

G-20

Origin, History & Evolution

India's Presidency





Context

Why was G-20 conceptualized?

Twenty-four years after the major economies (G-7) of the world formed a group to discuss and exchange ideas, the need to bridge a dialogue between developing and developed nations was realized. In 1999, Paul Martin (then Prime Minister of Canada) and Larry Summers (US deputy treasury secretary) realized the need to form a parallel informal group of countries with major regional economies from each region of the world. The idea to form a separate group was expedited by the financial crisis of Mexico in 1994 followed by the Asian crisis of 1997. In 1997, major Asian countries (The Asian Tigers)- South Korea, Thailand, Philippines, Indonesia, and Singapore plunged into deep financial trouble after Thailand unpegged the Thai Baht from the US dollar, setting off a series of currency devaluations and massive flights of capital. This crisis later also affected Russia, the nation defaulted on its debt, and other parts of Latin America in which Brazil's currency devalued over 35% forcing it into a 'Samba Effect'.

To offset this financial crisis, the G-7 created ad hoc groups headed by the United States to advise the Asian countries, whose help, however, was denied. The G-7 witnessed the resilience of the Asian countries with the massive transformation of the Chinese economy and substantial growth in the Indian economy in the 1990s. Therefore, it became increasingly apparent that a permanent forum for informal dialogue between advanced and emerging economies was required.

Overview

What is G-20?

In the aftermath of the Asian crisis, G-20 was founded on 25 September 1999, finance ministers and central bank governors from the G-7 group announced that they would work together to establish an informal mechanism for dialogue among systemically important countries within the framework of the Bretton Woods institutional system. The establishment of the G20 recognized the emerging economies and the sea-change in the economic landscape which shaped the world over the last decade, i.e. 1990-2000.

Member Countries: The G-20 comprises **19 countries**. Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom (UK), and the United States. Spain is a permanent guest. It is to be noted that the group lost one member, Nigeria, as it pulled out of the group due to structural problems in their financial system, creating underrepresentation from Africa. As the 20th member, the European Union was added to the group later.



Critical Phases of G20

- **Phase 1:** Meetings of G20 Finance Ministers and Central Bank Governors. (These continue parallelly with the leaders' summits after November 2008.)
- **Phase 2 (2002-2007):** During this period, the forum of G20 Finance Ministers and Central Bank Governors became a group of equals of advanced and emerging countries. Indicative of this change were the rotation of the Presidency and the establishment of the troika system (the member holding the rotatory presidency every year, works together with its predecessor and successor, together known as the Troika, to ensure continuity of the agenda), as well as agenda expansion, with each host country focusing on its major issues of concern.
- **Phase 3 (November 2008–October 2009):** Beginning of G20 leaders' summit meetings.
- **Phase 4 (September 2009–October 2010):** At the Pittsburgh summit on September 29th, the leaders declared the G20 to be 'the premier forum for international economic cooperation (G20, 2009c), placing the G8- G20 relationship into a new framework.
- **Phase 5 (November 2010–March 2014):** The Seoul summit added development to the agenda, marking the beginning of expansion from the G20's therefore strictly economic and financial focus. Also, this was a landmark moment as South Korea was the first nation outside the European Union and North America to assume the G20 presidency.

Working Structure

How does G-20 function?

Following the establishment of the G20 at the leaders' summit level, several ministerial fora have been convened along with several sub-working groups making the gradual evolution of the G20 summit. Some of the sub-working groups meet periodically while others may meet on an ad hoc basis. However, the workings of these sub-groups are essential in the evolution of the group, case in point is the Financial Stability Board. The Finance Ministers' and the central bank governors' used to meet regularly, initially annually, till 2008. After that, they started convening meetings almost two to four times every year while Finance Ministers' Deputies have also started meeting, feeding into the ministerial meetings.

1. The Finance Ministers have been charged with fleshing out various initiatives and programmes like in 2011 when the ministers were asked to work on options regarding the G20's financial capability involving:

- IMF for greater strategic guidance
- Reviewing progression and supervision of the financial sector
- Findings ways to reform the energy sector
- Framing a report on climate financing.

