Article

The G20's Growing Political and Economic Challenges

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The Group of Twenty (G20) confronts significant economic and political challenges, largely due to the failure to achieve sustainable and inclusive economic growth since the global financial crisis. This contributed to "populist" political trends that undermined the international economy in 2016, influencing the "Brexit" referendum and Donald Trump's U.S. election victory. The most ominous consequences of actions that may well echo the interwar period could be prevented today through international cooperation. Today's political leaders need to build on efforts during the Chinese and German G20 presidencies to overcome the "new mediocre" in the global economy.

The Group of Twenty (G20) is experiencing a crucial period in its brief history. Skeptics and even supporters are questioning the forum's capacity to provide the necessary global leadership to achieve sustainable and inclusive global economic growth, as political and economic uncertainty threaten to plunge the world into another deep crisis. These doubts about the global governance capacities of contemporary policymakers indicate the importance of enhancing multilateral cooperation to overcome international political and economic challenges.

This article analyzes the contemporary political debate on global economic governance and key issues presented to the G20. The first section assesses the G20's importance for global governance and international relations, especially since the 2008–2009 global financial crisis. The second section evaluates the recent Chinese G20 Presidency, its substantive policy outcomes, and the broader effects of the Chinese stewardship of the forum. The third section references historical analogies with the inter- and postwar periods: the contemporary "new mediocre" global economy debate echoes political concerns of the 1940s. The final section considers the prospects for the German G20 Presidency, which could be important for the future of the world economy and the G20 Leaders' Summit itself.

There is no political consensus currently on how to resolve the problems in the world economy, though there has been a growing sense of urgency among some analysts and policymakers, including IMF Managing Director Christine Lagarde (IMF 2016c) and even German Chancellor Angela Merkel (German G20 Presidency 2016b, 2). The election of Donald Trump as the forty-fifth President of the USA would appear to further complicate the international political context, with potentially damaging consequences for

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multilateralism and G20 cooperation. This article traces the G20's influence on domestic and global policy practices and on multilateral economic cooperation. Despite the potential for improvement, G20 delays on addressing sustainable and inclusive economic growth have increased the prospects for future global financial or political crises.

The G20's Importance for Global Governance

The G20 has faced significant tests since the global financial crisis, which former UK Prime Minister David Cameron dubbed its "heroic phase" (Rowley 2010). The G20 transition from international crisis committee to steering committee has not been easy, yet the G20 has become a crucial hub for global governance networks, in policy areas such as international finance and sustainable development. The integration of actors from leading developing states, the so-called "middle powers," the large emerging market states and some formerly excluded Asia-Pacific nations in the centers of global economic governance, alongside western policy élites, might prove to be one of the G20's most important long-term effects.

China's G20 Presidency in 2016 signaled evidence of an important shift in twenty-first century international politics. In the global economy, the growing influence of developing states and Asia-Pacific nations, particularly China and India, widened global leadership and weakened the transatlantic dominance of global governance. The Chinese Presidency of the forum, following the earlier presidencies of the Republic of Korea (Korea) and Australia, in 2010 and 2014, respectively, gave credence to those who have argued this could be the "Pacific Century." Whether such predictions become reality, the G20 provides crucial inter-regional links between officials and stakeholders, enhancing policy coordination beyond the confines of regional alliances or the postwar duopoly of Western Europe and the USA.

The western-led international financial institutions (IFIs) dominated global economic governance until the mid-2000s. After these institutions failed to manage the Asian financial crisis effectively, several experts and policymakers advocated reform of the international financial architecture (see Stiglitz 2003; Rodrik 2006; Cooper 2008; Grugel, Riggirozzi, and Thirkell-White 2008; Brown 2010). One theme expressed by experts was the need for greater inclusion of developing states in global economic governance, which had been led largely by the Group of Seven/Eight (G7/8) in previous decades. The latter leadership forum experimented with a limited process of outreach engagement in the early 2000s, by inviting leaders of Brazil, China, India, Mexico, and South Africa (identified as the Outreach Five) to attend G8 summits as guests, rather than equal partners. This was deemed by many critics to have been insufficiently inclusive, because it kept the Outreach Five in a subordinate position to the G8 members (Payne 2008, 532; Cooper and Thakur 2013, 52, 60–1; Kirton 2013, 193).

