Chinese Presidency of 2016 G20 Summit: Expectations vs Outcomes

Geethanjali Nataraj and Ramandeep Singh say that a roadmap has been laid for ensuring that future global growth is innovative and sustainable.
Since its inception in 1999 the G20 has emerged as the premier international forum for coordinating policy efforts in the sphere of global economic governance. Having played an integral role in responding to the global financial crisis of 2008-09, the G20 is now in a state of transition as it morphs from a body for short-term crisis response to a forum for long-term international economic cooperation.

The current challenges are aplenty: global macroeconomic instability; increasing financial volatility; the populist backlash against globalisation and free trade; and the looming threat of climate change. At the same time, new technologies and the emerging digital economy are providing unbound opportunities to shape a new global growth agenda driven by the ideals of sustainability and inclusiveness.

In this state of flux, China’s leadership the G20 2016 summit under the theme of ‘Towards an Innovative, Invigorated, Interconnected, and Inclusive World Economy’ represents a critical juncture. By extending official consultations well beyond the circle of G20 members, and inviting a record number of guests from the developing world, China secured its claim to being the most inclusive G20 host.

In this context, we evaluate the Chinese Presidency of the G20, focusing on both the expectations and outcomes of the 2016 summit. Our analysis of the emerging Hangzhou Consensus seeks to provide clarity at a time of profound uncertainty and transformation in the global economic landscape.

**Introduction**

The G20 played a key role in responding to the global financial and economic crisis of 2008-09. It led a decisive role in ensuring sufficient liquidity in their respective economies, strengthening the capital adequacy of financial institutions, protecting savings and deposits, addressing regulatory deficiencies, unfreezing credit markets, and working to ensure that international financial institutions provided critical support for the global economy.
In turn, its coordinated actions boosted consumer and business confidence, and supported the first stages of economic recovery. The G20 continues to focus on measures to support global economic growth, with a strong emphasis on advocating for institutional and structural reform, promoting inclusive employment generation, and furthering a free and open trade and investment regime.

Over the course of 2008-2010, deliberations in G20 summits focused mainly on building consensus on measures required to stem the global financial crisis. Since the Seoul Summit in November 2010, the agenda has focused on issues such as building the framework for strong, sustainable, and balanced growth; international financial architecture; regulation and supervision of the financial sector; climate change finance; fossil fuel price volatility; clean en-

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ergy and energy efficiency; green growth; food security; disaster risk management; labour and employment issues; corruption; and trade.

In sum, the G20's efforts to date speak to its power as an emerging forum for international economic cooperation and policy coordination. Apart from the success that the G20 has achieved by taking joint action on financial regulation, G20 leaders have also helped marshal a collective response to other social, environmental, and political challenges such as the Ebola crisis, hydrofluorocarbons (HFCs), and the refugee crisis. The achievements of the G20 over the years can be grouped into four stages:

1. 2009: Response to the historic global financial crisis
2. 2010: Turn to consolidation
3. 2011-12: Keeping the euro area intact
4. 2013-14: Addressing weak global growth

From 2015 onwards, the G20 has focused on ‘national growth strategies’ that would collectively raise G20 GDP by 2 per cent by 2018. These efforts are still a work in progress.

In the current environment, the global economy and international economic cooperation have reached another crucial juncture. The Federal Reserve’s planned withdrawal of quantitative easing (QE), through which central banks purchase sovereign debt, has had adverse effects on India and other emerging markets. Accelerated fiscal adjust-
ment in advanced economies may reduce the pressure on developing currencies, but given the extent to which this negatively affects growth in advanced economies, their own faltering recovery would be at greater risk.

The asymmetric impact of fiscal management in advanced economies though trade and financial channels is another conundrum that emerging market economies would need to tackle. It is imperative that G20 nations come together and strengthen the foundations for sustaining a global recovery in growth.

The G20 is also in a position to seize the historical opportunity presented by the wave of technological breakthroughs and the new industrial revolution – this has the potential to usher in a new round of global growth. Henceforth, the G20 has promised to act with a broader, more inclusive vision and deliver concrete outcomes. It will continue to address critical issues affecting the global economy and endeavour to promote strong, sustainable, and balanced growth.

During and after the global financial crisis of 2008-09, while advanced economies experienced dwindling growth, India was one of the few countries that experienced persistent growth. In addition, India has not been a contributor to the global imbalance. By virtue of these facts, India has emerged as an important member of the G20, one able to influence the reshaping of the world economic and financial order, and increasingly contribute towards it. In the recently concluded G20 summit in Hangzhou, China, India brought to the table its own assessment of the G20 agenda in the light of the global developments, and offered considered views on global cooperation without compromising on its own interests.

