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China’s Presidency of the G20 Hangzhou: On Global Leadership and Strategy

“Up in the heavens, there is paradise. On earth, there is Suzhou and Hangzhou.”

Ancient Chinese saying

On 16 November 2014, the final day of the G20 Summit Brisbane, the host, Australian Prime Minister Tony Abbot announced that China had been selected by the G20 member states to host the G20 Leaders’ Summit in 2016. The decision was a diplomatic victory for China, considering that Tokyo had also made a bid (Chin and Dobson 2015). At the same time, in assuming the G20 presidency for 2016, Beijing inherited the tasks and challenges of playing the host for this global forum. Former Chinese G20 Sherpa, He Yafei suggests that China has assumed the presidency at a historic juncture, when the G20 “needs to turn itself from a fire brigade” into the global mechanism for “addressing the long-term and structural deficiencies” of the world economy (He 2015). The Chinese are aware that China is facing great expectations to deliver a G20 presidency and summit of significance.

Although some observers deride the G20 summit as nothing but a “talk shop,” it is nonetheless an international gathering of high-profile state leaders that takes place in the hot glare of the media spotlight, and where the performance of the host will be scrutinized by participants and non-participants, with domestic taxpayers picking up the bill. Taking on the summit lead means providing the strategic vision, leadership and coordination on the formulation and execution of the agenda for the summit. It also imposes a number of key tasks and responsibilities: some practical responsibilities including selecting the summit locale; providing security; and handling the logistics for the gathering of leaders and their large retinue of handlers and bureaucratic assistants.

What are the main process and strategic aspects of hosting the G20 summit? What are China’s main considerations as the G20 host presidency? What are the main tactical decisions in agenda setting, G20 institution building, and even selection of the summit location? This article makes three contributions: outlining the key “how to” considerations of the G20 host; detailing China’s response; and examining how taking on the G20 presidency represents evolution in China’s positioning in global affairs. This article is more about identifying the main processes and strategic calculations of the Chinese leadership as the G20 host presidency, and how its decisions reposition China in global governance, and potentially help reshape global governance. This article is less about reviewing and recommending which issues the host should champion. The one moment of advocacy on our part is the call for the Chinese to support the creation of an interim Secretariat for the G20.

The process and strategic goals of China’s year as G20 host are especially pertinent for students of global governance and international organization. It will be the first time that a so-called large emerging market power will assume hosting. For China specifically, it will be its first opportunity to show the unique aspects of global leadership that comes with hosting the G20, a global leaders’ summit that is dedicated to global economic crisis management.¹ For the Chinese political elite, taking on the

¹ China hosted the G20 finance and central bank grouping in 2005.
G20 presidency means shedding their practice of keeping a lower profile at previous global leaders’ summits, namely the G8+G5 and the G20 (Chin 2010).

With hosting, China will be expected to take a larger role. This analysis maps how China’s current leaders are “stepping up” to take the global lead, and to assume global collective responsibility. As G20 host, China’s political elites seem to be heeding current State President Xi Jinping’s call to “expand and broaden the agenda” of China’s diplomatic strategy; “advance multilateral diplomacy”; and “work to reform the international system and global governance.” In so doing, China appears to be implementing Xi’s call to deal squarely with the “profound changes” in China’s relations “with the rest of the world,” and to “build a sound and stable framework of major-country relations.”

Drawing mainly on primary sources, including field interviews with official Chinese participant-observers involved in the G20 process, and with insiders of preceding G20 summits, this article details how hosting the G20 presidency means a shift in China’s global positioning away from what was mainly “learning” the established global rules and norms (Johnston 2007; Pearson 1999), to providing leadership in global governance. In making this argument, we are not questioning China’s ability to host such a summit. We acknowledge that China does already have a proven record of hosting diplomatic summits. Henry Kissinger reminds us that China is better at running diplomatic events than the West (Kissinger 2011). US President Richard Nixon’s meetings with Mao Zedong in China in February 1972 led to normalization of relations between the US and the People’s Republic of China and is an example from an earlier era. However, it is important not to conflate different types of summitry, and we highlight that G20 summitry presents unique challenges. There are significant differences between managing a “Yalta-type summit” of a select few great power leaders and hosting a summit for a broader community of globally impactful nations.

We also acknowledge that, during the last decade, China has proven itself adept at hosting larger groupings of nations. China has gained notoriety, for example, in hosting the Forum for China-Africa Cooperation (FOCAC), a summitry platform that now involves more than fifty African heads of state or government. FOCAC started as a meeting of foreign ministers in October 2000, and was attended by more than 800 Chinese officials (80 ministers) and leading representatives of 44 African countries. More recently, China was credited with hosting a successful Asia Pacific Economic Cooperation (APEC) summit in November 2014, where the Chinese re-injected a semblance of ambition into this regional gathering of 21 nations. A landmark meeting at the summit between President Xi Jinping of China and Prime Minister Abe Shinzo of Japan signaled the easing of regional tensions, and the Chinese call for a framework to enhance connectivity and infrastructure networks across the region (“Beijing Agenda for Integrated, Innovative and Interconnected Asia-Pacific”) is said to have breathed life back into regional economic integration (APEC 2014). The Asia Society (New York) heralded the 2014 APEC summit as the “most substantive and impactful in years” (Asia Society 2014).

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2 The quotes are from Xi Jinping’s November 2014 statements to the Chinese Communist Party’s Central Conference on Foreign Affairs Work.
However, differences remain between the aforementioned summits and hosting the summit for the group of “world leaders” (Tian 2015), that styles itself as the “premier forum” (The White House: Office of the Press Secretary 2009) for managing the world economy, to use the language of China’s Xinhua News Agency and the White House, respectively. Hosting the G20 is a challenge of a different magnitude. China finds itself much more in front of the global media spotlight and in the unprecedented role of providing global leadership for global crisis prevention and management. Analyzing China’s G20 leadership includes drawing the distinctions between the differing forms of summitry, and detailing the unique challenges that China faces as G20 summit host, as well as how China is responding by adjusting its foreign policy and diplomacy. Throughout this analysis, we remain mindful of Iain Johnston’s call to be systematic and thorough in comparing (and contrasting) China’s past and emerging behavior; to provide greater comparative rigor in evaluating China’s evolving global behavior. In mapping the shifts in Chinese diplomacy away from Beijing’s more status quo-oriented behavior of the preceding decades, we aim to be clear about the causal mechanisms behind the shifts in China’s position in global governance (Johnston 2013).

