

The Hamburg Fiasco*

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The summit of the leaders of G20 meetings that met in Hamburg early July was nothing short of a fiasco. Outside the meeting, the massive protest demonstration and the unwarranted aggression of a huge police force made clear that these leaders lacked legitimacy. Inside, all that could be achieved was a “unanimous” communique, in which in language rendered almost meaningless by diplomacy, the contrary opinions of the leaders, especially the differences between the US and the other 19, were spelt out.

To the credit of the drafters of the declaration it must be said that they managed one half-truth at the beginning of the declaration which says: “The G20 revealed its strength during the global economic and financial crisis some ten years ago when it played a crucial role in stabilising economies and financial markets.” Established in 1999, in the aftermath of the Asian financial crisis, as a meeting of Finance Ministers, the G20 graduated to being a Summit of Leaders in 2008, after the global financial crisis. The reason for this “upgrade” was the recognition that little can be done by countries individually to stall the slide into what could be a totally devastating financial breakdown and a Great Depression. What followed was a two-fold effort to address the crisis. First, an effort in the developed metropolitan countries—where the crisis originated—to save the banks and financial institutions, that exploited deregulation to speculate and engage in fraud in ways that led to the collapse. Second, a more widespread effort to use fiscal and monetary policies, especially the former, to stall the downturn. Both these did have some effect. Unfortunately, while the former was carried through to completion, the latter was abandoned in most countries in two to three years, before the recovery could set in. The net result is that a decade after the crisis, the world is still mired in recession.

Underlying the loss of legitimacy of most governments across the world is this persistence of the Great Recession, and the message that leaders are not up to the task of addressing its impact and reversing the trend. That loss of legitimacy has delivered some shocking outcomes, prominent among which is the Brexit vote in the UK, the elections of Trump and Macron in the US and France, and the near defeat of Theresa May in the British elections. However, the beneficiaries of this people’s anger have been the leaders of a new, undefined right represented by Trump and Macron, which has found favour not because of the specific programmes and policies that they stand, but because they are not part of the pre-existing political elite.

These new circumstances and the rise of this new leadership, that must perforce pretend to be ‘different’, has made the shaping of a global consensus, of the kind the G20 was expected to deliver, even more difficult to achieve. As the Hamburg declaration recognises, what was true when the global financial and economic crisis set in, “continues to hold: We can achieve more together than by acting alone.” But remaining together is what is impossible, deepening the crisis of legitimacy.

This is true whether the issue involved is of immediate concern, such as contemporary trade policy or the search for an elusive recovery, or action to achieve a longer term goal, such as addressing climate change and its consequences. On trade and climate

change, Trump and his administration are clearly different. In the trade area the difference is formulated in terms of an emphasis of the US on “fair trade”, whatever that may mean, as opposed to free trade. On climate change, the US has walked out of the Paris climate change agreement, unwilling to sacrifice the benefits the US can still derive from fossil fuel production and complaining about the large sums the US is being pressured to spend globally on mitigation and adaptation. “Beyond the severe energy restrictions inflicted by the Paris accord, it includes yet another scheme to redistribute wealth out of the United States through the so-called ‘green climate fund’ — nice name — which calls for developed countries to send \$100 billion to developing countries,” Trump recently said. So the US was not going to reverse its stand, as some expected.

The net result has been the garbled and contradictory language of the ‘unanimous G20 Communique. On trade it says: “International trade and investment are important engines of growth, productivity, innovation, job creation and development. We will keep markets open noting the importance of reciprocal and mutually advantageous trade and investment frameworks and the principle of non-discrimination, and continue to fight protectionism including all unfair trade practices and recognise the role of legitimate trade defence instruments in this regard.” The extensions of the sentence after the two ‘and’s are clearly contradictory and make unfair demands on language. But that is the price of the new global (non) consensus.

The point to note is that this is not a minor concession to the Trump administration. A specific area in which the threat of US protectionism has reared its head is steel, where the problem of global excess capacity and its impact on prices is being treated by the US as evidence of trade aggression. In the event, the US government has ordered a special investigation into the impact on US national security of steel imports, and is threatening to impose tariffs of up to 20 per cent. The G20 Communique makes a special mention of this issue, and says: “Recognising the sustained negative impacts on domestic production, trade and workers due to excess capacity in industrial sectors, we commit to further strengthening our cooperation to find collective solutions to tackle this global challenge. We urgently call for the removal of market-distorting subsidies and other types of support by governments and related entities. Each of us commits to take the necessary actions to deliver the collective solutions that foster a truly level playing field.” That was clearly aimed at appeasing the US.

The declaration goes one step further. If Trump and the US can be accommodated with conflicting statements, why not the ‘mob’ outside? So it says: “We recognise that the benefits of international trade and investment have not been shared widely enough. We need to better enable our people to seize the opportunities and benefits of economic globalisation.” Not giving up on globalisation, but a promise to give it a human face.

Similar conflicts plague the statements on climate change. On the one hand, the 19 versus one difference is expressed clearly in the words: “The Leaders of the other G20 members state that the Paris Agreement is irreversible. We reiterate the importance of fulfilling the UNFCCC commitment by developed countries in providing means of implementation including financial resources to assist developing countries with respect to both mitigation and adaptation actions in line with Paris outcomes.” It also says: “We reaffirm our strong commitment to the Paris Agreement,

moving swiftly towards its full implementation in accordance with the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances.”

But, here too, to accommodate the US, a special paragraph has been added. It makes the following bland and non-committal statement: “We take note of the decision of the United States of America to withdraw from the Paris Agreement. The United States of America announced it will immediately cease the implementation of its current nationally-determined contribution and affirms its strong commitment to an approach that lowers emissions while supporting economic growth and improving energy security needs. The United States of America states it will endeavour to work closely with other countries to help them access and use fossil fuels more cleanly and efficiently and help deploy renewable and other clean energy sources, given the importance of energy access and security in their nationally determined contributions.” No criticism of the US here.

What is laughable is that at the end of all this, the Hamburg summit is described as successful because there was a ‘single’ unanimous statement, as opposed to multiple statements espousing alternative views. Angela Merkel’s conviction that differences have to be made clear has been partly adhered to, but the fact that they could be accommodated in single statement is being used as a cause for celebration.

But nobody is convinced. The immediate need for consensus today is on a mix of globally coordinated policies that allow countries to come together and pull the world economy out of recession. The need for a coordinated fiscal push has been emphasised by many, which can be tailored to further the agenda for more equitable and Green growth. There is no sign of any such consensus coming out of the G20, despite calls for action from a wide ideological spectrum. What we have once again is a set of statements that says everything and therefore nothing: “We will continue to use all policy tools – monetary, fiscal and structural – individually and collectively to achieve our goal of strong, sustainable, balanced and inclusive growth, while enhancing economic and financial resilience. Monetary policy will continue to support economic activity and ensure price stability, consistent with central banks’ mandates. Fiscal policy will be used flexibly and be growth-friendly while ensuring debt as a share of GDP is on a sustainable path. We rein force our commitment to structural reforms.”

This lack of consensus speaks of the state of global leadership today. If this is the way in which they are going to work together and not act alone, the world will have none of it. That was the message the demonstrators outside the summit hall were sending out.

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