¹ Troika: The member holding the rotatory presidency every year works together with its predecessor and successor. This group of three countries is together known as the Troika, it is to ensure continuity.



2. In 2012 the agenda for the leaders' were job creation and robust growth following the global volatility in the financial sector. Over the years, from 2013 to 2017, finance ministers' and leaders' have had time and reviewed key economic challenges and focus on sustainable and inclusive growth while enhancing financial and economic resilience.

3. G20 has evolved to include finance ministers in the summit along with the leaders which are unlike the G7 summit where the finance ministers have ceased to meet since the 1998 Birmingham summit. As the G20 agenda broadens in terms of financial stability, climate action to various other sectors where non-participants are also invited to discuss and share their views. The group over the years has also established a number of sub-working committees led by the finance ministers and the respective minister of the sector which the committee is focused on. (To refer to the list of the working sub-groups and their mandate please see Appendix - I).

Apart from the numerous committees formed to monitor and take action on various agendas over the years, the G20 has also conducted workshops, conferences, and seminars which evolve every year to tackle new agendas and problems of the world. These sub-groups are devoted to particular issue areas and draw on inside or outside expertise as needed. They are generally tasked by and report back to the body that appointed them: the ministers to the leaders; and the task forces and expert groups to the ministers or directly to the leaders. These sub-summit entities perform important preparatory work and follow-up, helping the G20 leaders when the latter are willing to exercise their political input. As the G20 agenda evolves, the resulting new areas will call for appropriate structures to investigate, plan, recommend and promote the implementation of required action.

Milestones

What has G-20 achieved?

Global goals require convergence of efforts from individuals, nations, and multilateral institutions. In this respect, the G20 manages to gather leaders from both developed and emerging economies around the table, representing a much wider spectrum of perspectives than the G7, which is made up of only developed nations. Since its inception in 1999, it has been able to address several key issues regarding global development and growth which includes facilitating policy coordination among its member nations and ensuring economic stability and sustainable growth. The forum contributed to strengthening emerging economies which include the BRICS, reforming international financial institutions, and improving the financial regulations of the economies whose regulatory loopholes led to the global economic crisis.



Landmark summits and their contribution to the world economy:

1. **Fiscal Restructuring:** The G20 summit of 2010 held in Canada and Korea was important because it led to the adoption of certain banking regulations which was crucial for increasing the resilience of the banking system, also it helped in sustainable fiscal restructuring with a willingness by the advanced economies to stabilize or lower government debt-to-GDP ratios by 2016 and at least halve the deficits by 2013. It also contributed significantly to drafting country-specific medium-term fiscal strategies to boost job growth and economic expansion while stabilizing the debt-to-GDP ratio. G20 Leaders met again in 2010 in Seoul (Republic of Korea), where they adopted stricter regulations for banks as well as agreed on the reform of the financial stakes and voting shares in the International Monetary Fund (IMF). The Seoul summit can be recognized as a significant moment in the history of G20. The 'Seoul Consensus', which was the agenda item for the summit that included development policy problems, for the first time was recognized. Since then, each successive summit's agenda has always included the development
2. **Unemployment:** The 2012 Summit in Los Cabos, Mexico, placed a strong emphasis on reducing youth unemployment and developing high-quality jobs that provided social security coverage and a fair wage. The relationship between the development agenda, agriculture, and green growth was also stressed at the summit.
3. **Tax Evasion & Avoidance:** In 2013, St. Petersburg (Russia) saw significant advancements in the fight against tax evasion and avoidance. The G20 approved the Action Plan on Base Erosion and Profit Shifting as well as the automatic exchange of tax information (BEPS). By minimizing profits and moving profits outside of the nations where the operations that generate those profits are carried out, multinational corporations were engaging in tax avoidance. This was done to support the development of a regulatory policy to monitor those activities
4. **Migration & Refugee:** The G20 for the first time focused on the issue of migration and refugee movement at its 2015 summit in Antalya (Turkey). They resolved to support the global climate pact as well as more banking sector reforms. A G20 Statement on the Fight against Terrorism was also released by the Leaders.
5. **Inclusive Growth:** The 2016 Summit in Hangzhou (China) put a strong emphasis on fostering long-term inclusive growth of the global economy. The Summit also considered the connection between social welfare and sustainable growth. During China's G20 Presidency in 2016, the digital economy—a vital engine of development and growth—became a topic on the agenda for the first time. The "G20 Action Plan on 2030 Agenda for Sustainable Development" was also accepted by G20 Leaders and has since served as the foundational document for all of the G20's efforts in the area of "sustainable development."