In fact, the Communique released at the Hangzhou summit is unique in its diversity of voices and interest, covering a wide gamut of interest of both developed and developing nations, in and outside of the G20. The Hangzhou summit exceeded the scope of vision presented by other global economic governance bodies including the G7; it charts
out an ambitious vision and values of ‘integration’, ‘openness’, and ‘inclusiveness’ to catalyse the drivers of growth and to bring together diverse interests in the world economy.

**China’s role in international economic management and its Presidency of the G20**

Adding to its record as the most populous nation in the world, China recently became the world’s second largest economy, and is increasingly playing an important and influential role in the global economy. In this context, China’s role in bringing order to global economic governance, and in fostering international cooperation is significant; in this year’s G20 summit meeting, China assured the world community that it would work towards transforming the G20 from a short-term crisis management body to platform for long-term governance.

As a body that brings together the world’s major advanced and emerging economies – representing around 85 per cent of global GDP, 80 per cent of world trade, and 67 per cent of the world population – China’s Presidency of the G20 marks an important milestone, enabling China to assume leadership in the role of bridge-builder, facilitator, and catalyst.

The agenda of a G20 summit is generally set by the country holding the chair. China was no exception. It worked together with other members to consolidate and strengthen partnership within the G20; attempted to fully implement the commitments made in Antalya, Turkey, in 2015, and at previous summits; improved the effectiveness of the G20 in decision-making and implementation; and extended its reach to a wider range of issues.

The economic backdrop of the Chinese Presidency of the G20 was not much different from other G20 presidencies. The global economy continues to face significant short- and long-term challenges associated with the sluggish recovery from the global financial crisis, and 2016 has not fared significantly better in trend of slow growth and persistent unemployment. The world economy faces several risks, including the slowdown in the Chinese economy; slow
and negative growth in emerging markets such as Brazil and Russia; debt concerns in several G20 nations; and on-going EU problems related to migration flows, Greek debt, and Brexit.

Hence, economic policy-makers and multilateral institutions such as the G20 need to be alert to evolving economic conditions and must stand ready to respond to events that can cause contagion. The G20’s central mandate of strong, sustainable, and balanced growth, which has been repeated at successive G20 summits, remains elusive. This has raised questions about the efficacy of the G20 as a forum for addressing key international problems. Ultimately, the G20’s credibility is linked to its ability to restore global growth on a sustainable basis.

China started its Presidency with an ambitious and broad-based agenda, and has generated a sense that the G20 is back to focusing on pressing economic, social, and environmental challenges. A significant opportunity for China’s G20 Presidency was the implementation of the post-2015 development agenda.

Recognizing its importance for global economic growth and stability, Chinese President Xi Jinping highlighted this task as one of its priorities for the 2016 Hangzhou summit, in addition to fostering innovation, and promoting free trade and investment. China’s Presidency was expected to drive progress by formulating a roadmap and timetable for the implementation of the UN Sustainable Development Goals (SDGs) and the Paris Agreement on climate change.

As a result, China’s Presidency of the G20 faced the challenge of balancing high expectations with achieving tangible results to address the prevailing economic challenges and uncertainties. It was imperative for China to manage expectations about what the G20 could accomplish, and it has done so well; several member countries of the G20 have attested China’s ability to lead and exercise its power responsibly. China’s influence has been constructive, de-
spite recent signs of political assertiveness in the Asia-Pacific region, and the rising domestic economic challenges (in terms of the slowdown in economic growth, excess capacity in manufacturing industries etc.).

In the face of these challenges, China continues to reform its growth model (to reduce its reliance on investments and exports), and move up the global value chain. Notwithstanding, China’s policy approach has not sought to undermine the global economic order. Its Presidency of the 2016 G20 has worked towards restoring the credibility of the G20, and its leadership has exemplified that the G20 remains the most relevant organization for making a positive contribution to global economic governance. The emerging Hangzhou Consensus reflects the opening up of a cooperative space within which China and other emerging economies have started to exert greater influence in the management of the international economic system.

**G20 Agenda-2016: expectations**

In tune with the shift in the G20’s role from short-term crisis management towards long-term global economic governance, the G20 summit focused on the theme of an ‘Innovative, Invigorated, Interconnected and Inclusive World Economy’. China added another ‘I’ to the three Is of the 2015 Turkish Presidency – ‘innovation’.

