

2026-12-19

ECO

IRAN WAR

Inflation fears cloud G7 economic agenda

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THE NEW YORK TIMES

PARIS>> Top economic policymakers from the Group of 7 major industrialized nations agreed on Tuesday to work together to mitigate the impact of the war with Iran on global energy and food prices, even as fault lines emerged among them over how to ensure that Russia does not benefit from the conflict.

The two-day summit in Paris came at a moment of upheaval for the global economy, which has been destabilized this year by the U.S.-Israeli-led war in Iran. The war has fueled a new bout of inflation and has been a drag on global growth. It has also created new points of tension between the United States and Europe, which must deal with the fallout of a war that it did not want.

“We acknowledge that global economic uncertainty has heightened risks to growth and to inflation amid the ongoing conflict in the Middle East, particularly through pressures on energy, food and fertilizers supply chains, which particularly affect the most vulnerable countries,” the G7 finance ministers and central bank governors wrote in a joint statement, known as its communiqué. “To mitigate these negative impacts, we recognize that a swift return to free and safe transit through the Strait of Hormuz and a lasting resolution to the conflict are imperative.”

The meetings also focused on how to bolster supply chains of critical minerals, which are dominated by China, and continued support for Ukraine as it continues to fight its four-year war with Russia. The officials pledged to “impose severe costs on Russia” and consider additional sanctions.

That statement was undercut during the meetings, however, after Treasury Secretary Scott Bessent said on Monday evening that the United States would grant a third sanctions reprieve to Russia, giving it permission to sell its seaborne oil.

The move was intended to bolster international oil supplies and help the world’s poorest countries cope with high energy costs while the war persists. Bessent suggested that the sanctions relief for Russia was only temporary and intended to “help stabilize the physical crude market and ensure oil reaches the most energy-vulnerable countries.”

But the watering down of sanctions on Russia was a disappointment to European officials, who have spent the past four years working with the United States to cripple Russia’s economy with coordinated statecraft.

“The waiver on Russian oil — this was not a G7 decision,” Roland Lescure, France’s finance minister, said at a news conference on Tuesday, referring questions about the decision to Bessent directly. “Nobody wants Russia to have a windfall profit.”

Valdis Dombrovskis, the European commissioner responsible for the trade bloc’s economy, lamented on Tuesday that Russia was gaining from the war in Iran and said that he disagreed with the United States’ decision.

“From an EU point of view, we do not think that this is a time to ease pressure on Russia,” Dombrovskis said. “If anything, we would need to strengthen that pressure.”

Noting that the sanctions exemption had been extended to Russia before, Dombrovskis added that it was “not so temporary anymore.”

In a post on social media Tuesday, Bessent said that he had “constructive discussions” with his counterparts about the global economy, global imbalances, cybersecurity, Iran and critical minerals. He had no further explanation for the Russia sanctions relief, which he had said last month would not be renewed.

Speaking at a conference about combating terrorist financing following the G7 meeting, Bessent also called on Europe to get tougher on Iran. He asked European policymakers to impose more sanctions on Iranian banks, shell companies and financiers.