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G20 in Buenos Aires: End of US-China Trade War?

By Su-Hyun Lee and Chia-yi Lee

Synopsis

The 2018 G20 Summit in Buenos Aires, concluded amidst rising tensions between the US and China over trade. The G20 leaders' final declaration this year addressed important issues like digitalisation, infrastructure, food security, and migration, besides some concessions to the US in trade.

Commentary

THE Group of Twenty (G20) Leaders Summit for 2018 took place over the last weekend in Buenos Aires, Argentina. Leaders of 20 members (19 countries plus European Union) and invited countries and key International Organisations got together to discuss an array of global issues. On the sidelines, leaders also engaged in bilateral meetings to coordinate on issues of importance to their countries, including the significant meeting between the US President Donald Trump and the Chinese President Xi Jinping on trade.

Against the backdrop of protests, the Summit concluded with some success, notably the agreement to reform the global trading system and the US-China trade truce. Whether the G20 can keep the commitment to a rule-based international order and multilateralism, however, will be affected by the outcome of the upcoming trade talks between the US and China.

Partial Success Amidst Global Tensions

Before the G20 Summit kicked off, many analysts predicted that it might not go well. Several issues happening in the past few years or recently had divided the world leaders. These included the trade war between the United States and China, climate

change on which US President Donald Trump had diverged with other leaders, the killing of Saudi journalist Jamal Khashoggi, and Russia's seizure of Ukrainian ships.

Despite these tensions, the G20 Summit can be hailed as a partial success. While the communiqué was short in length, it signalled a certain degree of consensus and compromise among world leaders. The successful part of the G20 Summit this year was that the leaders of participant countries renewed and reaffirmed their commitment to a rules-based international order and the multilateral trading system. They acknowledged the contribution of the global trading system in achieving development, productivity, and growth.

This stood in contrast to other premier international forums this year. During the G7 Summit in June, President Trump criticised the joint statement on common values including free and fair trade as a "false statement" from Canadian Prime Minister Justin Trudeau. The Summit of the Asia Pacific Economic Cooperation (APEC) forum in Papua New Guinea a few weeks ago ended even without a final communiqué for the first time since 1993 while the US and China were blaming each other over trade and security issues.

Truce in the Trade War

Moreover, and very importantly, the G20 Summit had calmed the trade conflicts between the US and China, at least temporarily, as the leaders of the two great powers reached a 90-day ceasefire agreement. The report deal between Trump and Xi showed that the US would not impose additional tariffs until next January, as China had agreed to purchase a "very substantial amount" of American products to correct the trade imbalance between the two countries.

Both countries also agreed to immediately resume negotiations to resolve "the structural issues" that the US addressed, such as intellectual property protection and technology policies in China.

But will the G20 effectively pave a path for the restoration of international institutions and multilateralism, as the French President Emmanuel Macron declared?

G20 Communiqué: A Bow to Trump?

First, it should be noted that the 2018 communiqué omitted a pledge to fight protectionism that had been G20 members' explicit commitment since its first Summit in 2008. Instead, the leaders of G20 for the first time called for the reform of the World Trade Organisation (WTO) that was on the verge of paralysis during the US-China trade war.

WTO reform itself was one of the few items on the agenda that G20 members had no considerable disagreement over, since they saw the improvement of the WTO's functioning as a critical step towards enhancing the multilateral trading system. Such changes, however, reflected that G20 began to embrace the US' changing stance on global trade.

The US was one of the main actors that established the current multilateral trading

system under the WTO and pushed for the entry of China within that framework in 2001. But it was also the US that has strongly criticised the WTO for dealing with China's unfair trade practices and the WTO's Dispute Settlement Body for encroaching on the legal sovereignty of the US, and blocked the appointment of WTO judges for those reasons. So, in a sense, the joint statement signalled that other G20 members were responsive to Trump's demands for trade reforms despite concerns over Trump's "America First" doctrine.

No More Tit For Tat?

Second, the possible outcome of the US-China talks should be factored in, as there is a substantial chance that the new trade negotiations with a 90-day window could come to a deadlock.

The two parties promised to halt tit-for-tat measures for the time being. The US-China trade friction, however, came from the fundamental difference between the two parties, one relying on market-driven capitalism and the other's state capitalism.

The Trump administration anticipates China to carry out structural reforms on issues, such as intellectual property infringement, forced technology transfers, and cyber intrusions, which can hardly be done in the short term. Opening up its market that requires reducing the role of state-owned enterprises is also a challenging task for the Chinese government.

Given that the US trade deficit with China has only been increasing since the trade war was waged, Trump will very likely return to his hawkish stance, if China does not make major concessions within the deadline.

G20: What to Do Next?

Then what can the G20 do given the gloomy prospect? The rest of the G20 members should be prepared for the negative outcome and push for the WTO reform as they pledged in the communiqué. This will increase the chance of the US going back to the WTO framework. The G20 could also pursue institutionalisation to [play a greater role in the multilateral trading system](#).

The G20 Summit next year will be hosted in Osaka, Japan on 28-29 June. As the chair, Japan plans to put topics pertinent to itself on the agenda, including global imbalances and aging population. While it is not unlikely that the trade war between the US and China will resume by then, the G20 next year can be expected to adhere to multilateralism and make less concessions to great powers.

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