**Agendas and Priorities from Past G20 Summits**

The most important task of the G20 host presidency is to lead the process for setting the agenda and defining the priorities for the summit. This authority is also one of the main benefits. The host designation provides a platform for demonstrating global leadership (or conversely, the risk of being exposed as not capable of doing so). “Middle powers” and emerging countries covet this role, as it allows them potentially to “punch above their weight.” For instance, there are the recent examples of G20 hosting by the Republic of Korea, Mexico, and Australia (Mo 2015). For former great powers or those that can no longer punch above their weight, some might suggest the United Kingdom or France, it means avoiding being exposed as unable to provide global leadership. For actual Great Powers, however, it means having to show and provide international leadership for one of the main global summits in the contemporary international system.

In setting the agenda and defining the priorities for the summit, no host starts with a *tabula rasa*. Each summit follows on the agenda and outcomes of the preceding summits. In theory, the next host is obligated to follow through on the commitments previously agreed to by leaders, where those commitments cannot be implemented fully in a single year. For instance, the commitment to raise G20 output by an extra 2.1 percent in 2018 if all states implemented their identified obligations is just one of many policy commitments that cannot be achieved in a single summit cycle. Financial institutional reform is another case where states are unable to achieve the goals in a single year. In reality, there is a measure of discretionary authority for each host to interpret and re-interpret the preceding outcomes. The next host also has leeway to decide where, how, and why to add new items. The room to add is correlated to the decision about how much of the preceding agenda to take on, and exactly how to do so.

Mexico reveals many of these aspects. Mexican hosted the G20 Summit in 2012 and inherited a significantly expanded list of commitments after the French G20 presidency of 2011 (discussed below). The Mexicans initially intended to pare back the agenda for the Los Cabos Summit, in order to give themselves some room to add a few items that were in line with their national interests, such as collective action against
transnational organized crime. In the end, however, the Mexicans largely carried forward the commitments from the preceding Cannes Summit. What the Mexicans added was rhetoric on promoting longer-term prosperity through “inclusive green growth.” The result from Los Cabos was a “Green Growth Knowledge Platform.” The enhanced agenda “explores options” for providing support to developing countries, a “nonprescriptive, voluntary toolkit” for green growth, and a “Dialogue Platform on Inclusive Green Investments” to engage in “further exploration” of mechanisms to mobilize funds for green growth investment – but absent concrete commitments (Government of India: Ministry of External Affairs 2012).

Ensuring continuity and follow-through on the summit agenda, as the host presidency rotates from country to country, has proven to be a serious challenge for the G20. This is so even when the intention of the next host, at least as stated, has been to follow through on previous obligations and priorities, rather than take on an ambitiously transformative agenda. Right from the start of the summit cycles, the challenge to achieve previous commitments was on full display starting with the transition from the first to the second G20 Leaders’ summit (the first was in Washington DC in November 2008, and the second in London in April 2009). There was much hand-wringing in and around 10 Downing Street during the preparation for the G20 London Summit when the UK authorities had to figure out exactly how to carry through on the commitments made at the inaugural summit in Washington, called by George W. Bush. That task was made more difficult by the fact that a US presidential election took place in November of that year. The White House then went into an extended three-month hand-over of presidential authority. Senator Obama did not formally assume the presidency until January 2009. In the interim, the organizers for the London G20 and the other G20 members were left in a “wait-and-see” holding pattern. What proved to be even more difficult was that after this three-month power transition, UK authorities and the other leading powers had to scramble to figure out what the new Obama White House would agree to for the next G20 summit in London. The fact that the global economy remained in a rather fragile state, and in much need of attention, added even further anxiety. Officials from the so-called BRICs nations (Brazil, Russia, India, and China) pointed out that there was not yet any follow up on the commitments that had been made in Washington, most particularly expanding the voice of the large emerging markets in the global architecture. The BRICs officials emphasized that these issues were pressing, even crucial, to the restoration of confidence in the global financial system.

Leaders and officials thus saw how delays in setting the summit agenda had obstructed the collective G20 efforts to provide global economic leadership at a time of crucial need. The results, however, of the London Summit, were salutary. The G20 leaders saw the power of the G20 to calm the markets when the G20 Summit spoke with a unified voice. The Chinese authorities, and others, further observed how Korea’s proactive, robust, and well-planned consultation process proved beneficial to setting the agenda for Seoul Summit in November 2010. The Summit resulted in advancing the

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3 Author’s notes from discussions at Chatham House, London, January 2009.
4 Ibid.
agenda on global financial and macroeconomic stability, as well as for initiating a new “consensus” on international development (Cherry and Dobson 2012).

**Chinese Strategy and Priorities for 2016**

Over the years, Chinese officials have called consistently for a G20 Summit that could offer a tight and focused agenda and concentrates on the core G20 economic issues. Beijing has repeatedly urged the G20 members to leave other matters, including concerns over major issues such as global climate change, to other forums such as the United Nations. The Chinese have observed the consequences when previous hosts seemingly expanded the agenda beyond what could be handled effectively by the G20 process. Former French president Nicolas Sarkozy’s steering of the Cannes summit was an instance of summit expansion. In preparing the agenda for Cannes, Mr. Sarkozy took a highly stylized approach to reinterpreting the commitments of the preceding 2010 Seoul Summit. Chinese officials noted, incredulously, that Sarkozy expanded the agenda, looking to address a wide and ever-growing range of “non-core” issues - global health, labor, agricultural production, and marine environment. Chinese G20 officials remarked that the expansion of the agenda also carried implications for summit architecture. The French presidency was driven to establish “more than 20 working areas.” Chinese officials were further dismayed that the French President expanded the invited participants for the summit to include representatives of private donor organizations, such as the Gates Foundation, and allocated precious time during the less than two-day summit to presentations to these private donors.

