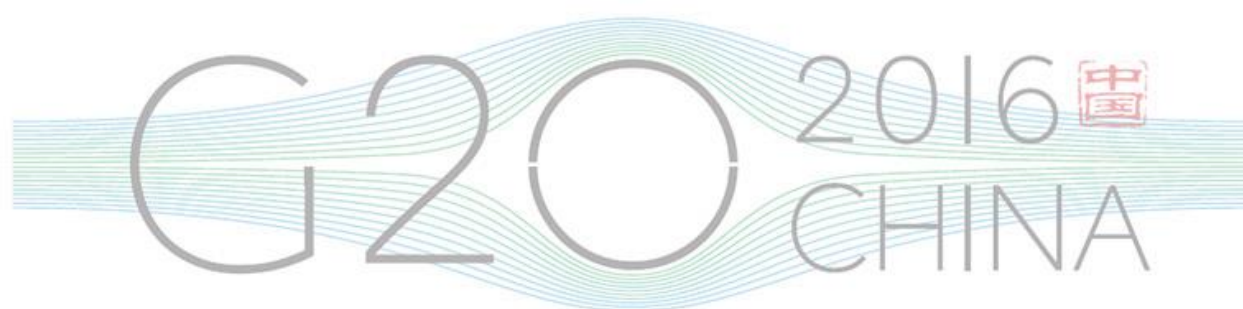


# **Policy Suggestions on Sino-US Cooperation in 2016 G20**

Li Xin



## Policy Suggestions on Sino-US Cooperation in 2016 G20

Li Xin<sup>1</sup>

September 2016, China will hold the 11<sup>th</sup> G20 summit in Hangzhou, towards which the World has given high expectation. As the Canadian former prime-minister Paul Martin claimed, 2016 G20 China Summit would be the rebirth of not only G20, but also the global cooperation.<sup>2</sup> As the new chair of G20, China has great advantage on agenda-setting, which provides a chance to promote the experience of economic reform and governance of China, as well as that of other developing countries. Through this meeting, China can also raise the voice of emerging markets and developing countries (EMDCs) in global economic order. However, high expectations do not necessarily lead to effective achievement. One first mission to accomplish is how to arrange agendas for the 2016 summit.

Since G20 has members from both developed and developing countries, issues from different fields will be discussed in the summit. Therefore, the agendas should reflect the needs of all member countries and the most urgent issue of the world, which need coordination and negotiation in advance among major powers. As the most important members in G20, Sino-US cooperation will be helpful for realizing the goals and plans agreed by G20 in three ways: first, it helps to improve the efficiency and efficacy of the conference; second, pre-coordination enables members to better address distributive contradiction<sup>3</sup>; third, this bilateral cooperation ensures the focus of the subjects and avoids them being set too complex or simple. However, it is not their attempt to dominate the G20 summit, each participant should have equal rights.

This policy brief will discuss the main concerns of both China and United States, as well as fields where they can cooperate.

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<sup>1</sup> Li Xin is a master candidate of SIIS.

<sup>2</sup> Xu Weibing, "An interview with the 'Father of G20', former Canada Premier Paul Martin", *China Economic Times*, A1, 2015-11-10. (徐蔚冰: 《“中国峰会使 G20 获重生契机”——访“G20 之父”、加拿大前总理保罗·马丁》)

<sup>3</sup> Adam S. Hersh, "China, the United States, and the G20: Instituting Cooperative Multilateral Governance", in Chen Dongxiao, Catrina Schläger ed., *China and the G20 – The Interplay Between an Emerging Power and an Emerging Institution*. Shanghai People's Publishing House, 2015.1, p.211.

## China's Concerns

Through holding G20 summit, China will not only set agendas that reflect the latest issues China is facing and its purpose of joining global economic governance, but also introduce a Hangzhou Communique with Chinese characteristics and legacy of the past summits. Therefore, this paper will first examine the urgent problems China's facing, then discuss its top concerns for the coming G20.

For the present, China still have to confront with complicated domestic and international environment. The *Proposal for Formulating the 13th Five-Year Plan* points out, that issues like extensive mode of economic development, lack of innovation, unequal distribution of production capacity and regional development imbalance are main factors that drag down China's economic development.<sup>4</sup> China will need further structural reform for consistent economic growth. Outside the country, though international community has roughly step out of economic crisis, the recovery is still slow, unstable and uncertain. The world is in need of new development strategy to find a new force for boosting economy. Moreover, with the approval of Post-2015 Sustainable Agenda, the new development goals have set higher standard for international cooperation regime, all countries need to coordinate and cooperate so that they will be able to realize the 2030 SDGs together.

