

G20: political snapshots of power dynamics

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Theme

How has the G20 evolved politically since the 2017 German Presidency?

Summary

Through the prism of the G20, the world's premier forum for international economic cooperation, we have learnt that the complicated challenges of the 21st century cannot be tackled without coordinated and collective action. The gradual expansion of the G20 agenda responds to the fact that managing risks of a non-economic nature, such as geopolitical tensions, climate change, migration and terrorism, have become ever more critical to the stability of the global economy. Agreement has not always been easy and results do not always come swiftly. However, this is how the G20 can make progress. Almost a decade after the financial crisis, we are confronted with an unprecedented global challenge in the form of the COVID-19 pandemic. The crisis has intensified geopolitical rivalries, especially between the US and China, whose bilateral relations matter to global stability. In geopolitics, a nation has no permanent economic competitors, systemic rivals or negotiating partners, but only permanent interests. To some G20 Leaders, their relationships with their peers define their national interests. As with many Summits, the G20 is no exception: what is said behind closed doors can reveal more about current power dynamics than statements made in the public arena.

Analysis

'The significant problems of our time cannot be solved by the same level of thinking that created them'
Albert Einstein

A more political G20?

While certainly more inclusive than the G7/8, the G20's wider membership now reflects, more than ever before, the increasingly complex and fraught multipolar order.

In the last few years the G20 has moved beyond a predominantly short-term crisis-management role to focus more on long-term agenda-setting, as reflected in the main themes of recent G20 Presidencies from Germany's 2017 'Shaping an interconnected world' to Saudi Arabia's 2020 'Realising opportunities of the 21st century for all'. The G20 has yet to show that it could be as effective in brighter times as it was during the 2008 global financial crisis, with its members ready to walk the talk in unison. With the COVID-

19 crisis, the G20 is again in the spotlight to fill the leadership vacuum and chart out a swift, coordinated global response.

The 2017 German Presidency

Thanks to Chancellor Merkel's skill and stature, the German Presidency managed to secure overall positive outcomes on all critically important issues, despite the stance of the new US Administration, which questioned a number of common positions that had been agreed by the G20 in previous years. Holding the Summit mid-year, while the new US Administration was still settling in, may have helped.

On trade, President Trump rattled G20 partners by refusing to reject all forms of protectionism as in Hangzhou. This shift in a long-standing US position reflected President Trump's 'America first' policy: his first major move upon taking office was to pull the US out of the Trans-Pacific Partnership (TPP). Even so, the Hamburg Communiqué was still relatively strong, with the G20 Leaders committing to 'fight protectionism including all unfair trade practices' while recognising 'legitimate trade defence instruments. For the first time, the G20 admitted the importance of reciprocity and a level playing field in trade and investment relations. Moreover, China was pushed to commit to fully cooperate in the Global Forum on Steel Excess Capacity set in Hangzhou and take action to cut excess capacity in the steel sector. The Communiqué explicitly mentioned the removal of market-distorting subsidies and other government support.

On climate change, with the Summit coming a month after the Rose Garden announcement of [US withdrawal from the Paris Agreement](#), leaders agreed to disagree. The so-called G19, including the likes of Russia and Saudi Arabia, confirmed their commitment to implement the 'irreversible' Paris Agreement while it only 'took note' of the withdrawal of the US. A separate paragraph states the US position, including ceasing to implement its Nationally Determined Contribution and its intention to help third countries access cleaner fossil fuels. Although discussions over the best solutions to the crisis of refugees and irregular migrants were divisive, G20 members recommitted to collective efforts. Contrary to the 2017 G7 Summit in May, all members, including the US, backed the United Nations process towards the Global Compacts on Refugees and for Safe, Orderly and Regular Migration. Linked to migration, the G20 launched a new Africa Partnership, including several initiatives such as the Compact with Africa, to foster sustainable development and job creation. An unplanned statement on counter-terrorism said little new from a European perspective, but served to smooth over potential fissures and tensions between the US, Russia, Turkey and Saudi Arabia, while presenting no major issues for others.

As Hamburg showed, the G20 proved that it could work without US leadership, determined to continue its joint path towards a more climate-friendly global economy. What remains from Hamburg is the hope that international cooperation is still possible despite, or maybe because of, the US Administration's more isolationist strategy. Still, the Hamburg Summit did confirm the fragility of multilateralism and implicitly questioned whether Europe alone was in a position to strengthen it.

