



CANADIAN GLOBAL AFFAIRS INSTITUTE
INSTITUT CANADIEN DES AFFAIRES MONDIALES

**A Canadian Primer to the G20 Summit
in Buenos Aires, Argentina,
November 30-December 1, 2018**

by Colin Robertson
November 2018



CGAI PRIMER

A CANADIAN PRIMER TO THE G20 SUMMIT IN BUENOS AIRES, ARGENTINA, NOVEMBER 30-DECEMBER 1, 2018

by Colin Robertson

CGAI Vice-President and Fellow
November 2018



CANADIAN GLOBAL AFFAIRS INSTITUTE
INSTITUT CANADIEN DES AFFAIRES MONDIALES

Prepared for the Canadian Global Affairs Institute
1800, 421 – 7th Avenue S.W., Calgary, AB T2P 4K9
www.cgai.ca

©2018 Canadian Global Affairs Institute
ISBN: 978-1-77397-053-0




















On Friday, November 30, the leaders of the 19 major economic nations and the EU will convene in the Costa Salguero convention centre along the Rio de la Plata in the Argentine capital, Buenos Aires. It is their 13th summit. This year's host is Argentina's President Mauricio Macri. The leaders are a diverse group – liberal democrats, authoritarians and autocrats. While the plenary sessions are the official focus, more attention will be on the interactions between U.S. President Donald Trump, Chinese President Xi Jinping and Russian President Vladimir Putin. Saudi Crown Prince Mohammed bin Salman, stained by the Khashoggi killing and the war in Yemen, is also attending.



North Americans will be watching the sideline meetings of President Trump with Mexico's outgoing president, Enrique Peña Nieto, and Prime Minister Justin Trudeau. According to [Larry Kudlow](#), Mr. Trump's economic adviser, they or their representatives are supposed to sign the U.S.-Mexico-Canada Agreement (USMCA), although there are [reportedly](#) details still to be worked out.

WHAT IS THE G20?

The G20 is made up of 19 of the world's biggest economies, as well as the European Union. It formed in 1999 to discuss policy matters and financial stability.


 ARGENTINA	 AUSTRALIA	 BRAZIL	 CANADA	 CHINA	 FRANCE
 GERMANY	 INDIA	 INDONESIA	 ITALY	 JAPAN	 MEXICO
 RUSSIA	 SAUDI ARABIA	 SOUTH AFRICA	 SOUTH KOREA	 TURKEY	 UK

These countries account for **85%** of global GDP

 US  EU

2/3 of the world's population is from these countries

 SOURCE: Al Jazeera | November 27, 2018

 ALJAZEERA



Who and What is the G20?

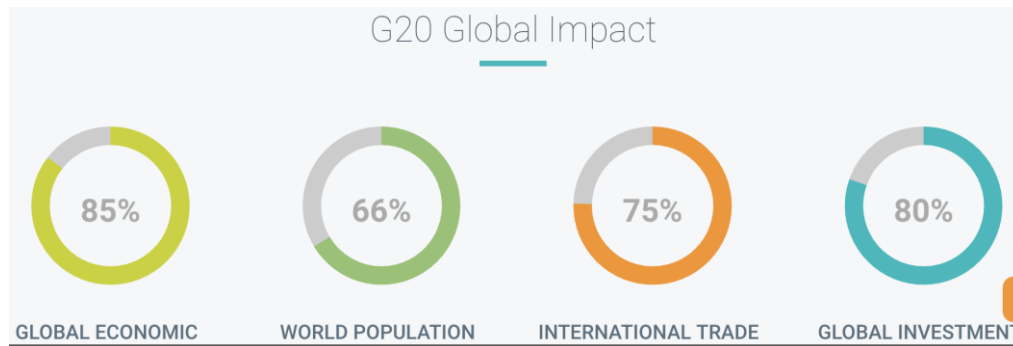
The G20 [leaders' summit](#) is the culmination of a year-long process of over [50](#) formal meetings that include the central bankers, finance ministers and sherpas. The summit, that celebrates its 10th anniversary this year, is effectively the meeting of the principal shareholders in the global economy meeting with their executive board – the heads of the organizations responsible for keeping the global economic, finance and trade operating systems in working order. It also includes civil society engagement through the Business 20, Civil 20, Labour 20, Science 20, Think 20, Women 20 and Youth 20.