Facing the present domestic and international situation, President Xi Jinping said China's preparation would be focused on innovating upon growth pattern, improving global economic and financial governance, boosting international trade and investment, and promoting inclusive and interconnected development.<sup>5</sup> Therefore, China could target the following goals:

**First, exchanging ideas and co-boosting economic growth.** With members from both developed and emerging markets, G20 provides a good platform for its members to learn from

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<sup>4</sup> Xinhua, "Proposal for Formulating the 13th Five-Year Plan", 2015-11-4, [http://news.xinhuanet.com/ziliao/2015-11/04/c\\_128392424.htm](http://news.xinhuanet.com/ziliao/2015-11/04/c_128392424.htm). (新华社:《中共中央关于制定国民经济和社会发展第十三个五年规划的建议》)

<sup>5</sup> Xinhua, "Remarks by H.E. Xi Jinping President of the People's Republic of China On the 2016 G20 Summit in China At the Working Lunch of the G20 Summit", 2015-11-1. [http://news.xinhuanet.com/world/2015-11/16/c\\_1117160175.htm](http://news.xinhuanet.com/world/2015-11/16/c_1117160175.htm). (新华社:《习近平在二十国集团领导人峰会工作午餐上关于中国主办2016年峰会的发言》)

each other about their experience and methods to develop economy and resist financial crisis. China can also exchange ideas of economic governance and reform with other countries through G20, while coordinating macroeconomic policies and providing new proposals for each other, which can also create a new growth point for world economic.

**Second, promoting a peaceful transformation of global system.** China, as the chair, has the advantage in setting agendas favoring reform and improving the existing global financial managing structure, especially on those like establishing global financial supervision system. International anti-corruption and anti-money laundry joint task. China is striving for an agreement, then the establishment of related institutions.

**Third, reinforcing the influence of developing countries.** On the one hand, China can leverage its role as the chair on issues most concerning developing nations; on the other hand, besides expressing its own opinions, China can also work with other groups like BRICS, MITKA to form a common voice, rather than acting individually and separately.

Considering the experience from past summits, in order to achieve the goals above, there are three principles China could apply, to ensure the agendas reflect the concerns from different parties and not blocking the progress of the summit. **Patience** requires all the subjects, not only be from fields that share common concerns from all members, but also be simple and surgical to avoid slowing down the progress of the conference. Then it comes to **efficiency**, which suggests a first discussion of issues that easily reach agreement, base on which other topics will be discuss. If the gap is too wide, members could turn to the rest content of the subject in order to make some achievement. **Balance** is the last one, it demands agendas cover both needs from developing and developed countries, even those that developing countries, as well as China, are at a disadvantage.<sup>6</sup>

China has three major concerns in the coming G20 summit, which are **economic growth, improving governance structure and promoting global sustainable development.**

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<sup>6</sup> Liu Zongyi, "The Transformation of G20 and China's Role", *Contemporary International Relations*, 2015 vol.7.

**Focusing on economic growth.** Zhang Jun, Director of Economic Department of Ministry of Foreign Affairs, said that G20 should innovate a development model and dig for new incentives for growth, to build an open world economy.<sup>7</sup> As for creating incentives of growth, China could bring about the subject on regional and global infrastructure connectivity. Building infrastructure facilities will support economic development on the one hand; on the other hand, related industries will be promoted as well as more jobs will be provided. In the meantime, it is an opportunity for China to introduce its initiatives like New Development Bank (NDB), Asian Infrastructure Investment Bank (AIIB) and “Belt and Road” Strategy. The next topic should be reform on supply side. In order to enhance the productivity of a country, one should first reform its economic institution and policy to create a better environment for investment and employment, which provides access for more labor and capital into the market; second, technology and system innovation should also be supported so as to raise the production rate. China can propose a toolkit or guidance program as reference for all members. The last topic should be increasing international trade to strengthen global flows of goods, capitals and services, which, however, need a more impartial and transparent regulation. Therefore, how to speed up the Doha Round negotiation, and to realize regional and even global trade integration is a main concern of China, especially matching the present regional free trade rules with the WTO framework to avoid massive imbalance between core and marginal nations.

