

G7 steps up economic and financial war against Russia and China

Nick Beams
26 May 2024

The three-day meeting of the finance ministers and central bankers of the G7 group of imperialist powers held in Stresa, Italy, concluded on Saturday. Significantly, it stepped up its aggressive stance against Russia and China, as well as giving carte blanche to the Israeli genocide in Gaza.

A major item on the agenda was how the \$300 billion worth of foreign assets of the Russian central bank, frozen by the US and European powers at the start of the Ukraine war, could be used to finance the Zelensky regime as it prepares to throw thousands more men into the meat-grinder, on top of the hundreds of thousands already killed or wounded.

As well, revealing the interconnected character of the imperialist war fronts, the meeting adopted a more strident attitude to China and its so-called industrial overcapacity, and the threat posed to the economic position of the US and Europe.

The statement issued from the meeting declared: “We will advance our cooperation to enhance global economic resilience and economic security and protect our economies from systemic shocks and vulnerabilities. To this end, we will work to make our supply chains more resilient, reliable, diversified and sustainable and to respond to harmful practices, while safeguarding critical and emerging technologies.”

This was a significant escalation in the wording from previous statements which had referred only to a “free and rule-based multilateral system.”

Earlier this month, the Biden administration decided to maintain tariffs on a range of Chinese goods set in place under Trump and introduce a set of new ones, spearheaded by the 100 percent impost on electric vehicles.

In this context, US Treasury Secretary Janet Yellen spelled out what was behind the new G7 language.

“We need to stand together and send a unified message to China so they understand it’s not just one country that feels this way, but that they face a wall of opposition to the strategy that they’re pursuing,” she told a news conference at the start of the meeting.

French Finance Minister Bruno Le Maire said it was important to avoid a trade war with China, which remains “our economic partner” but the G7 needed to protect its interests against China’s “unfair trade practices.”

This is a reference to the fact that Chinese companies can produce high-tech products, especially in green technology, at a lower cost than their US and European rivals. The doctrines of the “free market” are being thrown aside as the US seeks to crush Chinese economic development, which it regards as the greatest threat to its economic dominance, and puts its own economy on a war footing.

Reflecting the dependence of the German economy on China, particularly in its major industry, auto production, German Finance Minister Christian Lindner sounded a more cautious note.

He told reporters, “trade wars are all about losing, you can’t win them.”

The Italian economy minister, Giancarlo Giorgetti, who chaired the meeting, indicated that it could be only a matter of time before Europe fell in line behind the US tariff war.

“The United States has taken very tough decisions and Europe will probably have to consider whether to do the same,” he told Italian state television.

The use of Russian financial assets to finance the Ukraine war took up a large part of the meeting. The preferred position of the US has been that the funds, largely held in the European banking system, should simply be seized. But this has been opposed by the EU,

not out of any principled opposition to outright theft, but due to the fear it would lead to other countries looking to hold their money elsewhere.

Faced with the inability to advance its initial proposal, the US has been pushing for alternative methods to achieve its objectives. It is now backing a plan to use the profits obtained from the frozen Russian assets to create a loan for Ukraine worth up to \$50 billion.

There is some haggling over how the G7 would back the loan and who would bear the costs if interest rates fell and profits were eroded. The other issue is legal considerations. That is, how to devise a scheme for blatant thievery that somehow complies with EU and other laws.

The G7 statement said “we are making progress” in discussions on “potential avenues to bring forward the extraordinary profits stemming from immobilised Russian assets to the benefit of Ukraine, consistent with international law and our respective legal systems.”

The lawyers are going to have to be hard at work over the next three weeks because the US is pushing for a mechanism to be put in place for endorsement by the meeting of G7 leaders in Italy in the middle of next month.

Pushing for the finalisation of the loan scheme, Yellen said: “There does seem to be broad-based support for the general notion and that that’s a productive way forward.”

In advance of the G7 meeting, Russian president Vladimir Putin signed a decree on Thursday authorising the seizure of American property to compensate for any losses incurred from the freezing of its assets. Russia has no access to US state funds, but it could seize American-owned property in retaliation.

However, Yellen, determined to press ahead, dismissed this threat saying it had been made previously.

“That’s not going to deter us from going ahead and taking action in support of Ukraine,” she said.

The meeting also endorsed taking further action against Russia which could see major sanctions against other countries, including China.

The meeting said the G7 was “committed to further financial and economic sanctions to reduce Russia’s sources of revenue and capacity to wage war against Ukraine” and that it would counter attempts to evade or

circumvent sanctions “through facilitation of Russia’s defence industry procurement efforts by financial institutions.”

It condemned military co-operation between North Korea and Russia, called on Iran to stop assisting the Russian military, and expressed “concern” about “transfers to Russia from firms around the world, including those in China, of dual-use materials and components for weapons and commitment for military production.”

These condemnations are a clear warning that further measures, on a widening front, are in the pipeline.

The meeting also gave its full backing to Israel saying it condemned “in the strongest possible terms Hamas’ brutal terrorist attack against Israel” on October 7, without a mention of the genocide, save for a throwaway line about the “devastating and growing humanitarian crisis in Gaza.”



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact