

ISAS Brief

No. 501 – 13 July 2017

Institute of South Asian Studies
National University of Singapore
29 Heng Mui Keng Terrace
#08-06 (Block B)
Singapore 119620
Tel: (65) 6516 4239 Fax: (65) 6776 7505
www.isas.nus.edu.sg
http://southasiandiaspora.org



The G20 Hamburg Summit: Declaration, Divisions and Dividends

The annual Group of Twenty (G20) meeting at Hamburg took place in the backdrop of largescale anti-globalisation protests. Notwithstanding its commitment to globalisation, this paper argues that the G20 Leaders Declaration revealed the prevalence of contrasting positions on the subject within the Group and the challenges it will face in moving forward in the future. The paper also highlights the changed perceptions on China within the Group since the last meeting and the takeaways for India.

Amitendu Palit¹

It is significant that the Group of Twenty (G20) Leaders' Declaration at the recently-concluded (7 and 8 July 2017) meeting at Hamburg admitted that, "...the benefits of international trade and investment have not been shared widely enough. We need to better enable our people to seize the opportunities and benefits of economic globalisation."² The Declaration was being worded while the city outside was witnessing violent protests and demonstrations of a kind not witnessed during previous G20 meetings. The angry remonstrations were testimony to the prevalence of anti-globalisation sentiments in Europe, notwithstanding their eclipse in the

¹ Dr Amitendu Palit is Senior Research Fellow and Research Lead (Trade and Economic Policy) at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore. He can be contacted at isasap@nus.edu.sg. The author bears full responsibility for the facts cited and opinions expressed in this paper.

² G20 Leaders Declaration, Hamburg, 7/8 July 2017; <https://www.g20.org/gipfeldokumente/G20-leaders-declaration.pdf>.

French presidential elections. Besides the usual anger over economic globalisation having produced numerous losers and left-behinds, the protests reflected the discontent among many over a group of 20 countries – the G20 that includes both developed countries of the Organisation for Economic Co-operation and Development (OECD) as well as developing emerging market economies – determining global economic policies that influence the lives of billions.

To Trade or Not to Trade

The G20, which met for the first time after the United States (US) presidential election in November 2016, struggled to balance its position between contrasting outlooks on trade and protectionism. Despite being almost totally isolated on the issue of trade, US President Donald Trump's reticence to subscribe to an expansive free trade agenda made the Group work hard to formulate the language that would project an image of unanimity among a divided family. It is hardly surprising that, while committing itself to keep 'markets open' and 'fight protectionism', the Leaders' Declaration reaffirmed the 'role of legitimate trade defence instruments' and the importance of 'mutually-beneficial trade relations' in the same breath. Unfair trade, and the necessity of tackling it through appropriate means, has been a persistent message conveyed by President Trump to the major trade partners of the US, many of which belong to the G20. The latter's efforts to reconcile an expansive and accommodating vision of world trade shared by most of its members with the sceptical views of President Trump have hardly succeeded in concealing the polarisation within, notwithstanding the careful wordsmithing of the Declaration.

Change on China

The Leaders' Declaration also reflected the change in perception among the Group on China. At the last G20 meeting in Hangzhou (4 and 5 September 2016), despite being the host, China was at the receiving end of criticisms on the damage being inflicted on other economies by the overcapacity in Chinese industries, particularly steel. Apart from reiterating the importance of cooperating with the OECD monitoring mechanism set up at the last meeting to look into the excess capacities for steel, nothing featured in the Leaders' Declaration in Hamburg that could

be worrying for China. Evidently, in the 10 months between Hangzhou and Hamburg, China has recast perceptions about itself from being a predatory exporter of excess capacity to that of a patron of free trade and globalisation. Its unflinching commitment to the Paris Climate Agreement has helped it to build bridges with the European Union and the other G20 members on a cause that the US did not hesitate to walk away from. The US withdrawal from forward-looking outlooks on climate and trade has enabled China to elevate itself within the G20 by bonding with a few others on common causes.

Cheers for India

India had a good outing at the Hamburg meeting. Coinciding with the release of findings of a new study by the Centre for International Development at Harvard University that describes India as the new ‘growth pole’ in the world by projecting its growth rate to be far higher than China in the coming decade,³ the Hamburg Action Plan was appreciative of several Indian policy initiatives. These include the financial sector (popularisation of derivatives in electronic trading platforms), labour market (greater security to workers, female participation in labour force and improving the doing-business conditions) and start-ups (facilitating external commercial borrowing for encouraging innovation in start-ups).⁴ These references underscore the G20’s appreciation for India’s ongoing structural reforms, particularly in difficult areas like labour reforms. It also reflects the optimism among the world’s leading economies about India’s ability to translate the benefits of these reforms into sustained high growth, as argued by the Harvard study.

G20’s Challenge is Internal

World leaders could not be oblivious to the angry voices outside the meeting. The G20 was anxious to signal that the world’s largest economies were concerned over economic inequality and sustainable growth. The Action Plan reflected the country-specific initiatives being taken

³ ‘India emerges as new global growth pole: five key points of Harvard study’, The Indian Express, 9 July 2017; <http://indianexpress.com/article/india/india-emerges-as-new-global-growth-pole-five-key-points-of-harvard-study-4743104/>.

⁴ G20 Hamburg Action Plan, Voltaire Network, 8 July 2017; <http://www.voltairenet.org/article197067.html>.

by members in both these respects. At the same time, the meeting also aimed to be progressive on global economic regulations by emphasising new actions in digital finance, cyber security, transparency in international action and phasing-out of subsidies on fossil fuels. Nonetheless, there is little doubt that the Group continues to search for solutions that could make economic globalisation acceptable to all constituencies. The fact that the G20 itself is divided on this issue with none other than the US – the world’s largest economy – ready to counter globalisation, is the biggest challenge the Group will need to tackle in the coming days.

.