The G20 finance forum, the original G20, established in 1999 and consisting of finance ministers and central bankers initially included a similar disparity in status. Its main purpose appears to have been to share the best practices in economic governance from wealthy members with its strategically significant developing-state members, accepting the implicit hierarchy (Ibbitson and Perkins 2010; Cooper and Thakur 2013, 37–8). The G20 became a more equal leaders' forum during the global financial crisis, with the first summit-level meeting held in Washington, DC in November 2008. Its relative inclusivity contributed to the G20's subsequent rise to global prominence, with a membership befitting the international strategic implications of the economic and political circumstances during the crisis. The international response to the global financial crisis in 2008–2009, especially the creation of a leader-level G20, gave further impetus to the widening leadership trend in global governance (see Helleiner 2016). This forum has contributed significantly to this shift in authority and influence, especially by incorporating its developing-state members in key IFIs and informal fora, such as the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS).

There are sometimes intangible gains from G20 membership, including the potential to raise public policy standards and expertise through agreements that improve members' governance of policy areas, such as financial regulation, sustainable development, employment, gender issues, infrastructure investment, and anti-corruption measures. The continual engagement between G20 member officials, through working groups as well as ministerial and sherpa meetings, helps to sustain the dialogue on these issues. Another advantage is that G20 membership enhances the international political reputation and influence of most members, signaling the status of global governance "insider," as participants in the world's premier multilateral economic forum. It could be argued that the G7/8 states have lost some of their former influence in global economic governance, despite remaining significant due to their economic capacities and voting rights in IFIs.

The governments that have held the G20 Presidency, have all gained some measure of international prestige and influence by doing so, though the political benefits of this influence are not always clear. Security disagreements, the Eurozone crisis, and other issues often reduce the potential gains from hosting summits and guiding the summit agenda. In the case of the Australian Presidency, some scholars argued that diplomatic gains were diminished by political mistakes. These included the Australians' failure to keep climate change off the G20 agenda and Prime Minister Tony Abbott's refusal to meet representatives of the Labor 20 engagement group (Hartcher 2014; Harris Rimmer 2015, 47, 52–4, 57). Member countries such as India, Indonesia, and South Africa have had less direct influence so far, though engaged in areas of diplomatic cooperation at the G20 with their BRICS (Brazil, Russia, India, China, and South Africa) and MITKA (Mexico, Indonesia, Turkey, South Korea, and Australia) "caucus" partners (Cooper 2015, 96; Luckhurst 2016, 186–9). After Germany, the new Argentine administration of Mauricio Macri will be in the spotlight as the successor presidency, after years of relative G20 obscurity for this South American state (Luckhurst 2015, 24–6, 31–4).

The G20 remains important for international politics. As an informal forum, however, it depends on members to fulfill their commitments in the absence of direct sanctions against transgressors. Scholars and policymakers have argued for improved G20 commitment compliance monitoring (Bracht 2015; Lagarde 2015). There also continues to be debate about whether the G20's policy agenda should be narrower, for efficiency purposes, especially by focusing on core economic issues, or whether it could only maintain legitimacy by continuing to deliberate on wider issues, often more important to the emerging market and developing Member States (Luckhurst 2016, 190–6). The Korean G20 Presidency in the second-half of 2010 started the tendency to broaden the G20 agenda. They moved beyond the emphasis on the economic recovery and international financial reform, by establishing the Seoul Development Consensus (G20 2010b). This broader approach to the G20 agenda has remained evident since Mexico's 2012 G20 Presidency, notwithstanding the Australian Presidency's attempts to narrow it.

Consequently, the G20 has become involved in diverse policy areas, as well as augmenting multilateral cooperation on core issues such as the Basel III Accords on financial sector reform (BCBS 2010; G20 2010a, 4). The G20 has also increased policy coordination and dialogue on anti-corruption, tax evasion, employment, gender issues, and sustainable development, while supporting the United Nations' agenda on climate change. The G20 has become a hub of global governance networks and a steering committee for the world economy. The forum has become highly influential and authoritative in international politics, in terms of the political, strategic, and cognitive authority its membership affords it, due to their reputation and material and institutional resources (Eccleston, Kellow, and Carroll 2015). This influence and authority is reinforced by the strategic significance of its members in the aggregate, which accounts for around 85 percent of global economic production, 80 percent of trade, and two-thirds of the world's population. Many officials and politicians share a pragmatic, rather than idealistic, support for the mutual benefits from G20 cooperation, including the advantages of regular dialogue and coordination of the global governance agenda. G20 members' diplomatic emphasis on the forum would likely make it the obvious focus for future cooperation on globally significant financial crises.

