

Center for Strategic and International Studies

TRANSCRIPT

Press Call

“Previewing the G7 Summit”

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INTRODUCTION

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H. Andrew Schwartz:

This is actually Andrew Schwartz at CSIS. Caleb's going to jump on for me in a couple minutes. But thank you all for joining us today for a preview of the G-7 summit in France and President Trump's visit to Europe in early September. CSIS experts will address the issues likely to be brought up at the meeting. And of course, you can ask questions as soon as they go through their opening remarks.

So, I'd like to start off by introducing my colleagues. We have Matt Goodman, who's our Simon chair in political economy. Matt is going to cover the broader significance of the G-7 and expectations for the global economy. We have Dr. Jon Alterman, director of the Middle East Program. Jon will cover ongoing tensions in the Middle East. We have Nick Szechenyi, who is a deputy director of the Japan chair. And Nick will talk about the significance of the G-7 to Japan and the Trump-Abe relationship. Finally, we have Heather Conley, who is the director of our Europe Program. And she'll wrap it up. Heather will cover the EU perspectives going into the summit and President Trump's visit to Warsaw and Copenhagen in early September as well.

After their remarks, we'll take some questions, which Caleb is going to moderate. And following that my office will be sending out a transcript to all of you. Thank you all for joining us on this extremely warm summer morning in Washington. We're glad you could call in and didn't have to schlep into CSIS. But we do have the air conditioning on. So, thanks for being here with us virtually.

Matt, to you.

Matthew P. Goodman:

OK. Thanks, Andrew. This is Matt Goodman. So, for those of us who regularly watch these summits, it's – sort of sometimes feels like the guest in the big, scary mansion who gets up in the middle of the night because they hear a noise. And they take a candle and walk down the hall, and there's a door at the end of the hall. And you're sort of terrified as to what you're going to see behind the door. And I'd say that's the way I feel about this summit. It's really uncertain. There's so many uncertainties around this summit that I think it's very hard to give a sort of advanced set of predictions about what might happen.

But just to review, this is – I think it's something like the 45th time that the seven largest advanced democracies – and that choice of words is very important; those are still the seven largest advanced democracies – the United States, Canada, four European countries and Japan will be meeting in Biarritz on August 24th through 26th.

They got together in the mid '70s to talk about the big shock to the global economy at the time, which was the oil shocks of that decade. And that focus on the global economy has always been, in theory, the kind of central organizing principle of this event. But, in fact, you know, of course, over time lots of other issues have intruded.

But on the global economy, there's plenty to talk about. As you know, the outlook for the global economy is weak and uncertain because, as you look at the big five economies in the world – the U.S., China, Japan, Germany and Britain – and you think about the economic challenges that each of them faces – the U.S. story I think most of you know well, and the risks and uncertainties here despite the continued pretty decent growth performance and – (inaudible) – but risks and uncertainties ahead.

China is slowing and facing a number of headwinds, which we can talk about if you're interested. Japan has been not performing that badly, actually, for Japan, but some risks ahead, including an increase in the consumption tax later this fall, which could set back growth. Germany is on the brink of a recession, and that seems now – the central bank is now, I think, predicting that the third quarter is going to be negative again. And then Britain – again, we all know the risks there, that, you know, on Halloween we could have a no-deal Brexit, which could really set back the world's fifth-largest economy.

So it's an uncertain growth outlook. And that's what they should be talking about and probably will in the room and on the margins. But I think the conversation about that is going to be over – I wouldn't expect a whole lot of coordinated effort to deal with those issues. I think there's just not a lot of scope for coordination on economic policy, plus the conversation is going to be just overwhelmed by discussion of a few – well, a bunch of other topics.

One related to growth, which is trade, is obviously going to be central. There's a lot of disagreement in this group about what to say about trade. I mean, basically, it's six against one on this subject. The U.S. is the outlier that is not comfortable with some of the traditional nostrums of this group on free trade, although at the G-20 summit in Japan in late June the U.S. did sign on to language about, you know, working together to promote free, fair, nondiscriminatory, transparent, et cetera, trade and to keep markets open and to work on WTO reform and some other, you know, reasonably positive things.

And so there's hope that something like that may emerge, but I think less likely than the likelihood that they will not agree on trade, and maybe not even agree on a communique as a result. Last year there was a communique developed, but the U.S. – President Trump famously did not sign it after a dispute with host Justin Trudeau sort of as they were leaving Quebec, where the last summit was held.

And then the other issues that will be prominent, just in the sort of broad economic space, are tax issues. The G-7 and G-20 have worked on tax cooperation, but that's been kind of overwhelmed by a move in Europe to move ahead with a digital-services tax, at least in France, and other countries are considering that. They couldn't agree on an EU-level-wide tax thus far, but France has gone ahead, and others seem to be getting ready to follow. And as you know,

that's been a big issue here with our digital companies yesterday at a hearing here complaining about that but also not wanting the U.S. to retaliate. But that's going to be a source of concern.

