China's G20 Policy: Continuation and Adjustment*

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As the biggest developing country in the Group of Twenty (G20), China has consistently supported measures to stimulate world economic recovery, called for reform of the international financial system and substantial assistance to developing countries, and opposed protectionism in all forms. Given the stagnation of the G20 process in recent years, China has focused on the Development Agenda in the G20 framework and, in particular, promoted the importance of infrastructure in global economic growth, an area that intersects with development, investment, employment, and assistance to developing countries. By combining her own economic advantage with the great demand for infrastructure financing in the developing world, China expects to help developing countries build their own capacity in economic growth and at the same time provide greater leadership in narrowing the deficit in global economic governance.

Keywords: G20, China's policy, adjustment, infrastructure

Introduction

As a topic of considerable research and debate, China's policies towards international institutions have undergone significant changes in its reform and opening-up era. The recent years has seen a shift in China's position and policies towards international institutions from "learning" the established global rules and norms (Johnston, 2007), to providing leadership in global governance in areas where it has strengths. Ever since the beginning of the G20 process, China has been an active participant. Observers differ on the role China plays in the G20. Some view China as a free rider concentrating on its own narrow interests (Kirton, 2012), others see the country as a pragmatic player seeking changes to the traditional global economic governance model (Li, 2011; Jorgensen & Strube, 2014), and most Chinese scholars regard China as an active co-operative reformer (Jiang, 2014). After China was selected as the rotating chair to host the 2016 G20 summit, there have been more talks about China assuming a greater leadership role in the G20 (He, 2015; Chin & Dobson, 2016). As a matter of fact, China's behaviors in G20 constitute a good case in its transition to a greater leadership role. The article, based on a close reading of the addresses delivered by Chinese presidents at the 10 G20 summits between 2008 and 2014, attempts first to delineate China's major proposals and actions within the G20 framework. In particular, the article will proceed to focus on the rise of infrastructure in China's G20 proposals as an example of its growing leadership role whereby the country, in response to the shifting G20 momentum and problems afflicting long-term global growth, has tried actively to contribute to global economic governance.

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Chinese Proposals and Actions

China has given firm support to the G20 process ever since the founding of the organization in 1999. It not only attended all the annual meetings of G20 finance ministers and central bank governors but also hosted the 2005 meeting. At the time before the first G20 summit in 2008, when President George W. Bush invited other G20 heads of state for a summit to address the raging financial crisis, Chinese President Hu Jintao was the first to accept the invitation, before the time and place for the first summit was finalized (Paulson, 2010). After that, Chinese presidents have attended and addressed all the 10 G20 summits, and China has now assumed the G20 2016 presidency.

Table 1 shows the frequency of some key words in Chinese presidents' nine G20 summit addresses between 2008 and 2014, representing major Chinese concerns and proposals within the G20 framework in four areas: global economic recovery and growth, reform of international financial and monetary systems, accommodation of developing countries' interests, and opposition to protectionism.

Table 1

Frequency of Certain Key Words in Chinese Presidents' Addresses at the First Nine G20 Summits¹

Areas	Key words	Number of occurrence
Crisis and recovery	Jinrong weiji (financial crisis)	69
	Jingji fazhan (economic development)	49
	Jingji zengzhang (economic growth)	39
	Fusu (recovery)	26
Reform of international financial system	Jinrong tixi (financial system)	25
	Jinrong jianguan (financial supervision)	19
	Huobi tixi (monetary system)	15
	Gaige (reform)	44
	Gongping (fair)	14
	Gongzheng (just)	12
	Baorong (inclusive)	7
Accommodating developing countries' interest	Fazhan zhong guojia (developing countries)	81
	Zui bu fada guojia (least developed countries)	15
	Yuanzhu (aid)	15
Anti-protectionism	Baohu zhuyi (protectionism)	23
	Jichu sheshi (infrastructure)	17 (5 in 2011; 6 in 2014)