The 'shareholders' include the G7 nations: Canada, the United States, Japan, France, Germany, Italy, the United Kingdom and the European Union as well as Argentina, Brazil, Mexico, Australia, China, India, Indonesia, Korea, Russia, Turkey, Saudi Arabia and South Africa. With [2/3](#) of the world's population, their economies account for approximately [85 per cent](#) of global economic output and [75 per cent](#) of international trade.

Other [participants](#) include Spain, a permanently invited guest to G20 meetings. As host, Argentina has also invited Chile and the Netherlands to this summit. The [heads](#) of the United Nations, Organisation for Economic Co-operation and Development, World Trade Organization, International Monetary Fund, World Bank, Inter-American Development Bank, Financial Stability Board, International Labour Organization and the Development Bank of Latin America will also participate.

Countries chairing key regional groups – such as the African Union (Rwanda), the Association for Southeast Asian Nations (Singapore) and the New Partnership for Africa's Development (Senegal) – are also invited and Argentina has included the Caribbean Community, represented by Jamaica, for this year's G20.

The G20, originally a meeting of finance ministers, their deputies and central bankers, was formed in 1999 in the wake of the Asian and Russian financial crisis with Canada's then-Finance Minister Paul Martin playing a lead role. It was raised to the leaders' level in the wake of the 2007-2008 financial crisis when then-U.S. president George W. Bush convened a summit in Washington in November 2008 to address the crisis. As Council on Foreign Relations Fellow Stewart Patrick observes: "The event reflected a [new reality](#). Western governments could no longer hope to resolve international economic crises themselves. They needed a more encompassing body that included rising nations.



The G20's Standing Agenda

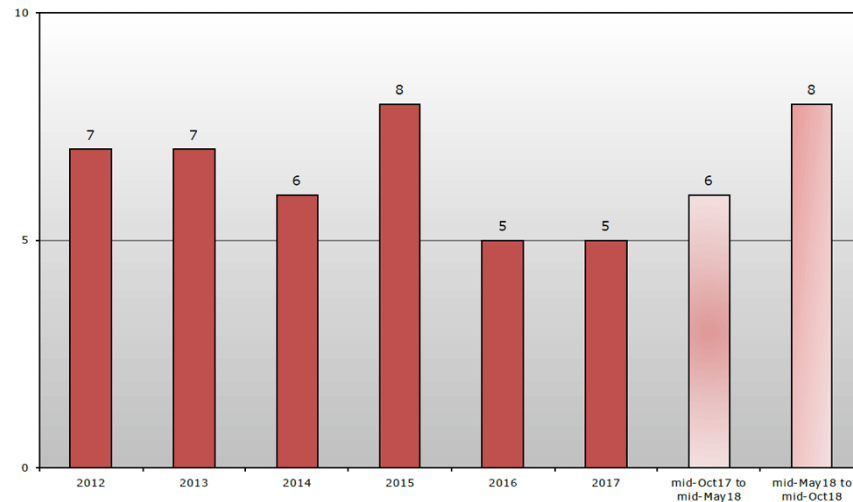
The de facto standing agenda for the G20 includes:

- *Multilateral trading system.* The leaders will speak to its importance but there is no sense the WTO's Doha round is going anywhere. The U.S. is also unhappy with the operation of the WTO itself, especially its dispute settlement. Canada, working with like-minded countries, has taken the lead in trying to find a [solution](#) to make the process more transparent and efficient.
- *Promoting international investment.* Barriers to investment continue to plague G20 economies. The need of governments to further open their economies will be addressed.
- *Achieving sustainable fiscal policy.* This means saving in good times so you can spend in recession and then get back to balance as quickly as possible.
- *Supporting sustainable development.* With the conclusion of the [Millennium Development](#) plan in 2016, nations are now committed to [17 goals](#) in the new UN Sustainable Development Agenda to be achieved by 2030, including zero poverty, gender equality, good health and wellbeing, clean water and sanitation, reduced inequalities, decent work and economic growth.
- *Resistance to protectionism.* *Global Trade Alert* reports that since 2008, notwithstanding the G20 pledge for [standstill at the London 2010 summit](#), governments have taken [11,743 protectionist](#) measures ranging from local content requirements to discriminatory regulatory practices. According to the WTO, G20 trade restrictive measures for 2018 are more than [six times larger](#) than those recorded in 2017 and the largest since this measure was first calculated in 2012. While new import-facilitating measures rose significantly during this period, they are less than half that of trade-restrictive measures. WTO Director General Roberto Azevêdo has called for [immediate action](#) to de-escalate the situation. Whether Trump and Xi curb the trade war is an open question. Which is [cause for concern](#) for investors across the globe. The U.S. and China remain [far apart](#), as was seen with the [failure of the APEC summit](#) to agree on a final communiqué.



