

The first Trump era G20

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The G20 meeting which was held in Baden-Baden (Germany) on 17 and 18 March was not attended in person by Trump, although his influence was very present. Certain traditional G20 messages have executed an about-turn which reflects the new US position.

This was the first gathering of G20 Finance Ministers and Central Bank Governors to include the new US finance team. The meeting was marked by expectation following criticism from the Trump camp about how such international forums go about their business, accusing them of a lack of transparency and legitimacy. One of the most notable aspects about the statement was the exclusion of any critical reference to protectionism in what was both an echo of the “America First” policy and a sign of a new geo-political context which the German presidency will have to navigate. The G20 confined itself to saying that it will continue to work to strengthen the contribution of trade to economies. Similarly striking was the removal of the usual allusion to backing efforts to combat climate change.

Nonetheless, some significant agreements have been achieved as well. The focus on boosting economic growth has been maintained and previous commitments as regards exchange rate policy remain in place, including the pledge to refrain from competitive devaluations. The consensus on staying on the same course of regulatory reform was a surprise, as there is great uncertainty over the stance of the new US government in this matter, and we cannot rule out that it might start going down a path which leads back to financial deregulation. The explicit support of the G20 for the completion of Basel III could be interpreted as a call to clear the way for Basel IV. This would be positive, as it would help to put an end to one of the chief sources of regulatory uncertainty for banks. Even so, it would be wise to exercise caution here, because the US negotiating stance remains unclear. They additionally declare their commitment to buttressing international financial architecture, especially the International Monetary Fund. Finally, pinpointing regulatory issues that arise from the digital transformation of the financial sector is becoming increasingly important.

To summarise, the G20 faces a new, more complex global scenario, given that the United States appears to be steering towards a bilateral approach in its foreign relations, thus disrupting the general alignment that used to exist on the key priorities in dealing with the crisis (financial regulation, free trade, etc.). This does not serve to undermine the importance of the G20. Just the opposite. In times of international tension, global forums which hold open channels for communication and coordination must play an essential part in preventing disconnects from becoming bigger.

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