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Significance of G-20 amidst a Geo-Economic Flux

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This article is based on the editorial **“Two and twenty at Osaka”** that appeared in Indian Express on 28th June 2019. It talks about the role that G-20 can play in the weak global economic scenario due to the US 's America first policy and other events.

The economy has no borders-this was well certified when the subprime crisis that started from the USA spread to eurozone leading to eurozone crisis of 2008-09, which eventually culminated into the global financial meltdown of 2009. In the event of tackling this crisis, world leaders gathered in 2008 and reinvented **G-20** (Group of 20) forum.

Eleven years after its inception, the G-20 has emerged as an important forum of most of the world's systemically important economies. But once the global financial system stabilised, the G-20 summits lost steam and focus. Today's world is witnessing a global economic downturn. In this context, joint efforts by major economies should be made to help maintain global growth amid rising uncertainties and that should be the prime focus of G20 summit 2019 in Osaka, Japan.

Why the global economy is witnessing a Geo-economic flux?

- Today the global economy is increasingly threatened by protectionism, heightening trade tensions worldwide rocking the foundation of the multilateral trading system.
- The geo-political phenomenon like US-China trade war, American unilateralism in trade policy(America first policy) and China's opaque trade (Debt-trap diplomacy) and other economic policies have emerged as major threats to global economic growth and stability.

What is America First policy?

- America First is the official foreign policy doctrine of the Trump administration
- It refers to a foreign policy in the United States that emphasizes American nationalism and unilateralism.

- In pursuance of America first policy, the US has waged a trade war on China and U.S. is increasingly undermining international trade law.

Pillars of America first policy

- Rebalance American trade relationships by supporting National Security.
- Re-Negotiation of “Outdated and Imbalanced” Trade Agreements
- Aggressive enforcement of U.S. Trade Law
- Defending American interests at the WTO

What is Debt Trap diplomacy?

- Debt-trap diplomacy is a type of diplomacy based on debt carried out in the bilateral relations between countries.
- It involves one creditor country intentionally extending excessive credit to another debtor country with the alleged intention of extracting economic or political concessions from the debtor country when it becomes unable to honour its debt obligations.
- For example, China took Sri Lanka's Hambantota port on a 99-year lease, on account to Sri Lanka's failure to pay Chinese debt.
- Today uncertainty is not so much about integration but about disintegration. Multilateralism and free trade have come under pressure and moving towards isolationism and unilateralism which damages the G20 spirit.
- This global economic downturn can be reflected in:
 - The latest World Trade Outlook Indicator reading of 96.3 remains at the weakest level since 2010, signalling continued falling trade growth in the first half of 2019, said the World Trade Organization (WTO).
 - According to a key UN report released earlier in June, global foreign direct investment (FDI) slid to 1.3 trillion dollars in 2018, in its third straight annual decline.
 - According to the Organization for Economic Cooperation and Development (OECD), Economic prospects are now weaker in nearly all G20 countries than previously anticipated.
 - Besides, there are other major risks such as geopolitical tensions and climate crises. According to the World Bank, air pollution costs societies more than 5 trillion dollars every year

But there are many issues grappling G-20

- Although many G20 economies have repeatedly called for coordination of economic policies over the past few years, the bloc is still divided on certain thorny issues, such as rising protectionism and climate change.

- While the G20 has focused on trade policy issues since 2013, the G-20 has not been able to revive the Doha Development Round of multilateral trade negotiations at the World Trade Organisation
- Everything from climate change to women's empowerment is now discussed at G-20 summits while the really important business gets done in bilaterals on the sidelines
- G-20 meets in the midst of a crisis in world trade. It must not let US-China bilateral overshadow the summit. There is a fear that G-20 may remain focused on G-2(US and China).

Way forward

- Participating countries of the G20 summit should act positively to reach some agreement which would be beneficial to people across the world.
- For this to happen, the world's two biggest economies, China and the United States should jointly play a leading role in pushing for positive outcomes at the G20 Osaka summit
- Developing countries should take part in the effort to strengthen the role of the UN in world affairs and reform backbone institutions such as the International Monetary Fund, the World Bank and the WTO
- Japan, that is the host country, has laid down three key issues to be discussed at the Osaka Summit i.e. trade policy, environment and the digital economy. In this context it is important for G20 leaders to come up with more transparent rules, especially concerning trade tensions and the digital economy.

In the post-war period, the multilateral system has delivered major economic and social progress. Globalization ushered in an unprecedented era of growth, lifting hundreds of millions of people out of poverty. Openness and partnership between countries played a critical part in this success. Thus, G 20 countries must act together to fight this anti-globalisation wave.

Drishti input

Discuss the role that global forums like G-20 can play in tackling the global economic downturn that has been caused by events like Trade war, America first policy etc.