

OPINIÓN INVITADA

Implications of China's G20 Presidency for the Asia-Pacific Region

DOI: 10.32870/my cp.v6i16.518

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The Group of Twenty's (G20) Hangzhou summit of September 4-5, 2016 maintained the international focus on the forum, despite its modest results. China's G20 presidency provided further evidence of a crucial shift in twenty-first century international politics, the growing influence of developing states and Asia-Pacific nations weakening the former transatlantic dominance of global governance. The Chinese presidency of the forum in 2016, following South Korea in 2010 and Australia in 2014, gave more credence to those who argue this could be the 'Pacific Century'.

Until the late-1990s, western-led institutions were predominant in global economic governance. However, after they failed to manage the Asian financial crisis effectively, several politicians and experts became vocal advocates for reform of the international financial architecture (see Brown, 2010; Cooper, 2008; Grügel *et al.*, 2008; Rodrik, 2006; Stiglitz, 2003). One key theme was the need for greater inclusion of developing states in global economic governance, which had been supervised largely by the Group of Seven/Eight (G7/8) in recent decades. The latter experimented with a limited process of outreach engagement in the early 2000s, by inviting leaders of Brazil, China, India, Mexico, and South Africa to attend G8 summits as guests, rather than equal partners. This was deemed by critics to have been insufficiently inclusive,

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because it kept the so-called 'Outreach Five' in a subordinate position to the G8 members (Cooper and Thakur, 2013; Kirton, 2013; Luckhurst, 2016a).

The G20 became a more equal leader forum during the global financial crisis, the first summit-level meeting held in Washington, DC in November 2008. Its relative inclusivity contributed to the G20's rise to global prominence, with a membership befitting the international strategic implications of economic and political circumstances during the crisis. The international response to the financial crisis in 2008-09, especially the creation of a leader-level G20, gave further impetus to a decentralizing trend in global governance. The forum has contributed significantly to this shift in authority and influence, especially by incorporating its developing-state members in key international financial institutions (IFIs) and informal foray, such as the Financial Stability Board and the Basel Committee on Banking Supervision. This also substantially augmented the representation of the Asia-Pacific region in global economic governance.

Some recent developments could undermine hopes for more inclusive global governance, especially if strategic and security tensions reduce G20 cooperation. Reforms of the IFIs have not always been swift. Many officials in developing states were upset over the long delay in implementing the International Monetary Fund's (IMF) 2010 governance and quota reform, which had been quickly agreed by G20 members but only gained the necessary U. S. Congressional ratification in December 2015 (Luckhurst, 2016a). The Chinese government's creation of the Asian Infrastructure Investment Bank, combined with the "One Belt, One Road" investment strategy, might enable them to surpass the regional influence of the 'universal' Bretton Woods institutions and the Asian Development Bank. Economic cooperation also has increased between the Chinese, South Koreans, Japanese, and the Association of Southeast Asian Nations (ASEAN), despite territorial disputes between some of them. Chinese President Xi Jinping and the Chinese government stressed the importance of regional cooperation before the Hangzhou G20 Summit, hosting a pre-summit foreign ministers' meeting with Japanese and South Korean counterparts; while the annual ASEAN-China summit was held a couple of days afterwards, where regional economic cooperation was prioritized (ASEAN and China, 2016). In addition to the controversial and competing agendas of the Regional Comprehensive Economic Partnership and the Trans-Pacific Partnership, such diplomacy indicates that Asia-Pacific regionalism could be an alternative to universal or G20 multilateralism, if the latter proves less effective.

The G20 integrates several of the most influential Asia-Pacific states, and membership brings various advantages. There are sometimes intangible gains, including enhancing public-policy standards and expertise through G20 agreements that improve members' governance of particular policy areas, such as financial regulation, sustainable development, employment, infrastructure investment, and anti-corruption measures. The continual engagement between G20 members' officials, through working groups as well as ministerial and Sherpa meetings, reinforces these benefits. Another advantage is that G20 membership enhances the international political reputation and influence of most Asia-Pacific members, signaling the status of global governance 'insider', as participants in the world's premier multilateral economic forum. The Japanese government is the main exception, in this sense; they have yet to hold the rotating presidency and, unlike the other East Asian members, their international influence arguably has diminished since the 2008 financial crisis, relative to their position when the G8 held a higher status. This comparative decline in influence is also partly a consequence of the economic growth of China, which surpassed the Japanese economy to become the second-largest in the world in 2010.