The 2017 German Presidency had the task to live up to the challenge of 'shaping an interconnected world', extending the G20's influence in the realms of fair globalisation, migration, health and counter-terrorism, for example. A glance at the issues covered in the Hamburg Communiqué, from a forum that had hitherto stuck closely to its economic and financial policy agenda, shows that Germany was ready to go beyond global economic governance (they also held the second-ever meeting of G20 Foreign Ministers –a tradition that has continued under subsequent Presidencies–). Whether this marked the start of a trend is still difficult to determine as there is a fine line between maintaining unity and extending into the domain of global governance, which could stretch it to breaking point.

Argentina's 2018 G20 Presidency

The Buenos Aires Summit coincided with the 10th anniversary of the first G20 meeting at the leaders' level. A joint Communiqué was by no means guaranteed¹ at the beginning of the Summit, after President Trump's tweet left a bitter aftertaste to the G7 Charlevoix Summit. The G20 Leader's Meeting came as tensions grew between China and the US over trade differences, hostilities between Ukraine and Russia flared up again and pressure mounted to hold Saudi Crown Prince Mohammed bin Salman to account for the murder of journalist Jamal Khashoggi. Much of the political action occurred at the margins of the Buenos Aires Summit, especially with the first encounter between President Trump and Xi-Jinping,² which led to the 90-day trade-war truce.

Argentina played a smart hand within the G20, orchestrating a delicate balancing act between the US and China. The renewed commitment to work together to improve the rules-based international order was the result of reportedly strong EU coordinated efforts, as US negotiators took hard-line positions, rejecting any mention of 'multilateralism' or 'the rules-based order'. As a breakthrough, the G20 committed to reform the World Trade Organisation (WTO) to improve its functioning. It was never going to be optimal as the painstaking consensus building obviously meant keeping the US and China (and the others) on board throughout. Due to their mutually exclusive red lines, it was not possible to reiterate previous G20 commitments such as fighting protectionism and rejecting all unfair practices, keeping markets open and ensuring a level playing field. In addition to tariffs on Chinese goods, the Trump Administration imposed tariffs on steel and aluminium imports on national security grounds (primarily targeting China but not solely). It has been reported that the EU led the G20 call to further cut steel excess capacity and eliminate the subsidies that cause it. Although it has been said that China felt unjustly singled out, the EU secured, for the first time at the leaders' level, the recommendations and commitments agreed by Ministers in the Global Forum on Steel Excess Capacity and advanced the report by June 2019.

¹ There were several failures to reach an agreement at the 11th Ministerial of the World Trade Organisation, the 2018 Ministerial Council of the Organisation for Economic Co-operation and Development and the Asia-Pacific Economic Cooperation Summit in Papua New Guinea.

² In April 2018 China imposed retaliatory tariffs on US products worth around US\$3 billion, escalating the US-China trade war. By November, the US had imposed tariffs on US\$250 billion worth of Chinese goods, while China had set tariffs on US\$110 billion worth of US products.

On climate change there was no backtrack. All G20 members (except the US) reaffirmed their commitment to the Paris Agreement pledging their 'full implementation' ahead of COP 24 in Poland. The US rejected the proposed paragraph on migration and displacement, advocating that this was a domestic issue with important implications for their national sovereignty. Ultimately, there was a minimal reference to this, but saying nothing would have set a risky precedent on the G20 agenda.

After over a decade of isolation under previous governments, Argentina was ready to return to the international stage and display its newfound commitment to open trade and multilateralism. To say that hosting the G20 Summit evoked national pride would be an understatement –at the end of the G20 gala event President Macri was moved to tears when the actors of the Argentum show began to chant 'Argentina!, Argentina!'. The success of the Buenos Aires Summit catapulted Argentina as a respected and trusted partner onto the world stage. Although its Presidency laid the ground for securing a loan from the IMF, it did not result in the much-needed foreign direct investments that President Macri so desperately wanted. Although he tried to capitalise on the Buenos Aires Summit in the run-up to the 2019 presidential election, the centre-left Alberto Fernandez won.

The 2019 Japanese Presidency

The Osaka Summit **proved to be another difficult test** for the values anchored in the rules-based international order. Thanks to concerted efforts from the Europeans, more than any other members, the G20 passed. An agreement on a Leader's Statement was impeded until the very last moment, amidst international trade and geopolitical tensions and with the climate crisis at the top of the agenda. Preserving the status quo in those difficult times qualified as a success for Japan.

