



## On G20 sidelines: steps towards major-power cooperation to head off crisis

By Elisa Barwick

Important steps to repair the US-China relationship and arrest the escalating trade war were taken on the sidelines of the G20 Leaders' Summit on 30 November - 1 December. Following a two-hour dinner meeting in Buenos Aires, Argentina, US President Donald Trump announced he won't raise tariffs on US\$200 billion of Chinese imports from 10 per cent to 25 per cent, and in return China will immediately increase its purchases of US agricultural goods with an increase in energy and industrial goods to follow. Chinese President Xi Jinping also agreed to reduce tariffs on imported American cars, and to designate the drug Fentanyl (at the heart of the US opioid epidemic) as a Controlled Substance so that sales into the USA will incur a maximum penalty under Chinese law.

Other aspects of the trade relationship will be negotiated over the next 90 days. These will include intellectual property protection, non-tariff barriers and cyber issues. If no agreement is reached, the Trump-Xi deal will be void, but both leaders were positive they can make it work. Trump, who stressed the special relationship he has with Xi ahead of the summit, stated afterwards: "This was an amazing and productive meeting with unlimited possibilities for both the United States and China. It is my great honour to be working with President Xi."

Ahead of the meeting, Xi observed that the meeting occurred as a "manifestation of our personal friendship", and stressed the importance of China and the United States cooperating "for international peace and prosperity". Afterwards Xi said, "It is very normal that the two countries disagree on economy and trade", specifying that "the key is that the two countries manage their differences properly and work out a solution acceptable to both in the spirit of mutual respect, equality and mutual benefit."

Trade Representative Robert Lighthizer will lead the US negotiations. Just days before the Trump-Xi meeting, on 20 November Lighthizer's office released a report accusing China of intellectual property and technology theft, global espionage, and cyber interference. It also criticised China's state support for "Made in China 2025" industries. Insisting that China drop state assistance to industry, which has been vital to growing its economy and raising its population from poverty, would be a deal-breaker.

For the deal to work, Trump and Xi must direct the negotiation process; it is crucial that the two leaders remain in close contact and that Trump rein in China hawks like Lighthizer and Director of Trade and Industrial Policy Peter Navarro. China's Ambassador to the USA Cui Tiankai warned in an interview with Reuters that any attempt by hardliners inside the Trump Administration to disengage the economies of the USA and China would have negative global consequences. In an interview with the *Wall Street Journal* Cui pointed out that because China and the USA are the world's largest economies, "whatever happens in our economic cooperation will have an impact globally. That is just a fact, this is reality. ... We have to be fully aware of our shared responsibility to the global economy."

He also warned that if things continue as they have

been, "there's a real risk the global market might become fragmented ... And also, ... people cannot rule out the possibility of another—I don't want to use the word 'crisis'—a similar situation as what happened 10 years ago." Given the current lack of collaboration, he asked if nations would "still be as ready and open as they were in 2008 to have effective international policy coordination and coordinated stimulus actions? I'm not sure about that."

### RIC revival

While there is still a long way to go to resolve China-US differences, leaders of some major world powers are already coordinating on strategy to deal with a new oncoming financial crisis. China, Russia, India and Japan are collaborating more closely, attracting other nations to this approach. The USA is steadily being surrounded by nations orienting to China's Belt and Road Initiative (BRI) and a Glass-Steagall/public credit-oriented financial reorganisation.

At the request of Russian President Vladimir Putin, a trilateral meeting between Russia, India and China (RIC) took place on the sidelines of the G20 summit. "I'd like to note that Russia, India and China are linked by old, century-long friendly relations which we are building based on the principles of good-neighbourly relations, equality of rights and mutual confidence", TASS quoted him. While the last such meeting was 12 years ago, Putin reminded his listeners: "They were really productive. One of the results was the creation of the BRICS" (Brazil, Russia, India, China and South Africa).

The RIC, then known as the Eurasian "strategic triangle", was originally proposed by Russian Prime Minister Yevgeny Primakov in 1998, who during the Asia- and Russia-centred financial crisis at that time sought to enhance cooperation with other major powers, as he worked to reverse the devastation of post-Soviet Russia's economy by London- and Washington-imposed reforms over the previous decade. Primakov's initiative coincided with American then-President Bill Clinton's call for "a new international financial architecture", but Clinton was hamstrung by impeachment proceedings at that time and the office of Vice President Al Gore in collusion with UK Prime Minister Tony Blair, launched the regime change agenda targeting Russia, beginning with the 1999 Kosovo intervention.

Though BRICS has become an important combination, it is no secret that—including because of political instability in Brazil and South Africa—the original trio of Eurasian great powers has a special role to play on the international scene. Putin now suggests that the RIC leaders resume meeting regularly on the sidelines of other summits and proceed with "trilateral coordination at other levels as well and create additional mechanisms of cooperation".

Missing from the G20 sideline meetings was a long-prepared full-format bilateral encounter between Putin and Trump. It was cancelled by the US side on the pretext of the 25 November Russia-Ukraine naval incident in the Black Sea ("Escalation around Ukraine Threatens Trump-Putin diplomacy", AAS 28 Nov. 2018).