How then is China approaching the hosting of the Hangzhou Summit? Will the Chinese G20 host presidency keep the agenda narrow and focused, or expand the discussions? The Chinese have indicated clearly that they intend to put their own stamp on the agenda, whilst ensuring continuity with the 2015 Antalya Summit. More than a year ahead of assuming the G20 presidency, the Chinese leadership authorized China’s finance ministry and foreign affairs ministry to start conducting Track 1.5 consultations with leading Chinese G20 and global economic governance researchers. These early efforts were designed to kick-start strategic thinking for the Chinese G20 presidency. Chinese officials believe that the world economy is facing danger once again and they have encouraged the Chinese leadership to utilize the collective leadership of the G20 to act swiftly in setting the summit agenda, focusing especially on global macroeconomic stability, follow-through on global financial safety net measures, and new global growth and development measures. However, once again the Chinese organizers are facing a challenge — the United States is heading toward a presidential election in November...

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5 Author’s meeting notes with officials of the Republic of Korea foreign ministry, G20 Sherpa team, Seoul, November 2009. Chin and Dobson were both at the official media center of the G20 Seoul summit, November 2010.
6 Author’s discussion with Chinese foreign ministry officials involved in G20 Sherpa consultations, Beijing, October 2011.
7 Ibid.
8 Author’s discussion with Chinese Track 1.5 insiders for the G20 Hangzhou Summit preparations, November 2014.
9 Author’s discussion with Chinese Track 1.5 insiders for the G20 Hangzhou Summit preparations, August 2015.
2016. This US Presidential election is a source of uncertainty for Chinese officials as they work on refining the agenda and the proposed outcomes.10

Similar to other G20 presidencies, we expect Beijing’s approach to evolve (and the agenda likely to expand) throughout the year of hosting. Notwithstanding this reality, in the period leading to the 2015 Antalya Summit (November 2015), Chinese finance and central bank officials noted that China would keep the promotion of inclusive growth, implementation and investment as a top priority in follow up to the Turkish Summit. They also indicated that China’s leaders would urge G20 leaders to work collectively to endorse new measures to drive global economic growth and development.

On 16 November 2015, at the G20 Turkish Summit, Chinese President Xi Jinping announced that the dates for 2016 Summit would be 4-5 September 2016 (two months ahead of the next US presidential election), and the main theme would be “Building an Innovative, Invigorated, Interconnected and Inclusive World Economy” (Embassy of the People’s Republic to China in the Kingdom of Saudi Arabia 2015). Sticking to the script, Xi told the G20 counterparts that China’s preparations will focus on transforming growth patterns in innovative ways; improving global economic and financial governance; promoting global trade and investment; and encouraging inclusive and interconnected development. He emphasized that “particular focus” must be given to “pursuing reform and innovation.” “We must create and seize new opportunities to raise the potential of global economic growth” (Embassy of the People’s Republic to China in the Kingdom of Saudi Arabia 2015). In explaining the rationale behind the themes and priorities for China’s host presidency, Xi highlighted that although the global economy is “no longer mired in crisis, the recovery remains weak and fragile” due to “lack of growth engines.” He stated that, “the performance and policies of major economies are becoming increasingly divergent. We are in dire need of new sources of growth to push the global economy to a new round of prosperity” (Embassy of the People’s Republic to China in the Kingdom of Saudi Arabia 2015).

Xi Jinping also took the unprecedented step (for the Chinese) of calling for concerted action from G20 member states to help the G20 evolve from a “crisis response mechanism to one of long-term governance”, for “macroeconomic policy coordination and enhanced cooperation.” According to the Chinese President, this should result in the consolidation of the G20’s status as the “premier forum for global economic governance” (Embassy of the People’s Republic to China in the Kingdom of Saudi Arabia 2015). President Xi noted that 2015 is an especially busy year for global summits, with the UN Sustainable Development Summit, the Tenth Ministerial Conference, and the Paris Climate Conference “all on this year’s global agenda;” that new plans are being made for global development cooperation, the multilateral trading regime, and the global campaign against climate change. He emphasized that “we need to make coordinated and concerted efforts to guide international economic cooperation.”

Yet, President Xi also highlighted that reform of the system of global economic governance “has not progressed smoothly” in recent years, and that trade rules are evolving quickly (Embassy of the People’s Republic to China in the Kingdom of Saudi

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10 Author’s discussion with Chinese Track 1.5 insiders for the G20 Hangzhou Summit preparations, August 2015.
Part of the solution, according to President Xi, is “to increase the representation and voice of the emerging market economies and developing countries” in global governance, in order to “enhance the capacity of the global economy to ward off risks.” We can therefore expect that China will continue to promote the BRICs agenda of representational reform in the Bretton Woods institutions and the system of global governance, and their shared concern about the negative spillovers from “unconventional” central bank monetary policy decisions, such as quantitative easing.

Beneath the level of the G20 Leaders, the Chinese are generally following the practice of establishing two tracks to prepare the 2016 Summit: a finance and central bank track, and a Sherpa “diplomatic” track led by the foreign ministry. When pushed to engage on an expanded agenda, Chinese finance officials suggest that the non-core economic issues such as climate change, internet security and migration, are diversions from what should be the focus on core economic issues, and especially identifying new sources of economic growth. In contrast, the Chinese G20 sous-Sherpa from the foreign ministry, assigned to lead the diplomatic track, has played his role according to script, by offering statements that suggest a greater willingness to engage on a more expansive list of issues, and being more open to further consultation and engagement on the scope of the agenda. However, so far, the Chinese are giving no indication that they intend to move toward what the proponents of summit expansion call a “comprehensive agenda” that covers the economic-finance, sustainable development and political-security domains, and also non-core items that have also become part of the G20’s agenda such as health, ageing and mobility of the labor force (Martin 2013). It is, however, likely that the increase in violence from religious extremism could lead the Chinese to move discussion of global security cooperation to combat extremist violence higher on the G20 agenda.

