

Global Economy

The G20 should stop just taking note sooner rather than later

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Last Saturday the G20 summit was held in Argentina. What better opportunity to discuss the trade war than the meeting of representatives of countries that account for more than 75% of global growth, investment and trade.

It is not always easy to interpret communiqués which, in the wake of meetings with plenty of debate, are drafted by officials given to penning strikethroughs and adjectives who need to reconcile agreements and disagreements, opinions and consensuses, and who obsessively stand guard over the omissions. There is never mention of everything that happened, but somehow everything that happened is always reflected there in some way, though not always with the same clarity. When you compare today's communiqués with those of 5 years ago, it is almost painful to see so little agreement on things where it matters most.

Since 2008, when the heads of state and government began to go to the G20 summit, the communiqués have evoked images of the attendees looking each other in the eye as they debated what to do to face the crisis, encouraging each other, and committing themselves to action.

Maybe I'm exaggerating. I don't know, I wasn't there, but there were undoubtedly more words back then like "commitment", and fewer like "we take note". And they also dealt with decidedly difficult issues, from growth stimulus measures to changes in global financial regulation. Those kinds of words are no longer used so much to talk about significant issues.

It is hard to imagine the heads of state of the same countries (except Russia) looking into each other's eyes with the same intensity. It becomes easier to visualise them merely taking note and looking away, waiting for a better chance for action, in the new world of what is possible. Saturday's press statement "takes note of current trade issues". How bad must things be that, in the midst of this threat to trade, the G20 can only say that it "takes note". The word "protectionism" does not appear once in the communiqué. They did use it in 2015, where they spoke of "resisting all forms of protectionism" and in 2016, where they "reject(ed) protectionism". They can no longer find a way to say it without risking ending up with no communiqué, as occurred in the last G7 meeting and in the APEC meeting. Or that there's a slamming door somewhere.

The action was at the U.S.-China meeting, where they agreed to a 90-day truce preventing the U.S. from raising tariffs from 10 to 25% on a total of \$200 billion in Chinese imports next 1 January, something that would have had a negative impact on China, the U.S. and the world. In exchange for this truce, China pledges to buy many more U.S. products and to talk about the things that matter to all countries, such as intellectual property protection in China and its non-tariff barriers, technology transfer and cybersecurity. Yes there was more action, albeit nothing very specific.

But let's go back to the G20 communiqué. In spite of their forgetting about protectionism, they made a good point in calling for reform of the World Trade Organization in the same paragraph where they speak of multilateralism as a commitment to governance on trade issues. There is a consensus that this battle must be fought again in an environment of rising tension. This is the fight in which the multilateral bloc will have to make the greatest effort, hopefully with Europe playing a major role. We need clearer and more effective rules for international trade, endorsed by the large countries, and properly enforced. This task at present seems titanic.

Creating Opportunities

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Hopefully the G20 will soon be able to stop taking notes and start taking decisions. And that Europe will once again feel closer to the US on trade issues than it does today. Both these players need each other to push China to change its trade practices, but the gravitational force that the US exerts on Europe is today lower than in the past because of the unilateral approach to trade that it is showing in this strategic war with China. This is a pity, because between the two of them they can have a strong position in multilateral negotiations which will allow a more peaceful balance to be maintained.

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