

## China's 2016 G20 Summit in Hangzhou

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What areas of leadership might China consider for its year in the G20 Presidency?

A Note from Heinrich Böll Stiftung North America and the Global Summitry Project at the Munk School of Global Affairs, University of Toronto

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On December 1, 2015, China will assume the G20 Presidency. At that point, it will unveil its priorities for the G20 agenda and Leaders' 2016 Summit in Hangzhou, a growing knowledge e-commerce hub on the country's eastern coast. Although China's thinking about its priorities are constantly evolving (and depend, to some degree, on the dynamics and outcomes of the 2015 Turkish G20 Summit on November 14-15), the following seven agenda items are reportedly prominent at this time.

1. **Global Growth.** Since 2009 and the Pittsburgh Summit, the Leaders Summit has promoted "strong sustainable and balanced growth" (SSBG). At the G20 Leaders Summit in Brisbane Leaders committed to raising the G20's aggregate rate of growth by 2 percent over trajectories by 2018. During the global financial crisis, the US won a battle (over Germany and others) to promote the collective

use of fiscal stimulus to jolt the global economy into recovery and avoid a depression. However, the rhetoric of SSBG and commitments to accelerated growth sound increasingly hollow as the global economy faces the most significant headwinds since the crisis. No doubt, China will encourage implementation of each G20 member country's growth, investment and employment strategy. The US wants to see China stimulate its own growth by reforms that put money in the pockets of consumers (consumer-driven economy), rather than big infrastructure projects (investment-driven economy).

**2. Financial Architecture.** It is likely that the IMF Board will take action this year that may well result in the renminbi becoming part of its "basket of currencies" by the third quarter of next year, e.g., in time for a China Summit announcement. And of course the US remains delinquent with respect to approving the 2010 IMF quota reforms. The failure of the US to approve this reform, which would shift some power over IMF decision-making from the established to emerging countries, is a source of frustration and some animosity – so much so that it is one factor apparently driving the creation of alternative institutions by the large emerging countries.

**3. Trade & Investment.** The G20 has largely limited itself to declarations calling on the G20 to avoid protectionism and urging G20 countries to roll back protectionist measures. There is some belief that China will seek to build trade ministers more fully into the G20 decision-making process. It is also possible that China will encourage support for a Free Trade Area of the Asia-Pacific (FTAAP) now that the TPP negotiations have concluded. The US appears not to be keen on the trade/investment discussion, as it imports into the G20 the divisiveness of trade conversations, especially from the WTO. Also, some say that there is a likelihood that China would consider promoting a new multilateral investment agreement (a measure supported by the B20) that could possibly reflect some language that is being considered for a US-China Bilateral Investment Treaty. The US is not confident that the high standards that might characterize a China-US BIT could prevail. The US would rather not have a multilateral agreement than have one with standards that are watered down to a least common denominator.

In the arena of development banking, China is interested in formulating robust overseas investment standards in conjunction with its own sizable investments

and the operational launch of its "One Belt One Road" project; the Asian Infrastructure Investment Bank (AIIB) – the “clean, lean, and green” bank; and the BRICS’ New Development Bank. Some observers view the surge in infrastructure financing as complementary to the operations of the Western-led institutions, e.g., the World Bank Group and Asian Development Bank (which will co-finance operations with the AIIB); others view the initiatives as part of a competitive drive for control over natural resources and markets.

**4. Sustainable Development Goals (SDGs).** China’s presidency will mark the first anniversary after adoption of the SDGs by the UN. National commitments to meet the SDGs (these goals are no longer limited to developing countries) by each G20 country may be sought. Additionally, an SDG monitoring initiative may be another commitment on the agenda.

**5. Energy and Climate.** During the negotiations on the Green Climate Fund (GCF) and climate finance, China bristled and became defensive under pressure, especially from the US. As a result, China will promote "green finance" (guided by the market) rather than "climate finance" and double its own renewable energy capacity by 2030. It will also showcase public-private partnerships (PPPs) and is scoping out PPP options with many institutions, including the US Department of Energy.

While the Turkish G20 Presidency focused on expanding energy access (e.g., its G20 initiative in Sub-Saharan Africa), some believe that China would be "more ambitious", including among other things a calendar deadline for phasing out fossil fuel subsidies and possibly other issues, such as those in the G20’s Principles for Energy Collaboration.

**6. Anti-Corruption.** This is ‘top of the mind’ for China’s leaders domestically and it is likely China will urge a strengthening or expansion of G20 initiatives in this area.

**7. Global Health Agenda.** China may press for collective efforts to tackle the outbreak of diseases, such as Ebola.