorable opinion poll. And I think it's only increased over the last year. So you've heard of, you know, the reflections, the comparisons when then-Senator Obama was greeted in 2008 in the Tiergarten, you know, there was such great euphoria, support. You know, looking at this six years later, the mood in Germany has considerably darkened against the United States. And I think that's something we really have to focus on. And this NSA issue has been a real harmful wedge in our bilateral relationship.

MR. GOODMAN: Can I just add one point? I think – you know, defer to Heather completely on the German situation.

The one thing is TTIP, I think, is an unfortunate sort of perfect storm, to use an over-used expression, to anti-Americanism, anti-globalization, and anti-Brusselsism in Europe, is my impression. So it's sort of a conflation of a bunch of different things. You know, and part of it is certainly the American piece, but I think, you know, there are a number of factors there that are playing into the anti-trade, anti-TTIP debate.

MR. QUINN: OK, folks, I think we'll wrap it up on that. Thanks for joining us, Matt and Heather. We'll, of course, be sending a transcript of this out shortly, before the afternoon is out. And so just take a look at that in your inbox. And thanks a lot for joining us.

(END)

