The 2016 G-20 Summit

September 8, 2016 (IN10565)

Related Author

- Rebecca M. Nelson

Rebecca M. Nelson, Specialist in International Trade and Finance (rnelson@crs.loc.gov, 7-6819)

Background on the G-20

On September 4-5, leaders of the Group of Twenty (G-20) countries met in Hangzhou, China. The Group of Twenty (G-20) is a forum for advancing international economic cooperation and coordination among 20 major advanced and emerging-market economies, including the United States. G-20 countries account for about 85% of global economic output, 75% of global exports, and two-thirds of the world's population. The G-20 generally focuses on financial and economic issues and policies, although related issues are also discussed, including food security, foreign aid, the environment, and foreign policy.

Leaders from the G-20 meet annually (at "summits"), and meetings among lower-level officials are held throughout the year. China holds the rotating presidency of the G-20 for the first time in 2016, with the summit as the capstone of its presidency. Since rising to prominence during the global financial crisis, the Hangzhou summit was the 11th time G-20 leaders convened and President Obama's 10th and last G-20 summit. Congress exercises oversight of the Administration's participation in the G-20. (For more on the G-20, see CRS Report R40977, The G-20 and International Economic Cooperation: Background and Implications for Congress, by Rebecca M. Nelson.)

Context for the 2016 Summit

Heading into the summit, the International Monetary Fund (IMF) painted a bleak picture of the global economy and urged G-20 leaders to take "forceful policy actions" to address challenges facing the global economy. The IMF stressed two challenges:

- **Low growth.** 2016 is projected to be the fifth consecutive year where global growth remains below its long-term average. Many countries, particularly advanced economies, are still grappling with the after effects of the global financial crisis, including high levels of private and public sector debt, weaknesses in financial institutions, weak levels of aggregate demand and international trade flows, and slowing productivity. Emerging markets are also seeing historically rapid growth slow, as low commodity prices hit commodity exporters hard and as China rebalances its economy from external sources of demand to internal demand.

- **High income inequality.** The IMF notes that in advanced economies, incomes for the top 10% increased by about 40% over the past two decades, while incomes for the bottom 40% grew very modestly. Inequality is also increasing in many emerging economies. In some countries, growing inequality may be fueling political backlash...
against globalization. A retreat from liberal economic policies could undermine global economic growth.

Several countries have relied on stimulative monetary policies to boost growth, including a number of central banks, such as the European Central Bank and the Bank of Japan, that have adopted negative interest rates. The IMF suggests that monetary policy may be reaching its limits and advocates stimulative fiscal policies to boost global growth. U.S. Treasury officials also advocated for fiscal stimulus. However, the G-20 includes a diverse set of countries with different political and economic philosophies and reaching consensus on policy prescriptions can be difficult. Earlier this year, a push for fiscal stimulus among the G-7, a smaller and more heterogeneous group of advanced economies, met resistance from Germany and the United Kingdom.

The IMF is also calling on countries to advance structural economic reforms to boost productivity, to re-invigorate trade by reducing trade costs and rolling back temporary trade barriers, and to ensure that growth is shared more broadly, through tax policy, social safety nets, and investments in education.

The 2016 Summit

At the Hangzhou summit, G-20 leaders were in broad agreement over the fragile state of the global economy. The summit communiqué (the formal document released at the summit's conclusion) stresses that growth is weaker than desirable and downside risks remain due to potential volatility in financial markets, fluctuations in commodity prices, sluggish trade and investment, slow productivity and employment growth, geopolitical developments, increased refugee flows, terrorism, and armed conflicts. Nevertheless, the communiqué stopped short of an explicit pledge for fiscal stimulus, instead adopting language that "all policy tools" be used, including monetary, fiscal, and structural policies, and be "tailored" to individual country circumstances.

The communiqué focused on strengthening policy coordination, breaking a new path for innovative growth, more effective global economic and financial governance, robust trade and investment, and inclusive and interconnected development. Within these broad groupings, the communiqué touches on a wide range of issues, such as bank capitalization ratios, energy markets, capital flows, illicit financial flows, trade policies, and sustainable development.

Some analysts criticized the communiqué for a lack of concrete and measureable actions. Many of the commitments and pledges in the communiqué reiterate or expand upon commitments from previous summits or support work done by other international organizations. For example, G-20 leaders reiterated prior pledges to refrain from competitive exchange rate devaluations; reaffirmed commitments to promote investment, especially in infrastructure; committed to ratify the Trade Facilitation Agreement negotiated at the World Trade Organization; and supported the World Bank's effort to develop a global crisis response platform to the refugee crisis.

Other analysts argue that the summit's success is convening leaders to discuss problems facing the global economy, a theme President Obama stressed in remarks after the summit. For example, G-20 leaders pledged to work together to address excess steel capacity through a new global forum, an issue that has raised tensions between China and other producers. Some lauded the communiqué language as a breakthrough, even if it does not specify precise policy solutions. Leaders also discussed how to address public skepticism about globalization.

Some of the most meaningful achievements and discussions took place on the summit's sidelines. The Day before the summit, the United States and China formally deposited their instruments of acceptance or ratification, respectively, of the 2015 Paris climate change agreement. G-20 leaders used bilateral meetings to discuss the implications of "Brexit" with the new UK Prime Minister, Theresa May.

Not all was resolved. For example, European G-20 officials were reportedly frustrated that China was publicly pushing for economic openness while also giving foreign investors limited access to their market. The summit also highlighted sharp differences between President Obama and Russian President Putin, who discussed a possible cease-fire in Syria but failed to reach an agreement. Tensions flared between President Obama and Philippine President Duterte, following bombastic comments by Duterte that he later apologized for.