

G20 Summit: What Now
After the Hangzhou Con-
sensus
Page 2-3

RSIS Seminar Series on
Multilateralism Studies:
Brexit and its Aftermath
Page 4

Recent Development
Plans for Indonesia and
Its Role in Regional Coop-
eration
Page 4

Joint Training Programme
on Economic Corridor
Development
Page 5

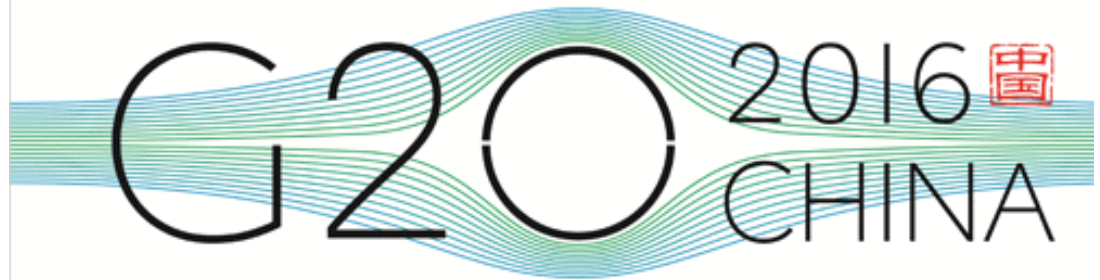
Conference on Global
Shocks and the New
Global/Regional Financial
Architecture
Page 5-6

CMS Represented on
Channel News Asia 'Think
Tank'
Page 6

International Law as a
Constraint on Foreign
Policy
Page 7

Editorial Team

Aédán Mordecai
Phidel Vineles



CHINA WELCOMES THE WORLD



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FEATURED COMMENTARY

G20 Summit: What Now After the Hangzhou Consensus

By Su Hyun-Lee



2016 G20 Summit in Hangzhou, China. Courtesy of Flickr account of OECD Photo Collection and used under a creative common license. Copyright OECD Photo Collection

The recent G20 Summit in Hangzhou reached a broad consensus that the recovery of the world economy should be achieved through international economic integration based on market principles and free trade. The G20 leaders' communiqué, however, lacks concrete action plans.

THE 11th ANNUAL summit of G20 economies held in Hangzhou, China, on 4-5 September 2016 focused on one central theme – innovative, inclusive and sustainable global growth. It took place amid concerns that Britain's vote in June to leave the European Union and the recent rise of protectionist tendencies added uncertainty in the global economy. The leaders of the world's major developed

and developing countries reaffirmed their determination to ensure open markets and free trade as a way of achieving common policy goals – including global growth, sustainable development and poverty reduction.

It is not yet clear, however, whether the G20 is actually able to rigorously implement such agendas and set up the global economic order under the current framework. A series of trade disputes among G20 countries suggest that economic downturns and domestic political pressures have increased the tendency for governments to rely more on protectionist measures, which make international economic cooperation via the G20 more difficult.

The Hangzhou Consensus

The G20 Hangzhou Summit reconfirmed its members' sustained commitment to enhance an inclusive, open world economy through global cooperation. The leaders' communiqué issued at the end of the two-day summit – aka the Hangzhou Consensus – embodied a number of key principles of pursuing innovative and sustainable growth: integration that generates synergies between monetary, fiscal and structural policies; openness that rejects protectionism through the WTO framework; and inclusiveness that emphasises the sharing of the proceeds of growth across "all countries and all people".

These key principles are in line with policy prescriptions that multilateral international organisations have commonly suggested for the G20 to overcome sluggish global growth and rising inequality: international economic integration based on market principles, free trade, and effective regulations within a multilateral framework.

At the same time, the communiqué revealed the G20's somewhat optimistic view that while global growth is still "weaker than desirable," the systemic failures of the global economy could be mostly fixed by their cooperation and joint actions.

Realistic Roadmap?

There are still questions to

Continued on Page 2

be answered though. Does the Hangzhou Consensus actually offer a realistic roadmap for an inclusive, rules-based world economy, making the positive case for globalisation? To what extent are G20 countries actually able to deliver on their policy commitments?

It is hard to deny that the G20 has served as the premium forum for the leaders of the world's major economies to sit down and discuss issues of international economic cooperation, since replacing the Group of Eight (G8) in 2008 as an institutional solution to the ongoing global financial crisis.