First, global recovery and sustainable growth has been a constant theme in Chinese presidents' official addresses at the first nine G20 summits. In the first two years after the launch of the summit, the financial crisis deepened to envelope the whole globe. Finding remedies to end the crisis and pulling the world economy back to growth was the consensus among all G20 members. As the crisis spent its force and the world economy showed signs of recovery in the second half of 2009, there were still volatile factors and uncertainties afflicting the world economic prospect, including slack growth, lukewarm demand, emerging sovereignty debt problems in some countries, and drops in international trade growth. Therefore, recovery and growth have been key themes throughout all G20 summits. As Table 1 shows, key words related to the crisis abound in Chinese presidents' remarks at the nine summits. "Financial crisis" appears 69 times, "economic development" 49 times,

¹ The Chinese texts of Chinese presidents' addresses at the first nine G20 summits are collected from Xinhuanet online, and calculation of key words is done with the help of the software Wordsmith.

“economic growth” 39 times, and “recovery” 26 times.

More importantly, China followed up with concrete policies to honor its growth proposal. On November 5, 2008, 10 days before the first G20 summit, then Chinese premier Wen Jiabao announced at a State Council meeting a 4-trillion RMB (around 585 billion US dollars) stimulus package for the coming two years, which President Hu Jintao brought to the summit. According to the United Nations, the size of Chinese stimulus amounted to 13.3% of the country's GDP at the time, the highest stimulus-GDP ratio of all the G20 members (United Nations, 2010). The stimulus took immediate effect. The Chinese economy registered the best performance during the crisis years among all G20 countries, making substantial contribution to world economic recovery. In 2013, China contributed close to 30% of world economic growth, much higher than the share of its economy in the world (Shen & Xiong, 2014).

A second consistent proposal on the Chinese side is reform of the international financial system and stronger supervision of large financial institutions. With the rise of industrializing economies, the problems of representativeness and legitimacy within the existing international system, which was designed in the immediate post-WWII years, are becoming increasingly acute. At the first BRIC summit in June 2009, then Brazilian president Lula da Silva minced no words about the “broken paradigm and dysfunctional multilateral institutions” in the existing structure of global governance and called for creative ways of global economic governance (Lula da Silva, 2009). Obviously, reform of the international financial system in the direction of fairness and inclusiveness is the shared aspiration of developing countries. As Table 1 shows, Chinese presidents mentioned “financial system” 25 times, “financial supervision” 19 times, “monetary system” 15 times, and “reform” 44 times.

A third recurring theme in Chinese proposals is accommodating the interests of developing countries and promoting the development agenda, an area that most distinguishes China from developed countries. “Developing countries” is a prominent key word in Chinese presidents' addresses at the first nine G20 summits, appearing 81 times and averaging nine times per address. Terms such as “least developed countries” and “aid” also appear 15 times respectively. In the eyes of the Chinese government, it is an obligation to help developing countries. Some scholars share similar views about the role of the G20. Unlike the G7 or G8, which are organizations by the few, of the few and for the few, the G20 should become a governance network “by the top 20, but of and for all”(Cooper & Thakur, 2013, p. 135).

China also backed up this proposal with substantial actions. As is demonstrated in President Hu Jintao's address at the 6th G20 summit in Cannes, France, as of 2011 China had provided credit of \$15 billion, \$10 billion and \$10 billion respectively for ASEAN countries, Shanghai Cooperation Organization (SCO) members and African countries, and preferential policies such as food aid, infrastructure projects and reduction and exemption of import-export duties were also offered to some least developed countries.²

A fourth consistent theme in China's G20 proposals is opposition to protectionism in trade and investment. Chad P. Brown (2010) captured the mood of protectionism concisely at the beginning of a report early in 2010: “When the economy is down, protectionism is up”. In the wake of the 2008 financial crisis, a considerable rise in protectionism was registered in world trade. According to statistics by Global Trade Alert (GTA) in 2013, 127 and 125 protectionist trade measures were implemented respectively in the fourth quarter of 2012 and first quarter of 2013 around the world, the two highest quarterly figures since the record began. And China bore the

² See President Hu's address at http://news.xinhuanet.com/world/2011-11/04/c_122235131.htm

brunt of this round of protectionism. Around 41% of all anti-dumping and anti-subsidy investigations since the start the crisis were targeted against China (Li, 2013).