**Improving economic governance structure.** In order to maintain economic growth, Lou Jiwei, Ministry of Finance, introduced that the 2016 G20 would go on promoting reform on financial governance and development of global financial infrastructure, furthering financial regulation.<sup>8</sup> To reach these goals, China could first carry out a better proposal, including IMF governance reform and establishment of a particular forum or working group, to discuss the principles and plans of a comprehensive reform. The vice president of People’s Bank of China, Yi Gang, claimed that China considered to re-build the working group that specifically discusses

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<sup>7</sup> RDCY, “Zhangjun: China will raise opening-up agenda to lead world economy”, 2015-7-30. <http://rdcy-sf.ruc.edu.cn/displaynews.php?id=13781>. (人大重阳网: 《张军: 2016 年 G20 峰会中国将提开放型主张引领世界经济》)

<sup>8</sup> Xinhua, “Minister of Finance Lou Jiwei introduced financial issues of 2016 G20 meetings”, 2015-10-9, [http://www.gov.cn/xinwen/2015-10/10/content\\_2944645.htm](http://www.gov.cn/xinwen/2015-10/10/content_2944645.htm). (新华社: 《中国财政部长楼继伟介绍 2016 年 G20 财金议题》)

how to improve global financial structure.<sup>9</sup> Then, China could cooperate with other members to improve the protocols of financial regulation and emergency, especially on issues like protection of intellectual property, cyber security, anti-money laundry, anti-corruption and terrorism financing. China may suggest G20 to set a standing working group or information sharing mechanism to build a global financial safety net, so that they can better address these issues and maintain the stability of international economic order. One last point of this topic is to expand the involvement of developing countries and their experience sharing. For a long time, developing nations have stayed outside the global economic managing organizations, China should invite more developing countries in to circle. In addition, China may propose a program of incorporating the gains and loss of policies of developing countries in economic development and reform, which will be a practical reference for other developing countries.

**Promoting global sustainable development agenda.** Recently, the China G20 website has posted the first official document, which says that “the G20 is committed to a more inclusive and interconnected global economy, and should take a lead in implementing the 2030 sustainable development.”<sup>10</sup> However, 2030 SDGs have so much content that China can’t cover them all, the following aspects become China’s top concerns. **Capacity building.** In the 2015 United Nations Development Summit, president Xi Jinping mentioned that each country should make plans best suits its own condition, which should also apply to donor countries in providing international assistance. China could suggest G20 make guidelines for 2030 Sustainable Development Agendas, to which developing countries can refer while preparing their own plans. Also, the guideline is also a quantitative indicator for donations or applications of development assistance. **Poverty reduction.** Although China has claimed to set a South-South Cooperation Assistance Fund and increase investment in the least developing countries, yet China alone is not enough. Therefore, China should propose to establish a policy framework that bases on common principles and methods to assist low income countries, and regularly post bulletin about assistance outcome. **Climate governance.** After the 2015 Paris Climate

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<sup>9</sup> Ibid.

<sup>10</sup> “Theme and Key Agenda Items of the G20 Summit in 2016”, [http://g20.org/dtxw/201512/t20151201\\_1658.html](http://g20.org/dtxw/201512/t20151201_1658.html)

Conference, there has been an agreement on cutting greenhouse gas emission, many countries even have set a particular number, however, there is still doubt about their promises. In order to fulfill their promises, China could bring up subjects about implementation of reduction targets and promotion of using clean energy for discussion in the coming G20 summit.

## United States' priority in 2016 G20 Summit

2016 is the last year of Obama's presidency. As the first African-American president whose slogan is "Change", the seven years under his administration is controversial. As Gideon Rose said, the key to Obama's successes is his focus on the "big picture" – the liberal international order need to be salvaged by pulling back from misguide adventures and feuds in the global periphery, which requires a strategy that rebuilds the foundation of American strength and influence.<sup>11</sup> With the effort of his administration, U.S economy started to recover. The real growth rates from 2013 to 2015 are all over 2%, which the World Bank predicts will reach 2.8% in 2016; the Recovery Act created 6.4 million new jobs and raised the minimum salary for American people, which has improved the living and working condition of labors. As in foreign policy, Obama prefers collective action with UN mandate and mitigating conflicts with unconditional negotiation. The approval of TPP, restoration diplomatic relations with Cuba, the establishment of new-model of major power relationship with China, these are all successful examples of Obama's foreign policy. Even if there are much criticism, like Obama has put too much attention at home without noticing a power vacuum caused by the fallback of US influence,<sup>12</sup> or a conclusion that U.S power has already declined,<sup>13</sup> yet we can't deny that the Obama administration is leading the U.S getting out of the shadow of crisis. Therefore, keeping and expanding the outcome of the reform should be the core mission in the last year of his term.