Almost all G20 Leaders (except India, Indonesia and South Africa) endorsed a separate declaration on the Digital economy to launch the Osaka Track, aimed at promoting negotiations on setting international rules on e-commerce. G20 full consensus was reached on a separate Declaration on terrorist content online, following Australia's initiative in the aftermath of the Christchurch attacks. With fortuitous timing, the EU together with Argentina and Brazil announced the EU-Mercosur Free Trade Agreement defying the 'protectionist wave'. In the margins US-China announced another 'truce' in their escalating trade dispute³ and agreed to resume their bilateral trade talks.

Despite very difficult negotiations due to the US's (and others') usual red lines, leaders finally issued a joint Communiqué. Apparently, the final text was actually agreed a few minutes *after* the end of the Summit, when the Presidency was ready to issue a Chair's Statement. It proved problematic to repeat language agreed in Buenos Aires (less than seven months before) and even more recently at G20 ministerial level (trade, finance and climate). Indeed, the G20 Communiqué did not include any reference to the Buenos Aires commitment to 'improve the rules-based international order'. On climate change,

³ As trade talks ended without a deal, the US raised tariffs on US\$200 billion worth of Chinese foods from 10% to 25% in May 2019, leading China to retaliate by increasing tariffs on US\$60 billion worth of US goods.

there was strong and united pressure from the Europeans to re-state the G19/US divide on the Paris Agreement, as in Hamburg and Buenos Aires. Japan's Presidency made major efforts to help the US break its isolation; Brazil attempted to reinterpret key provisions of the Paris Agreement and Turkey expressed its concerns about being unfairly treated as developed country. Nonetheless, the G19 stood together and the US eventually accepted the text, subject to inclusion of their viewpoint, which describes the US as 'a world leader in reducing emissions'. The Osaka Declaration also went a few steps further with G19 committing to communicate or update Nationally Determined Contributions by 2020, which served to generate political momentum ahead of the United Nations Climate Summit in September and COP25 in December.

On trade issues, all G20 Leaders except the US were in a position to reach a consensual paragraph building on language agreed by all G20 Trade Ministers less than one month earlier. While the G20's traditional anti-protectionist pledge was not reproduced verbatim, Leaders made a clear commitment to 'free, fair, non-discriminatory, transparent, predictable and stable trade and investment environment'. G20 leaders affirmed that open international trade should be rules-based and that WTO reform is necessary to improve its functioning, notably of the dispute settlement system. Japan engaged bilaterally with China to table a text addressing Chinese concerns regarding steel excess capacity. It has been reported that prolonging the Global Forum on Steel Excess Capacity (GFSEC) beyond 2019 was made conditional upon deleting reference to the report, supported by all other members of the GFSEC pointing at China's overcapacity and addition of some openness to revising the mandate of the Forum. Both China and the US (the latter due to lack of results) were apparently ready to terminate the Forum. Although the text in the Declaration asked Ministers of the members of the GFSEC 'to explore and reach a consensus by fall 2019 on ways to further the work of the Forum', no agreement on its prolongation was reached.

The Osaka Declaration also included Prime Minister Abe's Data Free Flow with Trust initiative to facilitate the cross-border flow of data among countries with high levels of privacy protection and a call for finding global solutions to the taxation of the digital economy by 2020. On sustainable development, leaders restated their commitment to play a leading role in contributing to the timely implementation of the 2030 Agenda and the Addis Ababa Action Agenda –this was not a given in light of US reticence–. It sent a clear and strong political message ahead of the Sustainable Development Goals Summit in New York in September, where Japanese Prime Minister Abe highlighted G20 collective actions that had contributed to implementing the 2030 Agenda. On migration and displacement, thanks to European leadership backed by other partners (notably Turkey and Mexico), G20 members minus the US agreed on a substantial paragraph that would have ensured unequivocally that these issues remain on the agenda. However, the US apparently reduced this to a vague 'We will continue dialogue in the various dimensions of these issues in the G20'.

Another historic 'London G20'?

On 11 March 2020, the World Health Organisation (WHO) declared the COVID-19 outbreak a global pandemic. Since then, the essential public health measures taken have had a tremendous economic cost that has triggered a global recession, the spill over

effects of which were amplified by dynamics kicked off by the 2008 global crisis. In its June World Economic Outlook forecast, the IMF projected a contraction of the global economy of -4.9%, the worst global downturn since the Great Depression.

