



The G20 Summit at Hamburg: Resurrecting Hope?

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In her opening speech at the G20 summit, German Chancellor, Angela Merkel, remarked, “solutions can only be found if we are ready to compromise” and that the “leaders should not be reluctant to identify and address their differences”.¹ The G20 Joint Communiqué for the most part indicates public admission of such dissension. The leaders of the G20, gathered in Hamburg from July 7-8, 2017, parted ways with the US President Donald Trump on climate change and trade. Although, Chancellor Merkel succeeded in convincing the leaders to reach consensus over a single communiqué with commitments on trade, finance, energy and Africa, the difference between President Trump and the 19 other members of the group was clearly discernible.² On trade, the Summit came up with a ‘compromise’ language and, on climate change, 19 of the 20 leaders were able to arrive at an agreed position.

The Summit, themed as “Shaping an Interconnected World”, was able to come up with a Joint Communiqué underlining the outcomes of the Summit in the pursuit of three aims: building resilience, improving sustainability and assuming responsibility.

Building Resilience

The leaders at the G20 Summit 2017 resolved to work towards building resilience in the following areas:

- *Global Economy:* In order to enhance economic and financial resilience, the leaders reaffirmed their commitment to international economic and financial cooperation to further strengthen growth and safeguard against downside risks. To this end, they resolved the continued use of all policy tools – monetary, fiscal and structural – individually and collectively in achieving the goals of a strong, sustainable, balanced and inclusive growth. In doing so, the leaders affirmed to support economic activity and ensure price stability, consistent with central banks’ mandates while ensuring sustainability in debt as a share of GDP.³

- *International Trade*: On trade, the Summit came up with a ‘compromise’ language. While retaining its longstanding position “to fight protectionism including all unfair trade practices”, the joint communiqué recognised “the role of legitimate trade defence instruments”.⁴ However, an encouraging sign is that the Communiqué underlined the crucial role of the rule-based international trading system, the World Trade Organisation (WTO) and took note of the importance of making bilateral, regional and plurilateral agreements open, transparent, inclusive and consistent with WTO and other multilateral trade agreements. The inclusion of fairly strong commitments on trade in most part is significant considering the omission of such commitments in the G20 Communiqué of Finance Ministers and Central Bank Governors in March 2017 due to US President Trump’s intransigent position.⁵

Another important aspect in the communiqué was the G20 leaders acknowledging the need for shaping digitalisation for an interconnected world to foster digital trade, investment and innovation under the ‘G20 Roadmap for Digitalisation’ adopted in April 2017.⁶ The Roadmap took note of the work already accomplished for effective use of digital technologies under the ‘G20 Digital Economy Development and Cooperation Initiative’ as well as the ‘G20 Blueprint on Innovative Growth’ agreed in the 2016 G20 Summit in Hangzhou, China.⁷

- *International Financial Architecture*: In order to ensure a resilient global financial system, the leaders remained committed to the ‘finalisation and full and timely implementation of BASEL III framework without further increasing the overall capital requirements across banking sector’.⁸ It is worth mentioning here that according to the Third Annual Report of the Financial Stability Board (FSB), released on July 3, 2017, the G20 countries are at an advanced stage of implementation and compliance on BASEL III framework. In most countries final rules pertaining to BASEL III framework have been published and are in force. The Report also shows significant improvements in the implementation status of BASEL III over the previous year.⁹

Reiterating their longstanding position for a strong effective and representative financial system, the leaders resolved to enhance ‘the global financial safety net with a strong, quota-based and adequately resourced IMF at the centre’.¹⁰

- *International Tax Cooperation and Financing Transparency*: To ensure fair and modern international tax system, the leaders remained committed to the implementation of the Base Erosion and Profit Shifting (BEPS) endorsed in the 2015 Summit in Turkey.¹¹

Improving Sustainability

In this context, two areas remained the main priority for the G20 leaders at the Summit:

- *Sustainable Development*: Building on its G20 Action Plan on the 2030 Agenda for Sustainable Development, the G20 leaders strove to improve sustainability. In this direction, the Annual Progress Report for the first time documented the implementation

progress of the 2030 Agenda on selected areas.¹² On Sustainable Development, there was convergence among the G20 leaders on most issues, including generation of employment among rural youth, water and food security and strengthening global health systems.

- *Climate Change*: There was visible disagreement on climate change reflective of President Trump's decision to withdraw from the Paris Agreement. It is worth mentioning that countries including Indonesia, Saudi Arabia and Turkey, were re-considering their commitments to the climate pact, because of their apprehensions that the US decision would jeopardise compensation promised to developing countries under the Climate Fund.¹³

Breaking with tradition, the Group agreed to include a separate paragraph delineating US stance on Paris Agreement and fossil fuel in the joint statement. The leaders agreed to "take note" of the US withdrawal and alluded to the US position in helping other countries to "access and use fossil fuels more cleanly and efficiently".¹⁴ A second paragraph was added ascribing the position of the other 19 leaders, reaffirming their support to the Paris deal in limiting emissions of greenhouse gases. Stating that the Paris Agreement is irreversible, the G19 leaders reiterated the importance of the United Nations Framework Convention on Climate Change (UNFCCC) commitment by the developed countries in "providing means of implementation including financial resources to assist developing countries with respect to both mitigation and adaptation actions".¹⁵