President Xi Jinping of China, in his concluding remarks on 5 September, praised the G20 Hangzhou summit for not only successfully setting the goals and directions for the world economy, but also emphasising the importance of policy coordination over global economic governance. In this vein, the U.S.-China's joint ratification of the Paris Climate Change Agreement and the endorsement of the G20 Action Plan for Sustainable Development should be appraised as the summit's major accomplishments, which embraced development and inclusiveness within the global policy framework.

Strange Bedfellow: A Return to Protectionism?

Nevertheless, the gaps between ideals and realities in G20 policy commitments are still difficult to ignore. G20 has already put a lot of emphasis on the reduction of protectionist barriers and

the expansion of free trade since its very first summit in Washington D.C. in 2008. At the second gathering in London in the following year, then-U.K. Prime Minister Gordon Brown along with leaders of other countries raised serious concerns over the risk of rising global protectionism and populist backlashes against market and trade.

Their determination not to return to tit-for-tat trade war in the 1930s is clearly presented in the Leaders' Statement at the 2009 London Summit in which G20 countries pledged to refrain from raising protectionist barriers and to rectify any such measures promptly through the WTO's monitoring and surveillance mechanisms.

Talks and negotiations during G20 summits, however, indicated that while openly showing their strong and consistent commitment to open markets and free-trade, G20 governments have been drawing battle lines over trade and investment issues more often than expected.

Right before the London Summit in April in 2009, the U.S. House of Representatives passed the "Buy American" Provision that all public projects funded by a new stimulus package should use iron and steel produced only in the U.S. The European Union (EU), China, and India immediately criticised that the Buy American Provision would induce other countries to rely on more protectionist measures, generating discrimination against foreign steel imports. The EU warned that they would proceed to WTO litigation if the

What is the G20?

The G20 consists of the 20 major world economies, with an annual international forum for the governments and central bank governors to discuss the most recent global economic developments. The Asian members represented at the G20 are China, Japan, South Korea, and Indonesia.

bill violated any U.S. trade commitments.

A similar picture emerged again behind the scenes at the Hangzhou Summit, although this time G20 countries were aligned differently over multiple issues over trade and investment. One of the most representative examples was the tension over Chinese steel industries, which resulted in a spiral of protectionist policies across G20 countries over the past few years. Until very recently, the U.S. and the EU claimed China's massive surplus production capacity in steel were significantly hurting jobs and workers in their countries; China took their threats of sanctions or anti-dumping duties as the West's efforts to hinder China's economic ambitions in the global economy.

The G20 Hangzhou Summit eventually led China to pledge to cooperate more closely with other trading partners in a "global forum" on its industrial overcapacity. But since the forum lacks any binding commitments, it is not clear whether the Chinese government will actually cut down its steel production, assuaging local governments' concerns over job losses and tax revenues.

For Further Progress

The ongoing political and

economic tensions among G20 countries imply that the Hangzhou Summit's success ultimately depends on what the G20 would do going forward. While downgrading their forecasts on global economic trends this year, the International Monetary Fund and the World Trade Organisation have strongly urged G20 leaders to show "political courage" to reject protectionism and to take bold and decisive action for structural reforms.

Nevertheless, trade disputes within the G20 suggest that policymakers in major economies are under strong political pressures of protectionism than ever and that the line demarcating protectionism and fair trade is becoming blurred. A growing tendency for governments to adopt protectionist measures in response to unfair trade practices might also make economic cooperation via the G20 more complicated. ■

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RSIS Seminar Series on Multilateralism Studies: Brexit

On 27 July the Centre for Multilateralism Studies (CMS) organised their inaugural seminar as part of the new RSIS Seminar Series on Multilateralism Studies at Nanyang Technological University (NTU). A distinguished panel of experts discussed their views on the recent decision of Britain to leave the European Union and the potential consequences. The panel discussion was chaired by RSIS Distinguished Fellow Ambassador Barry Desker who explained how Brexit is an example of a 'Black Swan' event and has the potential to have significant repercussions for the global economy as far as Asia.

