

Can the G20 save our Multilateral Trading System?

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Executive Summary

The global economy is in perhaps its most volatile state since the 2008 financial crisis. There are many factors behind this instability but growing concern regarding global trade is undoubtedly a major one. Naturally, there is a lot of focus on mounting US-China trade tensions and given the rise in protectionism, it will be for fora such as the G20 to act as avenues for countries to uphold the multilateral trading system that has driven the post-war global economy. The question is whether the 2018 G20 can deliver in this way.

A turbulent year

Given the outcomes of the G7 Summit in Charlevoix, Canada and the more recent Asia Pacific Economic Cooperation (APEC) meeting in Papua New Guinea, it is evident that multilateral fora are currently failing to deliver in upholding and enhancing the global trading system. The failure of the G7, which saw the US withdraw from the agreed communique, is concerning not only because one would

expect consensus to be more natural in a group of the more traditionally like-minded countries of Canada, France, Germany, Italy, Japan, UK and the US, but also because it undermines the group's existence. If the self-described most developed and industrialised nations cannot agree on the future direction of the global economy, it is questionable how much they can lead the rest of the world. This is not helped by the fact that the major economies of China and India are not included in the first place. The scale of this failure is also highlighted by the fact that this was the first time in the G7's history a communique was not agreed upon and it was vitally important the G20 did not follow for the sake of its own existence.

With regards to trade, the 2018 G7 [communique](#) that was published (and that the US withdrew from) included acknowledgement that "free, fair and mutually beneficial trade and investment, while creating reciprocal benefits, are key engines for growth and job creation". Wording along these lines have been

consistent within past communiqués and the fact that this was rejected by the US strikes the G7 at its very core. Without resorting to milder and blander language that lacks substance, it is difficult to see how the now not-so-like-minded G7 can resolve its newfound differences.

Given the G20 includes a much broader range of views and positions, this difficulty is rather more pertinent - particularly when you consider both the US and China are members. Consequently, reaching any form of consensus and language in a communiqué that can start to de-escalate global trade tensions is traditionally more difficult.

Similarly, APEC, which both the US and China are also members of, was also unable to agree on a communiqué for the first time in its history due to the US-China trade dispute. This outcome is in stark contrast to the [2017 APEC Leaders' Declaration](#) which included 'advancing free and open trade and investment', commitment to the realisation of the Free Trade Area of the Asia-Pacific (FTAAP) and support for the 'multilateral trading system' through the World Trade Organisation (WTO) Trade Facilitation Agreement (TFA). Comparing the 2017 and 2018 summit outcomes highlights the new threat to multilateralism and questions the role of multilateral fora in de-escalating tensions.

Given the G20 has eight APEC members and took place just a few weeks before the G20, it is difficult to see how the G20 could have had any meaningful or positive impact on US-China trade tensions. However, attempting to achieve this is exactly the role of the G20.

Global trade in the G20

The 2016 G20 Hangzhou Summit [Communique](#) included a very comprehensive section on 'robust international trade and investment' in which members committed to 'enhance an open world economy by working towards trade and investment facilitation and liberalisation' - the sort of language to be expected from the G20. The similar objectives of the G20 and APEC are evident in this communiqué in which members also committed to ratify the WTO TFA by the end of 2016. Indeed, APEC's mission statement is to support sustainable economic growth and prosperity in the Asia-Pacific region, while the G20 focuses on promoting global economic cooperation in its capacity as the premier forum for international economic cooperation. This has usually been pursued by focusing on the multilateral trading system, which in the past was not a contentious issue.

In 2017, for example, the Hamburg G20 Communiqué committed members to

'keeping markets open noting the importance of reciprocal and mutually advantageous trade' and 'fighting protectionism'. Analysing the communiqués and leaders' declarations since 2008 when leaders began attending the G20, it is noticeable that enhanced trade, openness and fighting protectionism are common themes every year. However, these themes do not appear as pronounced in this year's Leaders' Declaration.

Buenos Aires 2018

The two documents of most relevance to global trade are the Trade Ministerial statement and the final Leaders' Declaration. The Trade Ministerial statement is rather lacking in ambition with barely any recognition of the current trade tensions between the US and China. While there was agreement to 'reinvigorate the international trading system', there was no specific mention of achieving this through openness and the multilateral system; or indeed how they intend to achieve this at all. This highlights a broader issue - that instead of addressing and solving issues, there is a desire to overlook them entirely. This seems to be an overarching theme of Argentina's G20 presidency with the hosts wanting to focus on discussion about issues of agreement rather than formulating policy to tackle issues of disagreement.

This is clearly evident in the six-word sentence about the US-China trade dispute out of the 3,590-word document: "we also note current trade issues". This defeats the objective of multilateral fora, particularly the G20 as the primary forum for international economic cooperation. This is an opportunity to tackle an issue involving the world's two largest economies, not hide from it. Indeed, progress between the US and China was made bilaterally. This should've happened during the summit.

While there appears to be a general consensus in the Trade ministerial and the Declaration, the reality is that little of substance was included in the statements. This is also true of the discussion surrounding the multilateral trading system. While it is an achievement to get the term "multilateral trading system" in the Declaration in the first place, the sentence merely notes the G20's recognition of the contribution of the multilateral trading system to past growth.

Although there is little forward-looking ambition, much more progress has been made here than on the specific trade dispute between the US and China. The statement is a step in the right direction with the US acknowledging the benefits of multilateralism and the importance of it in the growth of the post-war economy.

While there is generally little of substance that can be taken forward from the 2018 Summit on this issue, this statement does offer a path to potentially getting US support for multilateralism in the future.

Looking ahead to 2019

Japan hosts the next G20 Summit and during its Presidency, it is almost certain it will promote the multilateral trading system and closely monitor the US-China trade dispute. Japan is not only a heavily reliant exporting economy and therefore reliant on the multilateral trading system, but the US and China are also its two largest trading partners.

Japan is a well-known defender of free trade and the rules-based system. Given the US has acknowledged the benefits of the multilateral trading system, it could serve the next G20 Summit well if the Japanese presidency is able to really push

and highlight the importance of the system in the post-war economy to date.

Looking back on the 2018 G20 and considering trade, it appears to have been a relatively amicable and calm summit but it must not be forgotten that the largest threat to the global economy was not even discussed, and the issue will not resolve itself. This was an opportunity for the G20 to showcase itself but instead it has ignored the issue and this therefore does bring into question the role and purpose of the G20. Each host country is so driven on delivering a 'successful' summit that they are afraid of confronting the difficult issues. While Japan will also want a successful summit, it is hard to see how they can avoid this issue.

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