

Trading Away Our Future? Economic Nationalism at the G20 Hamburg Summit

JOSEPH RICHARDSON
The University of Sheffield

Executive Summary

With the future of international trade looking increasingly uncertain, this year's G20 Summit Chair Angela Merkel placed the restoration of the rule-based trading order at the forefront of her agenda. Ambitiously, she may have hoped that her leadership would prove influential enough to manage the various competing interests present at the summit, which have generally loosened the Group's hold over the workings of the global economy. Far from vindicating any pre-summit optimism, the Hamburg Summit largely reaffirmed the G20's image as an ineffective manager of international trade. In addition to this, the various internal divisions present at the summit seemed to chip away at the Group's unity, with both Trump and Merkel leaving their marks on the negotiations. In this context, the Summit Leaders' Declaration expressed the G20's archetypal commitment to keeping markets open, while also invoking the condition that it should be conducted on a "reciprocal" and "mutually advantageous" basis. Nevertheless, with no formal policy plan to implement such ideas, the G20's discussion will likely prove to have little effect on the workings of global trade.

Global Trade in the Post-Crisis Era: Rest Without Recuperation?

Quite comprehensibly, scepticism regarding the welfare of the global trading system has increased in recent years. Aggregate trade measures continue to paint a rather gloomy picture, offering little assurance to those predicting a substantial reversal in the post-crisis slump. For example, between 2015-2016, international trade experienced a disappointing increase of [2.7 per cent](#), narrowly missing the WTO's conservative target of 2.8 per cent. While not at the perilous lows seen in the immediate post-crisis years, this upsurge still pales in comparison to pre-crisis levels. Moreover, the ongoing period of recovery has ushered in an era of unusually weak performance in global trade, in which growth of less than three per cent has become the norm rather than the exception.

More worryingly, weak aggregate performance is just one of many threats posed to the international trading system. The recent rise in protectionism, which according to a report by the Centre for Economic and Policy Research, accelerated at its most rapid rate in [almost two decades in 2015](#), is of a

similarly ominous character. So too is the recent proliferation of regional/bilateral Preferential Trade Agreements, which, as various accounts have shown, generally lead to the distortion of trade flows and the overprovision of indirectly discriminatory tariffs. Furthermore, the recent political backlash against the doctrine of free trade has amplified the issue considerably, with initiatives aimed at redressing this period of global underperformance likely to be unpopular at the domestic level.

Indeed, given the adverse political response to the perceived effects of international trade, it is no surprise that the Hamburg G20 Summit Priorities report references the need to balance the promotion of free and open markets with alleviating the fears of domestic sectors, populations, groups and regions. Still, this is a precariously delicate balancing act. With the post-crisis lethargy continuing to take its toll on global commerce, G20 countries need to do more to plant the seeds of free trade, the key issue being that the grounds appear to be at their least fertile point since the birth of the post-war order. Undoubtedly, if this dilemma is to be overcome, the G20 countries will need to exert some proficient political manoeuvring. However, for the moment at least, this appears to be in rather short supply. With the US promoting a self-interested America First programme, China continuing to protect several of its domestic industries and countries such as Japan and Germany clocking up record trade surpluses, it seems the global economy is rife with reluctant powers

favouring domestic interests over the collective good. Judging on the above, it is no small wonder that prominent trade analysts such as Melodie Michel of the *Global Trade Review* have predicted [the end of trade as we know it](#).

The G20 and International Trade: A Failure of Global Governance

Of course, it is easy to see how the combination of a sustained underperformance in global economic activity, a growing discontent with free market policies and an apparent reluctance towards altruism on behalf of the great powers has bred such cynicism. However, might the G20 adopting a more hands-on approach to managing international trade inject a small dose of optimism into the discussion? After all, in its formative years, the G20 was described as the [best available tool](#) in global governance in managing economic affairs.

Given the G20's membership and designated priorities, the group does appear more adept in tackling issues related to the global economy than other multilateral forums. For instance, due to its expanded membership, the G20 accounts for approximately [75 per cent of world trade and around 85 per cent of world GDP](#). The G7's figures come nowhere near that, with membership reserved for the "old guard" of the liberal economic order, despite many of them being outperformed by newcomers such as the BRICS. Thus, the G20 is the more representative forum, necessarily enhancing both its outreach and its legitimacy as a manager of economic

activity. Additionally, as a primarily economic forum, restabilising the global trading order has long been an integral part of the G20's agenda. This furthers the G20's advantage over the G7 in this area, with the latter tending to specialise in matters of security.

However, despite such procedural advantages, the G20's record on global trade is [mixed at best](#). On the one hand, the inaugural 2008 Washington G20 Summit achieved its principal objective, with member countries making a durable pledge to resist protectionist measures in their weathering of the global economic crisis. This proved a robust commitment, which contributed to the global economy enduring an unprecedented recovery rather than slipping further into recession. Most impressively, this illustrated a certain maturity on behalf of the G20 countries, who prioritised the functioning of international markets at a time when mercantilism may have been the easier option. Recalling the reverberant effects of the alternative route taken by countries in response to the great recession, historians may come to read this as the G20's most worthy course of action.

Disappointingly, however, this has proven to be only one of a few instances in which the G20 has acted as an effective collective unit. More often than not, the Group's ability to steer the global economy in the desired direction has been undermined by internal disputes. Consequently, the Group's contribution has often been limited to vague, rhetorical statements expressing a commitment to rejuvenating global trade and rejecting

the protectionist impulse. In both these areas, the G20's usefulness has been seriously lacking.