And then climate change has been another issue where there's this sort of six-plus-one dynamic going on on that issue. They've in the past sort of agreed to disagree on that issue. But we'll see; that could be another thing. And then, on top of that, you've got a whole bunch of other issues going on in the world, from – you know, from Hong Kong to Argentina to concerns about Ebola to a number of other things that will probably – Iran and Russia, of course, other issues that my colleagues are going to talk about. And all of those will be part of the conversation and part of a communique in some form, if there is one issued. But it's sort of a grab bag.

Oh, one other small thing, just if you're sort of following these things, in addition to the seven countries that I mentioned that will be there, you'll also – the French have decided to invite, I think, eight or nine other countries. Four large democracies – Australia, Chile, India and South Africa – and five other African countries, the African Union – or, five representatives of Africa – the African Union, Burkina Faso, Egypt, Senegal, Rwanda – will also be there. And a higher – bigger presence of civil society groups than usual. France has put a big emphasis on that, particularly gender equality related organizations. So that's a big thing with the French.

I think that's more than enough. So, I'll pass it over to Jon.

Jon Alterman:

Thank you very much. And thank you for calling in.

I think it's probably most helpful if I put on my Brzezinski chair in global security and geostrategy hat for most of this, because it seems to me that what's significant – as Matt hinted at – is this is Trump 3.0 at the G-7. And the first time was surprising, and people weren't really sure how to deal with the president. The second time they thought they could – had figured out how to deal with the president, and they were wrong. And now there's really a – I think a sense of we think we have this right. Many of the leaders coming have developed reasonably warm relations with the president. And they are hoping that they can make this work.

I was struck when I was reading the France 24 preview of the summit this morning that had the paragraph – or the sentence, “The U.S. president makes or breaks international meetings depending on his mood and the content of his Twitter account.” That the host country's news is obviously so uncertain about where this is all going strikes me as a real change from where we've been. There's no question that there has been a complete realization on the world stage that the U.S. is not playing its traditional role, may never again play the role it's played for 75 years. But it's unclear what role the United States will play, and what the consequences of that might be.

And it feels to me like this is a summit where leaders will be trying to work that out.

One of the immediate things that I think we're seeing is France trying to fill much of the gap. And Javad Zarif, the foreign minister of Iran, will be in Paris the day before doing meetings. I think the whole idea of world order is something that these other countries think a lot about, are quite preoccupied with. And they're worried about how to sustain it without American leadership for world order. Iran is the obvious case, partly because in their – in the minds of the other leaders there, the world got together and worked out a deal to manage Iran's nuclear ambitions. The U.S. walked away from the deal. Trying to maintain some semblance of a deal, trying to bring the U.S. back into the deal, trying to contain the Iranians absent a deal the U.S. is a party to is something that keeps the Europeans up at night.

I was just talking with some senior Iranians. And their view is, the only path forward is to somehow reinstate the deal. So I think the French, among other things, are going to try to bring other countries around. It seems to me that in many ways their ambition with the United States isn't to get American help. It's to get American acquiescence. How that plays out, whether the president will acquiesce, whether they will actually have a plan remains unclear to me. It seems to me that the real issue here is that the world has to respond differently as the U.S. acts differently. Some of that is actually desirable as the world takes fewer things for granted, as the world takes more action. But it strikes me at the same time, some of those things are undesirable as countries act in ways the U.S. would prefer they not act.

Now, what the cost-benefit calculation is, and whether the U.S. is actually doing better by spending much less and getting a little less of what it wants on the world stage, or spending much less and getting much less of what it wants on the world stage, the way instability overseas is going to affect the U.S. at home – I mean, all those things are things that will work out over the next several decades.

But it feels to me like this is the summit where the leaders expect – they have figured out how to deal with this president, they have begun thinking in the long term how to deal with a different U.S. role on the world stage. How well it works out, whether they end up being surprised, or whether they end up having calibrated it fairly well is going to be what either makes or breaks this summit going forward.

I think it's – and we'll turn it over to Nick Szechenyi, who will give us the Asian view.

Nicholas Szechenyi:

Thanks, Jon.

I'm going to talk primarily about Japan and the U.S.-Japan relationship in the context of the G-7. Prime Minister Abe of Japan has been in his second term in power since the end of 2012 and is pursuing a national security strategy and foreign policy strategy that's fundamentally about enhancing Japan's leadership role to maintain a rules-based international order. And therefore, Prime Minister Abe personally is very committed to opportunities such as the G-7 for leading industrialized countries to get together and take stock of what's going on in the world.

In addition, the fact remains that Japan's national security and foreign policy strategy is anchored in the relationship and alliance with the United States, and he is expected to meet with President Trump on the sidelines of the G-7 to address several issues that are animating the bilateral relationship. And let me just go through a few of them.

The first – and the issue that will probably take up most of their time – is bilateral trade. The U.S. trade representative, Mr. Lighthizer, is meeting with his Japanese counterpart in Washington this week, and there is a chance, if progress is made in the negotiations, that Prime Minister Abe and President Trump might have something positive to say on that front when they meet at the G-7.

Very briefly, the Trump administration would like more access to Japan's agricultural market. Farmers in the U.S. are suffering and are looking for markets in which to export their goods, and they are losing market share in Japan to Australia, which is a member of the Trans-Pacific Partnership, and European countries, which have separately struck a trade deal with Japan. So, there is a lot of pressure to crack open the Japanese market for U.S. farmers.