6. Climate Change & Green Energy: During the German presidency of G20 held in 2017, the member states decided to put green energy and climate change on the table, and a commitment to ensure progress for the targets set for the 2030 agenda which aims to put an end to climate degradation among its many objectives. It was during this summit that important decisions were taken on designing a sustainable growth model and initiating a global energy transition as well. By approving the G20 Hamburg Climate and Energy Action Plan for Growth, 19 of the G20 countries highlighted their unwavering stance on the Paris Agreement. This action plan outlined concrete steps for a prompt and thorough implementation of the Paris Agreement and thereby represented a clear commitment to the long-term objectives of the agreement. During this summit, the member states also raised their concern regarding resource management. The leaders of the G20 agreed to further integrate their plans with the Addis Ababa Action Agenda on Financing for Development and the 2030 Agenda for Sustainable Development. At the summit, the G20 Africa Partnership, often known as the "G20 Compact with Africa," was unveiled. The summit's agenda was guided by three pillars

-Building resilience -Improving sustainability - Assuming responsibility

It was during this meeting that the leaders of the member states reiterated their stance on global energy transition by 2050. The governments would work together with experts, enterprises, and the public for this purpose. Therefore, to materialize this the focus would be on using natural resources such as water, raw materials, and energy more efficiently and effectively to achieve Sustainable Development Goals (SDGs). The heads of the state focussed also on the issue of global problems of poaching and illegal trade in wildlife. In the past, some of the major decisions taken by G20 in the area of tackling climate change include establishing a new Green Finance Study Group (GFSG) under the G20 Finance Track to investigate the market and institutional challenges to green finance. It was during the Shanghai summit in 2016 that the G20 voluntary action plan on renewable energy was developed. It focussed on increasing substantially the share of renewable energy by 2030 where the member states would promote policies and programmes aimed at increasing its use based on national conditions. The intent of focusing on greener and cleaner is not a recent objective of G20 as we can find how during the 2009 summit G20 leaders who met in Pittsburgh committed to rationalizing and phasing out medium-term inefficient fossil fuel subsidies that led to wasteful consumption.

7. Public Health: In the area of public health contributions of G20 are significant. Under the German Presidency, the G20 Health Working Group (HWG) was founded in 2017 to create a unified international agenda on topics like improving healthcare systems, lowering malnutrition, managing health crises, and stepping up the fight against pandemics. The Argentinean Presidency introduced childhood obesity in 2018 and maintained its efforts on strengthening the health system and combating antimicrobial resistance (AMR). The 2019 Japanese Presidency also worked to advance the AMR workstream (antimicrobial resistance) with assistance from the OECD, and it concentrated on achieving Universal Health Coverage (UHC), population aging, and the management of health risk and health security.



8. Sustainable Development: Building Consensus For Fair And Sustainable Development emerged as the overarching theme of the G20 summit, which was held in Buenos Aires while Argentina was the host country in the year 2018. The future of work, the Fourth Industrial Revolution, health, youth, infrastructure for development, and sustainable food security were the top priorities for Argentina's presidency.

9. Countering the use of the Internet for Terrorism: The Osaka Summit held in 2019 laid its focus on a range of issues such as trade and investment; digitization, data free flow with trust, climate change, migration, anti-corruption, energy, and the environment. An important statement on "Preventing Exploitation of the Internet for Terrorism and Violent Extremism Conducive to Terrorism (VECT)" was released by the G20 leaders.

