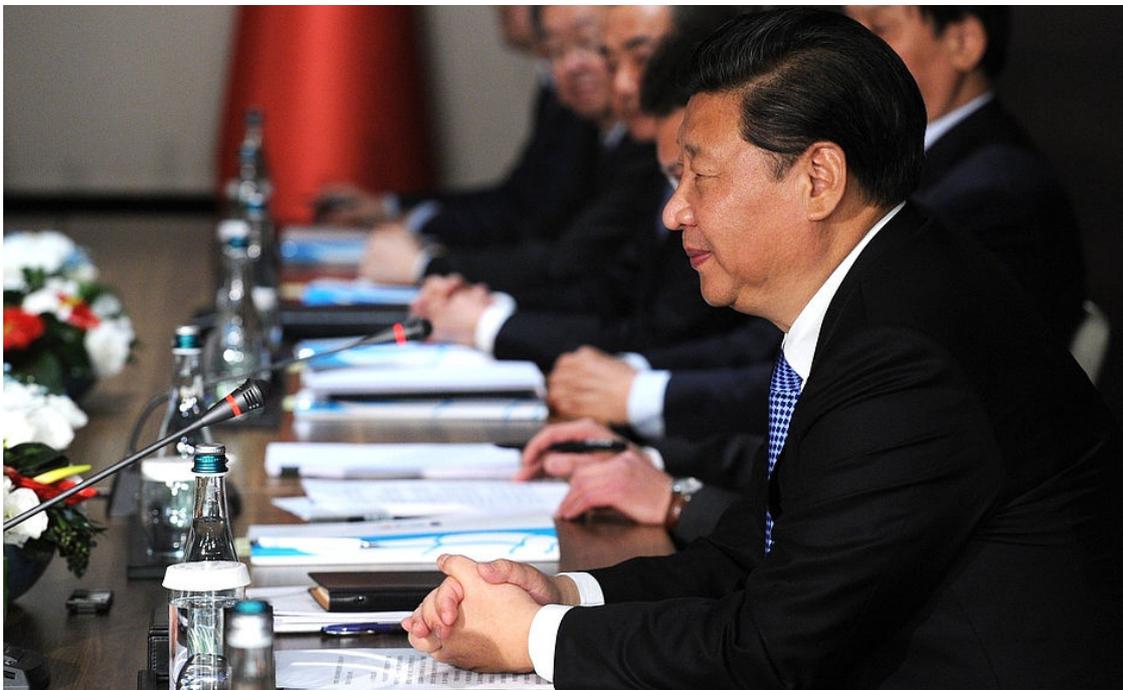


## 3 Global Challenges That China Can Lead the Way on at the G20 Summit

By Fred Hu  
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*Chinese President Xi Jinping*

BEIJING — The G20 Hangzhou summit will provide China, the host country, a unique opportunity to lead in a pivotal time for the global economy.

New substantial risks to a fragile world economy have recently arisen: the Brexit vote that could lead to a messy separation of the United Kingdom from the European Union; the refugee crisis that has strained much of Europe; a string of vicious terrorist attacks against innocent civilian populations; and the rancorous U.S. presidential election with Donald Trump's naked protectionist and anti-globalization slogans. Worryingly, in July, the International Monetary Fund lowered its forecast of world GDP growth to 3.1 percent in 2016 and 3.4 percent in 2017.

To arrest the downward momentum and restore the world economy to a trajectory of robust growth, the G20 needs resolute leadership and strong policy actions. Since the G20 economies account for roughly 85 percent of the global GDP, 80 percent of world trade and two-thirds of the world population, there is no doubt that the G20 plays a decisive role in shaping the fortunes of the world economy.

China can leverage its leadership of the G20 to prod leaders to meet three critical challenges facing the world: reviving global economic growth, countering protectionism and mitigating climate change.

## ***The G20 needs resolute leadership and strong policy actions.***

First, China should call for bolder and more comprehensive growth strategies. Since the 2008 global financial crisis, leaders in the major economies like the U.S., the Eurozone and Japan have been primarily relying on central banks' quantitative easing to recover from the Great Recession. Yet this has so far had only muted and disappointing impact on output, inflation and employment. China will call for the G20 governments to take stronger fiscal actions to stimulate aggregate demand because it believes that fiscal policy, even in countries facing public debt pressures, can and should play an important role in shoring up economic growth.

In particular, there is room to increase public investment in most G20 countries. Many G20 members that are emerging economies — like Brazil, India and Indonesia — continue to suffer severe infrastructure bottlenecks. Even some developed countries (notably the U.S.) need to renew and upgrade aging infrastructure. Public investment programs, if they're well planned and implemented, can not only boost demand in the short term, but also contribute to higher productivity in the long term.