Legacies of the Chinese G20 Presidency

There were great expectations for the Chinese G20 Presidency in 2016, as noted by Chinese Foreign Minister Wang Yi a few months before the Hangzhou Summit (Ministry of Foreign Affairs of the People's Republic of China 2016). This was partly due to its symbolism and the political commitment from President Xi Jinping, the support of the Party, and his government. The Hangzhou G20 Summit of September 4–5, 2016 maintained the international focus on the forum, though arguably brought modest results. Notwithstanding the substantial resources and effort invested by the hosts, the summit was written off by some analysts as a missed opportunity. Experts feared the G20 had become a talking shop unable to act on key global economic challenges (Bradford 2016; Sainsbury 2016).

The G20 faces complex political and economic issues, which could overburden possibly its governance capacities. The ability to respond effectively could determine whether it remains the premier forum for members' international economic cooperation. The significant constraints on China's G20 Presidency were not specifically the fault of the Chinese; rather, the principal reason was the forum's shared failure to take sufficient steps to augment global economic growth, especially through a G20-coordinated fiscal stimulus or the implementation of new trade agreements. Despite repeated G20 pledges to raise growth, including its 2014 Brisbane Summit agreement to boost collective output by 2 percent above then IMF forecasts for 2018 (G20 2014), the IMF (2016b) continues to downgrade its quarterly predictions for world economic growth. The World Bank (2016, 4) currently projects only

2.4 percent annual global growth, both for 2015 and 2016.[1] The G20's inability to provide clear solutions to persistently low growth overshadowed other aspects of the Hangzhou agenda.

The Hangzhou Summit did, however, include several worthy commitments, outlined in the leaders' communiqué (G20 2016). They comprised, what Kirton (2016a) noted was the core emphasis on economic issues: international trade, investment, and innovation, in addition to areas such as sustainable development. A new strategy for achieving "an innovative, invigorated, interconnected and inclusive world economy," was announced. It was rather ambitiously labeled the "Hangzhou Consensus" (G20 2016). This Consensus builds on the G20's "Framework for Strong, Sustainable, and Balanced Economic Growth," initiated at the Pittsburgh G20 Summit in September 2009 (G20 2009b, 5–7). The Hangzhou Consensus centers on the four categories: "Vision", "Integration", "Openness", and "Inclusiveness." It combines short-, medium-, and long-term policies for increasing global growth, while emphasizing sustainability and inclusiveness. The Consensus calls for socioeconomic goals, such as female labor participation, in addition to raising GDP (G20 2016). This Hangzhou Consensus is compatible with the G20's Seoul Development Consensus, especially its prioritization of more inclusive and sustainable economic development. The Hangzhou and Seoul strategies reject core principles of the old Washington Consensus (G20 2010b; Luckhurst 2016, 159–60), by eschewing universal prescriptions and prioritizing effective, strategic governance beyond only market solutions. This constitutes a significant shift in the norms and practices of global governance since the global financial crisis.

The lack of progress in raising global economic growth, however, has increased skepticism about the G20's capacity to deliver on growth objectives. Still the Hangzhou Consensus is broadly compatible with recent political discourse in international economic policy circles. The new "consensus" includes an interesting set of proposals that could facilitate more effective cooperation during future G20 presidencies. In particular, the G20's (2016) rhetorical shift to combining "fiscal, monetary, and structural policies" to achieve economic growth could increase the scope for collective action to advance the earlier Brisbane growth target. At the very least, it might help soften the divide between fiscal stimulus and austerity advocates.

The Hangzhou meeting focused more on the need to achieve sustainable and inclusive economic growth than on other issues, such as financial reform. The new growth plan incorporates other aspects of the G20's policy agenda, for example, the "base erosion and profit shifting" (BEPS) tax coordination strategy (OECD 2013), as well as anti-corruption measures, clean energy and infrastructure investment, and raising female labor participation (G20 2016). These goals fit within the overarching Hangzhou strategy to improve global economic growth.

Despite these advances at Hangzhou, the Chinese G20 Presidency was still deemed, at best a partial success by observers (Kirton 2016a). The lack of more substantive or urgent policy solutions, especially on global economic growth, combined with concerns over the G20's failure to identify a specific timetable to eliminate members' fossil fuel subsidies, a goal that was

