

# Will the G-20 rise to the challenges ahead?



This year's summit host India is championing the cause of the Global South at a time of various global crises. How the G-20 will fare in future hinges on whether it can speak with one voice in the face of geopolitical cleavages and rising economic and technological competition.

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India is hosting the Group of 20 (G-20) summit in September in challenging times. Global growth has slowed down and much of the world is grappling with high inflation. Many countries that are still recovering from the effects of the Covid-19 pandemic are facing difficulties arising from disruptions in food and energy supply chains emanating from Russia's invasion of Ukraine.

It is estimated that almost 40 per cent of the developing world is facing a severe debt crisis that requires urgent rethinking of existing international financing structures. Serious questions are also being asked about the future of multilateralism.

Such concerns over the future of the global order have not just arisen in the wake of the war in Ukraine. These have culminated from longer-term questions over the substantive representativeness of international institutions like the United Nations and the International Monetary Fund (IMF), and the multilateral and plurilateral agreements that countries are increasingly engaging in.

The escalating climate crisis has further highlighted the urgent need for international institutions to shape a global consensus on priorities and actions.

While developed countries have made important financial pledges over the years, mechanisms for financing and facilitating the green transition globally are yet

to be worked out. The current international position on climate action is perhaps most aptly reflected by the negotiations that occurred at the Conference of Parties (COP27) in Sharm el-Sheikh in November 2022.

After a series of long and difficult negotiations, there was a landmark agreement on setting up a loss and damages fund. While this commitment is promising, there has been no progress yet on the principal mechanisms through which such a fund will be worked out and how it will be distributed.

### INDIA'S GLOBAL SOUTH AGENDA

Within this context, India is committed to setting an inclusive agenda for the summit to be held on Sept 9 and 10. When India assumed the presidency of the G-20, Prime Minister Narendra Modi stated that India will define the priorities of the forum, in consultation with not just its G-20 partners – which include countries such as Australia, China, Japan, Germany and the United States – but also its “fellow travellers in the Global South, whose voice often goes unheard”.

As a result, much attention has been drawn throughout India's presidency to the concerns of developing countries. India has also benchmarked the inclusion of the African Union (AU) into the G-20 as an important agenda item.

The inclusion of the AU will enhance the status of the G-20 as a multilateral forum. But it is not without challenges. Africa is not a homogeneous continent, and the 55 countries that make up the AU do not have a consensus on geopolitical and geoeconomic issues. As such, it would be interesting to see how the AU takes a position on issues discussed at a potential future G-20.

Unlike the European Union, which is a member of the G-20, the AU is not a supranational body and, thus, cannot frame policies and positions. The AU's positions are arrived at through consensus. There are concerns that a large and diverse G-20, with weak institutional mechanisms, could become

redundant.

When considering the future of the G-20, it is important to note that the forum is not new to crises and evolution. Indeed, it emerged in response to the Asian financial crisis of the late 1990s and expanded into a leader-level summit in the wake of the global financial crisis of 2007-2008. The forum provided governments a means through which to coordinate their responses and develop actionable plans to both crises.

That said, contemporary geopolitical cleavages, as well as strategic economic and technological competition, have sharpened to the point that makes shaping such a consensus difficult. The Russia-Ukraine conflict, together with the US-China competition, overshadows the ability of the global community to work together.

These issues have generated concerns over the G-20's ability to issue consensus communications and substantive joint statements. There are also broader shifts that will increasingly impact the aims of the G-20 and its functioning.

When the G-20 transformed into a leader-level summit in 2008, a substantial component of the global gross domestic product came from the developed world. Developing countries constituted barely 20 per cent of the global economy. Since then, the share of the developed world has

constantly declined while that of emerging markets has been steadily rising.

Projections by the IMF, for instance, indicate that 80 per cent of global growth in the coming decades will come from emerging markets. However, the global financial structure is not aligned to such a reality. Shifts in the global economic equilibrium are also clear from the fact that many countries have taken steps that reduce their reliance on the American dollar as a medium of exchange. Such an economic reordering is likely to influence the agenda of the G-20 and push it to confront new challenges.

### THE CHALLENGES

Looking ahead, the future relevance of the G-20 is contingent upon how it responds to the ongoing economic, climatic and geopolitical crises confronting the world, and if it is able to be seen as a more representative institution.

At one level, the G-20 needs to seriously accept the need for some kind of compact that will facilitate the formulation of debt rescheduling arrangements that are suited to the conditions of specific countries experiencing debt. A concerted reform of multilateral banks and recapitalisation of international financial institutions are central to achieving this.

Perhaps the recently agreed

deal between Zambia and its creditors – which include China, France, Britain and India – that restructures the country's US\$6.3 billion (S\$8.5 billion) worth of loans could provide the inspiration and model for further debt restructuring.

The climate crisis is the other key sphere in which the G-20 needs to project leadership. At the 2009 COP in Copenhagen, developed countries committed to mobilising US\$100 billion annually by 2020 to assist developing countries with their green transition. However, estimates by the Organisation for Economic Co-operation and Development, or OECD, reveal that the developed countries have failed to meet this target.

In addition, when developing countries have accessed loans from development banks, they have had to pay interest rates that are equal to or higher than market rates. Thus, effectively, the developing world pays more for its green transition than the developed world. To ensure its relevance, the G-20 needs to spearhead a revamping of existing financing architecture that focuses on the green transition.

As questions are being asked about the effectiveness of many multilateral institutions, the continued importance of G-20 will depend on its ability to expand its agenda, reform its institutional mechanisms, and shape a consensus on the need for new financial mechanisms and approaches.

The inclusion of voices from developing countries into discussions at the G-20 may prove to be pivotal in this regard. This is particularly salient, given that the G-20 is being presided over by a succession of developing countries. India assumed the presidency from Indonesia and will hand it over to Brazil, which will, in turn, be succeeded by South Africa. Successive developing country presidencies are likely to see continuity in the push for a more inclusive global system.

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India is committed to setting an inclusive agenda for the summit to be held on Sept 9 and 10. It is estimated that almost 40 per cent of the developing world is facing a severe debt crisis that requires urgent rethinking of existing international financing structures. PHOTO: EPA-EFE