As for domestic policies, economic issue has remained at the core. Obama has set 2014 as the year of action, whose four key agendas are economic development, job creation, addressing the threat of climate change and strengthening the middle class; in 2015, Obama emphasized the

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<sup>11</sup> Gideon Rose, "What Obama Gets Right", *Foreign Affairs*, September/October 2015.

<sup>12</sup> Marco Rubio, "Restoring America's Strength", *Foreign Affairs*, September/October 2015.

<sup>13</sup> Bret Stephen, "What Obama Gets Wrong", *Foreign Affairs*, September/October 2015.

three pillars of his middle-class economics, which are providing security protection for working families, raising salary level and upgrading working skills for local labors, promoting economic development to create more jobs.<sup>14</sup> In 2016, Obama claimed that he would continue his effort on “getting everyone a fair shot at opportunity and security in the new economy”<sup>15</sup>. As for foreign policies, in 2015 Obama pointed out that U.S would continue uniting with its allies to fight terrorism, demonstrating American strength and diplomacy, and combating cyber threat. In 2016, the administration will continue to train local armed force, and enhance cooperation between U.S and its allies to fight terrorists. Obama has promised, 4 days after the attack in San Bernardino, that the government would spare no effort to keep the country and Americans safe, he also introduced the strategies to defeat terrorism domestic and abroad.<sup>16</sup> There is no doubt that U.S will globally fight terrorism. Moreover, Obama also tries to rebuild U.S global leadership, keep America and world safe with global coalition rather than by itself and be the world police.<sup>17</sup> As for supporting sustainable development, on the one hand, U.S government will proactively address climate change by promoting the *Clean Power Plan*, changing the traditional ways of using oil and other fossil fuels, and developing green energy; on the other hand, U.S will participate in the global action of sustainable development. The *U.S Global Development Policy and Agenda 2030* has set targets in 10 aspects including global health agenda, food security and open government, whose goal is to achieve broad-based economic growth, democratic governance and sustainable systems through technology innovation, leveraging international partners and vast array of development financing.<sup>18</sup>

2016 is also the election year. In this year, besides continuing his governing principles, Obama will need to make a smooth leadership transition and end his term. Although the next president is still to-be-determined, the latest polling by Pew Center shows that 83% voters find economic

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<sup>14</sup> “Remarks by the President in State of the Union Address”, 2015-1-20. <https://www.whitehouse.gov/the-press-office/2015/01/20/remarks-president-state-union-address-january-20-2015>.

<sup>15</sup> “Remarks of President Barack Obama – State of the Union Address as Delivered”, 2016-1-12. <https://www.whitehouse.gov/the-press-office/2016/01/12/remarks-president-barack-obama-%E2%80%93-prepared-delivery-state-union-address>.

<sup>16</sup> White House, “President Obama Addresses the Nation on Keeping the American People Safe”.

<https://medium.com/@WhiteHouse/president-obama-addresses-the-nation-on-keeping-the-american-people-safe-b4cfa8a0f143#.o5vjr5qty>.

<sup>17</sup> SOTU (2016), *op. cit.*

<sup>18</sup> White House, “Fact Sheet: U.S. Global Development Policy and Agenda 2030”, <https://www.whitehouse.gov/the-press-office/2015/09/27/fact-sheet-us-global-development-policy-and-agenda-2030>.



issues should be the first priority of the new government, which is followed by medical service (73%) and terrorism (71%), which proves that domestic issues, especially economic ones should be the core concerns of the next administration.<sup>19</sup> Recently, Brookings Institutions released a report setting eight big issues for the presidential candidates, 5 of them are economic related, which also proves the point.<sup>20</sup>

From the analysis above, the top concern of both Obama and the next administration is how to improve domestic economic condition, followed by foreign policy and development agenda. In the next G20 summits, attentions should be paid to the following aspects:

**Promoting world economic growth.** Besides strengthening domestic reform, U.S government also need to improve the external environment of economic development. First, U.S will try to reset the global trade regulation through expanding the influence of Trans-Pacific Partnership (TPP). As the U.S government claimed, TPP rules has the strictest regulation on protection of labor rights, environmental standard, transparency and anti-corruption requirement, which will help to encourage the exportation of TPP members and protect the interest of their domestic manufacturers.<sup>21</sup> Second, in order to avoid and resist a future crisis, United States should go on enhancing the financial regulation system. However, according to the compliance report from Monk College of Toronto University, U.S is failing at strengthening domestic regulation and monitoring framework.<sup>22</sup> Moreover, U.S may extend the coverage of its Central Bank Liquidity Swap Lines, which has provided up to 1 trillion US dollars to help its member countries' resistance towards financial crisis.<sup>23</sup> U.S has signed a permanent agreement with 5 countries, the extension of this agreement will better serve the dollar-centric financial security

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<sup>19</sup> Pew Research Center, "Contrasting Partisan Perspectives on Campaign 2016", 2015-10-2. <http://www.people-press.org/2015/10/02/contrasting-partisan-perspectives-on-campaign-2016/>.