Where the Chinese appear to have some strategic ambitions is in their subtle effort to reset the core agenda of the G20 by initiating a structural and systemic remedy for the global economy. This is the deeper meaning behind President Xi’s call to generate growth not only by promoting global trade and investment and building a more open world economy, but also by promoting inclusive and interconnected development. This includes “striv[ing] to implement the 2030 Agenda for Sustainable Development, eliminating poverty, and achiev[ing] common development” (Embassy of the People’s Republic to China in the Kingdom of Saudi Arabia 2015). Working under the banner of “inclusive growth,” the Chinese are trying to reset the G20’s core agenda by encouraging synergies between “strong, sustainable and balanced [global] growth” and “[global] development.”

Within the G20 process, the Chinese have a long standing discomfort with treating “growth” and “development” as separate issue areas, as has been the traditional under separate Working Groups 1 and 4. Based on this segmentation of work areas, growth has been handled as part of the negotiations under Working Group 1, which has largely been about addressing global macroeconomic imbalances, and exchange rate adjustments, using an IMF-led “mutual assessment process” (MAP). Separate from the

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11 Author’s discussion with Chinese G20 Track 1.5 insider involved in the G20 Hangzhou discussions: December 2015.
growth discussions, “development” has been treated as an issue that somehow does not involve the finance ministers and central bank governors of the developed countries. It has been left instead as a dialogue led by development ministers of the developed donor states and developing country representatives, under a separate Working Group 4 of the G20. Beijing has been lukewarm, at best, about the IMF-led MAP, and sees this tool as mainly reflecting the national interests of the United States and some members of the G7 finance grouping (such as Canada).

Together with the BRICs governments and developing countries in the G20, China has instead championed regarding “development” as a global issue that relates to the needs of all nations. They are advocating for development to be considered not only a Southern concern, where the Northern states are the dispensers of wisdom, and the South are takers. Instead, at a succession of G20 summits, they have called for linking the agenda for development more squarely with the global growth agenda. These analytical and strategic threads were brought together, and highlighted in the recent comments from China’s former G20 Sherpa, that the global economic imbalance “is real, but it is not the fault of one country or a group of emerging economies. It is a result of long years of following outdated models based on a system full of holes” (He 2015).

Supporting the Chinese leadership, He Yafei, currently Vice-Minister of the Overseas Chinese Affairs Office of the State Council (Vice-Ministerial rank in the Ministry of Foreign Affairs), makes a “clarion call for innovation of the whole system rather than plugging a few leaking holes”, and he suggests that the “Belt and Road” (B&R) initiative proposed by China serves as an “excellent example. The B&R is not an idea for China’s growth only. Rather, it is a concept for broad regional development and trans-regional development. It is a [new] growth model intended to address the existing global imbalance” (He 2015). He adds that, under B&R, China has taken two initiatives, the Asian Infrastructure Investment Bank (AIIB) and international production capacity cooperation; and that these involve “transfer of excess capacity from China to suitable economies to help with their industrialization drives.”

The Chinese are promoting convergence between growth and development, along two paths: infrastructure investment and inclusive finance. They suggest that all countries and economies have infrastructure modernization needs. Drawing on their own domestic development experience, and that of East Asian economies, they believe investment in infrastructure has a stimulating effect simultaneously on growth and development. One can anticipate that the Chinese will look to advance the theme of infrastructure at the Hangzhou Summit. For the G20, infrastructure took on a more serious tone when the Group decided at the 2014 Brisbane Summit to launch a “Global Infrastructure Initiative” (GIF) and a “Global Infrastructure Hub,” led by the World Bank. Then, in 2015, the Turkish G20 Presidency highlighted the “investment gap all over the world, especially in infrastructure,” and led the formulation of an “Investment Agenda” to close the gap (Dagdas n.d.). Following the agenda that had been set in motion in Australia, the Turkish G20 hosts called for “unlocking” private sector investment for infrastructure (and SMEs) and for “enhancing” project preparation processes for infrastructure (effective prioritization and Public-Private Partnership models). The G20 Finance Ministers and Central Bank Governors endorsed the World Bank Group’s PPP

12 Author’s discussion with Chinese Track 1.5 insider involved in the G20 Hangzhou discussions: October 2015.
Guidelines and the OECD/World Bank Group PPP Project Checklist, as so-called “international best practices” for preparing and implementing the PPPs (G20 2015).

For the upcoming Hangzhou G20 Summit, the other members of the G20 will want the Chinese hosts to clarify how the newly created China-backed Asian Infrastructure Investment Bank (AIIB) and New Development Bank (NDB), and the B&R, will supplement the G20’s efforts on infrastructure investment to date, including the World Bank and the OECD PPP guidelines. They will want to hear the Chinese address the prospects for strengthening global coordination between the new China-backed multilateral financial institutions, and the G20-backed initiatives (e.g. the GIF, and the Global Infrastructure Hub). Members of the Task Force on Sustainable Infrastructure co-led by Kevin Gallagher at Boston University’s Global Economic Governance Initiative and Rogerio Studart and Amar Bhattacharya at Brookings Institutions, will want to know whether, or how, the new China-backed multilateral infrastructure financing will converge with, or support, the new Sustainable Development Goals (SDGs), and the G20 process. The Chinese will look to address these concerns, although their statements heretofore indicate that they are not looking to merge the new China-backed infrastructure and investment banks with the programs of the global multilaterals which the G20 has endorsed in preceding years. China’s Finance Minister and Chair of the Board of Governors of the recently launched AIIB, Lou Jiwei, for example, speaks about the new China-backed bank playing a “complementary” role to the existing programs of the multilateral development banks, and of China’s willingness to explore ways for the banks to cooperate. In this scenario, joint financing is a possibility. Prior to the launch of the new bank (January 2016), however, Lou made no mention of merging the programming or the lending between the new banks and the incumbents, i.e. co-financing (Chin 2016).13

We can expect the Chinese, as G20 hosts, to continue to talk about the complementarities between the new Beijing-backed initiatives and those of the established multilaterals, but not to push for any substantive merger of co-existing efforts. For instance, one scholar of international relations at Renmin University China (the “People’s University,” which is fast becoming a leading center for G20 research), Wang Yiwei, suggests that the G20 is a major international platform to coordinate economic policies for inclusive growth and that the B&R initiative is one such policy aimed at common growth. Wang argues that “the Belt and Road initiative, along with the other proposals of the BRICs New Development Bank and the Asian Infrastructure Investment Bank, are [simply] creative and substantial projects to achieve growth both for China and the relevant countries” (Xinhuanet 2015).

