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A VIEW FROM BEIJING: CHINA'S PRIORITIES

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The G20 – comprising 19 countries and the EU, with representatives from the Bretton Woods institutions and established just at the turn of the century, provides a new way forward for transnational governance that works for not only China, but also for 19 other major economies.

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In September 2009, the G20 designated itself the “premier” forum for international economic cooperation¹; 2016 will be the first year in which China, the world's second largest economy, will bear responsibility for coordinating the process. It is widely assumed that China’s growing economic strength will translate into political influence, that the Chinese government is becoming much more confident of taking an active role in global governance, and that the G20 is a platform best provided for China to deepen its involvement in global economic governance².

China has very high hopes for chairing a successful G20 summit, which is considered to be the biggest diplomatic event of the year. Given the G20’s “premier” role for global economic management, 2016 will possibly provide China with an opportunity to share its development experience and unfold ideas of new global governance structures. As China's economy and its political ambitions continue to grow, so will its influence around the world, so it is important for the rest of the world to understand China's view and practices with regard to global governance.

Global Governance: China’s View and Practices

At first glance, it is convincing enough to conclude that the most remarkable geostrategic transition over the last two decades has been China’s swift emergence. China is a responsible stakeholder in the existing international system, the incentives for China to challenge the status quo are quite limited, and it is almost certain that China prefers to “grow” into the position of economic rule-setter from within the existing system³. On the whole, although China has long been an active participant in international organizations including the International Monetary Fund (IMF), the World Bank, the World Trade Organization (WTO), the United Nations (UN), etc., it is fair to say that for all these years China has largely been a follower rather than a leader in shaping the conventions of global governance. Moreover, since China’s return and integration into the international system, the nation has developed a certain sense of appreciation of the norms created and led by the West.

But just as China’s economy has shifted support from investment and trade to internal demand in recent years, China’s view of global governance is also going through a dramatic change. In China, its inward focus on domestic stability is gradually being augmented by an

¹ In September 2009, the G20 leaders announced that, henceforth, the G20 would be the “premier” forum for international economic cooperation. Before this announcement, it was widely accepted that the G7, a small group of advanced countries, held this position.

² Alex He, “China's Goals in the G20: Expectation, Strategy and Agenda”, CIGI Papers No. 39, September 2014, P5.

³Hugh Jorgensen, “China, the G20 and Global Economic Governance”, November 28, 2015.

outward-facing focus on China's emerging role as a regional leader, if not a global one, motivated by the "China Dream" (Zhong guo meng)⁴. We should also notice that, with China's growing might in all spheres of international activity, it is a natural process for China to play a broader role in leading the world in economic development and other affairs.

As a result, we have witnessed China trying to "engage in global institution-building of its own"⁵: evidences of these involvements include the establishment of the Silk Road Fund, the BRICS New Development Bank, the Asia Infrastructure Investment Bank (AIIB), and China's push under its 2014 APEC presidency for a Free Trade Area of the Asia Pacific (FTAAP), to counter the US-backed Trans-Pacific Partnership (TPP). These movements would cast China in an important new role in the sphere of global governance, and might also be seen as China's willingness to expand its rule-making influence. Honestly speaking, China is wise to embrace multilateral institutions and other elements of the world order built on Western normative and legal structures while gradually promoting its reform from within to better accommodate its interests.

Yet it is also true that China is facing a "steep learning curve" as it attempts to integrate new forums and models of global governance into the existing global policy architecture. In this respect, the international community should not criticize China as a "challenger" to or "trouble maker" within the current international system; on the contrary, "China's new initiatives are not revisionist, but reactive"⁶. Two reasons may well support this argument:

First and foremost, the BRICS New Development Bank and AIIB are both designed to operate within the space of the World Bank and the Asian Development Bank (ADB), which indicates that China is making important supplements to the existing international economic governance régime and assuming the responsibility for providing public goods for developing countries. And as it stands, China relies on bilateral trade agreements to maintain and deepen its relationships with countries across Asia, Europe, Africa, and Latin America. Backed by its US\$3.21 trillion in currency reserves (before June 2014, the figure was 4 trillion at most), China has provided infrastructure investment in exchange for commodities, thereby becoming the world's largest provider of financing for developing countries.