However, the political mood in Japan is driven mainly by a desire to get the United States back into TPP, and I think among legislators in Japan the reaction to U.S. demands on trade is, well, you had all these concessions in TPP and you walked away. So, the question from a Japanese perspective is if Japan grants agricultural market access, what is the United States going to offer in return. So, it seems like the dialogue is centered mainly on reducing U.S. tariffs on auto parts and removing the threat of additional tariffs under so-called 232 provisions. And that would be kind of a core demand on the part of Japan.

Of course the president would like to strike a deal with Japan in the lead-up to his reelection campaign, but I think it's also important to point out the Japanese political context for this. Any agreement that the two governments reach would have to be approved by the parliament – or the Diet in Japan, and the timing here is critical. There will be another session of parliament that starts in October, so for the parliament to consider this in this fall session, the two governments would have to move very quickly.

Another scenario envisions parliamentary debate next calendar year, and the longer this drags on, the longer it could take to bring this to fruition. So, there's some reluctance in Japan to move very quickly because I think in political circles people are still stung by the administration's withdrawal from TPP. Nonetheless, the Abe government is negotiating in earnest, and the optimistic scenario envisions the president and the prime minister perhaps announcing some kind of agreement this September on the margins of the U.N. General Assembly meeting in New York. So trade, a very big theme.

Another theme that could come up is North Korea. Prime Minister Abe has met with the president several times in recent years – and several times this year – to address issues related to North Korea. And I think right now there's a perception in Japan that the president is not so concerned about short-range missiles, given all the tests that North Korea has done in recent weeks, and is really more concerned about long-range missiles that could reach the United States. And that sends a very bad signal to Japan, which is on the front lines of this challenge.

And therefore, I think while the Abe government supports the U.S. administration's efforts at diplomacy with North Korea, Prime Minister Abe could try to use this meeting at the G-7 to take the conversation with the president back to the themes that they've been addressing previously, namely the importance of complete denuclearization, a verification process for that, and make sure that any agreement addresses both ballistic missiles and nuclear weapons, and also human rights concerns about North Korea, including the issue of Japanese citizens who were abducted in the 1970s and 1980s, which the prime minister and the president have talked about several times. So North Korea is also out there.

Third issue that could come up is Iran and the U.S. interest in having Japan participate in some kind of coalition of the willing on maritime security in the Strait of Hormuz. Japan is deliberating this, but there's several considerations involved. One is the fact that Japan maintains diplomatic relations with Iran. Very dependent on energy imports from the Middle East. Public opinion in Japan: A recent poll showed that a majority of the Japanese public does not support Japan participating in some multilateral initiative.

And finally, there is pressure from the president, who used his last visit to Japan for the G-20 Summit to complain about the U.S.-Japan security treaty and how the U.S. has obligations to defend Japan, and Japan doesn't do anything in return. And therefore, the president could be looking for Japan to step up and might be expecting some sort of participation in this coalition in the Strait of Hormuz. So, we'll see where that leads, but this could be another issue on the agenda.

Another issue that could come up is the recent tensions in Japan-South Korea relations. The president hasn't commented on this much other than to tell the U.S. allies to get along. And at the same time talk about a beautiful letter that he received from Kim Jong Un. I don't really think that the U.S. can play a formal mediating role on this issue. But it is important for the United States to talk about shared interests with Japan and South Korea, including trilateral defense cooperation. And next week, Assistant Secretary of Defense Schriver is going to be at CSIS to talk about that very subject.

So, in conclusion, Prime Minister Abe has been very skillful in leveraging his personal relationship with President Trump to keep the U.S.-Japan relationship on track. But recently, the president has publicly aired some grievances about Japan, and so this relationship could be entering a more challenging phase if, at this G-7 venue, the president also chooses to place demands on Japan rather than talk about the shared interests that create such a strong bond between the two countries.

Let me stop there and turn it over to Heather.

Heather Conley:

Well, good morning, everyone. Thank you so much for being with us. I'm sorry this has gone on a little long. I'll be pretty brief and then we look forward to your questions.

In some ways, we've already seen what I will call G-7 preseason with French President Macron meeting with Vladimir Putin yesterday. The G-8 no longer meets, but Mr. Macron was attempting to bridge that as best he can. And I think pulling on Jon's comment, this is why President Macron is seeing Zarif again. I think this is an awesome opportunity for President Macron to demonstrate a lot of French diplomatic activity in a variety of places.

The preseason also is sort of a preseason for Prime Minister Boris Johnson. He'll be having his first European face-to-face. He will be in Berlin on Wednesday meeting Chancellor Angela Merkel and then he will meet with President Macron on Thursday. And so very much as Matt was saying, we sort of view this through the lens of can we improve on Charlevoix – last year's G-7 – where Chancellor Merkel, after the meeting, described the G-7 as sobering and a bit depressing and, of course, we all remember that infamous photo. So, I guess we'll see if there's a photo contest for the G-7 in Biarritz.