Given that the world economy has been affected by a series of unfavourable factors, including anaemic global growth, decline in potential output, volatility in financial markets, weakening global trade and investment, high levels of unemployment, and widening inequality, expectations for the G20 concentrated on providing a fresh impetus to economic performance, and on facilitating greater macroeconomic policy coordination. Some of the key items on the agenda of the Chinese Presidency of the G20 were as follows:

**Breaking a new path for growth**

Since the 2008 global financial crisis the G20 has stressed the importance of coordinated fiscal and monetary
policies to stabilise the global economy and promote inclusive growth. The Pittsburgh summit in 2009 set up the framework for strong, sustainable, and balanced growth, and further efforts were made at successive summits in Brisbane and Antalya.

In keeping with earlier mandates, the expectation from the Chinese Presidency was to continue to promote multi-stakeholder partnerships of win-win cooperation, enhance macroeconomic policy coordination, address potential systemic risks to the international economic system, and increase synergies in promoting sustainable and inclusive growth.

**Maintaining the momentum of global economic recovery**

Given the fragility of the global economic recovery, expectations were that the 2016 G20 summit would emphasise the responsibility of member states to continue their commitment to responsible macroeconomic policies, and to enhance coordination to increase policy synergy (and reduce negative spillovers), maintain financial market stability, increase investment and consumption, and jointly boost global economic growth.

Given the backdrop of the rebalancing of economic power towards China and other emerging markets in the region, the Chinese Presidency of the G20 was also expected to make progress on making the global economic recovery sustainable and inclusive in nature.

**Lifting mid- to long-term growth potential**

With an eye to the future, the 2016 G20 summit was expected to enhance cooperation on innovation, including innovation in science and technology and to explore new growth engines of the world economy. The G20 requires member states to continue structural reforms to lift total factor productivity and potential output, and expand growth boundaries.
The Chinese Presidency was seen as an opportunity to advance the new industrial revolution, taking full advantage of emerging technologies and new organisational models in industrial production to lift domestic production and create more jobs.

Helping the implementation of the UN’s 2030 Agenda for Sustainable Development
The 2016 G20 summit follows several key development milestones in 2015, including the Third International Conference on Financing for Development in Addis Ababa in July; the UN global development summit in September, which endorsed the 2030 Agenda for Sustainable Development; and the global climate summit in Paris in December, which reached a new agreement on climate cooperation.

The G20 Presidency presented China with the opportunity to build on its record as one of the best performers in meeting the Millennium Development Goals (MDGs); it was expected to prioritise the 2030 Agenda for Sustainable across policy discussions.

Strengthening G20 collaboration in the energy sector
The energy sector is core to almost every aspect of the world economy, including growth, poverty reduction, and environmental sustainability. All member countries have agreed to the G20 principles on energy collaboration, which include energy access; global governance.

In this light, the Chinese Presidency was expected to integrate energy into other agenda items (particularly prioritising clean energy projects in infrastructure investment to improve energy access for low-income countries); expand to all G20 countries the peer review mechanism for reduction of fossil fuel subsidies; and establish a Global Energy Network, as proposed by President Xi Jinping at the UN Sustainable Development Summit in September 2015.
Key outcomes and accomplishments of the summit
As detailed above, the agenda of the 2016 summit was ambitious and comprehensive in scope, and the expecta-
tions from China’s leadership were significant. With these expectations in mind, the 2016 summit was deemed a
success by China and its supporters. From the outset, China’s Presidency of the G20 signalled a new phase in the
nation’s global economic confidence and leadership. It offered the platform for promoting the Beijing economic
model, including the ‘One Belt, One Road’ initiative and the Asian Infrastructure and Investment Bank (AIIB) on the
world stage.

Making the most of its status as a developing nation, China brought the dual themes of development and inclusive-
ness more firmly into focus. By extending official consultations well beyond the circle of G20 members, and inviting
a record number of guests from the developing world, China secured its claim to being the most inclusive G20 host.
Selected key achievements of the summit were as follows:

Innovative growth
The G20 Hangzhou summit advocated innovation-driven growth to inject dynamism into the world economy,
and to identify new growth engines for the world economy. Given the new industrial revolution and the emerg-
ing digital economy, the adoption of the G20 Blueprint on Innovative Growth is expected to encourage innovation
in a wide range of domains, including development concepts, institutional architecture and business models,
with science and technology at the core of that innovation.