G20 Trade-Restrictive Measures

(average per month)



What Does the Buenos Aires Summit Want to Achieve?

“BUILDING CONSENSUS FOR FAIR AND SUSTAINABLE DEVELOPMENT” is the theme of this year’s summit and President Macri has set three [priorities](#):

The future of work: Unleashing people’s potential. Technological change is extraordinary in its magnitude and speed. G20 leaders want to avoid a scenario in which one nation seizes paramouncy in artificial or cyber-intelligence, leaving the rest far behind. The emergence of new technologies has led to the development of new forms of work that are rapidly changing production processes worldwide. Policy responses need to ensure that embracing technological change will not engender exclusion, social disintegration or backlash. Education is at the crux of this debate. Pointing to the GM Oshawa plant closing, the Mowat Center’s Sunil Johal observes that it “is a [reminder](#) that failing to take advantage of this opportunity to reform skills training, education and other vital social supports to be more responsive, client-centred and focused on outcomes will leave Canada out-of-step with the trajectory of the global economy – and risk leaving more workers disrupted out of their jobs, with nowhere to turn.”

Infrastructure for development: Mobilizing private resources to reduce the infrastructure deficit. The global infrastructure gap projected from now to the year 2035 amounts to [US\\$5.5 trillion](#) according to some estimates. The World Economic Forum’s global competitiveness index for infrastructure puts Canada in [25th position](#) internationally. We can do better. Meanwhile, institutional investors, that include Canadian [pension funds](#) and big league players like Canada’s [Brookfield](#), have [US\\$80 trillion](#) in assets under management, typically offering low returns. Mobilizing private investment toward infrastructure is crucial to closing the global infrastructure gap. It can also ensure a better return for those who today save and invest. This is a win-win objective and it requires international co-operation. China’s Belt and Road Initiative (BRI) is a major source of infrastructure funding but BRI financing on partner nations’ debt levels,



governance and susceptibility to Chinese influence are increasingly under scrutiny and will doubtless be discussed at Buenos Aires.

A sustainable food future: Improving soils and increasing productivity. The G20 countries are key players in the global food system. Their territories account for about [60 per cent](#) of all agricultural land and for almost [80 per cent](#) of world trade in food and agricultural commodities. Approximately [10 million](#) hectares of cropland are lost every year due to soil erosion. Food production must [double](#) during the next 30 years to meet projected population growth and dietary changes. Feeding the world without erasing our forests and using up our water is the big challenge requiring international co-operation. In a recent report Canada's [Advisory Council on Economic Growth](#) has argued that Canadian leadership in global food production could help drive an economic growth agenda for the country for generations. With a reputation for safety, quality and trustworthiness, Canada's food brand is “enhanced by the country's natural advantage, its stock of natural resources – fresh water and arable land – and an ecological footprint in producing food that is among the best in the world.”

Argentina has also pledged to build on past presidencies across a broad array of issues and they are all likely to be reflected in any communiqué, no matter how wishy-washy the language:

- Empowering women
- Fighting corruption
- Strengthening financial governance
- Continuing work towards a strong and sustainable financial system
- Improving the fairness of the global tax system
- Co-operating on trade and investment
- Taking responsibility on climate action
- Transitioning towards cleaner, more flexible and transparent energy systems

What About Deliverables from Buenos Aires?

Not a lot. Achieving a consensus communiqué, given the rancorous relationships particularly between China and the U.S., may be all we can expect. Most of the action will be at the bilateral level. The working dinner on Saturday night between Trump and Xi will be closely watched. The trade war with China has seen the U.S. hit about half of all Chinese imports with tariffs. China has responded in kind but the U.S. buys much more from China than China buys from the U.S.