As the single biggest victim of trade protectionism after 2008, China stands firmly for anti-protectionism and trade liberalization. The word “protectionism” occurs altogether 23 times in the nine addresses, amounting to an average of 2.6 times per address, and they all appear in the context of opposition to protectionism in trade and investment. China has asked for greater empowerment of international organizations such as the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD) to strengthen supervision over restrictive measures in trade and investment around the world; it is also a strong advocate for preserving and strengthening an open, inclusive, transparent and non-discriminatory multilateral trade system, cautioning against exclusive trade standards and rules and systems.

Rise of Infrastructure in G20's Development Agenda

In addition the above four areas of proposals that run through Chinese presidents' addresses at the G20 summits, equally important is the rise of infrastructure in China's G20 agenda. As Table 1 shows, the word “infrastructure” occurs 17 times in Chinese presidents' nine G20 summit addresses, and, to be specific, five times at the 2011 6th summit and six times at the 2014 9th summit. In absolute terms, infrastructure is not a frequent key word, but the way and the timing of its occurrences tells of the story behind China's quest for new issues that it can seriously propose and promote in G20.

As the “premier forum for economic cooperation”, G20 covers a wide range of agendas and issue areas, including global economic recovery, reform of international financial institutions, financial supervision, macro coordination, trade, development, energy and anti-corruption. What's more, these agendas branch out into more sub-agendas. Take the development agenda for instance, as John Kirton has pointed out, global development governance has been an important part of G20 agendas, receiving growing attention and innovative efforts. In particular, when industrializing economies hosted G20 meetings, the importance of development agenda would rise (Kirton, 2013).

As a matter of fact, from the very beginning of the G20 summit China floated the idea of infrastructure in its G20 proposals, an area where China has strength and was eager to share its experience. Chinese President Hu Jintao briefed G20 members on China's infrastructure investment and experience at the first G20 summit in 2008 and called on developed countries and the international community to maintain and increase their assistance to developing countries in the area of infrastructure construction so as to enhance their capacity for self-development.³ Clearly, infrastructure was an integral part of China's G20 agenda from the beginning of the G20 process. China was interested in tapping developing countries' potential for endogenous sustainable growth.

However, given the deteriorating crisis at the time, most G20 members were concerned about short-term fiscal and monetary policies to kick start the economy instead of long-term planning for post-crisis sustainable development. In addition, the record of Western assistance to developing countries shows a pattern of international aid to ensure democracy, human rights, good governance, market reform and liberalization on the part of receiving countries, instead of building infrastructures to pave the road for long-term growth in those countries (Zhang & Huang, 2012).

³ Retrieved from <http://politics.people.com.cn/GB/8346583.html>

Things changed at the 2010 Seoul summit, which marked a turning point for the development agenda within G20. The financial crisis had subsided around this time, enabling countries to take stock of longer-term factors affecting global growth. Under South Korea's presidency and with supporting coming from developing countries in G20, the development agenda rose to prominence at this summit. Talking about international assistance to developing countries, then ROK President Lee Myung-bak called on G20 members to help developing countries wean themselves off dependence on foreign aid and embark on a sustained and independent track of growth. The summit endorsed the Seoul Development Consensus, with infrastructure elevated to be the first of the nine pillar areas of development (Seoul Development Consensus for Shared Growth, 2010). The summit also established a High-Level Panel for Infrastructure Investment (HLP) to mobilize support for scaling up infrastructure financing. As Andrew F. Cooper and Ramesh Thakur (2013) put it, the Seoul summit "shifts the spotlight away from foreign aid toward investments in infrastructure, education, health, technology, and manufacturing" (p. 117).