[1] *Considering world population growth and deviations from the norm, some economists judge anything below 3 percent to be a "global recession" (Abberger and Nierhaus 2008, 76; IMF 2008, 43; Davis 2009).*

originally agreed at its Pittsburgh Summit in September 2009 (G20 2009, 3), or to prevent the rise of trade protectionism by a number of G20 states. Unresolved security issues also dampened the mood, including the conflicts in Syria and Ukraine, plus Chinese territorial disputes with neighbors over islands in the South and East China seas. The Democratic People's Republic of Korea, North Korea (DPRK) also chose to conduct an underground nuclear test during the Hangzhou Summit, suggesting that security issues in East Asia could threaten to disrupt regional and global economic cooperation. The constructive approach to the G20 Presidency from the Chinese government was encouraging. In addition, on the eve of the summit, the coordinated announcement by the American and Chinese governments that they were adopting the United Nations Framework Convention on Climate Change Paris agreement, significantly boosted prospects for the Paris Agreement's activation conditions to be met (United Nations 2015). This announcement at the G20 indicates the importance of G20 summits in providing opportunities for successful side deals. More disappointing was the reduced emphasis on improving implementation of current summit pledges, compared with the preceding Turkish G20 Presidency (2014).

The decision of all G20 leaders to attend the Hangzhou Summit reaffirms the forum's importance, both for multilateral cooperation and the opportunities at its summits for bilateral meetings. Each G20 Presidency involves the stewardship of the forum, keeping it in good working order to be prepared for contingencies, in addition to advancing short- and medium-term policy goals. The Chinese Presidency made progress on some goals, and maintained dialogue on others where less was achieved. The failure to progress more substantively on sustainable and inclusive growth was a collective responsibility, not just a responsibility of the Chinese government.

The "New Mediocre" and the Bretton Woods Compromise

The combination of a persistently weak global economy with political uncertainty, and the increasing rejection of mainstream politics, has prompted greater urgency on the issue of economic growth in international policy circles. What remains a question is whether these concerns could herald renewed G20 cooperation to achieve sustainable and inclusive economic growth.

The IMF also has been important in this policy debate. Managing Director Christine Lagarde is one of the most influential voices advocating more action to raise global growth. She helped popularize the notion of the "new mediocre" in the global economy (IMF 2015b, 2016a), in reference to the persistent underperformance since the global financial crisis. In a recent speech at the annual IMF–World Bank meeting in Washington, DC on October 7, 2016, Lagarde noted the persistence of a "low-growth, low-investment, low-inflation cycle" in the advanced economies, further emphasizing that "growth has been too low, for too long, and benefiting too few" (IMF 2016c). Later in the speech, she (IMF 2016c) commented that the IMF's founders "would surely be concerned" about the current international economic circumstances. Lagarde is not alone. The Communiqué from the Hangzhou Leaders' Summit expressed deep concern about the global economy (G20 2016).

I draw an analogy between these current concerns and political debate in the 1930s and 1940s. The leading international policymakers of the interwar period failed to cooperate effectively during the Great Depression. A sign of their failure was the collapse of the 1933 World Economic and Monetary Conference, when U.S. President Franklin D. Roosevelt chose to prioritize his national policy goal of weakening the dollar, despite the potential negative effects on other currencies, while ostentatiously rejecting the conclusions of the London conference. Eichengreen (2016, 236) notes that an agreement would have been impossible, because of the incompatibility of the priorities of the different parties at the conference. The Roosevelt Administration's emphasis on overcoming deflation in the American economy conflicted with the Europeans' concerns about the potential return of inflation and their goal to stabilize exchange rates. These differences certainly hold parallels with the present, especially the contemporary focus in the USA on the need to stimulate the economy, contrary to the prioritization of monetary and fiscal stability in the European Union (EU). International divergence has recently taken on a new twist, as the apparently protectionist policies of the Trump Administration could cause a further rift with other G20 members.

The failure to sustain the global recovery since 2010 has been exacerbated by the Eurozone's persistent crises and accompanying low growth. This has now been compounded by the UK referendum vote to withdraw from the EU which has heightened global uncertainty. Now, uncertainties over Donald Trump's economic policies may have added to concern over global economic cooperation. There also has been a political momentum with the rise of "populism," or extreme nationalism since the global financial crisis. This rise of populism today reflects similar political currents in the 1930s (see Ash 2016; Judis 2016, 14).[2] These populist political movements are not identical, but they collectively increase the uncertainty and doubts over the prospects for international economic cooperation.