As is always the case at these summits, security will be paramount with a 20,000-officer-strong security operation commanded by Argentine Security Minister Patricia Bullrich, who recently indicated people should carry guns [if they so pleased](#). Anti-globalization protests will inevitably take place.



Canadian Objectives

This is Justin Trudeau's fourth G20 summit. According to the [PMO release](#) on the G20 meeting, Prime Minister Trudeau will build on the issues advanced at this year's Charlevoix G8 summit: "To create good, middle-class jobs, invest in economic growth that benefits everyone, advance gender equality and women's economic empowerment, fight climate change, protect our oceans, and promote clean energy." Mr. Trudeau will be accompanied by Foreign Affairs Minister Chrystia Freeland and Finance Minister Bill Morneau.

As G8 lead until the end of the year, Mr. Trudeau must see if he and Ms. Freeland can find consensus among his G7 fellow leaders, as they did on [Venezuela](#), on Russia's recent actions in Ukraine and on human rights abuses by Saudi Arabia. Neither is likely to happen, although Canada has now imposed sanctions on 17 Saudi nationals that "in the [opinion](#) of the Government of Canada, [are] responsible for or complicit in the extrajudicial killing of journalist Jamal Khashoggi... The explanations offered to date by Saudi Arabia lack consistency and credibility."

Mr. Trudeau and Ms. Freeland will also canvas their counterparts on the Canadian efforts to [reform the WTO](#), especially its dispute settlement process.

Mr. Trudeau will want to speak with transpacific leaders (Mexico, Australia, Japan) about the December 30 implementation of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). The summit will be an opportunity for Trudeau to push European leaders, especially German Chancellor Angela Merkel and French President Emmanuel Macron, to move on their own ratification of the Canada-EU Comprehensive Economic and Trade Agreement (CETA) and to push other European leaders to get it done. While the agreement took effect in September 2017, it requires the approval of all 28 EU member states. Italy has [threatened](#) not to ratify CETA and various member states such as Austria want the EU Court of Justice to rule on the investment court system.

Canada hosted the G20 in Toronto in 2010.

Do We Really Need a G20?

Yes. At a time when globalization, the maintenance of a liberal international order and multilateral co-operation are under question, the G20 is an important forum to discuss, and hopefully advance, common global interests. More people will work on the draft of the final communiqué than may read it but the process of getting there is what really matters. The ongoing meetings between central bankers and finance ministers (the original G20) now include other ministerial meetings as well as regular discussions with business, civil society and think tanks.



The G20 filled a gap in the architecture of top table meeting places at the UN and G7. The permanent members of the United Nations Security Council – Russia, China, France, Britain and the U.S. – represent the world of 1945 and the early Cold War. As we witness with Syria and other crises, getting the Security Council to act constructively is very difficult. Reforming it is an exercise in futility. The G7 group of leaders – the U.S., France, Britain, Germany, Japan, Italy and Canada – was created in 1975-1976 following the economic crisis that OPEC induced. It is Eurocentric. It doesn't include China, India or Brazil. Russia joined in 1998 but it was suspended in 2014 after its invasion of Crimea. The G20 complements at the leadership level the work of the other major financial and economic institutions: the “Bretton Woods twins” – the IMF and World Bank – and the WTO. As Patrick observes: “The G20 has the potential to act more nimbly and (at least in principle) [transcend stultifying bloc politics](#) that afflict the United Nations and other universal membership organizations.” Some [suggest](#) that the G20 should create a parallel foreign ministers' track, arguing that the political and the economic go hand-in-hand, but this is probably a bridge too far for now.

So, the G20 makes sense. Like the G7, much of the G20's value is in its process. What is important about these summits is not the prepared statements delivered at the main table, but the frank discussions and informal meetings that take place in the corridors and meeting rooms around the main conference. Winston Churchill, who popularized the word “summitry”, observed that “jaw-jaw” between leaders is better than “war-war”.