10. Global-Tax system reforms: The subject of the 15th G20 Summit, held in 2020 and hosted by Saudi Arabia, was "Realising Opportunities of the 21st Century for all." In G20 history, it was the first virtual summit that ever took place. Adopting an action plan in response to COVID-19, calling a combined conference of the finance and health ministers, and making substantial headway in the subject of reforming the global tax system are just a few of the significant accomplishments of the G20 summit under the Saudi Presidency.

11. Health & Governance: The highlight of the 16th G20 summit which was held in Rome, Italy in the year 2021 focused on improving global health governance especially after the pandemic when even developed nations like the United States failed to provide proper health services to its citizens. It also focused on economic recovery and resilience, climate change, sustainable development, and food security. It was the first-ever G20 joint meeting of the Foreign and Development Ministers, the first joint meeting of the health and finance ministers, and a ministerial conference on Women's Empowerment. In addition, it was also during this summit that an Extraordinary Leaders Summit on Afghanistan was convened. It was held to discuss the role of G20 in responding to the crisis in Afghanistan, with a special emphasis on ensuring humanitarian efforts reach the country, tackle activities related to terrorism, and deal with issues of mobility and migration.

12. Russia-Ukraine War: The recent G20 summit held at Bali under the presidency of Indonesia has a few takeaways. It focused on digital transformation and how its benefits should not be focused only on a small population but should be truly inclusive. Also, the issue of the ongoing Russia-Ukraine war was discussed and the member countries agreed upon how dialogue and not war should be the way of mediating problems.



Limitations

What are the opportunities missed?

- *Inability to predict the financial crisis*

To begin with, both the G7 and the G20 were born as a response to crises. However, the G7 + Russia (G8) was by no means alone in failing to predict the financial crises of the 1990s. The G20 group, even after being warned by the Bank for International Settlements (BIS) of an impending crisis, was unable to act swiftly before the 2008 financial crisis sideswiped major economies. Perhaps this has been the biggest limitation or failure of the G20 which was created 9 years ago to predict such financial crises and preserve global financial stability in the wake of the inability of the multilateral economic institutions to cope with the modern, complex, interconnected private sector-driven finance.

- *Inability to raise IMF reserves of about US \$3trillion*

In terms of global financial stability, economic recovery has been a huge part of the G20 agenda. However, even though the G20 agreed to raise International Monetary Fund (IMF) reserves with a new SDR (Special Drawing Rights) allocation of US \$650 billion, critics have argued that given the scale of financing challenges in emerging economies, it is not enough. About 250 civil society organizations claimed that the SDR allocation of about US \$3 trillion was required; however, about US \$650 billion was the most that could be granted without the support of the United States Congress. As the SDRs are allocated proportional to countries' quotas at the IMF, the distribution is skewed towards bigger countries—according to the European Network on Debt and Development, advanced economies will receive around 67 percent of the allocation, while the LICs will receive about only one percent.

- *Lack of commitment by member countries for remedial measures on Climate Change*

On the climate crisis front, G20 as a group has been a failure to break the impasse. Many countries disapproved of the idea of committing to keeping global warming below 1.5 degrees Celsius and phasing out coal. The US, EU, Japan, and Canada want the G20 to cap temperature rise at less than 1.5 degrees and phase out coal by 2025. However, countries such as China, Russia, India, Saudi Arabia, and Turkey continued to defend against the use of fossil fuels. The members also failed to agree on a date by which they would phase out inefficient fossil fuel subsidies.



Not only is there internal division inside of the G20, but protests are also a regular feature at the summits due to discontent regarding the group's inability to address key global problems and their lack thereof. In 2011, the Danish Institute for International Studies termed the G20's institutionalized practice of inviting five special observers for each summit from under-represented regions as 'concessions at the margins. To begin with, the core reason why the summit was created has been undermined. The institute further criticized the summit's move to permanently exclude 173 countries which, according to them, undercuts its claim to representational legitimacy. Here, the point is Nigeria which by its current growth may surpass India and China to be the world's most populous State in 2100 is not heard on the global stage.