⁴ Put forward by Chinese President Xi Jinping in November 2012, the Chinese Dream is about Chinese prosperity, collective effort, socialism, and national glory.

⁵ Stephen S. Roach, "China's Global Governance Challenge", *YaleGlobal*, June 9, 2015.

⁶ Javier Solana, "Welcoming China to the table of global governance", Vol 15, No 779, April 6, 2015.

Furthermore, China recognizes the widely shared values of global governance, such as human rights, democracy (one that is based on economic development and social stability), and the rule of law, all of which are promoted by the West. But China's incentive to "bypass" the main international financial institutions has long been driven by the refusal of the West to offer it a role adequate to its growing economic power. The IMF quota, for example: although the G20 agreed in 2010 to increase China's quota from 3.65% to 6.19%⁷ (which is only a tiny step in the right direction), the US Congress has refused to ratify until December 2015.

China's increasingly positive approach to global governance is for the common good of the world, and is enhancing China's soft power, and it might be a good lesson for the West to learn that: if new emerging powers can't get access to the existing global governance institutions, they will create others of their own. In this regard, the West should adopt an open attitude, welcome China's greater involvement in global governance and cooperate with the institutions that China is now creating; otherwise there is no sense in accusing China of being a "free rider".

In broad terms, China probably has a greater need for global governance than the West. Compared with the latter, China is in a geo-strategically more dangerous position, less well-endowed with natural resources, more vulnerable to the impact of climate change and economically more dependent on an open international trading system⁸. But we must come to realize that many of the world's challenges are global in scale, given that global problems such as environmental degradation, climate change and financial crises are affecting countries with different political systems and ideologies. Thus this is a time that the need for international cooperation and policy coordination has never been greater, yet global governance - the system of international institutions and rules intended to promote the common good - is hardly adequate. If we look at the Doha round of trade liberalization, the IMF quota reforms, or the G20's efforts to co-ordinate economic and financial policies in recent years, not much is being achieved.

The year 2016 might be the ideal time to push forward the global governance issue. If China, the EU, the US and other major powers could take this year to align their intentions based on common interests, they should be prepared to make the most of the 2016 G20 summit in China. In China, most people believe the G20 is a step forward in terms of

⁷ Ibid.

⁸ Philip Stephens, "How a self-sufficient America could go it alone", *Financial Times*, January 13, 2012.

enhancing the legitimacy and efficacy of the current global governance architecture; China would, at its best, be capable of playing “part time leader” in selected way⁹.

The G20: What Will China Do?

As the chair country of the G20 in 2016, China’s actions shall profoundly influence the G20’s efforts in dealing with challenges. For the coming “Thirteenth Five-year Plan” period, starting from 2016, China’s economy shall maintain a mid-and-high-growth rate, and is expected to double GDP and urban-rural income by 2020 compared to that of 2010. This will help China play a leading role in facilitating global sustainable development. Since 2015 the G20 has created a “commitment system” which has been ceaselessly implemented and pushed forward¹⁰. Under this system, China needs to organically combine continuity and innovation. China shall not only implement the achievements of former summits but also bring up new cooperation initiatives. Particularly targeting the general plight of global economic growth, China shall propose the idea of finding new momentum for economic growth through reform and innovation.

China’s economy is closely amalgamated with global systems. China’s contribution to the global economy indicates that China is necessary and able to advocate innovative, invigorated, interconnected and inclusive development of the global economy. From 2008 to 2014, China contributed more than 30 percent of the world’s economic growth. During the latest three years that figure has reached as high as 44 percent. Even in the face of 7 percent growth at present, the yearly growth increment is also as much as US\$800 billion, exceeding the absolute growth amounts experienced during the double-digit growth era prior to the financial crisis. Therefore, China has served as the “stabilizer” of global growth.

In view of China’s integration into the global economy as well as the influence of its whole industrial chain over the global economy, it has far-reaching significance for the mid- and long-term growth of the global economy. China’s hosting the 2016 G20 Summit allows it to push this influence into the realm of global governance¹¹.