The case for expanding public investment is further bolstered by record low interest rates across much of the world. In addition, China is likely to encourage G20 members to embark on strong structural reforms to remove impediments to growth, increase economic flexibility and financial resilience, and promote entrepreneurship and innovation. A comprehensive growth strategy incorporating monetary, fiscal and structural policies is likely to yield far better growth performances than monetary easing.

Of course, action speaks louder than words. China should lead by example by pursuing strong domestic reforms. If the second largest economy in the world can demonstrate tangible progress in tackling corporate debt overhang and industrial overcapacity — and in managing its difficult transition to a sustainable growth model while containing downside risks — the world economy will stand to benefit enormously.

Second, China and the G20 should take a clear position against protectionism. After the first G20 summit in 2008, leaders expressed strong and united oppositions to protectionism, a crucial policy stance that helped the world economy recover from the global financial crisis and forestalled a tragic replay of the Great Depression. The recent Brexit shock, the refugee crisis and terrorist attacks in Europe, and both U.S. presidential candidates' opposition to the Trans-Pacific Partnership — plus Trump's threat to build a wall along the U.S.-Mexico border and to impose stiff tariffs on Chinese imports — suggest that the specter of protectionism continues to overshadow the world economy.

The G20 summit in Hangzhou should raise the guard against protectionism and reaffirm strong commitments to a multilateral trade system and renewed energy for a new round of global trade liberalization. China has a unique opportunity to lead the fight against protectionism. Beijing has made huge strides in economic rebalancing since the first G20 summit: the economy is now driven by domestic demand, no longer by exports. Nevertheless, China should further speed up the opening of domestic markets to foreign companies and seriously address complaints about unfair trade practices, inadequacies in intellectual property protection and the uneven playing field for multinational companies that come to do business in China.

China should also significantly liberalize its services sectors and open its domestic economy more widely to foreign trade and investment. In particular, Western technology firms have borne the brunt of China's anti-monopoly enforcement and its draconian cyber-security restrictions. China should take steps to rebuild trust and investor confidence from the international business community. If China truly lives up to the high standards of economic openness, it would deny the opponents of globalization a major rallying cry.

## ***Beijing has made huge strides in economic rebalancing since the first G20 summit.***

Third, China and the G20 should reaffirm political commitments to the Paris climate agreement and pledge concrete actions to meet national targets. China is already a global leader in renewable energy, especially in solar and wind power technology, but far more must be done to wean the country off dependence on coal.

China must continue to aggressively invest in clean technology in order to peak greenhouse gas emissions and increase non-fossil fuel energy sources to 20 percent of total energy by 2030. China's new five-year plan has laid out a range of numerical targets and specific measures to address key challenges including climate change, air pollution, water and urbanization. The new plan will continue to strengthen China's efforts to shift to a more sustainable growth model and deliver on its climate commitments. Refreshingly, China has shown keen interest in the use of market-based instruments — and carbon trading in particular — to reduce greenhouse gas emissions. Chinese President Xi Jinping has announced a plan to launch a nationwide cap and trade program in 2017.

China should be applauded for championing the idea of green finance within the G20. By laying out an appropriate policy framework and providing the right incentives, the G20 can encourage the financial sector to play a more prominent role in launching innovative financial products and channel capital to fund clean-tech investments. China is becoming the global testing ground for innovative solutions to financing green growth, accounting for about half of the so-called green bond issuance worldwide. At the G20 summit, the Chinese leadership is expected to engage with other leaders to make green finance and sustainable growth a crucial component of global policy initiatives.

To be sure, there are many more hot topics China and other G20 members might want to put on the agenda. But experience shows that the G20 suffers from serious constraints in policy implementations. The more issues on the agenda, the less likely they will be addressed seriously. If the gap between G20 policy statements and subsequent actions continues to widen, the G20 might lose credibility and be reduced to an inconsequential talk shop. China would be wise to focus its presidency on several important areas where there is clear global urgency and likely global consensus, and where China is well positioned to make a difference.

China's long track record of executing difficult reforms and generating fast economic growth has won the country global prestige and respect. In recent years, however, there are growing concerns about China's scant progress in undertaking structural reforms. The G20 summit in Hangzhou provides an opportunity for China to demonstrate its commitment to bold domestic reforms, which in turn lends China credulity and influence to provide global leadership in multilateral trade liberalization and climate change. China needs a successful G20 summit as much as the world does.

***Fred Hu is a Beijing-based economist and the chairman of Primavera Capital Group. He is a member of the Berggruen Institute's 21st Century Council.***