<sup>20</sup> Ron Haskins ed., "Campaign 2016: Eight Big Issues the Presidential Candidates Should Address", *The Brookings Institution Report*, 2015-11. <http://www.brookings.edu/research/reports2/2015/11/18-campaign-2016-eight-issues-presidential-candidates-should-address>.

<sup>21</sup> White House, "Fact Sheet: How the Trans-Pacific Partnership (TPP) Boosts Made in America Exports, Supports Higher-Paying American Jobs, and Protects American Workers". <https://www.whitehouse.gov/the-press-office/2015/10/05/fact-sheet-how-trans-pacific-partnership-tpp-boosts-made-america-exports>.

<sup>22</sup> G20 Research Group, International Organisations Research Institute, "2014 Brisbane G20 Summit Final Compliance Report (2014.11.17 – 2015.10.1)", 2015-11-14. [www.g20.utoronto.ca](http://www.g20.utoronto.ca).

<sup>23</sup> Federal Reserve, "Quarterly Report on Federal Reserve Balance Sheet Developments (November 2015)". [www.federalreserve.gov/publications/default.htm](http://www.federalreserve.gov/publications/default.htm).

net, and strengthen the status of US dollar.

**Supporting global sustainable development.** Although the U.S government claimed to carry forward sustainable development, in the last year of his term, it is more reasonable that Obama will focus on concreting and expanding what he has achieved. On energy issue, U.S may discuss with other G20 members on transforming energy use, developing new technology, and expanding clean energy infrastructure; on emission-cutting, Obama has announced that America will reduce greenhouse gas emission by 26-28% of 2005 base by the year of 2030<sup>24</sup>, and continue the negotiation of bilateral climate cooperation with major countries. U.S could use G20 to set a more detailed plan for implementing the Paris Communique, subjects like green finance and trade of environmental goods, should also be brought up in the conference. The last issue is infrastructure investment channel. as written in the national 2030 agenda, the U.S is leveraging development finance tools for private and other forms of capital to support sustainable development and its transformation. Therefore, the administration would come to an agreement on how to coordinate the present multilateral institutions for better financing for development. However, whether this proposal will include NDB and AIIB remains unknown.

**Enhancing the information-sharing mechanism and cooperation to better address terrorist crisis.** United States will focus on how to effectively avoid terrorist attack and defeat terrorism. To be specific, U.S government will (a) cut off all channels used to finance for terrorism; (b) address issues caused by anti-terrorism actions, such as refuge flows, terrorists' revenges and other; (c) strengthen global cooperation and coordination on information-sharing and cross-border arrest.

## Sino-US cooperation in 2016 G20

As mentioned above, Sino-US cooperation will help to improve the efficiency and efficacy of G20, as well as to reconcile disagreement among members. China has already announced the

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24 White House, "Remarks by President Obama at the First Session of COP21", <https://www.whitehouse.gov/the-press-office/2015/11/30/remarks-president-obama-first-session-cop21>.

theme of the Summit, which is “Towards an Innovative, Invigorated, Interconnected and Inclusive World Economy”. In order to make probable and practical achievement with such high expectation, I suggest that China and United States should work closer in the following aspects:

**Promoting an inclusive growth of world economy.** Although the world economy starts to recover, but there are still problems like deficient global supply, imbalanced global development. China and United States could start with coordinating macroeconomic policy through bilateral and multilateral meetings, referring to the experience of their strategic economic dialogue. Second, the two countries could work on increasing investment and global trade, seek to reach an agreement on improving investment climate, enhancing the participation of private sector and setting fair rules. To be specific, they could discuss about strengthening the interconnectivity of infrastructure building on the one hand, especially involving the newly-founded development institutions like NDB and AIIB, by allowing them into the global development network so as to diversify the finance channel; on the other hand, they should continue to support the establishment of a fair and transparent trade mechanism, which is the guarantee of healthy global trade that boosts economic growth. TPP, which U.S is actively promoting, doesn’t have any fundamental conflict with the regional integration programs, like RCEP and setting bilateral free-trade zones that China participate. Therefore, it serves common interest for both countries if they jointly speed up the world trade negotiations, including Doha Round.