In the case of the former, the Washington Summit and many of its successors touted the completion of the Doha Round of WTO talks as the G20's primary goal in relation to trade, though this ultimately proved an overly ambitious task. Rather than establishing greater unity, the attempt to complete the Doha Round unwittingly exacerbated the geo-economic tensions within the G20 organisation. Problematically, the developing world's insistence on the dropping of the West's agricultural subsidies sapped the latter's initial enthusiasm, with countries such as the US and the UK eventually coming to favour the Round's termination. In response, developing nations such as Brazil and India publicly criticised the West due to their alleged attempts at sabotaging WTO discussions. Ultimately, this particular issue proved divergence to be more potent than unity within the G20, a characterisation exemplified in [Dilma Rousseff's lamenting of fellow G20 member's](#) due to their refusal to reopen the Doha talks after the 2012 Los Cabos Summit.

That being said, the Los Cabos Summit also saw G20 members reaffirm their vow to resist erecting new trade barriers, though promises such as these tend to be rather customary and should thus be taken with a pinch of salt. The Hangzhou Summit expressed a similar sentiment, as was alluded to in the [Leaders' Communiqué](#), which issued a highly

archetypal message reaffirming the Group's collective dedication to both openness and rejecting protectionism. However, as is often the case, this statement seemed to paper over the cracks, with trade disputes such as Chinese steel being dumped into the Western market continued to boil under the surface. Indeed, the US's subsequent tariffs erected against Chinese steel imports, ranging from 63.86 to 190.71 per cent, illustrated just how fruitless these pledges can be.

Moreover, one should not forget that the G20's record at sticking to its own commitments on trade is highly questionable. For example, according to the International Chamber of Commerce, only four countries: Germany, Australia, Canada and the United Kingdom recorded an above average score on [the Open Markets Index in 2015](#), with Germany being the only member in the top 20. In addition to this, the WTO issued a warning in 2016 that G20 countries were introducing protectionist measures at the fastest pace seen since the 2008 financial crisis, averaging at five per week. Therefore, far from substantiating the Group's commitment to free and open markets, the G20 countries' policies on trade have undermined the leadership it claims to provide in this area.

The Hamburg Summit: Divergence and Disunity

In her welcoming address, this year's G20 Summit Chair Angela Merkel referred to the improving of global trade as the "core competence of the Hamburg Summit".

Not only this, according to the Summit's Social Briefing, international trade was the second most popular topic for those engaging on social media, giving the appearance of a consensus between policymakers and commenters that matters relating to trade should be at the forefront of discussions. In the current political climate, this does not come as a great surprise. The Trump/Brexit era has instigated a monumental increase in media scrutiny on how certain political leaders may hamper the functioning of international markets. Inevitably, citizens and policymakers alike are becoming more and more wary of how the future of the liberal economic order may be just one tremor away from an out-and-out crisis. As a result of this, an area once reserved for so-called [political nerds](#) has become a keenly followed aspect of international politics.

However, followers expecting the G20's policy orientation to send shockwaves across the political world will have been greatly disappointed. Furthering the G20's reputation as a middle-of-the-road organisation, the conclusion was neither the great redemption promised by Merkel nor the great implosion presaged by Trump. However, quite paradoxically, both leaders seemed to influence the summit's conclusion. Merkel's influence could be seen in the array of conventional assurances that the G20 will work to "keep markets open, fight protectionism, promote a favourable environment to trade and investment and to further strengthen G20 trade and investment cooperation". Agreeable soundbites as they are, these promises make no

reference to actual policies and thus provide no clear yardstick on which to measure the G20's performance. Far from showing a confidence in the Group's ability to rejuvenate global trade, this manifests an implicit surrender to the forum's apparent ineffectiveness by both Merkel and her liberal allies.

A likely contributor to the Summit's ineffectiveness will have been internal disagreements over the future of global trade. Whilst the liberal coalition of Merkel, Macron and Trudeau see little wrong with the global market's ideological foundations, leaders such as Trump, Putin and Xi at the very least want the freedom to opt out of the liberal system as and when they see fit. An apparent enemy to consensus, the antagonism between the above actors seems to have sucked whatever unity was left out of the Group. Furthermore, the essence of Trumpian self-interest appears to have infiltrated the conscience of the G20, with the term "reciprocity" being a defining feature of the Hamburg Summit. For instance, even in the Summit's notoriously [by-the-book Declaration](#), there is an ever-so-slight deviation from the usual market fundamentalism, with an emphasis that open markets should be promoted on more "reciprocal and mutually advantageous" grounds, showing that Trump has left his mark on the negotiations. More poignantly, even the Summit's most ardent neoliberals seem to have borrowed from Trump's mantra,

with both Emmanuel Macron and Arvind Panagariya expressing their desire to balance the benefits of trade back in their own countries' favour. In terms of actual policy, this will likely prove ineffectual, with the G20 countries already neglecting their self-imposed dedication to the doctrine of free trade. However, if the Group starts to backslide on its most basic of rhetorical commitments, it should be prepared to face some justifiable scrutiny over the value of its existence.

Conclusion

In sum, the 2017 Hamburg Summit will have inflamed both sides of the trade debate. Those hoping for a trade-centred diplomatic implosion will have been disappointed by the business-as-usual rhetoric alluded to in the Declaration. However, at the same time, those hoping that the Hamburg Summit would instigate collective initiatives to make trade more free, open and fair will be disappointed. Given that the international trading system will continue to exist in a rather unforgiving political environment, the prospects for self-rejuvenation are scarce. With this in mind, the G20 leaders may come to regret the lack of progress at this year's summit.

Joseph Richardson is a Masters student in International Political Economy at the University of Sheffield.