On the European agenda, for me, I bucket this in two ways. It is bilateral watch, so we're going to be watching a lot of the substance that comes out of several bilateral meetings, and then my other life duty for the next 72 days is Brexit watch. So let me start with the one bilateral that I'll be watching very closely is Prime Minister Johnson's formal face-to-face (clears throat) – excuse me – with President Trump. Although they just spoke again last evening, over the last two weeks they have had four calls exchanging views, so they probably put a lot of that agenda forward already.

But I'm going to be looking for discussions between the U.S. and U.K. on Iran, which, of course, there is some difference of opinion, both the U.K. supporting the U.S. military operation in the Strait of Hormuz but also not leaving the EU three – the European position on the nuclear agreement, so sort of squaring that circle a bit, and, of course, frustration with the decision that came out of the government of Gibraltar.

There's a big difference on climate. Boris Johnson views himself as a real climate activist and wondering if that conversation will make the bilateral agenda with President Trump, and then there is real differences on Huawei and, really, how the U.K. sees Chinese investment. So some other issues to watch other than President Trump's support of Brexit and a future U.S.-U.K. free trade agreement, which Congress is most notably, at least the Democrats in both the House and the Senate, are not supportive of.

Again, on the bilateral watch, I don't believe the White House has announced its bilateral meetings other than the one we know with Mr. Johnson and we assume the president will sit down with President Macron. Again, Iran will play very prominently on that bilateral agenda.

So, let me just move extremely quickly to the following week. President Trump goes back to Europe for two stops – going to Warsaw, Poland, August 31st to September the 2nd, and then we believe that he will be going to Copenhagen for a state visit September 2nd through the 3rd. So on Poland, just – you know, the intensity of the U.S.-Polish bilateral relationship cannot be underestimated. Just to go back over the list, President Trump visited Warsaw in July of 2017, gave a major speech. Polish President Duda was in the Oval Office September of 2018. The Poles hosted in February of 2019 the Middle East Summit very much at the U.S. request, which was a focused conversation on Iran.

Then President Duda was welcomed back to the Oval Office in June of 2019 and now – and where the president accepted his invitation to honor the 80th anniversary of the beginning of the Second World War. So incredibly intensive. The timing of this visit, though, is perhaps in part President Trump supporting the Polish government. Polish parliament elections are held on October the 13th. Right now, the Polish government, led by the Law and Justice Party, is certainly in the lead. But this is very close to a parliament election and could be seen as, of course, President Trump's support for the Polish government.

Two things that I'm going to be watching for in this visit is where the president actually goes. When he was there in 2017, he did not visit the Warsaw ghetto uprising – the 1943 Jewish uprising. He received some criticism for that. Ivanka Trump did visit it but not the president. It's the first time an American president who had

visited Warsaw did not visit there. And this sort of brings into focus great tensions between Poland and Israel and this is really Poland, the Polish government in particular, as Polish nationalism is on the rise, is grappling with its own sense of understanding of responsibility of Poland during the Holocaust and this is raising great tensions with Israel. I'll be interested to see if President Trump raises the specific issue of property restitution, something that the U.S. government has focused on. And just that's going to be an important part of this conversation. So that's to watch out for.

The other one is whether the president visits U.S. forces in Poland. Right now, the United States has 4,500 forces placed in Poland. When President Duda was in the Oval Office in June some additional plus-up forces were there. And, again, this is to support NATO's enhanced posture on its eastern flank to prevent any Russian aggression. I'm sure energy diversification will also be on the topic. Poland does import U.S. LNG and has been very vocal against the completion of Nord Stream 2 pipeline. So that's sort of a brief overview and some things to look out for on the Polish stop.

Now I'm sure I will give you all a quick exam on the end of this press briefing on Greenland, because you have been well educated on a variety of facts related to Greenland, which is sort of now put this issue of the state visit with some question marks. And the president gave a quick interview on Sunday evening. He seemed to suggest that he wasn't sure he was going to go to Copenhagen. The White House announced this state visit on July 31st. And it has some speculation in the Danish press wondering whether, in fact, this visit will occur.

I think this story went from sort of a ha-ha, open for business not for sale, and has now gone into the not funny category with the Danish prime minister, you know, saying that this was absurd, let's move on. And of course, the president's tweet last evening, sort of keeping this story going. Both the U.S. and Denmark need to embrace their inner hygge and get back to a more comfortable bilateral place, because Denmark is an incredibly strong and important ally, a military ally. They have served with us in Afghanistan, in Iraq. They've contributed to the anti-Daesh coalition. They have provided troops to the eastern flank, to Estonia, to strengthen NATO's collective defense. They are a strong economic partner. And of course, the fact that Thule Air Force Base, the northernmost U.S. Air Force base, is in Greenland, this is really another important part of our defense relationship with Denmark, and in partnership with Greenland.

This is the first time the president would meet with the new Danish Prime Minister Mette Frederiksen, who has a coalition of left-leaning parties. The platform, though, is highly anti-immigrant, but very socially liberal. Very focused on climate and equality. Nord Stream 2 may also pop up in that bilaterally conversation. The Danish government has really quite delayed Nord Stream 2 because

it potentially could cross through its either territorial waters or exclusive economic zone. And in fact, it has slowed it so much that it may require the Russians to negotiate with the Ukrainians on an extended gas transit agreement. So, energy will possibly come up as well. And so, if we have a photo contest after Biarritz, I'm looking forward to the photo contest in 2020 when the United States chairs the G-7.