Together with the G20 2016 Innovation Action Plan, the summit reaffirmed its commitment to pursue pro-inno-
vation policies, support investment in science, technology and innovation (STI), and support skills training for STI
(including the need to address the gender imbalance in these fields). China’s leadership also built support for pro-
moting knowledge diffusion and technology transfer.
Sustainable development
The G20 Hangzhou summit achieved a remarkable consensus among members on sustainable development, providing a clear timeline and roadmap for global development in the next 15 years. Clarity was achieved on the need to implement to the 2030 Agenda for Sustainable Development, including the SDGs and the Addis Ababa Action Agenda (AAAA).

G20 members committed to promoting the Paris Agreement, as well as to supporting low income and developing countries through mobilising sources of financing and targeting capacity-building. In expressing its supports for the Technology Facilitation Mechanism, the summit stressed the importance of technology in achieving sustainable development and shared prosperity.

Structural reform
The Communique from the Hangzhou summit reiterates the essential role of structural reforms in boosting productivity and output, as well as in promoting growth in G20 countries. The Enhanced Structural Reform Agenda calls for the choice and design of structural reforms, which are consistent with countries’ specific economic conditions.

In addition, the summit endorsed nine priority areas for structural reforms, including a set of guiding principles to provide high-level guidance for countries, whilst allowing them to account for national circumstances when decided on their path to structural reforms. An important initiative concerned the G20’s support for a quantitative framework (consisting of a set of indicators), which would monitor and track countries’ progress on structural reforms.
Investment facilitation
In the background of the global populist backlash against globalisation and trade, the Hangzhou summit unequivocally reaffirmed its support for investment growth. The G20 Guiding Principles for Global Investment Policy-making is aimed at fostering an open and transparent global policy environment for investment.

As the first framework of multilateral rules governing international investment, the Guiding Principles will help to transition the G20 from a body for crisis response to a forum for global economic governance. In abiding by the long-term principles of sustainable development, the Hangzhou summit also selectively emphasised investment in green energy, infrastructure, and science and technology.

Financial reform
Effective and efficient economic and financial institutions form the foundation of global economic growth. The Chinese Presidency led to an endorsement of the G20 Agenda Towards a More Stable and Resilient International Financial Architecture, which aims to monitor capital flows and better manage risks and financial volatility.

Reforms of the financial architecture are important to support sustainable growth. In its recognition of the role that an adequately resourced (and quota-based) IMF must play in strengthening global financial stability, the G20 2016 summit welcomed the entry into effect of the 2010 IMF quota and governance reform. Further achievements included the renewed focus on financial transparency and calls for greater international tax cooperation.

Anti-corruption
Related to the focus on sustainable and inclusive development, the 2016 summit called for the ratification by all G20 members of the United Nations Convention Against Corruption, and endorsed the 2017-2018 G20 Anti-corruption Action Plan to improve public and private sector transparency. The summit endorsed the G20 High Level
Principles on Cooperation on Persons Sought for Corruption and Asset Recovery; China’s initiative to establish a Research Centre on International Cooperation Regarding Persons Sought for Corruption and Asset Recovery in G20 member states is to be commended. The calls for greater G20 coordination in global crime prevention and anti-corruption efforts reflect China’s increased responsibility in shaping the global agenda.

**Trade openness**

The G20 has gradually taken on the mandate to promote an open, inclusive, sustainable trade agenda, and the 2016 summit reaffirms its commitment to revitalizing global trade and investment as key engines of growth. The Hangzhou Communique endorses the outcome of the G20 Trade Ministers Meeting, and welcomes the establishment of the G20 Trade and Investment Working Growth (TIWG).

Regional trade agreements are recognised to be promoting free trade, but the G20 reaffirms the responsibility of the WTO in furthering a rules-based, transparent, and inclusive multilateral trading system. The release of the WTO Outlook World Trade Indicator as a real-time barometer of trade trends is to be welcomed, as is the increasing emphasis on promoting inclusive global value chains.

**Entrepreneurship and employment**

A key component of the agenda on sustainable development is the importance of generating quality employment, with a drive to create more and better jobs, and promote labour force participation. The special focus on encouraging women and young entrepreneurs is encouraging. Towards the goal of creating inclusive global value chains, the 2016 summit endorsed the Sustainable Wage Policy Principles. Entrepreneurship is integral to plans for reinvigorating global growth and generating employment.
The Hangzhou Communique reinforced the G20 Entrepreneurship Action Plan, and welcomed China’s establishment of an Entrepreneurship Research Centre on G20 Economies. The G20 also seeks to manage the large labour migration seen in parts of western Europe, and to leverage the benefits that this can bring to the respective countries’ economies.

