Essay

Guiding Principles for India's G20 Presidency

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India assumes the presidency of the G20 or the Group of 20 at a time when the world faces extremely difficult and divisive geopolitical and economic challenges. The presidency itself will be India's most important global leadership task so far and will test its ideas, diplomacy and political skills. Chairing a global institution is an opportunity that carries with it immense responsibility. It requires delivery solutions to challenging policy issues related to global governance that range from economic crises to wars and climate change. In times of great turmoil, such as the one we are now in, astute and dynamic global leadership becomes crucial.

The last two decades has seen the world economy scuffling from global economic challenges – trans-Atlantic financial crisis, US-China Trade War, financial sanctions on Iran and Russia, the Covid-19 pandemic, the Russia-Ukraine War – all of which have been traumatic for the world economy. The G20 has been a forum for world leaders to coordinate and collaborate on responses to these challenges. The phenomenon of multiple crises facing the world today has been appropriately termed as 'poly-crisis.' The success of India's economy will be determined by how effectively it articulates its vision and interests, helps to craft a collective agreement to revive a fledgling global economy, and resuscitates an increasingly ineffective G20.

To meet these expectations it would be most useful to develop a simple trilogy of principles that would enable India to design, develop and execute its engagement with such global forums. These principles can be articulated as follows:

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1. Prioritise national interest (issues of significance for India's own economy);
2. Uphold global goals (issues of significance to all G20 members and other nations);
3. Demonstrate influence (issues that India can lead with expertise, experience and diplomacy).

This essay explains why these principles are likely to help India shape its G20 presidency next year, as well as its agenda in global forums beyond 2023.

The Geoeconomic and Geopolitical Context

The global economy has taken several hits in the last decade. The trans-Atlantic financial crisis that began in 2007-2008 was soon followed by the US-China Trade War, the Covid-19 pandemic, and the Russia-Ukraine War, making it difficult for the global economy to maintain a sustainable equilibrium. Each of these geopolitical and geoeconomic developments had incendiary effects on the world economy. The trans-Atlantic financial crisis marred the integrity of the financial markets, failed negotiations with Iran spawned sanctions that dismembered the intricate plumbing of the global financial system, the US-China Trade War eroded the fabrication of global trade, and the Covid-19 pandemic suspended global supply chains while fiscally bankrupting developing nations already struggling with economic challenges. More recently, the eruption of the Russia-Ukraine War and the world-wide sanctions on Russia imposed by the West are making food and energy commodities less accessible and affordable, and there is continuous risk of conflict in East Asia. Through these geopolitical and geoeconomic crises, policymakers have worked hard to maintain political, economic and social equilibrium. International financial institutions such as the International Monetary Fund (IMF), World Trade Organization (WTO) and the World Bank have launched initiatives to ameliorate the volatility and disruptions to the global economy, and provide support to the least developed economies.

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While it is natural to draw lessons from history, the current global poly-crisis is different and designing solutions will require fresh input and radical thinking. For one, geopolitics can no longer be seen separately from geoeconomics. An economic policy that relies on encouraging industry and business without considering the political economy is likely to fail. In other words, it has become clear that political economy must be shaped and steered by political leaders who understand the interplay between politics and economics. Also, known technical solutions no longer work, at least not with the same effectiveness and intensity. A good example is how the unilateral use of monetary policy as a financial instrument is increasingly ineffective and inappropriate for addressing the kind of shocks we are witnessing and the nature of poly-crisis that is unfolding.

Pinning Hopes on the G20

When the G20 first met in Washington DC in 2009 at the Leaders Level (elevated from finance ministers to heads of government/state level) to discuss the world economy, it was dubbed as the 'steering committee of the global economy'. It seemed like the perfect place to address poly-crisis of this nature. In fact, the G20 was elevated to the level of political leaders to provide leadership for setting and steering the global economic agenda. The forum managed to address the crises facing the US, Europe and other rich economies.

As the trans-Atlantic financial crisis receded, focus shifted to more long-term issues and structural problems related to inclusive growth, clean energy, and sustainable development. These were clubbed together as the 'development agenda' and placed outside of the financial negotiations into the 'Sherpa Track' that the leaders of the G20 would monitor closely. The Sherpa Track was conceived with the hope of addressing issues related to political economy which otherwise found no ground in the 'pure' finance track. Eventually, a structure emerged and baked over time.

The working groups in the G20 are divided into the Finance Track and the Sherpa Track. The Finance Track would be led by the Finance Ministers and Central Bank Governors whereas the Sherpa Track would be led by an official directly appointed by the leaders. There are eight work streams in the Finance Track and twelve work streams in the Sherpa Track:

- Finance Track: Global Macroeconomic Policies, Infrastructure Financing, International Financial Architecture, Sustainable Finance, Financial Inclusion, Health Finance, International Taxation, Financial Sector Reforms;
- Sherpa Track: Anti-corruption, Agriculture, Culture, Development, Digital Economy, Employment, Environment and Climate, Education, Energy Transition, Health, Trade and Investment, Tourism.