The Great Depression, then, and the global financial crisis now, both seemingly undermined confidence in the perceived benefits of prioritizing market efficiency and financial liberalization. The agreements at the 1944 United Nations Monetary and Financial Conference, in Bretton Woods, New Hampshire, were intended to avoid another Great Depression by introducing new controls on capitalism, in a sense to prevent its self-destruction. This strategy combined Keynesian economics and the socioeconomic goals of American progressives and European social democrats, including full employment and other means to improve the living standards of citizens. In addition, policies sought to bring a multilaterally governed international economy that prioritized trade liberalization, while controlling capital flows and fixing currency exchange rates (Ruggie 1982, 393–6; Steil 2013, 150, 160). These policies were a deliberate response to the postwar political and economic circumstances. The politicians of the time developed this so-called "Bretton Woods compromise" to enhance social and political stability.

[2]*There is no single definition of "populism," but as Judis argues (2016, 14–15), it should be conceived as "a political logic – a way of thinking about politics," especially focused on championing "the people" against an establishment or élite. Depending on the political context, "the people" might refer to blue-collar workers, middle-income citizens, or a majority ethnic group; whereas "the establishment/elite" could imply wealthy people, college-educated professionals, or mainstream politicians. Left-wing populism generally is "dyadic," focused on contestation between the people and an élite; right-wing populism, instead, is often "triadic," opposing the people to an élite plus a third group, one deemed to have been granted special treatment, such as immigrants or Muslims in northern Europe or the USA.*

Some of the economic priorities of the Bretton Woods compromise have been reprised by the G20 since the global financial crisis, including their emphasis on sustainable and inclusive economic growth. Recent global governance discourse on "sustainability," and new norms and practices of macroprudential financial regulation, echo aspects of Polanyi's (1944, 60, 279 [note f]) conception of the economy as "embedded in social relations." Ruggie (1982) adapted and attributed this notion to the Bretton Woods compromise, labeling its political content—especially the prioritization of social, political, and socioeconomic goals—"embedded liberalism." Hence, key global governance actors, during both the postwar period and the global financial crisis, emphasized the need to constrain the imbalances and risks from international capitalism and financial markets, partly to enhance economic outcomes and also to facilitate social and political objectives. The new U.S. Administration's policy proposals seem to suggest a reverse logic to Bretton Woods: combining constraints on international trade with financial regulatory liberalization.

The comparisons between the global financial crisis effects and the Bretton Woods compromise, or the July 1944 negotiations themselves, influenced political debate during the acute period of the global financial crisis, from September 2008 to April 2009. There was a common perception, during the latter period, that the global economy confronted its deepest crisis since the 1930s. Some leaders, as a result, drew an optimistic analogy between G20 cooperation and the Bretton Woods negotiations. Some scholars and politicians emphasized the need for a "Bretton Woods moment" during the global financial crisis (see Stiglitz 2008; Boughton 2009; Helleiner 2010), including UK Prime Minister Gordon Brown and French President Nikolas Sarkozy (Hall and Eaglesham 2008; Mallaby 2008). At the London G20 Summit in April 2009, references to the failed World Economic Conference of 1933 reminded politicians of the possibly disastrous consequences from an unsuccessful meeting, which helped focus minds (Schifferes 2009; Brown 2010, 121). These historical analogies arguably reinforced G20 cooperation at the London Summit. The forum became an effective international crisis committee with an impressive range of policy agreements including: initiating international financial sector regulatory reform; creating the new FSB; and producing the members' coordinated fiscal-stimulus recovery strategy. Another important agreement at the London Summit was the substantial increase in funding for leading IFIs, to provide greater emergency assistance to countries in economic distress (G20 2009a).

This Keynesian-influenced G20 agenda during the global financial crisis was encouraged by several scholars, Nobel laureate economists, and policymakers around the world (see HM Treasury 2008, 3; Rudd 2009; Strauss-Kahn 2009; Stiglitz 2010, 215, 231; Krugman 2012;). Leading economists such as Paul Krugman (2012) and Joseph Stiglitz (2010) contested aspects of the precrisis, neoclassical-influenced conventional wisdom in national and global economic governance. However, the Eurozone financial crisis that erupted in 2010 enabled another group of economic policy norm entrepreneurs, especially in Germany, the UK, and USA, to shift the international political momentum toward "debt consolidation" and "austerity" policies (Abdelal and Ruggie 2009, 162; Krugman 2009; Farrell and Quiggin 2012; Blyth 2013, 54–9). The global financial crisis had become less acute by this time, which weakened the G20 consensus on the need for more fiscal stimulus. This decreased the scope for economic cooperation between European leaders and the U.S. government, leading to more contested summit discussions on macroeconomic policy strategy, notably at the Toronto G20 Summit of June 2010 (Luckhurst 2016, 111). Even in the USA, the Republican-controlled Congress forced some austerity measures on the Obama Administration, including the Federal "budget sequestration" of March 2013. The growth-suppressing effects on the global economy from domestic austerity policies, especially the failure to achieve a stronger recovery in much of Europe, underpinned the conditions for Lagarde's "new mediocre" declaration.

