

ICAS Issue Primer

Topics in US-China Relations

2016 G20 Meeting in Hangzhou

On Sept. 4-6, 2016, the Group of Twenty (G20) met in Hangzhou, China to discuss key issues facing the global economy today. Topics on the agenda included boosting global growth and innovation, cooperation on international investment and trade regulation, closing global tax loopholes, and promoting sustainable development. As Chair of the G20, China hoped to use this opportunity to showcase its international leadership as well as boost its own domestic growth prospects.

What is the G20?

The G20 is the premier Leaders-led international forum for international economic cooperation and decision-making, comprised of 19 countries and the European Union (EU). It was born in 1999 as a forum for Finance Ministers and Central Bank Governors in the aftermath of the Asian Financial Crisis. Following the Global Financial Crisis, it was converted into a Leaders-led forum and the first G20 Leaders' Summit was held in Washington, D.C in November 2008. It has met annually since then, with the Presidency rotating among its members according to a system that ensures regional balance and representation. Unlike the G7/G8, the G20 includes both developed and developing economies. It provides a platform in which these countries can meet informally and freely discuss issues facing the global economy, with an emphasis on global economic growth, job creation, and open trade. The G20 contributes to global governance and coordination in different policy domains, such as macroeconomic stability, development, trade and investment. In the past, scholars and experts have disagreed on the effectiveness of the G20. While some critics note that the G20 has not been able to solidify global growth or reduce inequality, others point out that the G20 has made progress in reducing large current account imbalances and coordinating international commitments to trade and investment. Yet both sides agree that the G20 plays a key role in connecting traditional economic powers with emerging economies and clarifying mandates for other more formal multilateral institutions. The G20 thus continues to play an important role in global economic governance.

Key Challenges Facing the Global Economy

Today's key economic challenges include declining global demand, falling commodity prices, slowing worldwide productivity, deep and entrenched pockets of high unemployment and rising inequality, continuing large debt overhangs in advanced economies, rising corporate debt levels in emerging economies, volatile capital flows in and out of emerging markets as well as a variety of related systemic threats. Systemic threats include terrorism, climate change, and mass international migration.



The 2015 G20 Meeting in Antalya, Turkey

A Chinese Presidency: Key Priorities and Focus Areas

As one of the largest economies, biggest contributors to world growth, and the world's top trading nation, China was in a unique position to lead the G20's inter-governmental discussion on international economic governance. The theme of this year's summit was "[*Toward an Innovative, Invigorated, Interconnected and Inclusive World Economy.*](#)" Based on this theme, the G20 Chinese Presidency focused on fostering innovation and other growth engines, deepening structural reform on the supply-side, promoting investment and infrastructure development, advocating trade liberalization and facilitation, as well as advancing the U.N.'s 2030 Sustainable Development Agenda.

The key priority of China's Presidency was to foster innovative approaches to sustainable global economic growth. To do so, China aimed to direct the conversation around strengthening the global management system and ensuring that it is equipped to handle the ever-changing landscape of global economics. This also includes deepening production-capacity cooperation and supporting global industrial value chain development so as to maximize each country's comparative advantage and facilitate production flows.

Another key priority of China's Presidency was to improve the architecture of global economic and

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financial governance so that the international system can better respond to economic crises, like the 2008 crash or volatility in the global financial system following the Brexit referendum. Maintaining a strong, quota-based and adequately resourced International Monetary Fund (IMF) is an important priority in this regard. Finally, China also dedicated a portion of the meeting to focus specifically on sustainable development, particularly with regard to Africa and least developed countries. At the summit, the world's leaders acknowledged that in today's globalized world no country can develop in isolation and global inequality must be addressed by further opening-up the global economy.



Hangzhou, China – The location of the 2016 G20 Meeting

What was New under the Chinese Presidency?

China as the host country for the first time placed trade and investment on an equal standing with finance and banking within the G20 agenda. Going forward, there will be two wheels driving the G20 – the traditional finance ministers and central bank governors meeting as well as a new mechanism of a trade ministers' meeting. Because many of the global economy's long-term structural problems are related to trade and investment, this development is highly welcome. A global multilateral investment regulation framework and related principles was also discussed.

For the first time, China as the host country, placed the issue of development squarely at the top of the global macro-policy agenda. To this end, China invited a record number of developing countries to the G20 summit, including Laos, which holds the ASEAN Chairmanship; Chad, which holds the Presidency of the African Union; Senegal, which holds the Presidency of the New Partnership for Africa's Development; and two representatives of major developing countries - Egypt and Kazakhstan. The Hangzhou Summit, with the

participation of more developing countries than ever in the history of G20, was the most representative and inclusive in its composition. An Action Plan to implement the UN's 2030 Agenda for Sustainable Development was put forth at the summit.

Finally, China as the host country, for the first time facilitated a discussion on the foreign exchange market within the broader membership of the G20 framework. It also repeated previous calls to member states to refrain from competitive devaluations. Equally important, after a hiatus of three years, China restored the functioning of the International Financial Architecture Working Group mechanism at the G20 level. A series of commissioned working papers related to sovereign debt restructuring, strengthening monitoring of capital flows and risks and safeguarding the security of the global financial network, with the IMF at its core, was endorsed.

Key Issues in US-China Economic Relations

While the G20 summit did not touch directly on US-China bilateral economic relations, the issues in this relationship were never far from the surface. From a US perspective, four issues in particular stand out: strengthening intellectual property rights (IPR) protections for American goods and services in the Chinese marketplace; protecting American businesses from the threat of commercially-motivated domestic and cross-border cyber theft; eliminating discriminatory Chinese innovation-related policies that do not accord fair and equitable "national treatment" to American produced goods and services; and expanding market access for US goods, agricultural products and services, including within China's government procurement sector. From China's perspective, two issues in particular stand out: access to American high-technology items for Chinese civilian end-users and end-uses; and fair and non-discriminatory U.S. national security reviews of Chinese outbound foreign direct investment (FDI) into the US. Presidents Obama and Xi also used the summit as an occasion to finalize the climate change agreement arrived at earlier in the year in Paris.

-Sourabh Gupta and Annie Kowalewski

Recommended Resources

[A Message from Xi Jinping on the 2016 G20 Meeting](#)
[B20 Coalition, G20 Summary Sheet](#)
[China & World Economy Special Issue on the G20](#)
[CFR: China and the US: A G2 within the G20](#)
[IMF, Global Prospects and Policy Changes for G20](#)
[South China Morning Post, G20 Interactive Summary](#)
[Wang Wen: What to Expect from China's G20 Leadership](#)