Each of these working groups has several sub-issues that are under consideration. For instance, the Sustainable Finance Working Group has focused on market development, reporting and disclosure standards, financing instruments, capacity building and the role of financial institutions. Similarly, the Digital Economy Working Group has focused on digital connectivity, skills and cross-border flow of data. Today, the agenda of the G20 covers everything from agriculture to health to terrorism.

There is criticism that the broadening of the agenda came at the cost of focus and efficiency. Some have suggested that G20 restrict its focus itself to issues that are truly 'transnational' such as international financial regulations, global trade, or climate change, as opposed to 'local' issues such as education, health, agriculture, anti-corruption or tourism. But this principle is difficult to apply neatly when economies today are so deeply intertwined.

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Other suggestions include narrowing the focus of the G20 back to finance and shelving the development track agenda. But developing countries fear that this may lead to an elite agenda that only developed countries with 'advanced' financial markets will shape.

Trilogy of Guiding Principles

India is assuming the presidency of the G20 with a three-fold challenge. It must:

- Secure India's economic prospects in the turbulent world economy;
- Revive a fledgling global economy while addressing geoeconomic and geopolitical disruptions;
- Resuscitate and navigate an increasingly ineffective G20 and fractured global governance.

How should India lead the G20? Suggestions are plenty. The list includes reforming Bretton Woods Institutions, refining rules of global trade, developing global norms for digitalization, changing international financial regulations, and reconfiguring climate responsibility. India's strategic, business and think tanks have hosted several discussions on what India can put on the table in 2023. It is impossible to prioritise all the countless suggestions that are being escalated to the government. Nonetheless, it may be useful to identify and establish principles that can guide our priorities.

This essay proposes the following trilogy of principles:

1. Prioritise national interest (issues that are of significance for India's own economy);
2. Uphold global goals and ambitions (issues that are of significance to all nations of the G20 and the world community);
3. Demonstrate influence (issues that India can lead with expertise, experience and diplomacy).

Let us consider a few examples.

Prioritise National Interest

This is an opportunity for India to propose issues that we consider important for our own economic development and growth. Every nation that has led the G20 before has done it. During the trans-Atlantic financial crisis (2009-2011), the US, UK, and France prioritised financial markets and regulations as chairs. Similarly, Russia focused on global commodity markets in 2013, China focused on innovation as an engine for global growth in 2016, and Germany on designing global norms for digital economy in 2017.

India can consider addressing rising global commodity prices. The Indian government has been concerned about rising international prices for fertilisers which have been imported at high prices to serve the needs of domestic farmers. Our vulnerability to rising energy prices is known but this risk is common for many developing and developed countries. Our position on food security at the WTO can easily extend to seeking a global consensus on easing global food supply chains and regulating food prices.

Another issue which is already high on the agenda is sustainability, specifically sustainable consumption, disaster risk management, disaster-resilient infrastructure and climate finance. The SDG Goal No. 12 'Ensure sustainable consumption and production patterns' lends itself naturally as a priority for India. The Prime Minister launched the campaign for Lifestyle for Environment (LIFE) at COP26 Summit in

Glasgow calling the world to focus on disastrous effects of choices made by businesses for packaging, housing, transport and beyond. This concept has now been embedded into India's G20 logo and theme.

A revised call to developed nations for meeting their climate finance obligations may also be expected. The developed countries have fallen woefully short of the promise to jointly mobilise US$100 billion per year by 2020, to support mitigation and adaptation needs of developing countries. A 2022 study by UNFCCC Standing Committee on Finance shows that the aggregate estimates calculated by Organization for Economic Cooperation and Development (OECD) that show support of $80 billion (2020 data) is vastly different from estimates developed by India that shows support of less than $10 billion per year (2015 data) and by Oxfam (2017/2018 data) that shows less than $25 billion per year.

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Uphold Global Goals and Ambitions

In true spirit of global leadership, India must recognise, uphold and build on the global policy proposals that have been painstakingly developed by previous presidencies ('legacy issues') or address policy conundrums that are just emerging.