China was at the centre of the global pandemic, the subsequent consequences of which go well beyond COVID-19. China is dependent on exports to maintain its economic growth (accounting for roughly 20% of its GDP) and its single largest customer is the US, despite the ongoing trade dispute. The crisis has led to substantial damage to the Chinese economy and to some degree, to the decline in oil prices, since China is the leading oil importer. It had almost certainly contributed to the initial massive decline in equity prices. At that point, Saudi Arabia started a price war with Russia, triggering a major fall in the price of oil, with US oil prices falling by 34%. The severe fall and continued turbulence of American stocks also reflected US vulnerabilities as many people living in the US are without any healthcare cover or a strong social safety net. This prompted President Trump to declare a 'national emergency' on 13 March with the subsequent impact on the US and the global economy and ripple effect on the Chinese economy.

The G20 Extraordinary Virtual Leaders' Summit on COVID-19

Even if the pandemic is not viewed as a significant stress test for globalisation, the end of multilateralism or even a 'new Cold War' as such, it is certainly a test for the coordination of global responses within a weakened global governance structure and a climate of mistrust. What made the 2009 London G20 historic was not the size and scope of the 2008 global financial crisis but rather the speed and magnitude of the collective response. One nation could not solve the problem alone, so developed and emerging economies alike took a comprehensive and unprecedented set of actions to prevent another depression and set the stage for recovery.

The Saudi Presidency held an [emergency virtual G20 Leaders meeting on the COVID-19 crisis](#) on 26 March, chaired by King Salman, with minimal time for preparation. The backdrop for the Summit was not propitious with Saudi Arabia and Russia in the middle of an oil price war (with repercussions for the US shale industry) and rising tensions between the US (with elections in November 2020) and China, over the origin of the COVID-19 outbreak.

The current situation differs significantly to the 2008 financial crisis (the origin is instead a breakdown in public health response systems sparking a treble shock –demand, supply, financial– in the global economy). However, there is still huge value in large-scale coordination on health, macroeconomic policies and wider cooperation measures. Evidently, this comes at a time when such coordination is not the political reflex of the US as it was in 2008, when President Obama held the first ever G20 Summit to respond to the crisis. However, given that monetary policy is reaching its limits, most observers agree that the G20 countries' most effective option to support growth must involve coordinating fiscal stimulus. Importantly, G20 leaders simultaneously agreed to keep global trade open, fair and non-discriminatory. Meanwhile, China was taking a leading role in supplying medical aid.

The negotiations of the Leaders' Statement (conducted virtually for the first time) were notably smooth, showing G20 determination to act quickly and in a coordinated manner. The US, however, apparently tried to tone down the language of the joint statement in several places and opposed language on de-escalating trade tensions and WTO reform. In recent years the Trump Administration has been blocking the appointment of new judges to the WTO's Appellate Body. As of December 2019, the Appellate Body essentially stopped functioning as it had too few members to decide on appeals in trade disputes between WTO members.

On the health front, the G20 Communiqué aimed at limiting countries from imposing barriers to exports of medical equipment, or launching competing efforts to find a potentially hugely profitable vaccine. The G20 tasked Health Ministers to develop a set of urgent actions on jointly tackling the pandemic by the time of their Ministerial Meeting in April and committed to further strengthen the WHO's mandate (with a clearer role) in coordinating the international fight against the pandemic and to close the financing gap in the WHO Strategic Preparedness and Response Plan. The G20 also tasked the WHO, in cooperation with relevant organizations, to assess gaps in pandemic preparedness and report to a joint meeting of Finance and Health Ministers in September, with a view to devising a global initiative on pandemic preparedness and response, aligning existing and ongoing initiatives (with importantly, *no new set-up*). In this context, President von der Leyen stressed that the EU stood ready to set up an international online pledging event⁴ to ensure adequate funding to develop and deploy a vaccine against COVID-19.

On the economic front, most G20 economies were in the process of deploying massive fiscal stimulus measures, with their central banks injecting much needed liquidity into squeezed financial markets. The Leaders Statement provided a combined overview of all the measures taken so far with over US\$5 trillion injected into the global economy to counteract the social, economic and financial impacts of the pandemic. The G20 tasked Finance Ministers and Central Bank Governors to develop a G20 action plan by 15 April in response to COVID-19 and to work closely with international organisations to deliver swiftly the appropriate international financial assistance. Regarding trade, the joint statement calls for ensuring the flows of vital medical supplies and other goods, resolving disruptions to the global supply chains, and refraining from raising new trade barriers. It also justified 'emergency measures', aimed at protecting health, providing they are targeted, proportionate, transparent and temporary.

Finally, on international cooperation, the Joint Statement refers to the urgent need for a coordinated response with international organisations and multilateral development banks, given the serious risks that the pandemic poses in the developing world, as well as the challenges faced by refugees and displaced persons (the latter being Turkey's call).

