



# India and G20 in a changing World Order: A Case Study of Osaka Summit

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**G-20**

***How does change in G20 has been signaling change in world order?***

***Osaka G20 summit***

***India's concerns and Issues in Osaka Summit***

***Major Takeaways from Osaka Summit***

***What does Osaka Summit signals?***

“The new global economic governance structure will need to be based on representative institutions that reflect the changing economic weight of emerging economies in the global economy,” noted Reshaping Global Economic Governance and The Role of Asia in The Group of Twenty (G20), a report jointly prepared by ADB and the Peterson Institute for International Economics. "Asia should and will play a greater role on the global stage."<sup>1</sup>

This prediction was made in 2011, only after a few years the heads of G20 states started meeting biannually and then annually (in 2009 and 2010 meeting were held twice a year). The report claimed that the emerging market economies of Asia will lead towards a change in the global order, and order to this process of change G20 would become a global economic steering committee. The ADB furthermore highlights that the late 2000 recession have only been an example to prove that the perseverance of Asian economies to contribute in the global world order has come to the front. It positively subsumed that the region would have a mark on the global stage which will lead to shaping the G20's agenda for stable, balanced and sustainable growth through strengthening intra and trans regional trade and investment and stimulating domestic demand.<sup>2</sup>

It seems pretty obvious to assume today that Asia in general and India and China in particular are emerging economies that are contributing and impacting the global order. However, predicting and believing firmly in this idea when Asia was into a critical financial crisis was not easy. This is why it becomes imperative to assess and understand the emergence and importance of G20 as an entity and a global multilateral organization.

### **The Serendipitous G-20**

In April 2010, Robert Zoellick, president of the World Bank, gave a speech hailed by some as the most important speech of a World Bank president since Robert McNamara's in 1973, when McNamara set poverty reduction as the Bank's new mission. Zoellick's main point was the end of the Third World—the end of the distinction between developed and developing countries. He says, “If 1989 saw the end of the “Second World” with Communism's demise, then 2009 saw the end of what was known as the “Third World.” We are now in a new, fast-evolving multipolar world economy—in which some developing countries are emerging as economic powers; others are moving towards becoming additional poles of growth; and some are struggling to attain their potential within this new system.”<sup>3</sup> The only thing that is common among the two speeches is Asian Development Bank. When Robert Zoellick declared ‘Poverty reduction’ as the bank's new mission, it was not the World Bank that was declaring poverty reduction as a mission for the first time. However, the Asian Development Bank had evolved the idea of poverty reduction as the main mission of a global bank.<sup>4</sup> It is also to be noted that when Japan announced about the establishment of a multilateral financial organization and invited countries to join and contribute for the economic integration and development of Asia and Pacific, US was not very happy with this initiative of Japan in the beginning. It was only in 1966 when establishment of ADB was almost finalized and Japan was not ready to take its steps back, US joined the ADB.

ADB being the only competing entity in front of World Bank with a greater motive of poverty reduction was being more successful in Asia as a financial institution. Asia being the biggest region for investment, could not be left apart for ADB alone. The ebbing profit margin in the region was main reason which led to the president's announcement of ‘poverty reduction’ as mission of World Bank. The second time in 2010 when President Robert Zoellick made another underlining announcement about Asia, third world and developing economies, the report which has been mentioned above was the source of stimulation.

G20, being an informal entity is dedicated towards dealing majorly with economic issues. Hence, it could be logical to compare it with other existing economic multilateral global entities. Robert H. Wade compares some aspects of G20 with that of the twin Bretton Woods institutions (World Bank and International Monetary Fund) and propagates the hypothesis that reforms in governance of Bretton Woods institutions and leap forward from G7 to G20 is a move towards multi polarity of global order. The G20 and the Bretton Woods organizations have their very identities rooted in inclusion of both Northern and Southern states. Governance reforms in all three since 2008 have been heralded as major advances in multilateralism. When the G20 was upgraded from finance ministers level to heads-of-government level in November 2008 (in the wake of the fall of Lehman Brothers and

the onset of the global financial crisis), President Nicolas Sarkozy of France enthused, “The G20 foreshadows the planetary governance of the twenty-first century.” Stewart Patrick of the U.S. Council on Foreign Relations describes the G20 as “the most significant advance in multilateral policy coordination since the end of the Cold War.”<sup>5</sup> Similar enthusiasm greeted the governance reforms at the World Bank and IMF announced in 2010. How should we interpret these claims?<sup>6</sup> Answer lies in the very fact that the leap forward of G7 and structural reforms of Bretton Woods institutions have occurred to inculcate the new power centers of the globe. Although, this journey from unipolarity to multipolarity has not been a smooth leap forward, USA being the power centre of unipolar world has been utilizing all the possible paraphernalia to remain the power centre. However, its own policy of open and free market has led to emergence of new prosperous, strong and impactful economies.