Watershed Moment

The financial crisis of 2008

G-20 summit was founded in 1999 as a forum for promoting international cooperation on the important aspects of the international economic and financial agenda. The initial summits were held with the Central Bank Governors and Finance Ministers of the member countries. After the formation of the group in 1999, it stayed for a long time at the finance ministers' level till the Financial Crisis of 2008 struck major economies of the world, forcing them to rethink and convene this summit at a leaders' level. In response to the crisis and following an initial call from Nicolas Sarkozy (then French President) and Gordon Brown (the British Prime Minister), George W. Bush convened the first G20 meeting in Washington, DC between November 14-15, 2008. The leaders' summits are qualitatively different from the finance G20 summits held before. While the finance G20 had a technical orientation, the leaders' G20 is characterized by a policy-driven agenda and while the emphasis in the 'finance G20' is on norms, the leaders focus on process and delivery.

In the face of deteriorating economic conditions around the world in the year 2008, leaders concurred that a broader policy response was required, based on stronger macroeconomic cooperation, to restore growth, avoid negative spillovers, and support emerging market economies and developing countries. Thus, the Washington summit of 2008 can be considered a landmark meeting of the G20 because it set the scene for the most dramatic reform of global finance in over 60 years. It was also the first time that the global leaders met as previously only the finance ministers and central bank governors met. At this summit they took some key decisions:

- Take necessary steps to stabilize the financial system
 - Comprehend the importance of monetary policy support in accordance with domestic circumstances
 - When necessary, use fiscal policy to quickly increase domestic demand while preserving a regulatory environment that promotes budgetary sustainability.
 - Help emerging and developing economies access capital in the contemporary appalling financial climate, notably through programme support and liquidity facilities
 - Encourage the World Bank and other MDBs to utilize their maximum potential in support of their development objective.
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All of the developments in this summit were further strengthened by the follow-up meeting which was held in London, UK where the member states agreed to blacklist nations that refused to cooperate on efforts to tackle tax evasion and avoidance. The G20 was established as a significant decision-making body on issues pertaining to the global economy at the G20 Summit in Pittsburgh, USA, in 2009. At this conference, it was resolved to impose harsher rules on the banking industry, requiring banks to retain more of their revenues to raise capital.

Climate Change

The effects of climate change are unparalleled in magnitude, ranging from changing weather patterns that endanger food production to increasing sea levels that increase the likelihood of catastrophic flooding. Without immediate action now, future adaptation to these effects will be more difficult and expensive. Therefore, all the major global meetings inadvertently focus on the issue of climate change because it is one the most crucial topics to focus on to ensure well being of not only the present generation but most importantly the future ones who would be facing the most catastrophic natural disasters if no steps are taken immediately. Speaking of the role of G20 with respect to climate change, the member states have a special obligation towards tackling climate change because together they contribute around 75% of the world's greenhouse gas (GHG) emissions. The countries are also signatories of the Paris Agreement which aims to halt global warming.

Since the 2017 Hamburg Summit of G20 climate change has been one of the core areas of focus for G20. During the 2021 summit held in Rome, few concrete commitments were made on this issue. This primarily included country agreeing to curb methane emissions and also ensuring to put a stop to public funding of the majority of new coal-powered plants.

However, there are certain critical factors that should be taken into account when evaluating the performance of G20 member states in tackling climate change. To begin with, although the G20 promised to stop funding coal-powered plants abroad, they did not set a deadline for its phase-out at home and modified the phrasing of a commitment to lower methane emissions, another deadly greenhouse gas. According to U.N. experts, the 1.5 C threshold must be attained to prevent a sharp acceleration of catastrophic climatic events including droughts, storms, and floods.

They suggest achieving net zero emissions by 2050 to get there. However, the official statements released by G20 in the 2021 summit have no reference to it thereby again raising concerns about how it is going to achieve the objective set by it. The world's largest carbon dioxide emitter, China, has established a target date of 2060, while other major polluters like India and Russia have also refrained from committing to the 2050 target date.

