

Deepening National Antagonisms Dominate G7 Summit

By [Nick Beams](#)

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Two of the major issues at the centre of global politics and economics—US-led preparations for war against China and the deepening divisions among the major powers in the face of the ongoing stagnation of the world economy—dominated the first day of the G7 summit in Japan on Thursday.

The summit meeting, which concludes Friday, is expected to issue a statement on “maritime security” in the South China Sea, where China’s territorial claims are being challenged by the US and its regional allies.

Speaking to reporters at the conclusion of the first day, a Japanese official said Prime Minister Shinzo Abe led the push for the other major powers to align with the US over the conflicts in the South China Sea and the East China Sea. The leaders of the United Kingdom, Germany, France, Italy and Canada reportedly agreed that “it was necessary for the G7 to issue a strong signal.”

In an op-ed published in the *Wall Street Journal* on the eve of the summit, Abe asserted that “ensuring freedom of navigation”—the cynical pretext being used to justify US military incursions into Chinese-claimed waters and airspace—was both a “prerequisite for economic growth and a precondition for stability” but “regrettably not every nation recognises that.”

The stage is being set for a dramatic escalation of tensions in the wake of the G7 summit. China has already reacted strongly. A government statement declared that issues in the region had “nothing to do” with the G7 and that Beijing was “resolutely opposed” to “individual countries hyping up the South China Sea.”

Despite the moves by the G7 to issue an implicitly anti-Chinese statement, there are divisions among the major powers over policy toward Beijing, in particular from Britain. In the early months of 2015, the US sought to prevail on other major economies not to join the Chinese-backed Asia Infrastructure Investment Bank (AIIB). Washington’s plans were thwarted when Britain broke ranks and announced it would become a founding member of the AIIB—a move quickly followed by the other European powers. This prompted a sharp rebuke from the Obama administration over what it called Britain’s “constant accommodation” to China.

Britain decided to join the bank in the search for economic advantage, in opposition to advice from the country’s foreign policy establishment that it could jeopardise the country’s strategic relationship with the US.

The financial centre of the City of London is seeking to place itself at the centre of Chinese

global financial activities. This week, the Chinese finance ministry announced it will issue Rm 3 billion (\$458 million) of bonds in London's offshore renminbi market. As the *Financial Times* noted, the British government has "aggressively courted" renminbi business as part of a "broad push to promote greater economic ties with China."

Reports in the lead-up to the summit suggested that Prime Minister David Cameron would come under pressure from both the US and Japan over Britain's stance as China's "best partner in the West," which cuts across their demands for an increased diplomatic and military push against Beijing.

The meeting also revealed deep divisions over measures to try to lift the world economy out of stagnation. In a bid to win support for more economic stimulus measures, especially in Europe, Abe presented a series of graphs comparing the present economic conditions to those which prevailed in 2008, which led to the collapse of Lehman Brothers and the global financial crisis.

Abe's charts focused on falling commodity prices and significantly lower growth in emerging markets in order to highlight the dangers of a new crisis in financial markets. His arguments were brushed aside in the Western press as "implausible," with reports suggesting he had brought them forward to justify moving away from a commitment to lift Japan's consumption tax from 8 to 10 percent next year. Abe has previously said that he would only make such a move in response to a major earthquake or a Lehman-type failure in the international banking system.

A spokesman for the British government said Prime Minister Cameron did not share Abe's views and had "made positive noises about the global economy." Germany also opposed stimulus measures.

The trends to which Abe pointed, however, are becoming ever more apparent. The stagnation in Europe is continuing, with figures showing a 0.2 percent fall in prices in April, the second month of deflation in a row. In the US, profits are down for the third consecutive quarter, with a report by the Conference Board, a US think tank, showing that productivity growth in the US is set to fall for the first time in more than three decades.

Emerging markets and commodity-exporting countries are again under pressure. There are concerns that a rebound in their currencies and equity markets in March and April could have ended because of the possibility that the US Federal Reserve may lift interest rates again in June. The 0.25 percent rise in December is widely believed to have been a factor behind the turmoil in financial and commodity markets in the first two months of the year.

The intensified struggle among the major powers for markets and profits has led to deepening conflicts. In the lead-up to the summit, the US criticised statements by the Japanese government that it might intervene to lower the value of the yen, while the EU has warned that it could take action over what it alleges to be dumping of Chinese steel.

Foreshadowing possible protectionist measures, European Commission president Jean-Claude Juncker declared, "If somebody distorts the market, Europe cannot be defenceless." A draft of the G7 communique, while not mentioning China, expressed concern over the excess supply of steel. Juncker said China's overcapacity in steel amounted to double the EU's annual steel production and had contributed to the loss of thousands of steel jobs since 2008.

The issue is being linked to China's push to secure "market economy status" under the World Trade Organisation, which the US is reported to be working to ensure is denied. But this issue has also given rise to divisions, with a spokesman for the British government insisting that the issue of steel should not be mixed with the question of China's status.

When the G7 was established more than 30 years ago, the ruling elites claimed that it would function as a stabilising mechanism and bring about co-ordinated action on the global economy. That has well and truly gone by the board, as each power pushes its own national and strategic interests.

Obama is seeking to use the summit to intensify pressure against China. Cameron is seeking G7 support for his opposition to a Brexit from the EU. Abe wants the backing of the G7 against China, while seeking to push his own nationalist credentials by telling Obama of his "anger" and the "profound resentment" in Japan over the killing of an Okinawan woman by a US military contractor.

It is by no means clear precisely how each of the major powers will eventually align. One thing, however, is certain: international relations increasingly resemble those of the 1930s, in which the Great Depression fuelled a global wave of nationalism and protectionism that led ultimately to the Second World War.

More than seventy years since the end of that war, the deepening global slump and increasing divisions among US allies are pushing Washington to take ever-more reckless measures. It is not only targeting China, against which it is staging a continued series of military provocations in the name of "freedom of navigation," but also Russia, which boasts a nuclear arsenal nearly comparable to that of the United States.

These developments raise the profound danger of a global military conflict, potentially involving nuclear weapons, that threatens the very existence of humanity.

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