The very existence of the G20 as a presidential- and prime minister-level forum—and its one singular achievement—was to respond to the financial crisis at a scale that could prevent the global economy from falling into a depression. It did so through a coordinated rescue of the main private sector financial actors and through a public fiscal and monetary stimulus, with the biggest contributions coming from China and the United States.

The initial rescue benefitted the G20 economies broadly, beyond the financial sector. But very quickly the focus turned to the interests of capital—bond holders in particular—as reflected in the 2010 decision at the Toronto summit to call for fiscal consolidation. Even though working people and the poor were still suffering the effects of the crisis in terms of unemployment, lost income and stagnant or declining wages, the G20 agreed to “hit the brakes (Polaski 2017).” The wake of new political scenario of advent of populist leadership in major countries brought new set of challenges in front of G20 as well.

Over the next few years, several countries and the International Labour Organization (ILO) insisted the G20 needed to address continuing unemployment and rising inequality. It was expected from G20 to ensure both the quality and quantity of jobs, wages and the deteriorating labor share. A labour ministers' track was established in 2010, followed by the creation of an employment working group. In line of that development in 2015, a subgroup on labour income share was created— with support of Turkey and several other countries on a proposal from Argentina. However, the G20 never moved to adopt the policies recommended by these working groups, only paying lip service to the need for “more and better jobs.”

When the backlash against the effects of globalization started to manifest politically in 2016, beginning with Brexit, then the election of Trump and so on, the G20 could easily be seen as part of the problem: an instrument of the international elite. In that sense, the G20 missed important opportunities to help coordinate some redistribution from the winners of globalization to the losers, some coordinated increase in wages, that could have mitigated the harsh effects of the crisis on working people or at least slowed the decline in the share of the global and national economies going to working people and the increased share going to wealthy investors (Polaski 2017).

## **India at the Osaka Summit of G-20**

As leaders of G-20 met in Osaka in 2019, there was a sense of bewilderment about the real aims of this platform and if at all it has any relevance in this day and age. Today, the G-20 perhaps faces its most serious challenge since it first met in November 2008 to tackle the financial crisis with a primary mandate of preventing future international financial crises. As trade tensions escalate among major powers and global growth decelerates, the G-20 countries will find it hard to present a common framework to tackle global challenges, something that they were able to do after the 2008 financial crisis when they not only consolidated IMF's budget but also prevented protectionist tendencies from taking root(Pant 2019).

Today, the world system has become more different. More than anything else, the international community would be watching the meeting between US President Donald Trump and Chinese leader Xi Jinping on the sidelines, and as the side meetings have gained more profundity off late, the attention of international community would be focused on whether Xi and Trump can conclude with a deal to negate the (bi)lateral trade war. It seems obvious that the two countries have decided to resume their communication to resolve the trade tensions. Whatever the outcome may be, disputes between the two giants are not likely to get resolved anytime soon with the changing dynamics of international order which is shaping the web of interdependency of this bilateral relationship.

For Trump, who is heading to enter into the election campaign again with the populist policy of 'America first', trade is going to be a key issue area. And not surprisingly, before his meeting with Indian Prime Minister Narendra Modi on the sidelines of the G-20 Summit, Trump decided to hit out at India, suggesting that India's tariffs on US products were "unacceptable" and they must be withdrawn. So it became a very interesting plot of observation for many whose interests lie in and around Indian foreign policy to see how does the Indian Prime Minister going to tackle the issue. This despite the fact that US Secretary of State Mike Pompeo, who was in New Delhi this week, sought to play down trade tension with India by promising a renewed focus on negotiating better ties(BBC 2019). Being on the receiving end, India had to inculcate its diplomacy at its best to engage with US on this bilateral meeting of the sidelines of G-20.

The G-20 summit of 2018 saw New Delhi participating in two trilaterals meetings – one with US and Japan with a focus on maritime cooperation and one with China and Russia focusing on trade. It reflected a new confidence on the part of New Delhi to pursue issue based alignments. But as disputes rise between major and active players of international community and the Trump administration in US remains stubborn on their stand on trade, India's ability to negotiate and navigate in this complex environment will be on a test.