Another Chinese researcher in international economics, also at Renmin University, Hu Yuwei, suggests that “Belt and Road countries overlap with G20 countries, and the two entities have mutually communicable aims. Fully integrated, they can boost global economic development” (Xinhuanet 2015). The same researcher adds that G20 countries currently constitute about 90 percent of the world’s GDP, but that B&R countries are expected to contribute 80 percent of global growth by 2050. The Chinese also prefer to emphasize the new micro-level partnerships that are being

13 “Joint financing” entails distinct but coordinated and complementary projects, whereas “co-financing” involves the different parties contributing financially into a shared pool or project.
formed between firms in different countries, the new patterns of industrial cooperation that are spurred by the infrastructure improvements which the new China-backed initiatives intend to fund. Some Chinese corporate representatives suggest, for example, that as the B&R develops, more Chinese companies, especially in the Western hinterland, are seeking new partnerships with counterparts in other countries.

The Chief Executive Officer of Spark Machine Tools, a major machine tool producer in China’s Gansu province, Guo Jianhui, has stated that B&R has “opened our minds and encouraged us to be more visionary” (Xinhuanet 2015). Spark has already established trade and investment ties to Southeast Asian and European markets, and it plans to further expand its reach. In 2008, Spark acquired French firm Somab, and formed a partnership with Germany’s WMH, to produce gears. In 2014, Spark’s French division sold RMB 100 million (US$15.8 million) worth of machine tools. Guo added: “We hope to cooperate more with European firms, to build smarter tools” (Xinhuanet 2015). To support the formation of such new international ties, Chinese provinces intend to invest heavily in infrastructure. Gansu, for example, plans to spend RMB 800 billion to build 70,000km of railways and highway in the next six years.

Professor Hu at Renmin University suggests that China, as the host of the next G20 Summit, “is fully prepared to share economic growth with other countries, both within Belt and Road, and also in the G20 organizational arrangements” (Xinhuanet 2015). However, such reassurances are not likely to satisfy foreign stakeholders. It would not be surprising, for example, if the Australians push the Chinese G20 presidency to clarify whether it will follow the Turkish example by engaging the private sector (including long-term institutional investors) as well as endorsing the business plan from the Sydney-based Global Infrastructure Hub. This includes its assessment of data gaps and its proposed measures for lowering barriers to investment.

The other element that we can expect the Chinese G20 presidency to pursue in promoting inclusive growth is “inclusive finance.” As part of the global effort to address the new Sustainable Development Goals (adopted by the UN membership in 2015), Chinese authorities appear to have been particularly swayed by their recent engagement with the United Nations on inclusive finance. These UN-led discussions on financial inclusion have revolved largely around the developing and emerging countries, which have “embraced” financial access as an integral element of their strategies for improving the lives of their people (United Nations 2015). Global organizations and global coordination are said to be key to providing valuable support and resources and for highlighting key national examples for international leaning.

China’s central bank governor, Zhou Xiaochuan met with the UN Secretary General’s Special Advocate on Inclusive Finance for Development (H.M. Queen Maxima of the Netherlands), during her visit to China in November 2014 to discuss China’s experience and lessons in financial inclusion, and the support that China could provide to the UN-led program (United Nations 2015). The Special Advocate met again with Governor Zhou during the World Bank-IMF Spring Meetings in April 2015. The Special Advocate highlighted two goals in particular: finding solutions that can have the widest impact and reaching neglected populations, particularly women. During her trip to

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14 Author’s discussion with Chinese Track 1.5 insider involved in the G20 Hangzhou discussions: October 2015.
China in November 2014, the Special Advocate also met with Alibaba founder and chair Jack Ma, at Alibaba’s corporate headquarters in Hangzhou, where they discussed the potential of online financial services to expand financial inclusion, and enrolled the support of Alibaba, one of the China’s leading private high tech companies into the global initiative.

She met also with Alibaba, Tencent and China Mobile, together, to discuss the unfolding digital landscape in China, where digital finance extends beyond mobile money, and how online financial services are being offered inside China by a growing range of internet-based providers. After her meeting with the leading edge Chinese ITC firms, the Special Advocate remarked that: “The potential growth of online financial services, targeting especially the excluded and productive segments of society, is enormous. China’s embrace of technology-based finance could be particularly promising for small businesses, which often have limited access to traditional banking. As partnerships emerge between mobile operators, banks, and internet-based companies, the newly blurred lines between what were once distinct businesses point to a broader path to financial access for enterprises” (United Nations 2015).

Coming out of the Paris Climate Change Conference (December 2015), we can also expect the Chinese to give some attention to “green finance” during their G20 Presidency. The Chinese have long argued that a lack of financing is the main obstacle for developing countries to make the transition to more environmentally friendly development. In the last two years, China’s central bank has taken a leading international role in advocating for green bonds, and for the creation of green financial markets. They will want to feature this theme as a priority in the core agenda for the Hangzhou Summit.