During the tenth G20 Summit held on Nov. 15-16, 2015, Chinese President Xi Jinping revealed the main theme and implementation approach for the 2016 China G20: “Build up an innovative, invigorated,

⁹ Chen Dongxiao, “China’s Perspective on Global Governance and G20”, *China-US Focus*, February 16, 2011.

¹⁰ Wang, Wen and Jia Jinjing, *The 2016 G20 and China*, Beijing, China CITIC Press, 2016.

¹¹ Ibidem.

interconnected and inclusive world economy¹²". This strategy shall be implemented in four steps: 1) innovate the growth pattern, emphatically push forward reforms and innovations, carve out and grasp new opportunities, and improve the growth potential of the world economy; 2) improve global economic and financial governance, enhance the representation and voice of emerging markets and developing countries, and boost the world economy's anti-risk capability; 3) construct an open-end world economy, promote international trade and investment, and utilize its role of promoting growth; 4) push forward inclusive and interconnected development, implement the *2030 Agenda for Sustainable Development*, eradicate poverty, and realize mutual development.

Innovate the growth pattern

The world has entered a "new normal" with many traditional problems far from being solved while a raft of new problems loom. The interweaving of old and new problems is making the international situation increasingly complicated. The 2015 international financial market's unrest suggests that there is a long way to go toward unraveling systematic global problems. At the same time, a new round of technological innovation and industrial reforms is springing up worldwide. Emerging markets and developing countries are rapidly pushing forward the industrialization process, while the G20 is faced with the double goals of coping with globalized risks and seeking new growth momentum. To cope with challenges and release development opportunities, the international community must set up a global innovation system based on innovation, strengthen global governance, reform global development mechanisms, and create production factors that allow goods and services to flow worldwide. The global community should also strengthen international cooperation capacity, build up a universally beneficial global industrial chain that is favorable to giving full access to all countries' comparative advantages, enabling innovation entities, resources and environments to flow freely worldwide, and offer mutual support and promote mutual development. The G20 should seek to construct new standards for the global innovation atmosphere, so as to forge a win-win, inclusive, and mutually progressive new pattern of global development, expedite the transformation of old and new growth momentums, and lead the global economic recovery.

Improve global economic and financial governance

Seven years have passed since the financial crisis, and global economic growth remains weak. The world economy is still in a profound adjustment period; quantitative easing policies can only bring about

¹² Chinese President Xi Jinping's speech during the tenth G20 Summit held on November 16, 2015.

'deficiency heat' for economic recovery; and economic and financial reforms are still the top concern of global governance. Within the G20 framework, equal participation and joint decision-making between developed countries and developing countries is its essential characteristic and strength on these matters. The G20 shall continue to provide political support, promote global economic governance reforms, ensure that the reforms seek justice and fairness, and improve the representation and voice of emerging markets and developing countries. Pushed by the G20, the existing international financial institutional reforms are progressing, and the capability for coping with crises is steadily increasing. It is worth mentioning that the Asian Infrastructure Investment Bank (AIIB), driven by China, is a beneficial supplement to the existing international financial system that emphasizes cooperation rather than confrontation, embodying openness, inclusiveness, and constructiveness. As an innovation in the economic and financial governance mechanism, the AIIB shall provide inspirations for the G20.

Construct an open-end world economy

The key for upgrading the global governance mechanism lies in constructing an open-end world economy. At present, different countries are at various development phases that have different strengths for economic development. Constructing an open-ended global economic system and strengthening international cooperation capacity can effectively match different countries' supplies and demands, and realize mutual development between countries at different development levels. Developing countries are faced with demands for urbanization and industrialization but lack technologies, equipment, and infrastructure construction capability. Developed countries need to update their equipment and infrastructure facilities but are restricted by capital shortages and high costs. As a locomotive of developing countries, China can make full use of its advantages in elevated cost/performance of mid-level equipment, great capabilities of comprehensive affiliates and construction engineering, and an abundance of foreign exchange to help developing countries and developed countries align their respective capacities. Integrating all these advantages through three-party cooperation can lower costs to satisfy different countries' various demands, and help each country break through development bottlenecks, enhance industrial upgrades and push forward the integration of the global industrial chain. China's proposal of "One Belt and One Road" is different from the earlier free-trade zones. It is designed to bring together all participating countries' development strategies and realize inclusive and sustainable development via joint consultation, construction and sharing. The development of economic globalization shall bind all countries' interests closely, forming a cooperative status quo. Only by opposing trade