Modi has gone into the G-20 summit with an expansive agenda in mind to focus on "discussing the major challenges and opportunities faced by our world today with other global leaders" as "women empowerment, issues related to digitalisation and artificial intelligence, and progress in achieving SDGs and in our common

efforts to address major global challenges such as terrorism and climate change form the rich agenda of the Summit(Modi 2019).” He is also viewing this G-20 summit as an important stepping stone for India to host the G20 summit in 2022, on the 75th anniversary of India’s independence. So clearly, Modi has great expectations from the G-20. Whether the G-20 in Osaka will be able to deliver still remains an open question.

As a forum, the G-20 is often watched more closely for the meetings the event affords on its sidelines, than for substantive outcomes. The countries that make up the G-20 (19 nations and the European Union) account for 85% of the world’s nominal GDP, and each has pressing issues it wishes to discuss with other members on bilateral, plurilateral and multilateral levels. Prime Minister Narendra Modi used the occasion of the G-20 summit at Osaka for as many as 20 such meetings, including nine bilaterals, eight pull-aside engagements, and of the Russia-India-China, Japan-U.S.-India and Brazil-Russia-India-China-South Africa groupings(PTI, PM Modi’s G20 Summit concludes with six bilaterals on last day 2019). The most anticipated were President Donald Trump’s meetings with his Chinese counterpart Xi Jinping and Mr. Modi, given the escalation in trade tensions. Both ended on a cordial note, but with no breakthrough or “big deals”. The Indian and U.S. Commerce Ministers will sit down again, as they have on at least three occasions in the past year, to try to resolve the impasse over trade issues, and the U.S. and China have called a halt to raising tariffs until they resolve issues. Both come as a relief to India, given the impact of those tensions on the national and global economies. Mr. Modi raised several Indian concerns at the G-20 deliberations, including the need for cooperation on dealing with serious economic offenders and fugitives, as well as climate change funding. This found its way into the final declaration. India sent a tough message by refusing to attend the digital economy summit pushed by Japanese Prime Minister Shinzo Abe, as his plan for “data free flow with trust”, included in the G-20 declaration, runs counter to the Reserve Bank of India’s proposed data localisation guidelines(IANS 2019). The U.S. wrote in a counter to the paragraph praising the Paris accord, while trade protectionism was not mentioned in the document. On issues such as ocean pollution management, gender equality and concerted efforts to fight corruption, the G-20 found consensus more easily(Editorial 2019).

Overall, Mr. Modi held nine bilateral meetings with the leaders of Japan, the US, Saudi Arabia, South Korea, Germany, Indonesia, Brazil, Turkey and Australia; eight pull-aside meetings with Thailand, Vietnam, the World Bank, the UNSG, France, Italy, Singapore and Chile; two plurilaterals — JAI (Japan-America-India) and RIC (Russia-India-China); one multilateral meeting of BRICS and four G20 sessions and a community event(PTI, Modi’s visit to Japan concludes with six bilaterals on last day 2019).

### **Takeways**

With Saudi Arabia hosting the next G-20 in 2020, followed by Italy in 2021, all eyes will soon turn to the agenda India plans to highlight when it holds the G-20 summit in 2022. Many global challenges, such as climate change

and its impact, the balance between the needs for speed and national security with 5G networks being introduced, as well as technology-driven terrorism, will become even more critical for the grouping, and the government must articulate its line. India should lead the exercise in making the G-20 more effective in dealing with some of the inequities in its system. The G-20 is an important platform to discuss pressing issues, and it must not be detracted from its original purpose of promoting sustainable growth and financial stability by grandstanding by one or two members.

For countries like India, the G20 is a unique global institution, where developed and developing countries have equal stature. Here, the latter can display their global political, economic and intellectual leadership on a par with the world's most powerful countries. It is the agenda-setting body that guides the international financial institutions and global standard-setting body that develops and enforces rules of global economic governance.

The G20 has a rotating presidency and secretariat, ensuring that no country dominates the agenda. Instead, the G20 host sets the agenda for the year, wielding direct and indirect influence. Managing this process from inception to fruition showcases a country's talent and administrative ability.

This holds both opportunities and challenges for India: the opportunity to set the global economic governance agenda and make it inclusive, and the challenge of taking on the massive task as G20 President in 2022.