The panel included Mr Joergen Oerstroem Moeller, former Danish Ambassador, who commented on the future of the EU without Britain and drawing out the possible relationship the remainder of the EU could have with the U.K. Mr Moeller was of



Distinguished Fellow Barry Desker addresses the audience at the inaugural seminar of the RSIS Seminar Series on Multilateralism Studies

the opinion that Britain will come to an agreement that is unlike previous examples touted such as Norway, Switzerland, and Canada.

Mr Adrian Chiu, Economist at Singapore's GIC and previously part of the Bank of England (BoE), explained some of the market implications of Brexit for the world economy. Mr

Chiu outlined that economic fundamentals were already poor in the U.K. so the uncertainty that comes with Brexit is not welcome.

Dr Pascal Vennesson, RSIS Professor of Political Science, identified some of the possible political implications of Brexit. Dr Vennesson predicted that the EU as a whole would become more of a social

democratic union without the U.K.; as a result the EU might be more coherent as a bloc.

Dr Yeo Lay Hwee, Director of the European Union Centre in Singapore, outlined the potential implications for Asia. If Brexit is a sign of a retreat from globalisation, Dr Yeo predicted this would be an unwelcome trend for Asia. ■

Development Plans for Indonesia and Its Role in Regional Cooperation



Dr Muhamad Chatib Basri

On 12 August 2016 the Centre for Multilateralism Studies (CMS) held an event as part of RSIS Seminar Series on Multilateralism Studies about "Recent Development Plans for Indonesia and Its Role in Regional Cooperation." The speaker Dr Muhamad Chatib

Basri was Indonesia's former Minister of Finance and was also a Chairman of Indonesia's Investment Coordinating Board.

Dr Basri underscored Indonesia's economic challenges which constrain the country's global engagement. He explained that the country's rising nationalism is attributed to income inequality in Indonesia. Moreover, Dr Basri pointed out the country's economic weak spot which is the country's

heavy reliance on intermediate goods, neglecting to move up the global value chain. Indonesia also needs to improve its human capital and diversify its exports in order to compete in the global economy, Dr Basri added.

To further understand the economic challenges, Dr Basri argued that the country primarily dwells on labour intensive industry which is a step backward instead of focusing on bolstering capital intensive

industries. He also explained that the country's economy is commodity-driven because most of the businesses are in plantations and not in the manufacturing sector. When asked about Indonesia's economic policy for entrepreneurship development, Dr Basri explained that Indonesia doesn't have a related policy, and SMEs do not receive much support, which limits their opportunities. ■

Joint Training Programme on Economic Corridor Development



Participants and Speakers of the Joint Training Programme on Economic Corridor Development

From 17-19 August RSIS held a joint training programme with the Asian Development Bank (ADB), Asian Development Bank Institute (ADBI), and the Singapore Cooperation Programme (SCP). The capacity building workshop which invited participants from across ASEAN as well as China and South Asia touched on the subject of Economic Corridor Development for a Competitive and Inclusive Asia. The participants were all active members of govern-

ments who joined with the intention of gaining knowledge and expertise as well as sharing their experiences of developing economic corridors in their home country.

Experts from academia, government and resource staff all presented different aspects of economic corridors. The core features and different types of economic corridors to map out the potential development were discussed, from transport corridor to a fully-

fledged economic corridor with logistical and soft infrastructure support. The Greater Mekong Subregion (GMS) was used as a key example of a cross border economic corridor development project can be successful. The GMS has successfully created economic opportunities both in the hubs connecting the corridor as well as the surrounding area in order to have inclusive spill over benefits.

Over the three days, the

participants were able to hear the presentations as well as ask questions and present their own suggestions after collaborating in regional groups to apply the theories that they had newly acquired combined with the experiences that they have personally encountered. After the workshop in Singapore the participants began module 2 which started in Malaysia with field trips designed to give a first-hand view of an economic corridor in action. ■

Conference on Global Shocks and the New Global Financial Architecture

From the 23-24 August, RSIS held a joint conference along with the Asian Development Bank Institute (ADBI) on the subject of Global Shocks and the New Global/ Regional Financial Architecture.

The economic climate is in a fragile state while also facing many potential shocks to the system such as Brexit, the slowing Chinese economy,



Participants at the RSIS/ADBI Joint Conference held at Hotel Jen Tanglin, Singapore

Continued on page 5

and the upcoming U.S. presidential election among many other possible events. In a globalised and integrated economy it raises many questions and challenges when trying to defend from external shocks whether that be as a government, business or private individual.