The sixth G20 summit in 2011 in Cannes, France was the first high mark of China's advocacy of infrastructure. Partly in response to the Seoul Development Consensus the previous year, President Hu Jintao mentioned "infrastructure" five times in his address at the summit, enumerating China's achievements and plans in helping other developing countries build their infrastructure, including 632 infrastructure projects already completed by the end of 2010, \$10 billion preferential loans for Africa between 2010 and 2012, and 200 clean energy and environment-friendly infrastructure projects to be built between 2011 and 2015.

The biggest boost China gave to infrastructure in G20 came at the 2014 summit at Brisbane, Australia. "Infrastructure" occurred six times in President Xi Jinping's remarks at the summit and the idea was given new meanings. President Xi highlighted the role of infrastructure in fuelling the global economy, reconceptualizing it as a new notion of development conducive to cultivating sustained growth momentum. And China would contribute to global investment in infrastructure through the establishment of a Silk Road economic belt, a Silk Road fund, a 21st century maritime "silk road", and an Asian Infrastructure Investment Bank.⁴ Simply put, infrastructure was accorded an unprecedented status at the 2014 G20 summit by the Chinese government which configured it as a new channel to place the world economy on a sustainable track and participate in global economic governance.

Chinese advocacy left its mark on the Brisbane summit. Acknowledging the important role infrastructure investment plays in spurring growth, creating jobs and lifting productivity, the summit endorsed a "G20 Note on the Global Infrastructure Initiative and Hub" as part of the documents appended to the G20 Leaders' Communique. The initiative established a global infrastructure hub with a four-year mandate which would "help to achieve practical outcomes by working collaboratively with governments, the private sector, national, regional and multilateral development banks, international organisations and other stakeholders. It will help draw together the collective expertise of these organisations to yield ongoing improvements to the functioning of infrastructure markets" (Brisbane Summit, 2014).

The record above shows that the rise of infrastructure in China's G20 proposals and in the G20 agenda itself ran parallel to each other. The success in placing infrastructure on the top agenda of G20 is attributable to various factors, but China's effort is obviously one of the most important. Given the establishment of a number of China-initiated multilateral banks and funds dedicated largely to infrastructure investment, China's

⁴ See President Xi's address at http://news.xinhuanet.com/2014-11/15/c_1113263795.htm

contribution is all the more important. No other country in recent years has come up with so many initiatives in the field of infrastructure investment and building and backed them up with concrete measures. China's proactive stance on infrastructure is a result of the spillover effect of the country's economic growth. It is also a sign that China is engaging itself more actively in global economic governance, promoting infrastructure as a new way of growth and contributing its own ideas and experience to address problems in the existing international system.

Marriage Between Chinese Capacity and External Demand

The weight China attaches to infrastructure derives from an understanding of the important role infrastructure plays in the country's growth. Investment in infrastructure not only contributes to creation of more jobs, greater convenience and better life quality, it is also an engine driving economic recovery and sustainable growth. Existing research literature demonstrates that infrastructure building promotes growth in a positive way through higher factor productivity and lower production and transaction costs (Li et al., 2011).

Global Deficit in Infrastructure Investment

A perennial problem afflicting the world infrastructure market is a mismatch between strong demand on the one hand and inadequate financing and poor organization on the other. According to an often-quoted 2009 report by the Asian Development Bank (ADB), "between 2010 and 2020, Asia's overall national infrastructure investment needs are estimated to be \$8 trillion, 68% of which is for new capacity and 32% of which is for maintaining and replacing existing infrastructure" (Asian Development Bank & Asian Development Bank Institute, 2009). And as OECD predicted in one report, global infrastructure construction is expected to grow at an annual rate of 4.9% between 2013 and 2030 (Wu & Liu, 2014).