Is India ready for this leadership? Does it have a clear global positioning in place to lead an international financial agenda? Does the country's top political leadership have the capacity to lead the G20 year intellectually, financially, managerially and administratively?

At some levels, India is ready. Indian business and industry is becoming a noteworthy competitor globally. The country's domestic economy is starting to pick up, thanks to serious structural economic reforms undertaken. The central government is economically stronger, and the states are starting to learn about economic independence. This means they will pull their own weight more, making them contributive and structurally more aligned with their global counterparts.

Geopolitically, India is more internationally engaged. But it is less engaged geoeconomically, with a narrow focus on the World Bank, IMF and WTO issues. The country has much to contribute beyond these multilaterals, and that effort can commence with preparations for the G20 Presidency in 2022. In addition to the established themes of financial regulation, trade, and other topics, India can lead on several issues, most notably on reform of the Bretton Woods institutions, reconfiguration of global financial regulations, design of a new framework for trade in services and digital economy, and establishing better cross-border standards for transparency in financial flows.

It is organisationally that India will have challenges, where the country has an infrastructure, management and intellectual gap.

First, a G20 presidency brings together several global leaders, their attending delegations and independent experts. Unlike the Olympics and more like Davos, this effort is focused on a small, but powerful group which expects good airports, accommodation, conference facilities, and communications infrastructure all year round.

Second, the president of the G20 is tasked with leading and managing the global economic agenda for the year. These are typically undertaken by the finance ministry and foreign ministry of a country, and a special appointee such as G20 Sherpa, and they together act as the secretariat to the G20 Presidency. In India, the ministries have fine officers with this knowledge, but they are overworked and limited by their short tenures in the departments.

‘Global economic governance’ is almost no one ministry’s mandate, but in fact involves many. For example, the ministries of commerce, energy, agriculture, have deep stakes in the emerging global economic architecture. The banking and securities regulators – Reserve Bank of India and Securities and Exchange Board of India – play a crucial role in contributing to the formulation of global financial regulations. They all have to work as one.

Third, the logistical exercise is monumental, and unprecedented for India. While the country has developed the capacity for organising conferences like ‘Vibrant Gujarat’ and ‘Pravasi Bhartiya Divas’ once a year, the G20’s all-year requirements are equally intense, but more subtle and sophisticated. It needs an energetic secretariat to organise over 170 high-level ministerial, sub-ministerial and sub-forum meetings through the year; and at least 50 task forces (including those of the sub-forums, such as those for think tanks or business). Then there are content management, negotiation and feedback processes and developing and executing the year-long agenda to culmination. The closest experience for India was in 2016, when, as chair of the five BRICS countries, the ministry of external affairs and finance ministry together organised over 100 meetings, with uneven success on the presidency year(Mathur 2019).

Fourth, intellectually, India is constrained on capacity. There are virtually no think tanks or academics which specialise in this subject, except some, like Gateway House, which has focused on this since the early days of the G20. It requires deep inter-disciplinary research on issues of the international monetary system, global financial architecture, global trading system, cross-border use of energy and resources and global climate and sustainability commitments.

This constrains India to be a passive rule-taker, not rule-maker or designer of global economic rules. Consequential economic decisions are then driven by the West, and increasingly by China – neither of which are suitable for an India that should be a leading thinker of the new global economic rules.

Hosting a successful G20 Presidency in 2022 then, is a welcome challenge and a fitting aspiration. Preparations must begin now, with an immediate upgradation of domestic intellectual, administrative and physical infrastructure. This will directly benefit the domestic economy through enhanced human capital and increased international economic engagement via trade, business, and finance. The government will have to work together with think tanks, business and other civil society organisations to develop an agenda for 2022.

<sup>1</sup> <http://en.people.cn/90001/90778/98506/7361425.html>

<sup>2</sup> <https://en.wikipedia.org/wiki/G20>

<sup>3</sup> Robert Zoellick, "The End of the Third World?" (address to Woodrow Wilson Center for International Scholars, Washington, D.C., April 14, 2010; emphasis added)

<sup>4</sup> <https://www.adb.org/about/main>

<sup>5</sup> Stewart Patrick, *The G20 and the United States: Opportunities for More Effective Multilateralism* (New York: Century Foundation, 2010), <http://tcf.org/publications/2010/10/theg20-and-the-united-states-opportunities-for-more-effective-multilateralism>

<sup>6</sup> Robert H Wade, *Emerging World Order? From Multipolarity to Multilateralism in the G20, the World Bank, and the IMF*, SAGE Publications, 2011

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