The Economic Picture

The IMF's [World Economic Outlook](#) (April 2018) reports that the global economic upswing that began around mid-2016 has become broader and stronger. This growth exceeds that achieved in any of the years between 2012 and 2016. World growth strengthened in 2017 to 3.8 per cent, stimulated in part by the Trump administration's tax cuts. But there are risks. Growth has proven to be [less balanced](#) than hoped and [inequality](#), which has helped spur populist movements around the globe, is a challenge. For the EU, there is the ongoing Brexit saga.



Latest *World Economic Outlook* projections

Global growth has plateaued.
(percent change)

	Projections		
	2017	2018	2019
World Output	3.7	3.7	3.7
Advanced Economies	2.3	2.4	2.1
United States	2.2	2.9	2.5
Euro Area	2.4	2.0	1.9
Germany	2.5	1.9	1.9
France	2.3	1.6	1.6
Italy	1.5	1.2	1.0
Spain	3.0	2.7	2.2
Japan	1.7	1.1	0.9
United Kingdom	1.7	1.4	1.5
Canada	3.0	2.1	2.0
Other Advanced Economies	2.8	2.8	2.5
Emerging Market and Developing Economies	4.7	4.7	4.7
Commonwealth of Independent States	2.1	2.3	2.4
Russia	1.5	1.7	1.8
Excluding Russia	3.6	3.9	3.6
Emerging and Developing Asia	6.5	6.5	6.3
China	6.9	6.6	6.2
India	6.7	7.3	7.4
ASEAN-5	5.3	5.3	5.2
Emerging and Developing Europe	6.0	3.8	2.0
Latin America and the Caribbean	1.3	1.2	2.2
Brazil	1.0	1.4	2.4
Mexico	2.0	2.2	2.5
Middle East, North Africa, Afghanistan, and Pakistan	2.2	2.4	2.7
Saudi Arabia	-0.9	2.2	2.4
Sub-Saharan Africa	2.7	3.1	3.8
Nigeria	0.8	1.9	2.3
South Africa	1.3	0.8	1.4
Low-Income Developing Countries	4.7	4.7	5.2

Source: IMF, *World Economic Outlook*, October 2018.



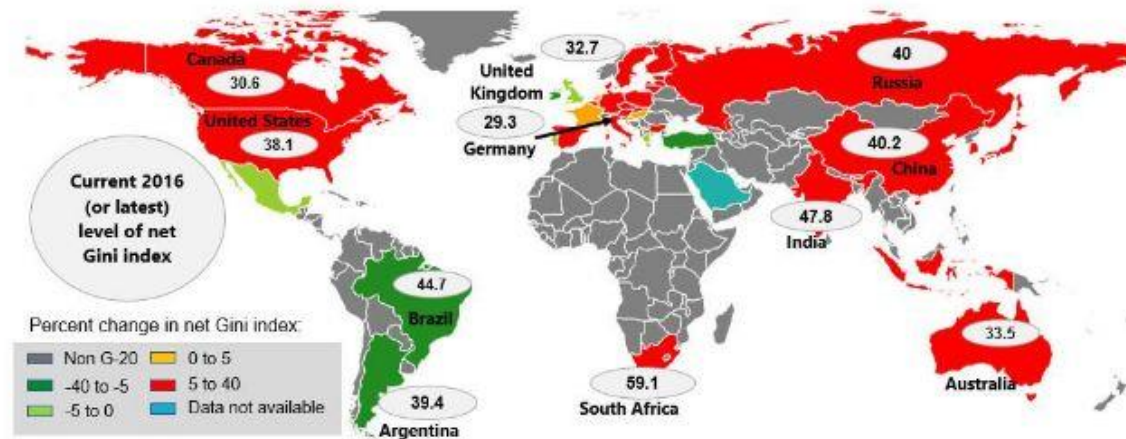
INTERNATIONAL
MONETARY FUND



Inclusive growth remains a challenge

Inequality has risen in almost all G-20 advanced economies and in many emerging economies since 1990.

(percent change, net Gini index, 1990–2016)



Source: Solt, F., 2016, The Standardized World Income Inequality Database, Social Science Quarterly 97, SWIID Version 7.1, August 2018.

Note: Net Gini index is defined as Gini index of inequality in equivalized (square root scale) household disposable (post-tax, post-transfer) income. Change in net Gini from 1990 to 2016 is expressed as a percentage. For missing values, data for the most recent year were used.