Prospects for the German G20 Presidency

The international political and economic context confronting the German G20 Presidency is potentially quite ominous. Deteriorating security relations between some G20 members, especially the Russian government and its G7 counterparts, undermined prospects for cooperation on issues such as the Syria and Ukraine conflicts in recent years. The insufficient global economic recovery from the global financial crisis seemingly has contributed to a slowdown in international trade. Trade could in fact decline further due to rising protectionist politics among the G20 and fears generated by the U.S. presidential election campaign, depending on the policies actually implemented by the Trump Administration.

The growing financial insecurity and unemployment among citizens in many G20 members, as elsewhere, contributed to public doubts about the effectiveness of global economic policy and current mainstream politics. The evidence during the Chinese Presidency was that some G20 member governments and other stakeholders, especially the IMF and its managing director, recognized the urgency to improve the international economic and political situation. The G20 continues to be the most obvious international forum for strengthening global governance cooperation. It has been tested, and performed well, as an international crisis committee in 2008–2009 (Drezner 2014, 44–9). There are concerns, however, about the willingness of the Merkel government to advance a sufficiently growth-boosting G20 agenda. The German G20 Presidency's (2016b, 5) description of its focus on "Strengthening economic resilience," for example, downplays the weak global economic recovery since 2008 by noting, "Global economic growth is currently close to its long-term average, but remains weaker overall than it did after previous economic downturns." The latter qualification is highly relevant though, as it indicates the inadequacy of the "recovery" in much of the world, before the return to the low global growth trajectory of the decades since the 1980s (see World Bank 2017), relative to the higher growth rates from 1945 to 1973.

The German G20 Presidency's (2016a) slogan, "Shaping an interconnected world," and its references to "making globalization benefit everyone," indicate an intention to sustain international cooperation despite growing concerns about protectionism. The German government (German G20 Presidency 2016b, 5–6) also will prioritize the "strengthening" of the international financial architecture, including a focus on how the G20 could contribute to reducing risks from cross-border capital flows. The German Presidency will also continue efforts to enhance G20 regulatory cooperation on potentially destabilizing aspects of the financial sector, such as "shadow banking." However, the Germans will not only focus their G20 Presidency on the core economic themes of finance and economic growth, as indicated by Angela Merkel's pledge to "continue much of the work launched . . . during China's Presidency during our German Presidency" (Federal Government 2016a). This is partly indicative perhaps of the effects of the G20 "troika" system. The troika system is the rotating triumvirate combining the present, previous, and subsequent presidencies, intended to help guide the agenda of any presidency. The German Presidency will likely emphasize cooperation on wider issues relevant to the host and the many other G20 members, such as international migration. Also Germany and its Chancellor have stated she intends to include a focus on African development issues (Rinke 2016). The German government further emphasizes the importance of progress on the UN's Sustainable Development Goals (SDGs) and the climate change agenda, as well as enhancing global coordination on key health issues (Federal Government 2016a). The Germans have suggested they will promote three key pillars: "resilience," "responsibility," and "sustainability." These pillars will allow them to try and advance policy emphasizing structural improvements in the global economy, partly through infrastructure investment and the BEPS tax agenda. Other key policy areas will include economic inclusion and inequality, the digital economy, and food security (Kirton 2016b).

The G20 members, like most other states, are experiencing negative effects from weaker global growth. The slowdown in international trade is particularly concerning for governments of key exporting nations, such as China, Germany, Japan, and Korea, as it substantially reduces their potential economic growth. Trade is an issue area on which the G20 has achieved some agreements in recent years, especially its commitments during the global financial crisis, at the Washington and London summits of 2008 and 2009, to reject protectionist trade policies and the 2013 St. Petersburg summit agreement to extend the "standstill commitment" against trade protectionism until 2016 (G20 2013, 11). This agreement was further extended, until 2018, in the Hangzhou leaders' communiqué (G20 2016).