The Obama administration has offered “active support” for China having assumed the presidency of the G20 in 2016, and has stated that the White House “looks forward to working with China to advance the G20 agenda.” This support is predicated on China’s leadership backing the climate change commitments that the two sides agreed to as part of their bilateral “Strategic & Economic Dialogue,” and represents the intersection between G20 summity and contemporary US-China bilateral summity (The White House: Office of the Press Secretary 2015). In the lead-up to the G20 Summit in Turkey, the Obama White House chose to emphasize that the US and China were “committed to delivering positive outcomes for the Antalya Summit across a number of areas (The White House: Office of the Press Secretary 2015). . . to make substantive progress towards delivering on our 2009 G20 commitment to phase out inefficient fossil fuel subsidies” (The White House: Office of the Press Secretary 2015). The Chinese can be expected to follow up with green finance in Hangzhou.

Organizational Structure

In defining the substance of the G20 agenda, the host is required to determine how much attention to give to issues of the organizational structure of the G20 itself. It is one of the key aspects of hosting. Especially for middle powers, or newly emerging economies in the G20, there is a desire to show they belong in the elite grouping. To enhance their position, these hosts will focus on the design of the G20 and the architecture of global governance.
G20 hosts have felt the need to include some items related to “strengthening” the G20 in the final communiqué, especially after the Pittsburgh Summit (September 2009), when US President Barack Obama called the G20 the “premier forum for our international economic cooperation.” At the Seoul Summit, the Korean hosts called for strengthening the G20. The French presidency asked British Prime Minister David Cameron to lead in the drafting of a Report on Global Governance, which was presented at the G20 Cannes Summit (“Governance for Growth”) and included suggestions for strengthening the G20 (Dobson 2013; Government of the United Kingdom: Office of the Prime Minister 2011). Although most G20 member states supported the idea of strengthening the G20 “in some way,” there was lack of consensus on exactly how to do so.\(^{15}\) Two camps emerged: one side believed that the G20 should be turned into a formal, treaty-based organization, with a permanent Secretariat (including the UK, Korea and Australia); and the other side believed that it was better for the G20 to remain as an informal forum for economic cooperation (including the US, China, Japan, and the BRICs).\(^{16}\)

Chinese officials have made it clear that China much prefers the G20, over the G7, as the premier mechanism for managing the world economy (Chin 2010). Chinese officials have been willing to support the creation of a “supportive mechanism” for the G20 that could handle logistics for the administration of the summits, but did not back the unit getting involved in “strategic issues.”\(^{17}\) To quote, “China supports “increased institutionalization of the G20 mechanisms, but short of formalization.” The Chinese also supported the Financial Stability Board (FSB), which Chinese officials called, “the only baby of the G20.” They also suggested that the “future character of the FSB could be molded by the G20 members, through group consultations,” in contrast to the difficulties of IMF reform.\(^{18}\) Why did China take this position? The answer, we believe, is that despite their recent calls to elevate the role of the G20, the Chinese leadership and their strategists ultimately still held the view that the global community is living through a period of extended transition from one global order to another. In these circumstances, they believe it is best to see the G20 as a transitionary coordination mechanism that is appropriate to today’s global order (Chin 2010). Moreover, Beijing continues to see the United Nations as the “most legitimate” global forum for managing world affairs, despite its evident limitations.

It is therefore especially noteworthy that, despite their caution about formalization of the G20, the new “Fifth Generation” Chinese leadership are taking a more proactive and robust approach to global diplomacy and global summity. President Xi’s statements about helping the G20 to “consolidate” its status as the “premier forum for global economic governance” are unprecedented for a Chinese leader (Embassy of the People’s Republic to China in the Kingdom of Saudi Arabia 2015). Considering the added support that the Chinese leadership is giving to the G20, we recommend that China can make a unique contribution to the G20 architecture. A defining and lasting institutional legacy of the Hangzhou summit could well be to

\(^{15}\) Author’s discussion with Chinese foreign ministry officials involved in G20 preparations, Beijing, October 2011.

\(^{16}\) Ibid.

\(^{17}\) Ibid.

\(^{18}\) Ibid.
initiate an *interim* secretariat for the G20. Such a secretariat might start by handling logistics for three successive summits, ensuring consistency on protocols, and serving as an interim repository where key documents and archived data and information could be stored. We further suggest this interim G20 unit be placed in a well-managed international financial center such as Singapore (if the Singaporean authorities are willing). China’s contribution could be to provide the first-three years of financing and some of the staff for this new office, including the director for the three-year period. Germany’s pioneering contribution to the creation of the Office for the G8+G5 Heiligendamm Dialogue Process (2008-2011) would be a model for Beijing to consider for the G20 level (Alexandroff 2008; Kirton 2008). The Chinese would acknowledge that the lack of a “permanent” protocol, coordination, and logistical office for the G20 does add to the challenge of ensuring the consistency, continuity, and quality of the summits.

Financing the creation of such an interim logistical secretariat would be a more practical and worthwhile contribution from China than investing, for example, in the Think20 (T20). This network of think tanks has been convening around each G20 summit, starting with the Mexican G20 presidency in 2012, when it received backing from the Mexican foreign ministry. Despite the routine of T20 meetings, the investment for these gatherings (including from Canada’s International Development Research Centre), and the status that has been conferred on this “engagement” platform by some G20 presidencies, there is no apparent evidence that this self-declared “ideas bank” has made a tangible contribution to a G20 working group, ministerial committee or host presidency. G20 researchers will be watching to see if the participating Chinese think tanks and academic institutions in the T20 can make more of the Think20 platform than the perfunctory discussions to date. The main Chinese participants for the T20 discussions are the Chinese Academy of Social Sciences (Institute of World Economy and Politics), the Shanghai Institutes of International Affairs (SIIS), China Institute for Reform and Development, and the Chongyang Institute for Financial Studies at Renmin University in Beijing, and includes some involvement from Peking University’s School of International Studies.