The purpose of the conference was to further discuss these topics with particular emphasis given to the Asian region.

The conference saw the presentation of many papers on the related topics as well as discussants' comments and a chance to evaluate the given arguments. The ADBI was represented by Dean Naoyuki Yoshino and Senior Consultant Peter Morgan, with RSIS being represented by Ambassador Ong Keng Yong, Executive Deputy Chairman, and Associate Professor Pradumna B. Rana. NTUC Professor and

former Indonesian Minister of Finance, Dr Chatib Basri gave the keynote speech, while the papers were presented by experts from RSIS, ADBI, IMF, AMRO amongst many other esteemed institutions.

Over the day and a half, Asia's position in the current financial system was discussed and its potential vulnerability to shocks. Following the profile of the potential shocks and effects, the ways in which

Asia could shield itself while staying connected to the global economy were examined. Methods to strengthen the regional financial regulation and safety nets were put forward and scrutinised in order to further our understanding of the options. From the ideas discussed in the conference there will be a book published on the topic. ■

CMS Represented on Channel News Asia 'Think Tank' Segment



John Pang (far left) and Kaewkamol Pitakdumrongkit (centre) at the Filming of 'Think Tank' for Channel News Asia as Part of the Expert Panel

On 24 August, RSIS Assistant Professor Kaewkamol Pitakdumrongkit and Senior Fellow John Pang were featured on RSIS-CNA Live Recording of "Think Tank" Panel Discussion Programme: Episode 4 – "Will there be ASEAN five years from now?"

In the episode, the discussion explored the following questions: (1) What would ASEAN look like in the next

5 years?; (2) Will there even be an ASEAN?; (3) Will ASEAN be a relevant regional governance institution?; and (4) What needs to be addressed to make the organisation an effective governing body?

The conclusion of the panel discussion was that ASEAN will be there in the next five years although there are some challenges in the regional grouping.

Optimistic about ASEAN, Prof Pitakdumrongkit explained that ASEAN has been resilient and endowed with institutions that could propel cooperation in the region forward. Moreover, Prof Pitakdumrongkit suggests an ASEAN-X principle for decision making process, which could help to hasten the process of economic integration.

Mr Pang, on the other, underscored that it is important to address the concerns in the region, which could affect ASEAN's relevance as a regional grouping. He also explained that global events such as Brexit and U.S. elections could challenge ASEAN's relevance as a regional governance institution. ■

International Law as a Constraint on Foreign Policy: Prof Math Noortman

On 2 September 2016 the Centre for Multilateralism Studies (CMS) organised an RSIS Seminar Series on Multilateralism Studies about “International Law as a Constraint on Foreign Policy” at Nanyang Technological University (NTU).

The distinguished speaker was Prof Math Noortman of Transnational Law and Non-State Actors at the Centre for Trust, Peace and Social Relations, Coventry University, U.K. The lecture was attended by over 30 participants.

In his presentation, Prof Noortman provided a basic overview of how international law works. According to him, international law

helps the students to become familiar with important theoretical approaches in the field of international affairs. He also explained that international law sets out the basics of the process of dispute settlement and enforcement.

The lecture also provided examples from various fields of international law such as the law of the sea, the use of force, diplomatic immunity law, and international criminal law. The most pertinent case being the current South China Sea issue which involved the United Nations Convention on the Law of the Sea (UNCLOS) and the Arbitration ruling on the



Prof Noortman (left) and participants (right) during the RSIS Seminar Series

ownership of the islands in the area with China not accepting the decision.

In addition, Prof Noortman also explained the rhetorical question of ‘why do States obey international law?’ He cited Harold Koh’s review article to shed light on the said question that states comply with international law when

they accept its legitimacy through some internal process. He built on Koh’s article to explain that legal internationalisation occurs when an international norm is incorporated into the domestic legal system through executive action, legislative action, and judicial interpretation. ■

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Multilateral Matters is the quarterly publication of the Centre for Multilateralism Studies (CMS), analysing the most recent developments regarding multilateralism by our team. It covers articles on relevant economic and political issues as well as programmes and latest publications from the research centre. The objective of the newsletter is to promote the research being done by our centre, raising awareness of the many events that we hold on a regular basis.

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