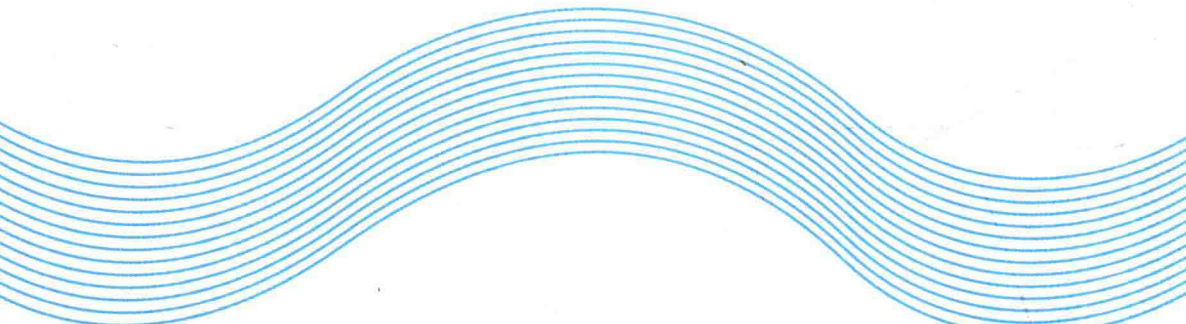


# A NEW PATTERN OF GLOBAL GOVERNANCE

**G20** China Presidency's  
Legacy and Its Impact  
on Future G20 Summits

• Feride Inan

• Chongyang Institute for Financial Studies,  
Renmin University of China

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- ★ An In-Depth Academic Report by One of the Best-Known Global Think Tanks
  - ★ An Authoritative Summary of China's Achievements in the 2016 G20 Hangzhou Summit
  - ★ An Account of How Consensus Was Built for a New Order of Economic Growth and Governance

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## Main Highlights from China's G20 Year

This report is an overview of the broad G20 agenda, emphasizing the Chinese presidency's contribution to this agenda. The report includes an analysis of G20 official documents, provides context to the G20 agenda and, in some instances, uses literature to shed light on ongoing debates in the international community.

Germany took over the G20 presidency on December 1, 2016. The report was written to better understand the G20 agenda under Chinese leadership and where the G20 stands in terms of its role in global economic governance with an aim to provide recommendations for the German G20 presidency and beyond. The following are highlights from the G20 agenda in 2016:

- 1. The Chinese presidency offered a well-integrated, coherent narrative to stimulate sustainable growth. It is environmentally friendly and inclusive.** The presidency successfully linked the different aspects of the agenda, in particular the growth and sustainable development agendas. As such, the presidency's agenda was focused on economic issues. Innovation and in-

vestment were at the core of its strategy to achieve growth and sustainable development.

2. **The Chinese G20 presidency focused on mid- to long-term strategies to boost potential growth through structural reform, and introduced innovation as a key to the G20 agenda.** The Chinese G20 presidency emphasized the need for structural shifts to address global economic stagnation.
3. **The Chinese presidency's priority of innovation was the centerpiece of the leaders' communiqué.** The presidency's long-term vision entailed addressing shortcomings in current policy frameworks and strongly emphasizing new drivers of growth through a G20 blueprint for innovative growth, action plans for innovation, the new industrial revolution (NIR), and the digital economy. Action plans highlighted opportunities for utilizing technological innovation for inclusive and sustainable growth.
4. **The Chinese presidency introduced the Enhanced Structural Reform Agenda, which is a targeted approach to implementing G20 structural commitments.** The Enhanced Structural Reform Agenda would play a central role in realization of the "Charting a New Path for Growth" agenda.
5. **The Chinese G20 presidency resumed the International Financial Architecture Working Group to address emerging risks and vulnerabilities in the global economy.** Leaders adopted the G20 Agenda Toward a More Stable and Resilient International Financial Architecture. Against emerging risks and

vulnerabilities in the global economy, the agenda focused on managing capital flow and sovereign debt restructuring, especially in developing countries. It underscored the need to build resilience by reinforcing the Global Financial Safety Net (GFSN) with an adequately resourced IMF, coordinating IMF and other regional financing arrangements (RFAs), and broadening the use of the Special Drawing Rights (SDR). The agenda also continued to promote further governance reform of international institutions.

