

The Hangzhou G20 Leaders' Summit: The Long-term, Integrative Perspective of the Chinese Presidency

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A backload of issues await to be addressed at the upcoming G20 leaders summit at Hangzhou with a world economy struggling to recover from the 2008 crisis still showing a low growth trajectory and high unemployment. The International Monetary Fund (IMF) in its most recent World Economic Outlook (WEO) report titled 'Too Slow for Too Long' showed that baseline projection for global growth in 2016 is a modest 3,2 percent, a 0,2 percentage point downward revision from its projection in January 2016. Growth momentum fell in advanced economies while emerging markets and developing countries not recovering previous levels of growth. Further, there are concerns about the global impact of China's economic slowdown, worldwide decline in commodity prices and a related slowdown in investment and trade as well as declining capital inflows to developing countries. Economic challenges are underlined by geopolitical frictions, political uncertainty, societal tensions arising from the Syrian refugee crisis and a reactionary political discussion in Europe and the United States as evidenced by Brexit. Conversely, uneven economic development and growth — both intra-state and inter-state — has been a main cause of political tensions, conflicts and terrorism. The failure to address these issues will lead to further economic protectionism, social fragmentation and rise of populist governments in both developing and advanced economies.

Against this global backdrop, the G20 has been striving to turn itself from a crisis management mechanism to one that contributes to the steering of the global economy. A more structured policy coordination framework is underway since the Brisbane Summit where G20 Leaders set the additional 2% growth target by 2018 unveiling 1000-plus actions to achieve this target. Each country prepared growth strategies covering a large number of macroeconomic and structural reform commitments. The Brisbane agenda was further developed under the Turkish G20 leadership which initiated country-specific investment strategies to address shortfalls in growth commitments. The Turkish Presidency also put greater emphasis on inclusivity and development. At the Antalya Summit the leaders proposed "an action plan" to better align the G20's development focus with the 2030 UN Agenda.

In 2016, the Chinese G20 Presidency set out to breath new life into the G20 agenda, addressing head on global economic stagnation. The theme of the upcoming Hangzhou Summit is "Towards an Innovative, Invigorated, Interconnected and Inclusive World Economy." These four "I"s provided the conceptual framework for the Chinese agenda in 2016. There are two critical features of this agenda. First, the Chinese Presidency focused on medium to long term strategies to boost growth through its structural reform agenda and by introducing innovation as a central leitmotif into the G20 agenda. The long term vision is also reflected in the Presidency's sustainable development focus. Second, the Chinese Presidency has followed a holistic approach conceptually linking different agenda items with each other. An emphasis on enhancing innovation and investment has been central to the sustainable development focus and to the focus on economic inclusion of developing countries and regions in the global economy. These are clearly visible in the Presidency's priority of industrialisation of Africa as well as in engagement with the UN agenda. The Chinese agenda also reflects strong continuities with agendas of Australian and Turkish presidencies which set the groundwork of a structured G20 policy framework by introducing growth and country specific investment strategies as well as through the alignment of the G20 and UN development agendas.

In 2016, the Chinese presidency placed special emphasis on reforms to boost medium to long term growth potential of the world economy. In this connection nine priority areas of structural reform are identified; guiding principles and a set of index system for measuring the progress and results of the reforms are underway. Since the 2008 crisis there has been an over-reliance on monetary policies to stimulate economic activity, especially by policymakers in advanced economies, leading to macroeconomic and financial instability in developing countries. The use of fiscal policies to stimulate growth on the aggregate demand side has been constrained due to high public debt levels in many countries, especially in some advanced economies. While both monetary and fiscal policies remain critical, the structural reform agenda will address shortcomings in current policy frameworks that are critical for boosting long term growth potential.

Most significant has been the introduction of innovation to the G20 agenda to boost potential growth . This will certainly be a highpoint at the Hangzhou summit. Making innovation one of its overarching four priorities the Chinese Presidency underlined "innovation-driven development" and "across-the-board innovation in science and technology" as engines for

growth. This framework takes into account the impact of technology on growth combined with links between sustainable development and innovation. Innovation is also central to structural reform commitments.

The Chinese Presidency established three taskforces this year: innovation, the digital economy and the new industrial revolution. The last and Third Sherpa meeting in Xiamen on June 23-25, 2016 identified innovation as part of the new growth agenda as a leading item at the Hangzhou summit. Concrete outcomes of the work is the G20 blueprint for innovation-driven growth, the innovation-driven and the new industrial revolution action plans as well as development and cooperation in digital economy initiative.

As part of its innovation focus, the Chinese Presidency has drawn links between sustainability and broader diffusion of innovation globally. New technologies provide solutions to developmental challenges such as food safety and security, climate change adaptation, and mitigation, as well as healthcare. The climate discussion is now closely related to innovation and to the global diffusion of low-carbon technologies and products. Furthermore, new technologies further the sustainable development agenda; they can do so by identifying complementarities between growth and investment strategies i.e. in the determination of the type of infrastructure investments to ensure sustainability.

Global investment policy cooperation and coordination, closely linked to the global diffusion of innovation agenda, emerged as a central focus of the Chinese Presidency. The G20 trade ministers that met for the first time in Shanghai on July 9-10, 2016 underlined the need for greater global investment cooperation that will contribute to 'build productive capacity, facilitate wider dissemination of technology, create employment and, including through Global Value Chains (GVCs)'. There was a special concern to ensure that investment reached to Low Income Countries (LICs). One outcome of discussions this year is the launching of G20 Guiding Principles for Global Investment Policymaking , which is the first framework for multilateral global investment rules.

In 2016, the Chinese Presidency made a rather bold statement that the reach of the G20 should extend beyond its members to include the developing world adopting a holistic perspective in approaching development. Most significant has been the initiative for cooperation to support industrialisation in African. The holistic perspective extended to link

this industrialisation focus with infrastructure and trade foci. Infrastructure is identified as a key input in the industrialisation of Africa agenda. At the same time, the Chinese's Presidency infrastructure agenda in 2016 uniquely emphasised connectivity enhancing infrastructure - working towards an interconnected world economy is one of China's overarching priorities - , which is particularly relevant for providing developing regions with regional and inter-regional connections and contribute to facilitating trade.

Last but not least, following up on the decision in Antalya to align the UN and G20 agendas, China called on G20 members to prepare national plans for the implementation of the 2030 Agenda. Based on these the leaders of the G20 will be presented with a collective action plan, which is expected to be another highpoint of the upcoming summit.

In concluding, the Chinese Presidency has successfully underlined the message of strengthening multilateralism under the G20 framework; it prioritised long term growth strategies to break the cycle of low growth and low unemployment in the global economy; it addressed integration of developing countries and regions into the global economy. The Hangzhou summit, highlighting these goals, will point to new directions in the global economy and in the future work of G20.