So, with that, thanks, Caleb.

Caleb Diamond: Thank you, Heather. And I think with that, we'll open it up to questions.

Operator: (Gives queuing instructions.)

And our first question comes from the line of George Condon with National Journal. Please go ahead.

George Condon: Yeah. That's George Condon.

I am struck by how much all of you are describing a really dysfunctional –

Caleb Diamond: Excuse me. Could we just pause quickly? Operator, could we turn the volume up? It's hard to hear on our end.

Operator: Sure. I'll see what I can do. Just a moment.

Caleb Diamond: Go ahead, George. George Condon go ahead.

George Condon: I'm struck by how much all of you are describing a really dysfunctional alliance. So, let me ask a question that would be unthinkable at any other G-7 summit since President Ford started these Rambouillet. Is the president of the United States – does he consider himself the leader of the alliance? And do the – right now? And do the other leaders really consider President Trump the leader of the alliance?

Heather Conley: So, George, this is Heather. I just offer my reflection and then turn to my other colleagues.

What I think we're starting to see is the institutionalization of what I now call the six plus one, which is the six other countries and the United States. And we started – we saw this at last year's G-7 at Charlevoix. And for me, it harkens back to that memorable op-ed that Gary Cohn and General McMaster co-authored that America first is not America alone.

What we're seeing, I think, is the institutionalization of America alone, where you have now – I think this week we will see President Macron in France attempting to lead the six in a cogent way. Sometimes you've seen Prime Minister Abe do that on trade,

particularly as it dealt with China and state-owned enterprises and forced technology transfer through sort of the WTO, so the U.S., EU, Japan. And that's because someone has to step into this gap.

And so it's – we're in this unusual dynamic, which, of course – (inaudible) – have been viewed as the leader. Now the other countries are trying to figure out who takes up the new mantle, and can they hold on either until the U.S. returns to that leadership role, if it will, or are they going to have to survive in these six dynamics without the U.S.?

Jon Alterman:

This is Jon Alterman.

Yeah, I think we in the United States often lose sight of the disparity between U.S. power and the power of other countries around the world. I mean, our economy is so much larger. Our military capacity is so much larger. Our intelligence capacity is so much larger. Our governmental capacity is so much larger if we integrate across all the agencies.

And I think the important thing to keep in mind is that if the U.S. isn't using that disparity to bear the burden for others, the U.S. is still a preponderant actor, but it's not always acting in concert with its allies. It is not making the traditional sacrifices that Americans have made in order to lead the world in a more multipolar direction – not multipolar; in a more unified direction, I should say.

I think what we're going to see out of this summit is, on the one hand, an effort by countries and the leaders to align with the president, but also an understanding that we'll have to do more without the U.S. president. The question on everybody's lips, when I travel overseas and when I talk to both businesspeople and foreign governments and others, is whether this is a blip or whether it's an enduring change in the U.S. role in the world.

And the consensus has become we simply don't know. We simply don't know. And so, I don't think we're going to see people beginning to discount the United States. I don't think you're going to see people looking to build institutions that bypass the United States. But there is a reality that there will – they have to be prepared to do more without the United States, and they aren't really sure exactly what that looks like.

Again, Mr. Macron is going to try to do some of it. I think Iran is going to be one of the issues where he tries to get U.S. acquiescence – (inaudible) – something that looks like European and Japanese leadership.

Caleb Diamond:

Go on to the next question. Louder. Thanks.

Operator:

The next question comes from the line of Yamiche Alcindor with PBS. Please go ahead.

Yamiche Alcindor:

Hi. Thanks for taking my call or taking my question.

I have two quick questions. The first is you've all talked about this six-plus-one dynamic, and I know that that's true on trade and on climate change. I'm wondering if someone could just run down what other issues you see that dynamic of six plus one playing out in stark ways.

And the second thing is what was – if at all – the impact of the U.S. not signing the joint communique last year? Was there any lasting impact that might bleed over into this year?

Matthew P. Goodman:

This is Matt Goodman since I think I mentioned the six plus one. I'd really probably more accurately call it seven minus one on some of those issues. But, you know, you're right. I think trade and climate are the two that everyone is talking about and where I think there is the greatest likelihood that there will be a divergence. The only question is whether they will find some form of words that, you know, they – as they have done in the last few G-related summits to square the circle by giving the U.S. a little bit of what they want on trade, about making it non-discriminatory, you know, fair, reciprocal – to using those adjectives and so forth while preserving, you know, some of the other elements.

And similarly, on climate change, you know, having a form of words where the six agree to move ahead since Paris, and the United States has a separate paragraph in which it says it disagrees, but it believes in energy efficiency and other good outcomes.

I mean, I would say the tax issue that I mentioned – the digital tax issue is one on which I think there is going to be quite a disparity of view. Certainly, the European countries – the U.K., Italy – are talking about following France. I don't believe Germany has shown its hand on that particular issue yet, and Japan also is not at the moment looking at a digital tax, although they are looking at other regulation of digital platforms which I think is causing some anxiety among some of our digital service providers. So, I'd say those are the big ones.