Recognising the principle of common but differentiated responsibilities and respective capabilities as well as the different national circumstances, the leaders agreed to the G20 Hamburg Climate and Energy Action Plan for Growth. The Climate Action Plan is substantive enlisting the areas of cooperation to ensure affordable, reliable, sustainable energy sources and clean technologies consistent with the Paris Agreement as well as the Nationally Determined Contributions (NDCs). The Plan also underlines commitments to climate financing through multilateral development banks, including the World Bank and Asian Development Bank.¹⁶

However, the Action Plan did not make any reference to specific arrangements in terms of replenishing the \$2 billion worth US commitment to the Green Climate Fund for mitigation efforts in developing countries.¹⁷ Noteworthy, President Trump has announced that the US would stop contributing to the Green Climate Fund.¹⁸

Assuming Responsibility

Towards this end, the G20 leaders expressed their commitments in the following areas:

- *Migration and Forced Displacement*: In the light of the proliferation of complex issues having global implications, the G20 summit recognised the need to assume joint responsibility to solve challenges presented by migration and forced displacement. Recognising that migration and forced displacement trends are of major relevance for countries of origin, transit and destination, the G20 leaders endorsed the 'G20 Policy

Practices for the Fair and Effective Labour Market Integration of Regular Migrants and Recognised Refugees'.¹⁹ The blueprint outlines the policy practices in the G20 countries entailing measures such as providing labour market access, improving employment opportunity and working conditions, and promoting economic and societal acceptance of migrants and refugees.²⁰

In this direction, special focus was given to Africa to address poverty and inequality which are the root causes of migration. Noteworthy, Chancellor Merkel underscored the importance of combating poverty in Africa in order to prevent the mass migrant flow to Europe prior to the G20 Summit.²¹

- *Africa Partnership*: The focus on Africa under German Presidency was manifest in the 'G20 Africa Partnership' for sustainable economic development in Africa, which was launched at the Summit. The partnership encompasses various initiatives at renewable energy and climate change, women empowerment and employment generation. The Action Plan identified three pillars of partnership:²²
 - a. The first pillar emphasised the role of G20 in improving inclusive economic growth and employment. In this direction, the Summit launched the *G20 Initiative for Rural Youth Employment* aimed at creating up to 1.1 million new jobs benefitting young people by 2022; the *#eSkills4Girls Initiative* for equitable participation for women and girls in the digital economy as well as promoting entrepreneurship prospects for women and girls; and the *Women Entrepreneurs Finance Initiative (We-Fi)* to reach out and support women entrepreneurs in related activities.
 - b. The second pillar underscored the importance of developing quality infrastructure, especially in the energy sector. This initiative intends to foster sustainable infrastructure on the African continent and expediting access to renewable energy and reducing energy poverty in Africa.
 - c. The third pillar aimed at promoting and ensuring efficiency in public and private investments in Africa, including infrastructure through "*Compact with Africa*" initiative. The main idea behind the compacts is to create a favourable business environment to support private investment through investment compacts with interested African countries.

Hamburg Action Plan: The Way Forward

At the end of the Summit, the Hamburg Action Plan was adopted against a backdrop of improving growth and jobs prospects. The Plan underlines the way forward for the G20 countries to achieve a more strong, sustainable, balanced and inclusive growth. It also acknowledges for the first time the policy actions undertaken by individual G20 member countries to address global economic challenges.

In this direction, the Action Plan took note of various steps being taken by the India government in the financial sector for “popularising a number of derivatives instruments in exchanges or electronic trading platforms” to enhance the resilience of their economies and introducing “labour market reforms to provide security to workers, increase female participation in the workforce and make doing business easier”. It also noted India’s contribution in facilitating “external commercial borrowing by start-ups in order to encourage innovation and promote the ‘ease of doing business’” for maintaining momentum on structural reforms and sustainable growth.²³

The Action Plan also outlined new actions to tackle the issues of beneficial ownership, correspondent banking and remittances, anti-money laundering and combating the financing of terrorism, fossil fuel subsidies and data gaps.²⁴

Conclusion

Amidst much apprehensions and protest demonstrations, the G20 leaders successfully concluded the two-day meeting at Hamburg. The Communiqué adopted at the end of the meeting accommodated both convergent and divergent positions of the member countries. As Angela Merkel very rightly stated, “Where no consensus can be achieved, the declaration must reflect dissent.”²⁵ On issues where consensus was lacking, especially on trade and climate change, the G19 leaders traversed the fault-lines to reach a compromise outcome at the Summit.

Though the language of the Communiqué has been refurbished to accommodate differences among the G20 leaders; yet, the Summit can be termed a success from two aspects. First, the Summit avoided a stalemate or a G-Zero situation, retaining the cohesiveness of the group afflicted by palpable differences. The inclusion of a number of commitments in the final communiqué, particularly on trade and climate change, can be seen as encouraging. Second, the Summit can be termed a success in resurrecting hope for an ‘interconnected world’ against the growing tide of populist and protectionist sentiments.

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Disclaimer: The views expressed are that of the Researcher and not of the Council.

Endnotes

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