Among the existing multilateral organizations that can finance infrastructure construction in Asia, the two most resourceful ones are the ADB and the World Bank, but they are far from being able to meet the investment demand in Asia. The problems are largely twofold: one is a shortage of available fund and the other is inefficiency in funding. To alleviate the problem of funding incapacity, some Asian countries have come up with their own initiatives. For example, ASEAN and the ADB cofounded an ASEAN Infrastructure Fund in 2011. But with a pool of only around \$1 billion, the fund is too small to be significant in meeting existing demand (Asian Development Bank, 2014).

The other problem of inefficiency in the approval procedures of the Asian Development Bank and World Bank has exacerbated the supply-demand imbalance in Asia's infrastructure market. These two banks have long been plagued by slow appraisal and approval process, excessive bureaucratism and low efficiency. Talking about the popular reaction among developing countries to the establishment of the AIIB, Brookings Institution's David Dollar said that the AIIB struck a responsive chord in developing countries partly because the new multilateral development bank would be faster and more efficient in approving new infrastructure projects (Dollar, 2015).

Chinese Strength

As other developing countries are suffering from unmet aspirations in infrastructure investment and construction, China has garnered sufficient experience in the field over the years and has also developed great strength in terms of infrastructure capitalization and industrial know-how as a result of years of rapid growth. In fact, the world is talking about infrastructure excess capacity in China (Buckley & Perlez, 2016).

One important indicator of China's economic strength is GDP. In 2008, China's GDP was \$4.5 trillion, less than one third of that of the United States. In 2014, the Chinese GDP exceeded \$10 trillion, which was 60% of America's. In terms of Purchasing Power Parity (PPP), the 2014 Chinese GDP was \$17.63 trillion, ranking the first in the world (CIA, 2015). Another indicator of China's global economic clout is its foreign exchange reserve, which was \$3.84 trillion at the end of 2014, the largest in the world and close to one third of the world total. China's growing GDP and large pool of foreign exchange reserve have made it possible for the country to have more active involvement in foreign economic undertakings.

China's infrastructure industry is a good example of Chinese businesses going global as a result of improved domestic capability. After over 30 years of development, a complete chain of infrastructure-related industries has taken shape in China. Chinese engineering and construction abilities have gained a competitive edge in the world in the areas of road, bridge, tunnel, railway, airport, seaport, and communications. Take China's 4-trillion RMB stimulus package between 2009 and 2010 for example. Around three eighths of it went to infrastructure-related industries, which not only contributed to better infrastructure in the country but also helped sharpened the industries' edge among global competitors. Infrastructure-related industries are also a leader in the global strategy of Chinese businesses. The contract value of foreign projects by Chinese engineering and construction firms rose from \$190 million in 1980 to \$171.63 billion in 2013, with the aggregate foreign contract value exceeding \$1 trillion (Wu & Liu, 2014).

The global deficit in infrastructure financing and China's growing strength in the field show that China's leadership in establishing AIIB and other similar-purpose funds and other countries' enthusiasm for this constitute another classic story of supply meeting demand, of course on a regional and global scale. With increasing economic power, China is adjusting its foreign economic policy, trying to use its strength in a positive way. And after years of groping, China seems to have found in the world infrastructure market an area where its own strength can be used to the benefit of both the developing world and its own economic future.

Conclusions

China has been accommodating and cooperative, complying with and implementing commitments made at successive G20 summits, including the stimulus package to spur world economic recovery, trade liberalizing measures, development aid for developing countries and a variety of other issues. It is also an institutional reformer and, increasingly, a builder and leader of new institutions for global governance, particularly in the area of infrastructure. Seeing an opportunity in the lack of global infrastructure investment, the Chinese government seriously promoted the idea in the G20 and assumed leadership in building new institutions.

The rise of infrastructure is an indicator of China's increasingly active and leading role in the international arena. Though obstacles and challenges abound when it comes to the actual implementation of infrastructure financing and building, China will continue to push infrastructure in G20 and in its relations with other countries. As this is one of the few areas where China has seriously taken on a leadership role, whether China can be successful in making the marriage between its infrastructure capacity and world demand bear fruit will be a litmus test for what China has to offer the world in economic governance.

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