**INTERNATIONAL
MONETARY FUND**

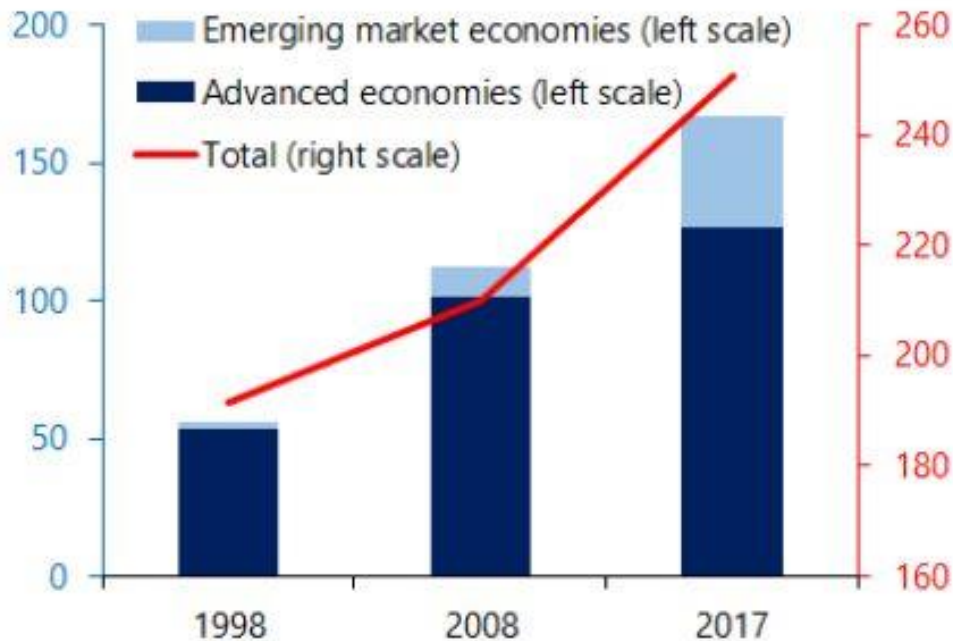
Tighter global financial conditions include higher borrowing costs, less available credit after a [borrowing binge](#) and declining stock markets.



Borrowing binge

Debt owed by governments, companies and households has risen sharply since the crisis.

(trillions of dollars, percent of GDP)



Sources: IMF Global Database (2018); and IMF staff calculations.

Note: The chart is based on debt in 29 jurisdictions with systemically important financial sectors.



**INTERNATIONAL
MONETARY FUND**

In several key economies, growth is being supported by policies that seem [unsustainable](#) over the long term. The new *Global Financial Stability Report* says financial conditions have also tightened markedly in emerging and developing economies over the past six months. Global trade

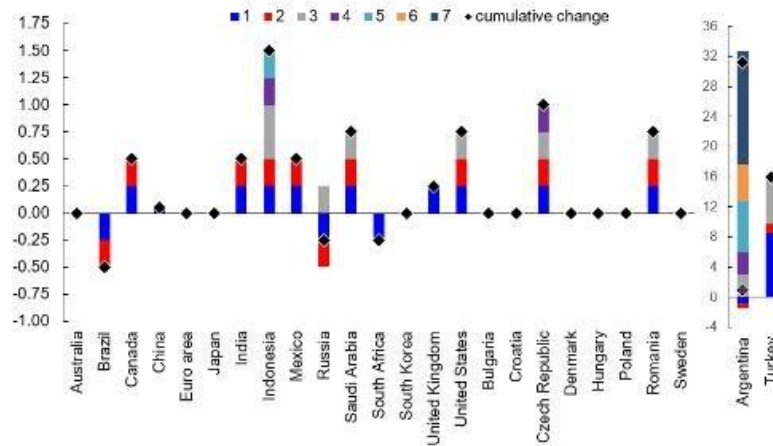


is rebounding although protectionist actions, especially by the Trump administration, are disrupting long-established supply chains.

On the rise

Many central banks represented in the G-20 have raised policy interest rates this year—usually more than once.

(policy rates, changes in 2018; percentage points)



Source: Bloomberg, L.P.
Note: As of October 5, 2018.



There are also the geopolitical risks.