**Reform the international financial institution.** Firstly, China and U.S could have a discussion of setting mechanism to stabilize international financial order, such as Central Bank Currency Swap (CBCS). U.S experience of CBCS shows that, member countries can conveniently apply for fund through this agreement, whose monetary sovereignty will hardly be hurt during the process. CBCS, as a soft law, “might be a more modest yet perhaps a more realistic and effective way to encourage the emergence of an international public order in this field”<sup>25</sup>. Since

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<sup>25</sup> Christophe Destais, “Central Bank Currency Swaps and the International Monetary System”, *CEPII Policy Brief*, No 2014-05, September 2014.

China has now signed currency swap agreements with 31 countries<sup>26</sup> and RMB has joined the basket of SDR, the furthering of RMB internationalization makes it more possible for both governments to establish a wider-range currency swap framework. Second, the two countries could work on enhancing the participation of developing countries in G20 and other multilateral institutions, especially African countries. For a long time, the voice of south countries has been low, which is not healthy for establishing an inclusive global economic system. Finally, the two governments may continue their cooperation on improving the global financial regulation system through (a) perfecting domestic law and regulation system; (b) establishing a simple, clear evaluation system.

**Promote the Global Sustainable Development.** Sustainable development is a common concern for both countries. In September 2015, two leaders have reached an agreement on addressing global challenge and providing more international public goods.<sup>27</sup> Therefore, China and U.S may work on how to match G20 programs with 2030 Agenda and carry out some operational plan or guidance. To be specific, there are 4 major subjects: (a) on reducing poverty, there should be more discussion on helping the recipient countries on capacity-building, developing inclusive finance and infrastructure building; (b) on energy and climate issues, the two countries may share experience and information about funding R&D and transforming energy use, complementing the “G20 Toolkit of Voluntary Options for Renewable Energy Deployment”, they can also encourage global cooperation on implementing UNFCCC and increasing climate finance; (c) the legacy of anti-terrorism action has become a serious issue, such as refuge flows, post-war society re-construction and nation-building, which is in great need of support from the international community, especially the expertise from UNHCR, IRC and other governmental and non-governmental organizations; (d) on cyber-security, based on the mutual understanding of fighting cyber-crime and espionage, protecting commercial secret

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<sup>26</sup> PBoC, “List of bilateral agreements of currency swap between PBoC and other central banks or monetary authorities (Up to 2015.10)”, <http://www.pbc.gov.cn/huobizhengceersi/214481/214511/214541/2967384/index.html>. (中国人民银行：《中国人民银行和其他央行或货币当局双边本币互换一览表（截止 2015 年 10 月）》）

<sup>27</sup> MOFA, “Full Text: Outcome list of President Xi Jinping's state visit to the United States”, 2015-9-26, [http://www.fmprc.gov.cn/web/ziliao\\_674904/1179\\_674909/t1300767.shtml](http://www.fmprc.gov.cn/web/ziliao_674904/1179_674909/t1300767.shtml). (外交部：《习近平主席对美国进行国事访问中方成果清单》)

and intellectual property, the two governments could further their cooperation on establishing a convention on cyber activity and setting specific working group to address the increasing cyber threat.

**Set up a mechanism for emerging events.** The terrorists attack happened in Paris in November has put up a shadow on the summit. This tragic and astonishing event once became the top priority and disrupted the original Antalya Agenda. The leaders have made joint statement on the fight against terrorism, but they did not make any arrangement on specific mission, because (a) the schedule was so tight that this issue couldn't be fully discussed; and (b) fighting terrorism is beyond the range of G20's responsibility of global economic governance. However, even in the perspective of economic governance, G20 can and will use serial methods to limit the living space of terrorism. Therefore, China and U.S could propose to set a negotiation mechanism for emergency parallel to the formal agenda, with attendance of a secondary or related representative from each member country. In this way, the urgent agenda could be better dealt with without interfering the summit, which is helpful for making a resolution proposal and future cooperation.

With the growing importance of global governance, there is no doubt that G20 will cover broader issues. Sino-US cooperation will better serve the function of "Top-Down Design", and also set an example of fulfilling G20 goals for other members. Obviously, Hangzhou Summit is a starting point.