For instance, India will have to continue the progress made on the international tax deal to address challenges arising from digitalization of the economy. Endorsed by the G20 (as well as by 137 member jurisdictions globally in 2021), it is clearly an issue of significance for many countries. It is a framework that was developed for the G20 by the OECD in 2015 that had been working on the issue for their member countries. The issue is of moderate significance to India's national interest because the scope of the current framework only captures large multinationals. Therefore, direct gains for India may be low, for now. However, the proposed rules for international taxation system will certainly help OECD nations from losing valuable revenues to obscure tax havens. India's ability to influence or shape the proposed solution is less than the advanced nations that host these large multinationals and whose economies are most likely to benefit immediately. Nonetheless, this framework can be seen as an intermediate step by India towards establishing a more sophisticated and fair international taxation system. India will have the responsibility to prime the framework for worldwide implementation during its presidency.

Similarly, advancing the negotiations on the Common Framework for Debt Treatments launched in 2020 is going to be a key demand from all the members of the G20 and other countries globally. This initiative is the successor to the Debt Service Suspension Initiative launched by the G20 earlier to ease the debt burden on economies harrowed with the debt payments. As per the IMF, nearly 60 percent of the low-income economies are already in debt distress or are at risk and the situation is likely to deteriorate as inflation affects the cost of capital. A new framework that brings together the Paris Club and other G20's bilateral donors such as China will be key for countries for whom the global economic recession has been hard. Key to developing a sophisticated arrangement will be garnering global consensus on 'debt transparency' that enables the identification and declaration of bilateral aid and foreign private financing being offered to countries camouflaged as investments.

It is possible that a global event forces the chair to include an unforeseen development on the agenda. In 2015, the G20 leaders were forced to recognise the issues of migration that Europe was facing. Special sessions were held for leaders to address the issue.

This year, under Indonesia's presidency, the Russia-Ukraine War is weighing heavily on the agenda. Next year, India is likely to face the tough task of forging consensus on global issues if the West and Russia refuse to participate in the same forums. There is a need to disencumber cross-border finance, energy, food, commodities and technology supply-chains that have been severely affected by sanctions, tariffs and blockades. The weaponisation of energy and financial markets is affecting developing nations asymmetrically.

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Demonstrate Influence

Since India has never led a global economic forum of the magnitude of G20, it is desirable that it brings to bear its influence and experience in the forum, particularly on issues it can shape with expertise and diplomacy. For instance, given India's prowess in publicly led digitalization, trade in services, and pharmaceutical supply chains, it can influence the emerging norms in these domains. Its influence in Trade in Services need not be restricted to information technology alone since services include other categories of trade such as education, healthcare, transport, logistics, and retail.

The government has been vocal about 'digitalization for development' as a high priority for India. It was a significant issue during India's presidency of BRICS in 2021. Since technology is leveraged for solving many governance and policy challenges related to health schemes, online education, financial inclusion and direct benefit transfers, the issue is clearly of interest to India. Though India is not home to 'Big Tech' of the kind seen in the US, Europe and China, it does have high-volume 'digital public goods', innumerable unicorns, entrenched software industry, and, of course, one of the largest digital markets in the world. This evolution also comes with the need to address 'technology-society clashes' in the offing such as those related to privacy, data storage, cross-border sharing of data, surveillance and algorithmic decision-making. Therefore, it is fitting and timely for India to lead the development of global norms for 'digital public goods.'

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If India can galvanise support from the developed nations, it can even consider championing reforms of the international institutions such as the IMF, World Bank, WTO and WHO which are critical intermediaries for responding to the global challenges. For too long, the rules of the international institutions have been 'gamed' by a few nations without accommodating the interests of emerging powers or developing nations. The restoration of the WTO appellate body, revising Intellectual Property Rights (IPR) norms that enable ever-greening of IPRs and enabling sharing of patents during pandemics, recapitalizing multilateral financing institutions, and reform of the IMF quotas are necessary changes that may be pursued.

Beyond the G20

Clearly, the G20 is a momentous occasion for India. Some guiding principles for India's engagement can help define the agenda more sharply for its own benefit but also for the benefit for the forums and institutions that look to India for articulating its preferences. The agenda it defines for 2023 will be a testament to its vision for the world economy, as well as a benchmark for future engagements in global economic governance.

As India's economy steadily moves towards the $5 trillion goal set by the government, its engagement with multilateral economic forums and international financial institutions will have to keep pace. India is already engaged in several multilateral and mini-lateral forums that have a substantive economic agenda. For instance, India is a founder member of BRICS, a full member of Shanghai Cooperation Organization (SCO) (which will also be chaired by India in 2023), a full member of international financial institutions such as the IMF, World Bank, WTO, Asian Development Bank (ADB), Africa Development Bank (AfDB), Bank of International Settlements and Financial Stability Board, founder member of new international financial institutions such as the Asian Infrastructure Investment Bank (AIIB) and BRICS New Development Bank, invited guest country at G7 (group of developed nations), and partner country in OECD. These forums and institutions will require India's participation and leadership in the years beyond 2023. The simple trilogy of guiding principles developed above will hopefully prove useful.