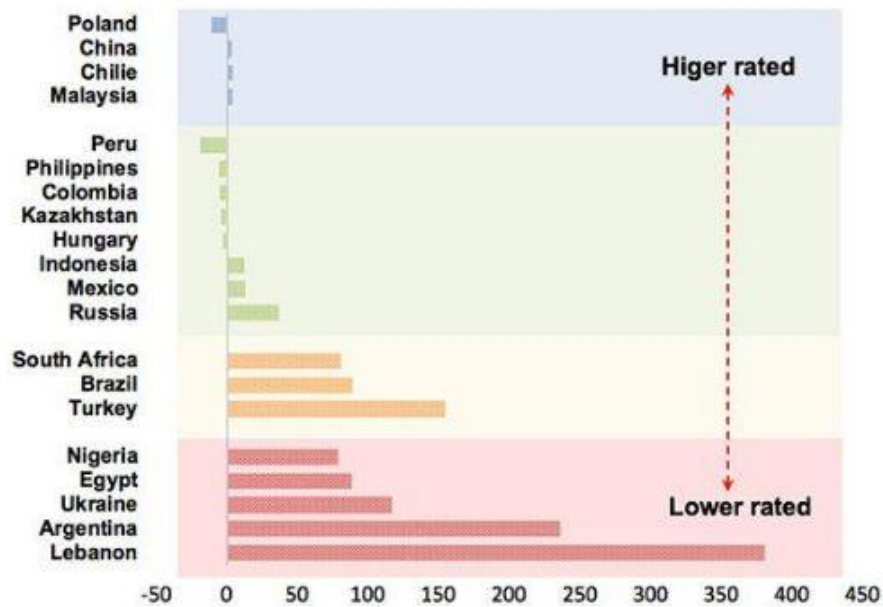
Conflict continues in Yemen, Syria, Iraq, Afghanistan and Central Africa. Famine ravages the Horn of Africa. Russia still occupies parts of Ukraine and tensions have flared anew. China continues to muscle into the South China Sea. After abandoning the nuclear deal with Iran, the Trump administration has re-imposed sanctions. There is little discernible progress in the U.S.’s negotiations with North Korea over its nuclear and missile capacity. While the flow has diminished, refugees from Africa and the Middle East continue to stream into Europe and as the United Nations High Commissioner for Refugees reports there are over [68.5 million](#) displaced persons. Among them are nearly 25.4 million refugees, over half of whom are under the age of 18. There are also an estimated 10 million stateless people who have been denied a nationality and access to basic rights.



Costlier credit

The stronger dollar and higher US interest rates have made overseas borrowing more expensive for emerging markets, especially those with lower credit ratings.

(change in foreign currency credit spreads, in basis points, since mid-March)