While the German Presidency will likely use the forum to try to strengthen international trade, the distributional effects of trade should be addressed more by the G20 and its members (Bernes 2016). Indeed, the German G20 Presidency (2016b, 4) recognized the importance of G20 cooperation to share the "benefits of globalization and worldwide connectivity," linking this to their support for the SDGs and the Paris climate agreement. There have been widespread public concerns about the Transatlantic Trade and Investment Partnership and Trans-Pacific Partnership agreements, especially in Europe and North America. The U.S. Trump Administration might try to restrict trade and implement forms of fiscal expansion, especially through corporate tax cuts and infrastructure spending. The failure in the USA and parts of Europe to counterbalance adverse effects from international trade and capital flows on domestic employment and incomes of less-skilled workers, some of the so-called "losers" of international commerce, appears to have contributed to the rise of anti-free trade populism (Summers 2008; Rodrik 2011, 88; Judis 2016). If the Trump Administration decided to push for a G20 stimulus strategy, it might well find support from among several G20 members. The Canadian government of Justin Trudeau is starting to implement its new, domestic fiscal-stimulus strategy (Doyle 2016). Even the UK government has abandoned its former commitment to austerity, in the wake of the "Brexit" referendum (Parker, Allen, and Murray Brown 2016). Such changes in the G20 could increase pressure on the German government to accept a more active growth-stimulating approach to their domestic economy.

Chancellor Merkel's government has generally disapproved of expansionary fiscal and monetary policy strategies (Steinbrück 2008; Newman 2010, 311–13; Nienaber 2014). The doubts about Germany's G20 leadership reflect not only its opposition to fiscal-stimulus measures, but also concerns over its handling of the Eurozone crisis (Pettis 2013, 121, 125–34; Galbraith 2016, 66–9; Stiglitz 2016, 177–213). The German government has been an influential proponent of the "growth friendly fiscal consolidation" doctrine (IMF 2016b, 2), which has been dismissed by critics for its reliance on dubious and arguably discredited economic claims, especially those from Alesina and Ardagna (1998, 2009; see IMF 2010, 93–4; Krugman 2012, 195–9; Blyth 2013, 171–3, 212–15).[3] The IMF (2014, 20–2; 2015a, 2; 2016a, 1), meanwhile, has repeatedly urged the German government to reduce the country's substantial international trade surplus, which increases pressure on others' current account balances and exacerbates sovereign debt problems, especially in the Eurozone (see European Commission 2016). The IMF and G20 peer pressure has been insufficient to persuade the Germans to act in a greater growth-oriented manner. There are economists who defend the German government's position, among a variety of perspectives on the matter (see den Haan et al. 2016). Irrespective of whether the trade surplus is simply the result of good governance and other virtuous factors (Jung, Reiermann, and Peter Schmitz 2013; Sinn 2016), the German economy and domestic policies have had external spillover effects (European Commission 2016, 3; IMF 2016a, 1, 8).

Chancellor Merkel has stated "economic growth that benefits all" is the most important objective for the G20, implying it would be a core issue for the German G20 Presidency (Federal Government 2016b). German officials and ministers have not yet detailed exactly how they will approach global economic growth during their G20 Presidency (Marchyshyn 2016), except to indicate that coordinated fiscal stimulus would not be on the official agenda (IMF 2016d). German finance minister, Wolfgang Schäuble instead has warned of the risks from public and private debt, advocating the need for "debt consolidation," while also calling for an end to expansionary monetary policies or quantitative easing (Buergin and Black 2016; IMF 2016d). This fits the traditional German aversion to inflation, or "*Inflationstrauma*," a core legitimizing discourse for their economic policymaking since the postwar decades (Schirm 2013, 697). The German finance minister's (IMF 2016d, 2) description of predicted domestic growth of 1.7 percent for 2016 and 1.5 percent for 2017 as a "positive outlook" underlines the disconnect, between the Germans and several other G20 members, on economic growth performance. It is sufficient to point out that few American experts and current policymakers would consider sub-2 percent annual growth as "positive." U.S. Federal Reserve Vice Chairman Stanley Fischer has characterized America's recent GDP growth, which has generally been stronger than Germany's, as "mediocre at best" (Board of Governors of the Federal Reserve System 2016).

[3] *Alesina (2010) presented a summary of his and Ardagna's analysis to an EU Finance Ministerial meeting (Ecofin) in April 2010. Their arguments influenced EU policymakers' approach to debt consolidation and fiscal austerity.*