⁴ On 4 May, the European Commission registered €7.4 billion in pledges from donors worldwide during the Coronavirus Global Response pledging event. This was followed by the 'Global Goal: Unite for Our Future' campaign launched on 28 May, which culminated in the global pledging summit on 27 June. Both events raised about €16 billion.

The COVID-19 crisis has already exacerbated existing debt problems in many developing countries, which could become a clear obstacle to sustainable development. As part of the G20 Action Plan of 15 April, Finance Ministers and Central Bank Governors agreed on the G20-Paris Club Debt Service Suspension Initiative (DSSI), which offered 73 eligible countries the ability to suspend debt payments to their G20/Paris Club bilateral official creditors until the end of 2020. The G20 Finance Ministers and Central Bank Governors Meeting of 18 July reported that the DSSI is progressing well with 42 countries having applied, accounting for an estimated US\$5.3 billion of 2020 debt service to be deferred.

The 2020 G20 Riyadh Summit and the road ahead

Since the G20 Extraordinary Summit, the COVID-19 pandemic has spread with alarming speed infecting globally over 24 million people, with nearly 850,000 deaths reported to the WHO⁵ (as of 1 September 2020). The COVID-19 epicentre has since shifted from Europe to the Americas, with the US and some EU Member States in the top 10 of the worst-hit countries.⁶ Despite massive government interventions, there are no signs that the economies of the US or the EU –accounting for almost half of global GDP– are recovering. According to Eurostat estimates for the second quarter,⁷ GDP in the EU over the previous quarter fell by -11.7% (after -3.2% in the first quarter), whereas the US's GDP contracted by -9.5% compared with the previous quarter (after -1.3% in the first quarter).

The outcome of the US election on 3 November will be a harbinger for the future of international cooperation. The first crucial test will be the upcoming [G20 Riyadh Summit](#) on 21 and 22 November 2020. If elected, the Democratic presidential contender, Joe Biden, has pledged to abandon President Trump's isolationism, instead embracing multilateralism and restoring US leadership through strategic alliances. As the rules-based multilateral trade order weakens, great power rivalries have intensified. Yet the G20 still offers a window of opportunity for the future of the WTO (the so-called Riyadh Initiative). Biden has also pledged to reverse President Trump's move to withdraw from the WHO⁸ and aims to re-join the Paris Agreement, calling climate change an 'existential threat'. However, even if the Democrats win, the US will formally leave the Paris Agreement (albeit temporarily) the day after the 2020 US election.⁹ As the new President officially assumes office in January 2021, the key question would be President Trump's authority in the upcoming G20 Summit if he is not re-elected. The Riyadh Summit will also be a crucial moment for the future of the G20 and its place in global governance. Leaders should live up to expectations by sending a robust message of unity to address

⁵ As of 1/IX/2020. WHO Coronavirus Disease (COVID-19) Dashboard.

⁶ As of 1/IX/2020. Johns Hopkins Coronavirus Resource Center, 'Mortality Analysis: Deaths per 100, 000 population'.

⁷ 14/08/2020. GDP and employment flash estimates for the second quarter of 2020.

⁸ On 6 July 2020, the Trump Administration notified the UN that the US was formally withdrawing from the WHO.

⁹ In November 2019, the US notified the UN of its intention to leave the global climate change accord, initiating a one-year process to culminate the day after the 2020 US election.

effectively the pandemic emergency and its economic fallout while showing solidarity, particularly with the world's poorest countries.

Conclusion

The COVID-19 pandemic could prove deeply destabilising not only economically but also geopolitically. It has already been testing the limits of global cooperation and has accelerated many trends already underway in the global economy. A resurgence of economic nationalism might be an even greater risk of the current crisis.

The G20 has traditionally served as a vehicle for strengthening full-scale multilateralism, not for establishing ways to replace or circumvent it. Whether this time the G20 will be able to keep alive multilateral cooperation will depend on whether the existing fissures in the G20 narrow or expand to breaking point. The upcoming US elections in November, some weeks prior to the G20 Riyadh Summit, will influence the game. Whereas in 2008-09 the US and China managed to put aside their differences to meet a common cause –tackling the global financial crisis– today willingness to work together remains up for debate. Trade and technology disputes and the bitter recriminations over the handling of the current COVID-19 pandemic have plunged the relationship between the US and China to new lows. This crossfire has also driven a further wedge between Washington and other G20 members, who do not necessarily want to antagonise China.

Failing to provide a global safety net as the COVID-19 crisis intensifies, particularly in the developing world, might have devastating economic and political repercussions, threatening to poison international economic relations for years to come.

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