**6. The Chinese presidency created new momentum in addressing challenges of environmental and climate change.** The presidency established a green finance study group to support the transition to a green global economy. The green finance agenda is to mobilize private capital for green investment. This is also closely related to the 2016 G20 infrastructure agenda to facilitate quality projects. In addition, China and the US jointly announced their ratification of the Paris Agreement on climate change ahead of the summit.<sup>1</sup>

**7. Anti-corruption and financial transparency were high priorities.** Leaders adopted the new High-level Principles on Cooperation on Persons Sought for Corruption and Asset Recovery and the 2017-2018 G20 Anti-Corruption Action Plan. China established the Research Center on International Cooperation Regarding Persons Sought for Corruption and Asset Recovery in G20 Member States.

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<sup>1</sup> In June, 2017, President Donald Trump has announced that the US is withdrawing from the 2015 Paris climate agreement.

8. **The Chinese G20 presidency focused on sustainable energy issues with an emphasis on innovation and long-term objectives.** Leaders endorsed the G20 Energy Efficiency Leading Program (EELP), a long-term framework to support G20 voluntary collaboration on energy efficiency. In line with China's priority of innovation, the EELP includes new technology-related cooperation areas.
9. **The G20 adopted the first G20 Strategy for Global Trade Growth.** This strategy aims to bring developing countries and SMEs into the global economy and address slowing global trade and investment growth.
10. **The G20 adopted a "G20 Guideline for Global Investment Policy," the first framework for multilateral global investment rules.** The communiqué emphasized IPR while raising the issue of technology transfer "on a voluntary basis." A common strategy underscored was to create a predictable investment environment.
11. **The G20 adopted the G20 Action Plan for the 2030 Agenda for Sustainable Development to provide impetus for G20 countries in implementing the UN agenda.** This action plan differs from earlier G20 approaches to development in that the 16 Sustainable Development Sectors (SDS) identified in the Action Plan reflect priorities in the G20's finance and development tracks. Hence, this action plan aligns with the Chinese presidency's integrated agenda, effectively making the G20 agenda more focused.

**12. The Chinese presidency introduced the G20 Initiative on Supporting Industrialization in Africa and Least Developed Countries.** This is the first time the G20 has adopted a comprehensive, well-integrated policy vision for low-income developing countries. The industrialization perspective encompasses a host of factors, including energy, trade, infrastructure, and employment. In addition, the industrialization agenda prominently figured into the new innovation agenda, as well as the energy, trade, and infrastructure agendas.

**13. China launched the Global Infrastructure Connectivity Alliance to support projects that enhance connectivity.** The Alliance aims to enhance synergies among different regional programs and the monitoring and assessment of global connectivity performance. Connectivity enhancing infrastructure was identified as a key input in the Chinese G20 presidency's industrialization of Africa agenda to facilitate access in developing regions to regional and interregional trading links.

**14. A cross-cutting priority of the Chinese presidency's infrastructure agenda was qualitative investment related to socially inclusive and environmentally sustainable projects.** The Joint Declaration of Aspirations (JDA) on actions to support infrastructure investment, signed by 11 multilateral development banks (MDBs), including new banks led by emerging markets such as the Asian Infrastructure Investment Bank (AIIB) and the BRICS New Development Bank, reflects a focus on quality investment. This priority of quality investment was underscored in the Chinese presidency's indus-

trialization of Africa and green finance agendas.

**15. In 2016, the G20 employment agenda continued to promote skill development and entrepreneurship with a strong emphasis on employment and workforce skill challenges posed by technological transformation.**

Leaders committed to actions set out in the new G20 Entrepreneurship Action Plan and welcomed the Entrepreneurship Research Center on G20 Economies established by China. The Chinese presidency continued to prioritize challenges to workforce skill development. In this regard, the New Industrial Revolution (NIR) agenda committed to addressing employment and workforce skill challenges posed by the NIR. Leaders endorsed the G20 Initiative to Promote Quality Apprenticeship, assigning priority to increasing the quantity, quality, and diversity of apprenticeships.