The Australians, Chinese, and South Koreans all gained international prestige and influence by holding the G20 presidency, though arguably the diplomatic benefits of the Australian presidency were diminished by political errors (Harris Rimmer, 2015; Hartcher, 2014). The other regional members, India and Indonesia, have had less direct influence so far, though both engage in areas of diplomatic cooperation at the G20, respectively, with their BRICS (Brazil, Russia, India, China, and South Africa) and MITKA (Mexico, Indonesia, Turkey, South Korea, and Australia) 'caucus' partners. The Singaporean government has played a significant role in the G20, despite lacking formal membership, as a key interlocutor through leadership of the Global Governance Group (3G) of 30 small developing and wealthy states. The Singaporeans regularly attend G20 summits and participate in other activities, even hosting some G20 working-group meetings (Luckhurst, 2016a). This special treatment is partly in recognition of their crucial role in legitimizing the G20's elevated status in global governance, particularly by helping to formalize G20 relations with the United Nations (Chowdhury, 2010).

In light of the political symbolism of China's G20 presidency, the Hangzhou G20 Summit results were somewhat disappointing and met with skepticism from several analysts (Sainsbury, 2016). This was not the fault of

the Chinese themselves; rather the principal reason was the G20's collective failure to take sufficient steps to raise global economic growth. The Hangzhou summit has been written off by some critics as another missed opportunity, further evidence the forum has become a talking shop that cannot act on key global economic challenges. Despite repeated G20 pledges to raise growth, including its Brisbane summit agreement in 2014 to boost collective output by 2 percent above then IMF forecasts for 2018 (G20, 2014), the IMF (2016) continues to downgrade its quarterly predictions on economic growth.

The inability to provide clear solutions to persistently low growth overshadowed other aspects of the Hangzhou G20 agenda, along with perceived diplomatic slights and minor incidents that received considerable media attention. The positives from the summit included a wide range of commitments, outlined in the leaders' communiqué (G20, 2016), comprising what John Kirton (2016) noted was the core emphasis on economic issues of international trade, investment, and innovation, in addition to other areas such as sustainable development. There was a new strategy for achieving "an innovative, invigorated, interconnected and inclusive world economy," ambitiously labeled the 'Hangzhou Consensus' (G20, 2016). The latter constitutes an interesting set of proposals, which could facilitate more effective economic cooperation during future G20 presidencies, starting with Germany in 2017.

The Chinese G20 presidency was deemed, at best, a partial success. A lack of substantive new policies, especially on sustainable economic growth, added to other concerns over the failure to eliminate fossil-fuel subsidies and the rise of trade protectionism in some G20 members. Unresolved security issues also dampened the mood, including the conflicts in Syria and Ukraine, plus Chinese territorial disputes with some of its neighbors over islands in the South and East China seas. The North Koreans also chose to have an underground nuclear test during the Hangzhou G20 Summit, indicating how complex security issues in East Asia could threaten to diminish regional and global economic cooperation. The constructive approach to their G20 presidency from President Xi and the Chinese government was encouraging, further enhancing their influence in contemporary global governance. In addition, on the eve of the summit, the coordinated announcement by the American and Chinese governments that they were adopting the United Nations Framework Convention on Climate Change Paris agreement, significantly boosted prospects for its activation conditions to be met (UN, 2015). This further indicates the importance of G20 summits in providing opportunities for successful side

deals, aside from the formal focal points. More disappointing was the reduced emphasis on improving implementation of summit pledges, compared with the preceding Turkish G20 presidency (2014), for example through compliance monitoring. This left some analysts even more skeptical about the likelihood of achieving the goals expressed at Hangzhou.