You know, I think on other things – just to put it on a more positive note – I think there is more agreement on – I mean, I think there will be – if Ebola is talked about, I think there has been a history of the G-7 actually, you know, doing some useful, coordinated efforts to address global pandemics and health-related issues like that. That could be one on which you could see some positive movement. On gender equality, gender issues, there has been a pretty good track record in the G-7 on those issues, and last year there was some positive language in Quebec.

As for the communique, just quickly, I mean, you know, look, it's a piece of paper that is worth the piece of paper and not a lot more on

one level, although, you know, as a summit watcher I always defend these things. They're useful in getting, you know – giving the bureaucracies in each country an ability to hold that up that – well, your leader signed off on this agreement, this commitment, and so you need to follow up. So, it – and when it works best, and particularly U.S. officials use these documents to be able to say, well, look, your leader agreed to this, so we're going to follow up on this.

So, for example, in the G-20 there was agreement on Prime Minister Abe's concept of data free flow with trust, which is to sort of establish a kind of basically free approach to data governance. And China signed on to that, and so this is an opportunity for the U.S. and Japan and others to, you know, push that in front of the Chinese.

So, if it isn't there, it's harder to do that, and I think that's the loss of not having a communique and not having had one last year. But, you know, frankly, you know, the bigger story from last year was the spat between, you know, President Trump and Prime Minister Trudeau. You would think they would be, as close neighbors and partners and allies, working pretty much in concert. They may or may not get along, but they generally, you know, sort of – the leaders of Canada and the U.S. don't have this kind of ugly public dispute. And, you know, to have the president walking away and criticizing the Canadian prime minister was pretty marked, and then, you know, the president's advisors – like Peter Navarro famously said there's a special place in hell for people who criticize or backstab our president. And, you know, that kind of thing is very damaging in higher diplomatic terms. You know, the actual loss of the communique is harder to, you know, say that's going to be – you know, significantly bend, you know, the course of global affairs over the next year or two.

Heather Conley:

I would just – this is Heather. I would just add on I think that the thing it does, though, it's a statement of unity on major issues, and when we do not have a unified statement, this allows competitors, adversaries – they understand that, hey, there are some things to play and so it really – no one paid attention to communiques and declarations. I will say now they are a point of great focus. But this is where we are stronger when we are unified. And when we are at a 16-plus-1 and when there's divisions, our competitors can pull us apart, or conquer and divide.

Matthew P. Goodman:

Right. I'm nodding vehemently, fiercely. (Laughter.) Yes, thanks.

Next.

Operator:

Our next question comes from the line of Howard LaFranchi, with Christian Science. Please go ahead.

Howard LaFranchi:

Yeah, hi, everybody. Thanks for doing this. I guess my question would be to Matt, but anyone else could jump in. It's kind of a broad

question, but you mentioned in your opening, Matt, about the big five economies.

And I was thinking – and I was in India in June when the newspapers and the media was full of celebrations that they would surpass Great Britain as the fifth economy this year, I guess. And whether or not that's true, I don't know. But anyway, it just got me thinking.

So, you also mentioned this all started at Rambouillet in the '70s. So, what purpose really does the G-7 serve now, and has it been overtaken by the G-20? Or is it kind of like the Security Council that's stuck at its post-war number that everyone agrees, well, it's time to reform it but no one can do it? And so, what purpose does this gathering really serve now, G-7?

Matthew P. Goodman:

Yeah, no, good question. This is Matt Goodman.

So, first of all, you're right that on the trajectory they were both on last year, India would overtake Britain as the fifth-largest economy in the world, and Britain narrowly the sixth. In my business, in the global economics business, five, six, they're both big economies, and so they're significant.

But that gets to, as I told you at the very beginning, I chose the adjectives very carefully. This is a gathering of the seven-largest advanced democracies, and that is still true of the seven core countries in this group. India is a democracy, but not yet advanced. China is advanced, but not yet a democracy – if it ever will be. And so that is significant and gets to your second question.

In theory, there is, I think, a lot of scope for a group of the largest advanced democracies to show unity on certain important issues in the world, starting with the global economy but also including issues like the transnational challenges of terrorism, or proliferation, or pandemic disease, or other topics that happen on a transnational basis, and to have this group of countries that quote-unquote are “like-minded” in principle is potentially powerful.

The Obama administration, after the global financial crisis, when they came into office, there had already been one G-20 Summit, but they not only hosted a third summit – there was one in London early in their term, and then in Pittsburgh later that year in 2009 – at that Pittsburgh Summit, the Obama administration declared the G-20 as the new preeminent international organization for global economic cooperation. And so, they kind of deliberately put the G-7 in a different bucket.

But they continued to engage in the G-7, and I think in principle because this is a unique group of countries that still in principle have a lot of things in common and have a lot to talk about, and certainly in terms of their shared interest, if not shared values. And

so, I think that is the potential power of the G-7 still. But of course, as we've all talked about – and Jon eloquently put out in his original statement – there's a lot of gap between that theory and the reality today of the G-7.

Jon Alterman:

This is Jon. If I can just add one sentence to this.

