

# G7 2023: Key Takeaways

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Unity was the key theme of this G7 Summit, with an unexpectedly successful display of alignment on China, Russia's invasion of Ukraine and engagement with the Global South's economic concerns. Internal differences were suppressed, although observers should track the follow-up of items of interest given that compromises of language in the communiqué often mask policy differences. Businesses must also consider the risks from likely retaliatory Russian and Chinese actions against further sanctions and other punitive economic measures.

## The G7

Japan's G7 presidency has helped restore the group's role as a coordinating body in global affairs, offering a nimbler alternative to larger multilateral institutions where divides hamper progress (e.g., the G20 or UN). Members have converged behind a compromise "de-risking" position toward China that prioritises economic security while avoiding the "West vs. rest" decoupling deemed too politically and financially costly by European members and an increasingly involved UK. By converging on a united position across a range of issues, the G7 countries will be better placed to advocate their views in forums with non-Western countries such as the G20 in September.

## China

The communiqué commits unprecedented attention to China while attempting to maintain a united, balanced position emphasising competition, rivalry and partnership. The final communiqué points to a "de-risking" compromise with European countries accepting language on limiting advanced technology transfers to China (see below) in return for a clear repudiation of decoupling policies. This alignment could weaken Beijing's attempts to depict the US as an outlier, or overly aggressive. But internal divisions remain. France and Germany still oppose the US and Japan's more hawkish stances, with Paris particularly wary that Washington's approach is in part driven by domestic political factors.

Disagreements over the G7's China policy are strongest over Taiwan. The Japanese presidency has been largely unable to harden language on cross-strait relations, which EU members still view as a lower priority. NATO's separate opening of an office in Japan could amplify these differences and accelerate accusations from Beijing of a provocative expansion.

## Russia

The G7 outlined their continued support for Ukraine ("as long as it takes"), with Ukrainian President Volodymyr Zelensky's attendance and the coterminous decision to allow the supply of F-16 fighter jets clearly signalling to Russia (and China) the group's united determination. Sanctions on Moscow were both tightened and broadened, with new restrictions on Russia's diamond trade and further pressure put on third-country Russian bank branches used to evade these measures. While unsuccessful, the US proposal for a full export ban indicates the trajectory of future policy.

Firms based in G7 countries but with operations in Russia should track these developments closely as Moscow begins retaliating against Western measures. In particular, the EU's 11th sanctions package could see Russia respond with the confiscation or forced sale of assets at discount prices.

## Economic Security

A separate communiqué on economic security outlines the topic's importance for the G7, especially Japan. But most members were wary that export control measures proposed by the US would isolate the

G7 internationally and paint it as inward-looking and anti-Beijing: Japan's opposition to some outbound capital rules reflects its continued desire to engage and serve as a bridge of sorts to Beijing, at least on economic matters. While China was not named in statements on economic coercion, the US was nonetheless able to include language that recognises "the central role of multilateral export control regimes" for advanced technology.

## Physical Security

The symbolic location of Hiroshima allowed Japan to emphasise its denuclearisation policy, although the lack of meaningful progress suggests the current security environment is not suited to nuclear disarmament given the shunning of international accords by key players (e.g., Russia and North Korea). President Zelensky's attendance clearly illustrated the link between European and Asian security, but discussions about a negotiated end to the conflict reflect private concern among G7 members on the longevity of its support without substantial Ukrainian gains.

## Global South

Engagement with non-G7 members has become a key priority as the group attempts to maintain its centrality in an increasingly multipolar world. A collective statement with non-G7 partner countries on food security, concrete offers to emerging countries on minerals and energy and proposals to better represent Africa at the G20 reflect this. While there is hope the engagement will shift the positions of some nonaligned states on Russia, the absence of attempts to bring invitees (e.g., India) into a statement on Ukraine reflects the G7's resignation on the issue.

## Economy

Climate and development finance were key priorities, especially as they are increasingly perceived as a vector of competition with China and Russia. This has triggered greater G7 cohesion on key proposals such as jointly mobilizing \$100bn annually in climate finance by 2025, especially ahead of France's June Summit for a New Global Financial Pact and the slew of climate-related meetings in the autumn (including UNGA and the African Climate Summit in September, the IMF/World Bank meetings in October and COP28 and the Paris Peace Forum in November). The G7 will need to both successfully leverage its financial firepower while increasing awareness of its actions if it is to unlock rewards from Global South countries for its engagement.

### To continue the conversation:

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