



**INSTITUTE OF
STRATEGIC STUDIES**

web: www.issi.org.pk
phone: +92-920-4423, 24
fax: +92-920-4658

Issue Brief

US, China and the G20 Summit in July: Will the Twain Meet?

Junaid Ashraf, Young ISSI Professional*

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* Mr. Junaid Ashraf has done M.Phil. in Government and Public Policy from National Defence University, Islamabad, in year 2014. He is currently working under Young ISSI Professional Corner at the ISSI. His area of interests include China, CPEC, and Governance.

The future of global dynamics is uncertain after selection of Donald Trump as the President of the United States of America. The implications of Mr. Trump's policy orientation could also



be seen at the Group of Twenty (G20) meeting in Baden-Baden, Germany, that took place on March 17-18, 2017.¹ The communiqué issued by the finance chiefs at the G20, shifted from a decade long agenda of “resist all forms of protectionism”, to one with a milder tone based on “working to strengthen the contribution of trade to our economies.”² The US administration's stance appears to have prevailed, despite objections from many countries including China.

The G20 is an international forum that brings together the world's leading industrialized and emerging economies. The group accounts for 85 percent of world GDP and two-thirds of its population.³ The members include Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, South Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom, United States, and the European Union. The G20 was formed in 1999 to give developing countries a more powerful voice in developing the global economy.⁴ However, at the latest meeting in Germany, G20 members have shown an inclination towards protectionism under the pressure of America.

After the conclusion of the G20 meeting, the Governor of the People's Bank of China Zhou XiaoChuan said, “I would like to see Group of 20 officials continue to seek greater consensus on trade when national leaders meet this year.”⁵ Furthermore, he emphasized the point that globalization is inevitable and has already taken place. Moreover, China's Finance Minister Xiao Jie, who attended the G20

¹ <http://www.baden-baden.de/stadtportrait/aktuelles/themen/g20-treffen/>

² <http://www.foxbusiness.com/politics/2017/03/20/divisions-on-trade-dominate-g-20-global-summit.html>

³ <http://www.telegraph.co.uk/business/0/what-is-the-g20-and-how-does-it-work/>

⁴ <https://www.thebalance.com/what-is-the-g20-3306114>

⁵ <https://www.bloomberg.com/news/articles/2017-03-25/pboc-s-zhou-wants-more-free-trade-clarity-at-g-20-hamburg-summit>

meeting, said, “Markets are currently worried about the uncertain policies of some developed economies, and are concerned that the rise of protectionism could adversely affect the (global) economic recovery.”⁶ It can be seen through the policy bent of the Chinese leadership that the country is battling to become the new defender of globalization and free trade. While the US, the erstwhile flag bearer of these issues, is apparently taking a back seat in the global economy.

The all important first meeting of Mr. Trump and Mr. Xi on April 6-7, 2017 at Florida focused more on North Korea, however, Trump’s aides did raise concerns over Chinese trade practices and the meeting made progress as Xi Jinping did agree to a 100-day plan for trade talks intended at boosting US exports and reducing China's trade surplus with the United States.⁷ In another important event, German Chancellor Angela Merkel and Chinese President Xi Jinping had a telephonic conversation during the Baden G20 meeting in which they discussed the importance of free trade and open markets in the current world order.⁸ China, Japan and Germany are also looking to working together to form a trade alliance to counterbalance the United States.⁹ These developments further enhance the importance of the coming G 20 summit in July, where the leaders of top economies would gather to discuss future dynamics of economic order of the world, especially in light of the “America First” slogan of U.S President Donald Trump.

Apart from these developments, after the collapse of Trans-Pacific Partnership (TPP), the members of TPP like Japan, Australia, Malaysia, and New Zealand have shown a great tilt towards China. Furthermore, at the World Economic Forum in January 2017, Chinese President Xi Jinping depicted his country as a devoted supporter of free trade and open markets.¹⁰ These turn of events show that countries are still all open to free trade, and if America, as a leader of free trade, is backing out, they would look for other options, including bringing in China within the Pacific partnership. It is an interesting twist of events because US seems to be becoming anti-globalization, while China is defending globalization. China is putting its fuel behind trade liberalization, while US is following a protectionist agenda. In recent times, China’s GDP growth rate is hovering below 7 percent, far below the 10 percent it had during the economic upturn. In order to accelerate its growth, China has to ensure that global trade carries on with minimum of hindrances.

⁶ <http://in.reuters.com/article/g20-germany-china-idINKBN16R1NL>

⁷ <http://www.cnbc.com/2017/04/09/at-us-china-summit-trump-presses-xi-on-trade-n-korea-progress-cited.html>

⁸ <https://www.neweurope.eu/article/merkel-talks-trade-chinese-president/>

⁹ <https://www.thetrumpet.com/15569-nations-build-alliances-to-fight-and-conquer-other-aloeliances>

¹⁰ <http://www.newyorker.com/news/john-cassidy/donald-trumps-new-world-disorder>

China, which has to gain a lot from global trade, is backing the World Trade Organization and the global economic order. The idea that China is to have revisionist aims with regard to this economic order is not imminent. The United States still has great influence over the global trade scenario as is evident from the apparent succumbing by G20 members under the US pressure. Although China is the second largest economy in the world following the United States, and a dominant political force, at least in the Asian theatre, it has some way to cover before the United States influence gives way to China.

While China has invited the US to participate in the OBOR Summit in Beijing in May next month, and, is even mulling the idea of inviting it to join the Asian Infrastructure and Investment Bank, the big question is, will the Trump administration stick to its campaign promises with regard to China, or be willing to work together on mutually beneficial initiatives not only for themselves, but for the world as well.

A lot depends on the bilateral meeting between the two leaders at the G20 Summit in Germany in July 2017. It would be interesting to see how the leaders come to terms with each other as they both stand poles apart to each other. The meeting will be crucial for the world economic order as it will set the tone for future relations between the world's most powerful countries.