A few weeks after the Hangzhou summit, at the time of writing, waiting for the rotating G20 presidency to pass to the German government in December, this is a convenient moment to reflect on the forum's role in global governance and international relations. The G20 remains important for international politics, despite concerns over failures to implement agreements. Analysts and officials continue to debate whether the G20's policy agenda should be narrower, for efficiency purposes, especially by focusing on core economic issues; or whether it could only maintain legitimacy by continuing to deliberate on wider issues, often more important to developing states. The South Korean G20 presidency in the second-half of 2010 began the tendency to broaden the G20 agenda. They moved beyond the initial focus on economic recovery and international financial reform, during the global financial crisis, by establishing a set of principles and policies known as the 'Seoul Development Consensus'. The latter seemed to constitute a final normative and practical break with the old Washington Consensus (G20, 2010). The broader-agenda approach initiated by the South Koreans has been predominant since Mexico's 2012 G20 presidency, notwithstanding the Australian presidency's attempts to narrow it. The German government might try to refocus on the core economic themes in 2017, but will likely also emphasize international migration issues.

There are concerns that the G20's 'sustainable and inclusive growth' agenda could be deferred again during the German rotating presidency, considering the reluctance of Angela Merkel's government to contemplate expansionary fiscal strategies (Luckhurst, 2016b). However, the G20's (2016) rhetorical shift in 2016 to combining "fiscal, monetary and structural policies" to achieve economic growth could provide more scope for collective action to advance the Brisbane growth objective. At the very least, it might help soften the divide between fiscal-stimulus and austerity advocates. The Asia-Pacific region, in common with much of the world, is suffering from the effects of diminished global growth. Particularly worrying for the Chinese, South Korean, and Japanese governments is the slowdown in international trade, which could significantly reduce their economic growth. Trade is a concern on which the

G20 has achieved some agreements in recent years, so Asia-Pacific exporting nations will likely try to use the forum to enhance multilateral cooperation on the issue over the coming months.

The decision of all G20 leaders to attend the Chinese Hangzhou summit confirms the forum's importance. The G20 has become influential and authoritative in international politics, due to its achievements to date and the strategic significance of its membership, which accounts for around 85 percent of global economic production, 80 percent of trade, and two-thirds of the world's population. Many officials and politicians share a sense of pragmatism about the mutual benefits of G20 cooperation. As I note in my recent book on the G20 (Luckhurst, 2016a), members' diplomatic emphasis on the forum would likely make it the obvious focus for future cooperation on globally-significant financial crises. This further indicates the strategic benefits of G20 membership.

Each G20 presidency involves the stewardship of the forum, keeping it in good working order to be prepared for contingencies, in addition to advancing short —and medium— term policy goals. Recent economic and political uncertainty, indicated by the surprise 'Brexit' referendum result, the failed *coup* in Turkey, and domestic and international consequences of the U. S. general election in November, increases the importance of the G20 for maintaining diplomatic relations and cooperation between its members and stakeholders. At its best, the forum provides greater stability in a volatile world. The evidence of growing political discontent in many societies, particularly due to the weak global recovery from the 2008-09 financial crisis, should spur the G20 to take concerted action to achieve improved, sustainable, and inclusive economic growth in 2017.

The G20 has faced substantial tests since the global financial crisis, which former UK Prime Minister David Cameron dubbed its "heroic phase" (Rowley, 2010). The transition from international crisis committee to steering committee has not been easy, yet the G20 has become an important hub for global governance networks, in key policy areas such as international finance and sustainable development. For its Asia-Pacific members, the G20 provides important opportunities to sway the contemporary global economic agenda, though mutual differences on security, economic, and other issues impede their potential to influence the forum collectively. Despite constraints on regional cooperation, the integration of actors from the Asia-Pacific region and leading developing states in the centers of global economic governance,

alongside western policy élites, might prove to be one of the G20's most important long-term effects. It could enhance both global and Asia-Pacific cooperation, at a time when multilateral coordination seems increasingly necessary to resolve the complex array of policy challenges. 

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