In the recently held G20 summit of Bali, the member states however agreed to limit the global temperature increase by 1.5 degrees Celsius reiterating their stance on the Paris Agreement on climate change. Also, the United States, Japan, and allies said they would raise \$20 billion in public and private funding to support Indonesia's shutdown of coal power plants and bring forward the sector's peak emissions date by seven years to 2030.



India's Presidency

Importance of India's presidency in the upcoming summit of G20

Under its Presidency starting on Dec 1st, 2022, India will host the G-20 leaders' summit in New Delhi on September 9 and 10 in 2023. Over 200 meetings are expected to be held under India's presidency. Bangladesh, Egypt, Mauritius, the Netherlands, Nigeria, Oman, Singapore, Spain, and the United Arab Emirates will be invited as guest countries by India under its leadership. During its presidency India, Indonesia and Brazil will form the member countries of Troika which consist of the countries that are the current president of G20, who hosted it in the past, and who is going to host it in the future. And, this will be the first time that all three member countries of the Troika are developing and emerging economies which means there would be a wider range of issues brought to the table. It is also an important landmark, since the G20 was transformed into an annual summit at the highest level in the wake of the global financial crisis of 2008, only four developing nations have served as chairs: Mexico in 2012, China in 2016, Argentina in 2018, and now Indonesia in 2022. The current Indian presidency is the fifth such occurrence. In addition to the Global South trying to set the tone for the Bali conference's theme of "Recover Together, Recover Stronger," this is also a time for regional groups like Southeast Asia, South Asia, and others to seek more economic convergence on sustainable development goals.

Opportunity for Social Enterprises

Having millions of civil society organisation, social enterprises and devoted individuals may come handy for India to pitch its potential of being a global leader in solving socio-cultural and economic challenges. The dedication of social enterprises in addressing issues like climate change, poverty elimination, skills development, policy reforms, gov-tech solutions and increasing the strength of governance mechanisms will add variety to the scalable solutions narrative. The State Governments in India are already very concentrated on the localisation of Sustainable Development Goals (SDGs), as they are interconnected and address a wide range of concerns, including climate change, women's empowerment, food and nutrition security, health, and poverty.

While India's G20 priorities are finalized, the ministry of external affairs reports that the topics which would be brought into discussions are

- Inclusive, equitable, and sustainable growth,
- LiFE (Lifestyle for Environment),
- Women's empowerment,
- Digital public infrastructure, and
- Tech-enabled development in fields like health, agriculture, education, commerce, skill-mapping, culture, and tourism,
- Climate financing,
- Circular economy,
- Global food security, and enlightenment.



India may think about establishing new engagement groups that are concerned with sports, startups, indigenous knowledge, and heritage while it has its presidency. Also, the issue of food security is one that the entire world is battling. India was one of the first nations that proposed 2023 be recognized as the International Year of Millets in 2018. The FAO assented to this, and the UNGA later ratified it at its 75th session in March 2021. Millets are one of the most widely produced crops in the world, with India emitting 14.52 million tonnes in 2015–16 and 17.96 million tonnes in 2020–21. India could organize a coalition of significant millet producers while it holds the presidency to exchange agricultural best practices and technological advancements.

The success India has had in establishing three centers of excellence for the production of millet can be reproduced in other suitable regions of the world with the aid of adequate international financial channels. Among the other important agendas which would be addressed by India under its presidency, the topic of how green energy should be the driving force of future energy requirements is likely to be brought to the table. It is important to understand that coal is not the only polluting fossil fuel. Crude oil and natural gas are also polluting perhaps less in terms of the damage done to the environment. Therefore, there is a rising need for greener and cleaner energy. The Bridgetown Initiative, which asks for an equitable, reachable, and affordable strategy for green and development financing to help developing nations fulfil their Sustainable Development Goals (SDG) and climate change targets, should be supported as much as possible during India's presidency.