It is unlikely that the intellectual and political divide between the austerity and fiscal-stimulus camps in the G20 will be resolved simply through debate. Merkel's government continues to advocate structural adjustment and debt consolidation to raise growth (IMF 2016d), despite the empirical evidence that such policy initiatives often hinder recoveries in weak economies. Clearly there are deep political differences in the forum on *how* to increase global economic growth (Alexandroff 2016), though the intensified attention to the issue could encourage areas of compromise. The recent G20 focus on combining "fiscal, monetary and structural policies," in the context of the Hangzhou Consensus, potentially provides opportunities to overcome the impasse between fiscal-stimulus and austerity advocates (G20 2016). It constitutes a set of "constructed focal points" that could lead to specific policy agreements (Keohane and Martin 1995, 45), which might then engender further areas of cooperation, with possibilities for trade-offs between structural adjustments in some members for fiscal or monetary policy adjustments in others. Peer pressure also would intensify the sense of urgency on global growth if a new economic crisis developed, just as the economic emergency brought G20 policy cooperation during the global financial crisis. As Nobel laureate economist Robert Lucas noted in October 2008, "everyone is a Keynesian in a foxhole" (Fox 2008), implying the tendency of policymakers to turn to fiscal stimulus when economies find themselves in deep trouble.

The main task during the German G20 Presidency should be to build on the Hangzhou Consensus, supported by the advice and resources of members and the relevant global governance bodies and stakeholders (Alexandroff and Brean 2015, 8–10; Harris Rimmer 2015, 43; Slaughter 2015). It will be difficult, in the absence of another deep economic crisis, to achieve convergence on broad macroeconomic strategy. Instead, the focus should be to seek specific areas of cooperation to enhance sustainable and inclusive global economic growth. The political imperatives at stake might require compromise, on all sides, in the three key areas: structural, fiscal, and monetary policies.

The political context of the German Presidency could complicate matters even further. There are impending general elections in France and, of course, the German federal elections. The latter are scheduled to be held between August and October 2017, which forced the Hamburg G20 Summit to be moved forward to July. In practical terms, this gives less time for G20 officials and policymakers to resolve their differences and reach new agreements in time for the summit communiqué. However, despite the challenging circumstances, G20 cooperation might still be achievable. The positive western media and expert reception of Chinese President Xi's (2017) recent speech to the World Economic Forum at Davos (see Ehrenfreund 2017; Elliott and Wearden 2017; Evans-Pritchard 2017), when he signaled his willingness to provide global leadership on issues such as maintaining an open international economy and implementing the Paris climate agreement, indicated how far the political landscape has shifted. The "liberal international order" might be required to depend on Chinese and European leadership over the next few years.

Conclusion

The political and economic challenges of contemporary international relations and global economic governance will be very difficult to resolve.

The uncertainty caused by Brexit and the U.S. election result could exacerbate the problems in the international economy, especially the persistence of lower growth. The political circumstances are complex, but the G20 possesses the necessary resources to overcome the economic problems that have held back sustainable and inclusive economic growth since the global financial crisis. For the forum to live up to its potential as a steering committee, as opposed to a crisis committee, G20 policymakers, officials, and stakeholders should seek areas of compromise and cooperation, with the potential for bargaining to lead to trade-offs on fiscal, monetary, and structural policies.

The global governance failures of the G20 to date, especially the lack of leadership in consolidating a global economic recovery and overcoming the "new mediocre," could endanger the future of this leaders' forum. Failure here might lead to more disjointed regional agendas, if the G20 cannot fulfill its potential as an inter-regional forum of developing and industrialized states, IFIs, and other participants. The contributions from IFIs such as the IMF and World Bank, plus informal fora like the BRICS and MIKTA and new regional and multilateral projects, including the AIIB and the BRICS' New Development Bank, might have a further positive effect. It is possible these institutions may increase peer pressure on the G7 states to "raise their game." Indeed, the shifting balance between austerity and fiscal-stimulus camps in the G20 could have a similar effect, by pressuring the German G20 Presidency to advance a more active growth-stimulus strategy in its agenda.

Skeptics believe the G20 has become ineffective, but the historical lessons from the 1930s point out the dangers from a lack of collective action during extended periods of global economic weakness. On a more positive note, the postwar Bretton Woods compromise provided solutions to the even greater economic challenges of that period. The Great Depression and the global financial crisis showed that markets do not consistently and rationally "self-correct." The responsibility of governments and global governance is to improve the economic well-being of citizens. The Chinese G20 Presidency included serious debate about how to achieve sustainable and inclusive economic growth. The German Presidency could build on the Hangzhou agenda, taking seriously the immediate dangers from insufficient policy measures to raise growth in the short term. Keynes (1924/2000, 80) famously advocated prompt government action in response to economic slumps because, he noted, "*In the long run* we are all dead" (emphasis in original). Ordinary citizens are rejecting mainstream politics because they already have suffered from several years of global economic malaise. Further delays in achieving more sustainable and inclusive growth could have dangerous social, economic, and even political consequences for the world.

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