

# REVIVING THE SPIRIT OF MULTILATERALISM

Relevant for: International Relations | Topic: International Treaties & Agreements, and other important organizations

As the leaders of seven nations — the U.S., Germany, the U.K., France, Canada, Japan and Italy — meet in Cornwall in south-west England, they would be marking the 47th edition of the “Group of seven” summit. Besides the international milieu in which this summit is being conducted — the ongoing COVID-19 pandemic — its significance lies also in who is not attending the summit: former U.S. President Donald Trump.

The G7 prides itself as a group of nations that steadfastly promote liberal democracy and enjoy economic prosperity, which they seek to institutionalise through multilateral cooperation. When Mr. Trump was at the helm in the U.S., his transactional approach to international relations showed disdain for multilateralism, evidenced in particular in the way he pulled the U.S out of the Paris Accord, and openly complained about the summit itself being “outdated”. The current President of the U.S., Joe Biden has sought to reorient his country’s policy towards multilateralism, which includes closer coordination with traditional allies in the Global North and this sets the stage for a renewed emphasis of purpose for the G7 as they meet in Cornwall.

Already, the Finance Ministers of the G7, who had met on June 4-5 in the run-up to the summit, had agreed to backing a minimum global tax rate of 15% for multinational corporations, thereby setting the stage for MNCs to pay a fairer share of taxes in jurisdictions where they make money and profits, rather than playing governments in a race where they will compete on who will tax them the least and allowing MNCs to take advantage of “tax havens”. Even considering the fact that the tax rate of 15% is low according to some critics (Mr. Biden had himself proposed 21%), this move will herald corrective steps that could benefit both large and medium economies. The U.S. in particular is desperate to shore up its revenues as its government announced big spending plans to tide over the economic crisis wrought by the pandemic. The Biden administration has hinted that it could gain nearly \$500 billion in tax revenue over a decade if the global minimum tax idea comes to pass.

More steps remain for this to become reality — the G7 countries would have to convince other nations in the broader G20, which includes China, India, Russia and South Africa. According to the U.K.-based Tax Justice Network, India suffers an annual loss of \$10 billion due to lax tax laws on MNCs globally and countries such as India should also agree to this deal, but getting a sign-in from others such as Ireland, which benefits from lower taxes on MNCs, will not be easy. Even within the U.S., where President Biden’s power to get legislation passed rests on a razor-thin majority at the Senate and House of Representatives of Congress, the going would not be easy as the Republican Party is loath to taxing corporations.

Yet, for the G7 to have made a global minimum tax a possibility was a “multilateral” breakthrough of sorts for cooperation among these nations. Despite its collectively large economies and a commitment to liberal democratic values, the G7 is no longer the behemoth that it was. Formed in 1975 in the aftermath of the 1973 Oil Crisis, the G7 then collectively produced 70% of the world’s GDP, a number that has dropped to 40%, as the *Economist* points out. The larger G20 has become a more relevant multilateral body due to the inclusion of economies such as Brazil, China, India and South Africa but the ability of the G7 summit to set the tone for cooperation on global issues has not diminished.

## Economic differences

When the G7 summits began in the mid-1970s, the heads of states sought to resolve economic differences related to exchange rate policy, growth, inflation, energy policy among others and this set the stage for multilateral trade arrangements and negotiations with the European Union and Japan assuming greater responsibilities on multilateral issues along with the U.S. Interestingly, the consensus among these nations, especially in the 1990s, to promote policies for the ease of flow of multinational capital and a concomitant reduction in expansive welfarism by the states, set the tone for the “tax competition” among states which went on to benefit MNCs.

As the summits progressed, the emphasis on economic issues remained salient and endured, but the heads of States began to prioritise other matters as well, especially after the end of the Cold War — the environment, debt relief for developing countries, and the strains on globalisation. Terrorism also became a key agenda for discussion and action. The G7 also became the G8 with Russia’s admission into the group in 1998, despite its limited national wealth compared to the other countries. The G8 reverted to the G7 again in 2014, following Russia’s expulsion after its annexation of Crimea.

The Cornwall summit includes invitees in heads of state from outside the G7 as well — Australia, South Korea and India with Prime Minister Narendra Modi set to attend it remotely. The presence of these three countries is seen as a nod to the recognition of their discontent with the influence of China, which persists with what the West believes is an anachronistic single party regime but is also an economic superpower. In the summit, G7 leaders unveiled the Build Back Better World project, which pledges hundreds of billions of infrastructure investment in low- and middle-income countries based on “values-driven, high-standard and transparent” partnerships. It is seen as a counterweight against China’s multi-billion-dollar Belt and Road Initiative.

While U.K. Prime Minister Boris Johnson has sought to hail the traditional trans-Atlantic ties with the U.S. and a revival of their mutual role in setting the multilateral tone for G7 and beyond, the Brexit issue has cast a shadow over their ties.

Mr. Biden, unlike Mr. Trump, had steadfastly opposed Brexit and his advisers have raised concerns over the Britain’s dispute with the EU over Northern Ireland Mr. Johnson might be pressed to make concessions to address such concerns.

## **Global health**

More significantly though, the G7’s declaration on global health in which they commit to resources to quickly develop and license vaccines, medicines and diagnostics for future diseases is an important step that recognises the havoc that COVID-19 has wrought across the world and the need to prepare for future epidemics.

Mr. Johnson has said he wishes for the entire world to be vaccinated by 2022, but has not specified details as to how this can be achieved. If the summit manages to agree to substantially extend vaccine availability for low-income countries, that would be a great achievement.

After all, the disparity in vaccine availability with the U.S. and EU cornering vaccines far more than what their populations need while other countries, India and those in Africa, are hampered by shortages, is a consequence of the autarkic turn during the Trump period.

If the G7 seeks to revive its multilateral emphasis in the spirit of globalisation, addressing the vaccine disparity will truly take it forward from the dregs of Trumpism.

## **In Focus**

**Formed in 1975 in the aftermath of the 1973 Oil Crisis, the G7 then collectively produced 70% of the world's GDP, a number that has dropped to 40% now**

**The G7 became the G8 with Russia's admission into the group in 1998. But it reverted to the G7 in 2014, following Russia's annexation of Crimea**

**Over the years, the group has taken up a host of issues ranging from economic growth to environmental issues and terrorism. The latest summit seeks to address global health challenges**

**The Finance Ministers of the G7, who had met on June 4-5 in the run-up to the summit, had agreed to backing a minimum global tax rate of 15% for MNCs**

[Our code of editorial values](#)

**END**

Downloaded from [crackIAS.com](http://crackIAS.com)

© **Zuccess App** by [crackIAS.com](http://crackIAS.com)

CrackIAS