**Climate change**
The G20 has become the most important body for addressing transnational challenges such as climate change, and the 2016 summit furthers the resolve of G20 members to work towards the timely implementation of the Paris Agreement.

As was to be expected under the Chinese Presidency, there are references to the importance of developed countries assisting developing economies with financial resources and capacity-building measures with respect to mitigation and adaptation challenges.

G20 members also reaffirmed the importance of the Green Climate Fund. The constant reference to sustainable development throughout the 2016 summit reflects China’s intent to assume a level of responsibility and stewardship (towards the environment) that is commensurate with its increasing role in as a major global power.

**India’s takeaways from the summit**
The summit in Hangzhou was important to India for voicing its domestic concerns, and also for highlighting its position vis-à-vis China, with whom its relations have seen many ups and downs. However, in a meeting between the premiers of the two countries, China reiterated its commitment to maintain the ‘hard won’ improvement in ties between the two nations – this signals its interest in bringing bilateral relations back to the levels both leaders had committed themselves to.
From an Indian perspective, this reflects a positive outcome; Chinese investment and project execution in India has slowed down considerably since the strain in relations. China too would benefit from greater engagement and cooperation with India, particularly as it stands isolated in the South China Sea dispute. India is a major nation influencing control over one of the busiest sea lanes in the world, and India’s open expression of support for the US position would mark a major shift in the strategic balance in the region.

Furthermore, China has $46 billion riding in planned investment in Pakistan where it plans to open trade connectivity from the Port of Gwadar in Balochistan, through Pakistan occupied Kashmir (PoK) and into China. This route is part of China’s ambitious plan of ‘One Belt, One Road’ (OBOR).

In this context, Indian Prime Minister Modi’s meeting with his Chinese counterpart, Xi Jinping, at the G20 summit was important for both countries. For India one of the major takeaways was that the general sentiment prevailing at the Hangzhou summit was against protectionism and in support of multilateralism. G20 members expressed support for regional trade agreements, whilst continuing to reaffirm the multilateral role of the WTO in furthering trade liberalisation.

The issue of excess capacity and the resulting international dumping came up, with steel as a case in point. Without isolating China, countries were in favour of a multilateral approach to address the issue of excess capacity, and were in favour of establishing a global body that would work under the Organization for Economic Cooperation and Development (OECD) with G20 members offering its full support to the proposed body.

India’s Sherpa stressed that India had a major say in issues of global concern, and played an active role in the wording of the final Communique, which also addressed other challenges such as the impact of Brexit on the global economy, and the need for tax and financial reform.
Conclusion

Despite the lethargy that often infects international cooperation, the G20 continues to be the most apt platform for discussion and dialogue between the major economies of the world. Information sharing is another area where the G20 has been very successful. Focusing on country-specific commitments instead of international goals has been a successful strategy on part of the G20. Moreover, as the Chair of the G20, China has been appreciated for taking suggestions from non-G20 members.

The Chinese Presidency invited international regional organizations as guests at the summit, and sought contributions from the UN, IMF, World Bank, WTO, ILO, and OECD. At the same time, China has also sought to promote dialogues between international forums such as the G20 and other groupings such as the G77 and APEC. This diversity of opinion is reflected in the Communique to have emerged from the Hangzhou summit, which reflects an attempt to address the divergence in interests and concerns of the both, developed and developing countries, in and outside the G20.

In the run up to the 2016 summit China’s Presidency had raised significant expectations from the international forum of member countries. From the outset, China’s hosting of the G20 signalled a new phase in the nation’s global economic confidence and leadership. For China this symbolic victory overshadowed critics of the summits who argued that final Communique was light on substantive policy recommendations. With the benefit of hindsight, China’s Presidency of the G20 reaffirmed the principles of ‘openness’, ‘inclusiveness’, and ‘integration’ into the forum’s discussions on the future of global economic growth and governance.

The Hangzhou summit has laid a roadmap for ensuring that future growth is innovative (leveraging the power of emerging technologies and the digital economy) and sustainable (accounting for the impact of human activity on
The expectation is that Germany's Presidency of the 2017 G20 summit will continue this precedent of an innovative, invigorated, interconnected, an inclusive vision of the world economy.

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References