So, it feels to me like the G-20 is like, you know, a big wedding with lots of people. But the G-7 is a small family gathering. These are people who are coming from the same kind of place, the same orientation. It's not people who you start from a sense of their differences. It's a people from whom you start with a sense that there's unity of interest and a unity of approaches, and we all should be working together. We all are working together. And that seems to me the distinction between G-20 and G-7.

Caleb Diamond:

Good point. Next?

Howard LaFranchi:

Thank you.

Operator:

Our question comes from the line of Marc Champion with Bloomberg. Please go ahead.

Marc Champion:

Yes. Hi, and thank you.

Just very quickly, I'd like to play devil's advocate just a little bit. And to – you know, I was imagining, if I was Trump, how I'd feel going to this G-7. And I would have thought I'd feel a little bit better, actually, than either of the previous ones that he's had to go to that he very, you know, clearly didn't enjoy. You know, he's got Boris Johnson there, who is, you know, if not a soulmate, they've certainly got a lot in common, a lot situationally. And certain – you know, he's called in Britain Trump. He's also quite dependent on Trump. He needs some stuff from him, even though, you know, you've rightly pointed out a lot of the difficulties.

And then in Italy, you know, Salvini won't be here. And there's a lot of, you know, political shenanigans going in Italy right now. It'll be Conte, who's much more, you know, mainstream. Nevertheless, you know, if I were – I would wonder, if I was Trump, whether, you know, that six plus one, or seven minus one, you know, might be able to turn that around a bit and make it more like five plus two or, you know, even four plus three. Just wanted to, you know, ask you why you don't see it that way.

Heather Conley:

Thanks, Marc. This is Heather.

You are right. The president will feel he has some kindred spirit in Prime Minister Johnson. This is why I think it's going to be so interesting. If the president refuses to sign the communique on climate, and Prime Minister Johnson, who wants to advocate for climate, is he truly that soulmate on a variety of issues, or will he in

fact need to change his posture to create that five plus two because he does so desperately need the U.S. to – you know, to support him through this Brexit process. I think Prime Minister Conte depending on – I haven't checked my phone in the last little bit – the government havoc. So, he's now in caretaker status. We're not entirely sure whether he could have a little less giddy-up in his political go as he attends the event. And of course, you still have Prime Minister Trudeau and Chancellor Merkel, and things like that.

Look, with these – I mean, all of this – (inaudible) – this is the trick. They don't want to have six plus one. They want seven. Now more than ever, they need a unified voice on economic challenges and global challenges. There is just no one now that has sufficient horsepower to move them. So, they're doing the best that they can. But you're right, point taking, there could be some variable geometry. But I think – I mean, unless Prime Minister Johnson really makes some big sea change positions a variety of issues on Iran, and China, and climate, and certainly the U.S. position will be to try to force those changes into the – into the U.S. column, I'm not sure that there is public support for that. And he, himself, is already in election mode, and he has to think about his domestic audience as well. So, I think there's a little limitation to this. But I – at the bilateral meeting, I'm sure, and the press conference afterwards will be a demonstrable display of love and affection between the two leaders.

Jon Alterman:

And – this is Jon – just to add to that, I think the president just doesn't like multilateral meetings. The president likes bilateral meetings, where the United States is the stronger power. And I think you can see in the kind of comments that he makes after these kinds of meetings he wants to come in and feel that in a toe-to-toe matchup he is the stronger one. And the problem with the geometry of the G-7 is that it doesn't. And I just – in terms of his mood, I think his mood is he doesn't like the big meetings. He likes the individual meetings, where he can establish individual relationships with people and use power to get what he wants. I think – I have a hard time imagining there's any multilateral meeting that he walks away and either – or walks into feeling good about and walks away feeling like it was a success.

Caleb Diamond:

We'll go to the next question.

Operator:

Next question comes from the line of Toluse Olorunnipa of The Washington Post. Just go ahead.

Toluse Olorunnipa:

Hi. Good morning. Thank you for taking my call.

The president at his recent rallies has talked proudly about how his poll numbers in Germany are lower than President Obama's and said that he's sort of happy that he's not popular in Europe. He said that our allies treat us worse than our adversaries. How does – in your view, how does the fact that the president is coming up for

reelection and that he so kind of proudly campaigns on being a spoiler in some of these international forums – how does that play into this upcoming meeting? And secondly, does the fact that the U.S. will be hosting the G-7 next year, does that play into the president's mind as he decides how much a disrupter he wants to be during the meeting in France?

Heather Conley:

Thank you so much. This is Heather.

Well, on the latter, the last question, you'd have to ask the White House. I assume there are some early preparations for their G-7 agenda, but how they – how they do view hosting the G-7 in the U.S. in an election year, I think it's obviously an opportunity to showcase international leadership if we so choose.

On the – on the first question, and in some ways getting to Jon's point of sort of this is the third year, our allies are now – at least they're getting more accustomed to, you know, the EU is a foe and our allies are ripping us off. I think they don't like the language, but they're not as shocked when it is deployed as often. I think they're trying to find the ways forward to advance their national interests and objectives, and if that's formulating a six-plus-one they will do that. If that is looking to other, more flexible calibrations to get their interests done, they will do that. The Europeans are increasingly separating themselves from the U.S., whether that's the special purpose vehicle in the Iran sanctions or trying to limit responding to the U.S.