Sources: Bloomberg Finance L.P. ; and IMF staff estimates



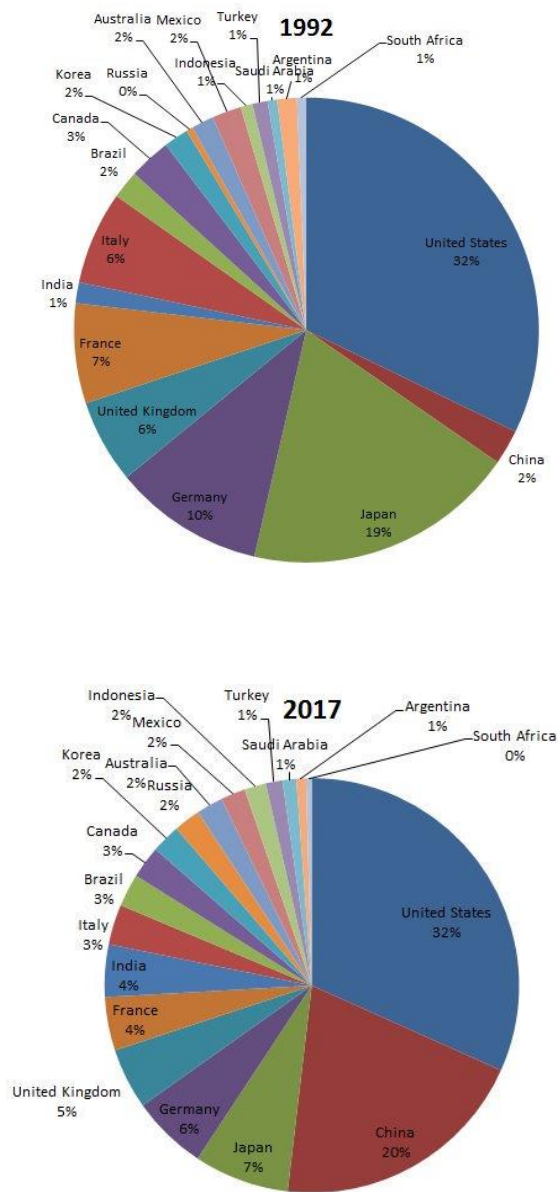
INTERNATIONAL
MONETARY FUND

Further Reading:

The official [Argentine site](#) has useful information, as does [Global Affairs Canada](#). The best Canadian source for G20 documentation, with a chronology of past summits, is the University of Toronto's [G20 Information Centre](#) managed by John Kirton. The Centre for International Governance Innovation (CIGI) in Waterloo does excellent research work on [G20](#) issues. Both are also involved in the [G20 Insights project](#) that has produced a series of excellent policy briefs drawing on work by the Think 20.



G20 Economies 1992 and 2017



► About the Author

A former Canadian diplomat, **Colin Robertson** is Vice-President and Fellow at the **Canadian Global Affairs Institute** and hosts its regular **Global Exchange podcast**. He is an Executive Fellow at the University of Calgary's **School of Public Policy** and a Distinguished Senior Fellow at the **Norman Paterson School of International Affairs** at Carleton University. Robertson sits on the advisory councils of the **Johnson-Shoyama School of Public Policy**, **North American Research Partnership**, **the Sir Winston Churchill Society of Ottawa** and **the Conference of Defence Associations Institute**. He is an **Honorary Captain (Royal Canadian Navy)** assigned to the Strategic Communications Directorate. During his foreign service career, he served as first head of the Advocacy Secretariat, minister at the Canadian Embassy in Washington and consul general in Los Angeles, as consul and counsellor in Hong Kong and in New York at the UN and Consulate General. A member of the teams that negotiated the Canada-U.S. FTA and then NAFTA, he is a member of the Deputy Minister of International Trade's NAFTA Advisory Council and the North American Forum. He writes on foreign affairs for the **Globe and Mail** and he is a frequent contributor to other media. The **Hill Times** has named him as one of those who influence Canadian foreign policy, most recently in their 2018 "top 40".

crobertson@cgai.ca 613-619-1867

► **Canadian Global Affairs Institute**

The Canadian Global Affairs Institute focuses on the entire range of Canada's international relations in all its forms including (in partnership with the University of Calgary's School of Public Policy), trade investment and international capacity building. Successor to the Canadian Defence and Foreign Affairs Institute (CDFAI, which was established in 2001), the Institute works to inform Canadians about the importance of having a respected and influential voice in those parts of the globe where Canada has significant interests due to trade and investment, origins of Canada's population, geographic security (and especially security of North America in conjunction with the United States), social development, or the peace and freedom of allied nations. The Institute aims to demonstrate to Canadians the importance of comprehensive foreign, defence and trade policies which both express our values and represent our interests.

The Institute was created to bridge the gap between what Canadians need to know about Canadian international activities and what they do know. Historically, Canadians have tended to look abroad out of a search for markets because Canada depends heavily on foreign trade. In the modern post-Cold War world, however, global security and stability have become the bedrocks of global commerce and the free movement of people, goods and ideas across international boundaries. Canada has striven to open the world since the 1930s and was a driving factor behind the adoption of the main structures which underpin globalization such as the International Monetary Fund, the World Bank, the World Trade Organization and emerging free trade networks connecting dozens of international economies. The Canadian Global Affairs Institute recognizes Canada's contribution to a globalized world and aims to inform Canadians about Canada's role in that process and the connection between globalization and security.

In all its activities the Institute is a charitable, non-partisan, non-advocacy organization that provides a platform for a variety of viewpoints. It is supported financially by the contributions of individuals, foundations and corporations. Conclusions or opinions expressed in Institute publications and programs are those of the author(s) and do not necessarily reflect the views of Institute staff, fellows, directors, advisers or any individuals or organizations that provide financial support to the Institute.