**More than Logistics**

Commentators on the G20 process have tended to focus on the substance of the agenda for the G20 summits, leaving aside the decisions of summit logistics, and location features. In terms of basic essentials, G20 hosts need to consider the appropriateness of a venue from the standpoints of accessibility (international travel), hotel accommodations, and security. Although the G7 has moved their summits to increasingly remote locales, ostensibly to create intimacy but also to escape from growing civil society protests, the G20 have tended to host their summits in more easily accessible locations, and where there are adequate hotel and conference facilities. With so many senior political leaders and media representatives (international and domestic) gathering in one place, ensuring the security of the leaders and the participants is of highest priority. The Toronto G20 (June 2010) was marred by the mishandling of public affairs and public outreach. Local police forces were criticized for using excess force in managing protests. In contrast, the Koreans reportedly secured a perimeter around Seoul. Highly trained military forces were placed at this perimeter of the city, but the presence of the security forces was not obvious to the public or the summit.
Nimble handling of security is especially important as so many members of the foreign press corps are moving around the summit locale, reporting in real time, and sending messages around the globe. The media must be allowed the freedom to work, even while their security is ensured.

What some may see as mundane issues of summit location and timing actually reflect a large measure of strategy. The leadership of the host nation is wrapped up in the G20 hosting functions and the G20’s image is said to ride on the quality of the intervention of the host presidency. As such, G20 summity follows the tradition set by the smaller G7 Leaders summits, which emphasized the role of political elites in global governance, acting informally. There are two main assumptions in the existence of the G7. The first is that more can be accomplished by a small group of leaders meeting informally, in an intimate setting, building consensus on pivotal issues, rather than meeting at large formal gatherings such as under the UN umbrella. The second assumption is that the leaders themselves take personal ownership of the policy process rather than relying on their bureaucratic handlers to steer (Putnam and Bayne 1987). Picture Ronald Reagan and Margaret Thatcher sitting by the fireplace, deciding the fate of the world.

Can we expect the current Chinese President (and General Secretary of the Chinese Communist Party) Xi Jinping to put his imprint on the G20 Hangzhou summit? The choice of Hangzhou, Zhejiang province as the locale for the summit in 2016 is, it seems, a very deliberate decision. Xi Jinping was Party Secretary for Zhejiang province from 2003 to 2007. The first time President Xi held the top provincial post, he lived in the provincial capital of Hangzhou. Zhejiang has also been known since ancient times as the home of people with business instinct and adventurous spirit. The coastal province is the traditional base of the “Red Capitalists” in China. This Red Capitalism resides in Zhejiang cities such as Wenzhou and Yiwu, where small-scale manufacturing companies have thrived during the recent decades, producing low cost consumer goods for export markets. This entrepreneurial legacy is said to have bred a series of modern day business legends. Zhejiang province is home to the leading private Chinese automaker, Geely Corporation. Hangzhou is the birthplace of Jack Ma and the e-commerce firm Alibaba. The city historically known for scenic West Lake has more recently been called China’s “e-commerce capital.” It has a population of nearly 8.9 million and has approximately 120,000 software developers residing, and hundreds of thousands of young entrepreneurs, many of whom are involved in Internet-related businesses (Xinhuanet 2015). Another cluster of Internet-based firms, called “Dream Town,” has sprung up in the area. A young entrepreneur Zhou Kunpeng, established an online platform to sell food and daily necessities to college students. After only one year, the business had spread to over 1,800 universities in 167 Chinese cities. Zhou states that the “entrepreneurial environment here is good. As long as you have great ideas and teams, it is easy to find investment and market” (Xinhuanet 2015). The city of Hangzhou, and Zhejiang province are presented collectively as the “new face” of China.

The three-and-a-half years President Xi resided in China’s richest province are considered a transformative period for the province, during which the “private sector”

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19 Chin and Dobson were in the official media and NGO center of the G20 Seoul summit, Seoul, Republic of Korea, November 2010, as well as the G20 London Summit in April 2009, and the G20 Cannes Summit in November 2011.
in Zhejiang grew rapidly, and the province moved toward cleaner, more innovative industries. After he arrived at the helm in autumn 2003, as party secretary and governor, President Xi encouraged labor-intensive factories and heavy industry to move inland, and he favored the attraction of more innovative businesses, and non-state funded research and development facilities. The strategy seems to have paid off, as R&D investment by non-state industry surged four-fold from RMB 5.6 billion in 2003 to RMB 31.6 billion in 2007 (Ho 2012). The provincial GDP grew rapidly during this period, at 14 percent, increasing from RMB939 billion to RMB1.8 trillion. President Xi is known to have said that “many of the businesses in Zhejiang started from scratch, but they worked very hard and became wealthy” (Ho 2012).

The Chinese authorities are building a large new conference facility in Hangzhou, reportedly in one the city’s new industrial zones, to host the summit and showcase the corporate and developmental accomplishments in the Zhejiang area over the recent decades. At the G20 Summit, the Chinese President will likely take the lead in highlighting China’s cutting edge dynamic companies in the area as examples of China’s future economy, and models for growth and development that other nations and national leaders would want to examine more closely. Chinese authorities will herald that Zhejiang ranks fourth among 31 provincial-level regions in China, in terms of GDP (2014). The GDP of Hangzhou is said to exceed RMB 449.8 billion (over US$70 billion) during the first-half of 2015 alone, and the municipality registered annual growth of 10.3 percent, placing it atop the rankings of cities in the well-off Yangtze River Delta.

Regarding the potential showcasing or modelling of China’s experiences of inclusive growth at the G20 Hangzhou, the UNSG’s Special Advocate on Inclusive Finance comes to mind as holding particular relevance. At the Alibaba Conference on Women’s Entrepreneurship in Beijing, the Special Advocate stated that, “gender equality lies at the heart of development progress. We know that women deliver the highest return for social and development investment. Empowering women to control their own money is a complex process with a powerful social dimension that resists straightforward solutions. Regulators and policymakers can make a difference by reshaping rules that exclude women, and service providers can look closely at financial education, targeted marketing and product design” (Ho 2012). She has also engaged with Chinese officials, including the central bank governor, about developing an overarching policy and regulatory framework for financial inclusion. These discussions between the UN and public and private sector leaders in China provide an already established foundation of global-level policy advocacy upon which the Chinese can build further for the Hangzhou Summit. It should not be a surprise if Chinese authorities return to similar growth and developmental themes, alongside the new face of Chinese commerce, at the G20 Hangzhou Summit.