You know, popularity, in my view – or typically for U.S. presidential elections, foreign policy, unfortunately, plays such a limited role in those conversations. I think you hear generally, you know, concerns about how we – how the president treats our allies and that his approaches are not securing U.S. interests, but there's no definition and no granularity to what that actually means. You know, Europeans are not going – although they view – their security is part and parcel in a U.S. presidential election. I'm sure some which they would have a vote in our election, but they simply don't. So, I don't see this really impacting the president. I think for his base he sees achieving America's interests first are what's most important, and he will highlight that and then tell us that he certainly gets along with all of these meetings and what you're reporting is incorrect.

So, I'm not entirely sure that it really advances us that much at the end of the day. For me it's what has been achieved, what can be implemented, and how does this support and protect the United States and its interests. That's really the measure of these types of meetings and outcomes for me.

Nicholas Szechenyi:

Yeah, hi. This is Nick. I just wanted to add on to that very briefly in a U.S.-Japan context.

I think there are two issues on which the president has been very consistent since his 2016 campaign. One is trade and a dislike for multilateral trade agreements, which we've already witnessed. And the other is the notion that U.S. allies are free riders who are taking advantage of the United States. And in the context of U.S.-Japan relations, we're seeing some evidence of this with the president complaining about Japan's contributions to the alliance – Japan not paying enough to host U.S. forces, Japan's market being closed to U.S. exports.

So, this G-7 meeting in the U.S.-Japan context could be pivotal in determining whether the president, you know, heads into the fall being much more vocal – vocal and critical of Japan, even though they're close allies. And the trick for Prime Minister Abe is to again shift the conversation back to their common interests, and he's done that very well throughout the Trump administration. But I think the risk for Japan is that the alliance gets caught up in the context of the reelection campaign, and that could be really tricky for Abe and the Japanese government.

Caleb Diamond:

We'll move on to the next question, please.

Operator:

Next question comes from the line of Darlene Superville with Associated Press. Please go ahead.

Darlene Superville:

Hi. Thanks for the call and thanks for taking the question.

I had a follow up on the issue of the communique for the G-7 or the lack of one. And I was wondering if you all see that as a direct result of last year's G-7 where, as one of the speakers mentioned earlier, there was a lot of the Trump sort of being very critical of the Canadian prime minister after the summit was over and sort of refusing to sign the communique at that summit. I mean, is this an attempt to kind of avoid some of the Trump-generated drama that we've seen at some of these multinational summits, or are there other issues at play why there will be no communique?

Matthew P. Goodman:

Well, I mean, I'm – this is Matt Goodman – I have seen the stories that some people are speculating there won't be a communique, and I haven't seen any official statement from the French that they're not intending to issue a communique so you may know something I don't know. But I think, you know, if there is no communique, it will be because, you know, presumably the six-plus-one couldn't agree on language, presumably on those topics that we're even talking about, particularly trade and climate – although there has been, as I say, sort of compromise language reached in the – in the past.

You know, it maybe gets to the last question in a way. I mean, for 35 years President Trump has had a pretty consistent view about allies taking advantage of us by making us, you know, defend them, and then running up big trade surpluses with us. And so that is not new. But, you know, he's indicating that he feels, you know, going into

these meetings there is an advantage to him politically to putting an accent on that by – you know, by blowing up the meeting in some way, or refusing to agree to a communique. But it's – you know, it's hard to predict. And I think last year was really – I mean, there was agreement on the substance, or at least on a form of words. And it was just a matter of pique that the last – that the president, you know, walked away from it. You know, and I think that that is a possibility – (inaudible) – possibility. They just – (inaudible) – move on, or – you know, or that there's just no agreement. That's also possible.

Darlene Superville:

Thank you.

Operator:

Next question comes from the line of Sangmin Lee with Radio Free Asia. Please go ahead.

Sangmin Lee:

Yeah. Thank you for taking my question.

I have a question about North Korean topic. Nicholas mentioned that there is a meeting – sideline meeting between President Trump and Abe Shinzo. But do you think that any possibility they'd have the discussion in – kind of plenary discussion with G-7 leaders to talk about North Korean topic, including missile and then the working-level talk?

Nicholas Szechenyi:

Yeah, thank you.

You know, setting the question of whether or not there'll be a communique aside, I think in these types of international settings there have been references to North Korea and the importance of international solidarity in addressing that challenge from a nonproliferation standpoint. So, it's quite possible that that will come up in the discussions with the other leaders as well. And if it does, just to get back to some of the earlier points, that's a testament to the power of the G-7 to issue a unified voice on challenges affecting the international community. So, if they're able to agree on language on North Korea, that would be – that would be a good thing.

Sangmin Lee:

Thank you.

Operator:

At this time, there are no further questions in queue.

Caleb Diamond:

So, yeah, it looks like there are no more questions. I think we'll end it here. I just want to thank all of you for joining us today. Thanks to our experts who were able to join us as well. I will be sending out a transcript shortly, so be on the lookout for that. And if you have any more press requests, please reach out to us directly. Thank you.

(END)