protectionism, maintaining and strengthening multilateral trade mechanisms, providing adequate room for various countries to develop, ensuring regional free trade arrangements, offering support for multilateral development, strengthening international cooperation capacity, and establishing a new-pattern global value chain, can the world economy realize stable and inclusive development.

Promote inclusive and interconnected development

Each country's development should interconnect with global growth, in a bid to realize the optimized allocation of global economic resources, as well as mutual integration and promotion of economies, societies, the environment, and governance. At present, the world economy is still in an in-depth adjustment period after the financial crisis, with the former economic development mode unable to solve the problem of structural economic transformation and sustainable development. At the same time, to realize fair, open, comprehensive and innovative development is not only a moral responsibility but also a necessary requirement for releasing economic development potential. *The 2030 Agenda for Sustainable Development* has set new goals and provided new frameworks for global development. The global community should review the development path in a brand-new perspective, tackle the relationship between sustainable development and economic transformation, implement the *2030 Agenda for Sustainable Development*, properly deal with the unequal and unfair problems in economic development, coordinate to tackle climate change and environmental degradation, enable different countries in different positions of the global value chain to play to their advantages, and share the opportunities of development as this is the core significance of inclusive and interconnected development. By closely combining the *2030 Agenda for Sustainable Development* with its own agenda, the G20 shall establish a new type of global partnership in the global economic governance process. In dealing with the complicated situation and other globalized issues via the interconnection of macro policies, the G20 can realize all countries' interconnection, positive interaction, and mutual development, and make the G20 a long-term platform for promoting international economic development cooperation as well¹³.

The global recovery has been progressing slowly since the 2008 financial crisis. The reasons for slow progress include: 1) the last round of technological and industrial revolution is coming to an end; and 2) an imbalance of development is far from being solved while the deficits of the existing economic governance mechanism are looming. In spite of this adverse backdrop, China has maintained a relatively high growth rate, so

¹³ Wang, Wen and Jia Jinjing (2016).

that the real economy's base is reinforced and boosted continuously. China's long-term economic growth performance and its sustainable growth potential suggest that it possesses essential experience in promoting development. China's hosting of the G20 Summit means that the world shall have the opportunity to share the Chinese recipe for realizing sustainable development.

The theme of the 2016 China G20 Summit is "innovation, invigoration, interconnection, and inclusiveness," which has briefly and accurately grasped the most critical issues in global economic governance and pointed out the path towards realizing global economic balance and sustainable growth for the global community. "Innovation" is a fundamental approach for enabling the global economic recovery to release vitality and creativity via scientific progress. "Invigoration" emphasizes the high-speed development of economies that will rejuvenate the world economy. "Interconnection" is a must for realizing overall global development. All countries' interconnected actions can lessen uncertainties in economic development, and lead to the economy's steady development and mutual advantages. "Inclusiveness" emphasizes that the values of development should benefit all countries and peoples so as to release huge market demands.

The upcoming G20 Summit will link the past and present. If the G20 can set an example for the world in terms of innovation, invigoration, interconnection, and inclusiveness, and form a mutually beneficial and win-win situation, it shall undoubtedly boost global economic confidence, stimulate economic recovery, release development potential, and benefit more people so as to create a bright outlook for the new growth of the world economy.

In short, it is obvious that China has developed the willingness and ability to play a greater role in global governance, and China is likely to take its G20 presidency in 2016 as an opportunity to strengthen its status as an economic rule-setter, showing more interest in engagement instead of practical reforms of the traditional governance institutions. Moving forward, the G20 will continue to facilitate China's cooperation and coordination with other major powers to expand the country's interests.