**16. In 2016, the G20 employment agenda focused on social protection systems and links between strong labor market institutions/policies and enhanced productivity, promotion of decent work, and wage growth, especially for low-income workers.** Leaders endorsed the Sustainable Wage Policy Principles, bringing attention to aligning growth in wages with growth in productivity and reduction in “wage gaps.”

**17. The Chinese G20 presidency emphasized agricultural development and food value chains through technological, institutional, and social innovation.** To this end, G20 agricultural chief scientists (MACS) supported development of Global Research Collaboration Platforms (GRCPs) that

include a proposal for establishment of a China-led working group on Agricultural Technology Sharing (ATS). Under the Chinese presidency, efforts to increase small farmer productivity and market integration gave priority to farmer access to innovations and technology. Similarly, the industrialization initiative focused on improving labor productivity in, and upgrading the technology base for, agriculture.

**18. The G20 focused on boosting investment in agriculture by increasing collaboration among the agricultural, scientific, and private sectors.** To this end, an important 2016 initiative was the opening of the first G20 Agricultural Entrepreneurs Forum (AE20).

**19. The leaders' summit was held in Hangzhou, a city significant for being the home of Alibaba, China's world famous e-commerce company and a symbol of Chinese transformation from the world's factory to a high-tech economy.** Considering China's transformative experience and domestic priorities, it is no surprise that the Chinese government introduced innovation as central to the G20 agenda.

**20. The 2016 G20 agenda and G20 leaders' communiqué, delivered at the Hangzhou Summit, provide a framework giving new direction to the world economy.**

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## SECTION 1

### BACKGROUND AND SUMMARY



**When the G20 declared itself the premier forum for global economic governance in 2008, the immediate challenge was to take coordinated action in response to the financial crisis.** The G20 played a critical role in strengthening financial regulatory architecture as well as increasing IMF resources and lending capacity, hence stabilizing market confidence. G20 leaders also decided to follow up on a broader policy response to support financial stability and economic growth by exercising closer cooperation in non-financial domains, leading to incorporation of the Emissary Track to address issues including development, employment, trade, and corruption among others.

**In spite of the G20's success in responding to the 2008 financial crisis, the world economy continues to struggle to recover, still showing low growth trajectory and high unemployment.** 2016 is the fifth consecutive year that average economic growth has been very slow. Between 2012 and 2015, average economic growth was 3.3 per cent. In 2016, average economic growth

is expected to be 3.1 per cent, according to the latest IMF forecast in October.<sup>1</sup> Growth momentum is weak in advanced economies while many emerging markets and developing countries are not recovering prior growth levels.

*Against this backdrop, the question remained whether the G20 could assume a leadership role in the world economy.* In his 2015 speech at the Antalya Summit in Turkey entitled “Innovative Growth that Benefits All,” Chinese President Xi Jinping said the G20 “should address the immediate challenge by stabilizing growth, tackling the root cause and gathering momentum for long-term development by implementing the outcomes of previous summits and striving to forge new consensus, managing their own affairs well by taking effective measures at home, and responding to the challenges through closer cooperation.”<sup>2</sup> He also laid out four proposals that constitute the core framework of the 2016 Chinese G20 agenda: “First, strengthen macroeconomic policy communication and coordination, creating synergy between our policies and actions. Second, promote reform and innovation to help boost the medium- and long-term growth potential of the world economy. Third, build an open world economy and reinvigorate international trade and investment. Fourth, implement the 2030 sustainable development agenda and lend strong impetus to eq-

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1 IMF, “World Economic Outlook, October, 2016: Subdued Demand—Symptoms and Remedies,” Washington DC, IMF, 2016, <http://www.imf.org/external/pubs/ft/weo/2016/02/pdf/c2.pdf>.

2 “Xi Jinping Attends the 10th G20 Summit and Delivers Important Speech,” G20 China news release (source: Xinhua net), November 16, 2015.