**Summary**

Our analysis highlights three main points regarding the process and strategic aspects of China’s G20 hosting. First, China, in taking on the G20 presidency and the role of summit host, and leading the process of defining the agenda and priorities for the upcoming Hangzhou Summit, is assuming new forms of global leadership in shaping the organizational processes and outcomes in global governance. This is a clear example of China shedding its adherence to Deng Xiaoping’s instruction to “lay low and conceal
brilliance”, and to heed instead the current leadership’s call to “expand and broaden the agenda of China’s diplomatic strategy”, “advance its multilateral diplomacy”, and “work to reform the international system and global governance.”

Second, in defining the agenda and priorities for the upcoming Hangzhou summit, China is adhering to the obligation of following up on core priorities from the preceding G20 Antalya summit, though it is also making use of discretionary authority of the host, to pursue some transformative strategic goals in steering the global economy. As stated at the outset, no host starts with a tabula rasa. We see the Chinese, on the one hand, declaring that they will ensure continuity in transitioning from the 2015 Summit, especially on strengthening macroeconomic stability, ensuring macroeconomic and monetary policy cooperation, maintaining an open world economy, and safeguarding global financial stability. They will also likely ensure that attention continues to be given to improving global energy cooperation. On the other hand, the Chinese are looking to go beyond the Turkish efforts to promote “inclusive growth, implementation and investment”, and to push more ambitiously for the G20 collective leadership to support new sources of global growth and innovation, and a transformation in growth patterns, by promoting inclusive and interconnected development. This will be accomplished, it is hoped, through infrastructure investment, and by implementing the 2030 Agenda for Sustainable Development. In brief, the Chinese, working under the banners of “inclusive growth”, “inclusive finance”, and “green finance” are trying to reset the G20’s core agenda, by encouraging synergy between global growth and global development.

One factor that will determine its success in resetting the core agenda of the G20, will be whether the Chinese are able to build a broader coalition of G20 member states, who are willing to support the wealth and skills re-distribution programs entailed in China’s infrastructure investment-led, industrial innovation and inclusive growth strategies. Here, it will be interesting to see if China can garner support from other G20 members in Asia, the BRICs, the developing world, and Europe – likely countries which have already joined the AIIB, and which share a similar experience and perspective on the transformative potential of infrastructure investment. These countries are likely to be willing to “row together, in the same boat” toward the common goal. The test if whether they will support China’s transformation agenda. Achieving success here would likely require the Chinese to support the desire on the part of the others to foster synergy and complementarities between the existing G20-backed infrastructure initiatives and the new China-backed infrastructure and development banks, in terms of concrete commitments at the programming and project levels. This may be one of the motivations behind the recent coverage in the Chinese media (January 2016) of officials from other AIIB member countries suggesting that the debut projects of the newly-launched AIIB may include some “co-financed” projects with other multilateral lenders (Zhang 2016).

Even though we observe China taking on a more robust global leadership role in global economic crisis management, the scope of Chinese global leadership remains somewhat circumscribed – at least within the G20. In brief, China’s leaders continue to be highly selective in what they choose to focus on, in providing global leadership, and especially within the G20 process. China’s leaders appear increasingly willing to step up to provide global direction on matters of the global economy. Recently, the scope has
expanded somewhat, within the G20, to also include action on global climate change efforts. The Chinese have done so with an eye to securing US support: for China’s host presidency; for securing success in this issue-area for the Hangzhou summit; also to meet the demands of the global community coming out of the Paris Climate Change Conference; and ultimately to secure environmental management, which has become such a pressing domestic concern, inside China. The Chinese leadership still appears less comfortable, willing or ready – at least within the G20 – to offer a global vision on priorities for global health, ageing and mobility of the labor force, for example. Beijing appears more willing to support (or at least play along with) the UN-led agenda on these items. The Chinese, as such, continue to consider the relative utility of various global platforms, for meeting differing needs in global governance. On the issues in which China chooses to focus on, there is also usually a correlation to a strong sense among Chinese decision-makers of China’s national-global interests. These points highlight the importance of researchers being precise in delineating the limits of China’s embrace of global leadership. Moreover, these limits may evolve and vary depending on which institutional vantage we are looking from, e.g. the G20 versus the UN, internal Chinese calculations about the relative utility of particular global institutions, and the evolving national interests of an increasingly globally-integrated China.

Third, there is strategy behind the selection of Hangzhou as the summit location. Zhejiang province, and Hangzhou city, are not only the home of attractive scenery, ancient culture, and an affluent, dynamic and adventurous citizenry, but also for a large body of ‘private’ Chinese e-commerce companies, information and communication technology firms, innovative new service providers, and cutting edge manufacturers, including the corporate headquarters for Alibaba and Geely Automotive. Zhejiang is also where the current State President and Party General Secretary served as Provincial Party Secretary and Governor, and the local economy flourished during his tenure (2003-2007). The Chinese leadership will take a very direct and personal role in showcasing the corporate and economic success in Zhejiang, and Hangzhou, and in introducing the new face of corporate China to the global audience during 2016 and the Hangzhou summit.

Finally, and related to logistics and G20 institutional design, we offer one recommendation. All members of the G20 can agree that ensuring continuity, follow-through and the quality of the summits has been an ongoing challenge. To this end, China should support the creation of a secretariat, on a 3-year trial basis, that could start by handling logistics for three successive summits, ensuring consistency on protocols, providing an interim home for key documents and archived data and information. We further suggest to locate it in a neutral setting, outside of China, and that a well-managed international financial center such as Singapore would seem to us to be an optimal location (if the Singaporean authorities are willing). Such a contribution would serve to strengthen the design of the G20, and as such, be a unique institutional legacy of the Hangzhou summit. In so doing, China will have responded to the Chinese President’s call to “consolidate” the G20’s status as the “premier forum for global economic governance”, and help it to evolve from a “crisis response mechanism to one of long-term governance.”

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