

# G20 Lecture Series

## India's Priorities in G20 Key Points from G20 Osaka Summit

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G20



## ABOUT THE AUTHOR



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Shri Suresh Prabhu has been Prime Minister's Sherpa for G20 summits and Chairman of the Task Force on Interlinking of Rivers. He has served several ministries as a minister for the Government of India during Prime Atal Bihari Vajpayee and Prime Minister Narendra Modi's governments. Some of these ministries include Commerce & Industry, Civil Aviation, Railways, Power, eEnvironment and Heavy Industries. He is a Rajya Sabha MP from Andhra Pradesh and has been four-time Member of the Lok Sabha from Rajapur Constituency of Maharashtra - one of the biggest states of India and has also represented Haryana in the Rajya Sabha. Besides his public responsibilities, Shri Prabhu is a leading commentator on India's economic and development policies and commands high respect among the intellectual fraternity.

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# India's Priorities in G20

Key Points from G20 Osaka Summit

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### Introduction

Although G20 as an institution has been in existence since a long period of time, it doesn't have an institutional structure like any organisation as such. Still it has become a very important global forum to discuss important global issues. As we all know, it started way back at the finance ministers' level, because it was essentially to deal with financial issues. Over roughly a ten-year period from 1999 to 2008, it was elevated to the Heads of State. Interestingly, every country gets the privilege of hosting the G20 summit. India will be hosting the summit in 2022 when India completes 75 years of independence. So it is going to be an important landmark event for the country.

Despite significant attention that G20 has received, one important challenge for G20 is that it discusses all issues without having any specific focus. It is obvious that when it witnesses a strong representation of so many important countries naturally all major global issues will be taken up. Otherwise, it is likely that there will always be a criticism from global community that such a crucial forum did not discuss some issues which are very important for the world. Other challenge is that every country, who assumes presidency, wants to put their stamp on it. And therefore every country would like to add some issues from their own perspective, like Japan did, by including ageing and society 5.0 in the Osaka Summit. In other words, since there are so many global issues which need to be discussed at the G20 platform and exclusion of any particular issues may arouse criticism, there should be continuity of issues taken up in the previous presidencies along with appreciation of new issues in the subsequent presidencies. This is probably the reason for which the issues discussed in G20 have increased manifold over time.

It is imperative for G20 to ponder at this crucial time, when the world is struggling to find out the new global governance architecture for managing the changing world effectively, what kind of institution it needs to be in that endeavour. At the same time, while the world needs a new global governance system, the relevance and importance of the existing multilateral institutions such as the World Trade Organisation (WTO) is being questioned. For past two decades, it was widely held that the WTO is going to be the guardian of global trade but there are now question marks over the existence of WTO itself. In view of this pessimistic perception about global institutions of governance, the

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global community obviously expects a lot from G20. Now that all important global issues are being discussed and the leading countries of the world are represented in it, the hope is that G20 will provide necessary guidance and direction.

## Major Global Issues at Osaka Summit

The Osaka Summit covered a range of issues in economic and social spheres. While all issues have implications for the member countries of G20 and for the world as a whole, some major issues that received relatively more attention and were supported by India are discussed below.

### Sustaining Global Growth

Economic issues are inevitably important for G20 as it accounts for almost 85 per cent of global GDP. The Osaka Summit was notable as it happened at a time when IMF, the World Bank and many other research institutions had raised doubts about the sustainability of global growth. How economies will continue to grow in the years to come is a big concern for the global community. The global community is equally concerned that if global economy does not catch up with high growth, all countries will suffer and particularly the aspirational countries like India, whose development trajectory also benefits from buoyant global economy. On the other extreme, developing countries like India can continue to contribute to global economy provided robust economic environment prevails in the global economy. For instance, India not only participates in G20 for its own interests but it also tries to put aspirations of the other developing countries upfront in G20 deliberations. Moreover, India feels its own responsibility in global affairs as the largest developing country in the world and ensures that developing world's perspectives are respected in G20. Like India, other developing countries are also worried about the current slowdown in the global economy as open global trading system and open society helped the developing countries benefit from globalisation in the past. In that sense, the topmost priority for the countries is to restore and sustain economic growth for larger benefits of the people in the world especially in the developing countries, least developed countries and small economies.

### Global Trade and WTO

The another dimension to global growth is the issue of global trade. An interesting trend was observed in global trade over the past one decade. Before 2008 global trade was growing at a rate faster than global GDP growth. Since 2008 not only

the volumes of global trade has declined over a period of time particularly commodities, as it was a big driving force for global commodity growth but the prices of exports has also fallen considerably. As a result, trade to global economic growth ratio has also changed and gone down in the last 10 years. For global trade to grow, it is necessary to ensure that institutions that govern global trade are also strengthened. India was a founder member of the General Agreement of Trade and Tariff (GATT) in 1948 which was later established as the WTO. The WTO as a rule-based democratic organisation has existed for more than two decades, governed global trade and people of the world has accepted it. It is a very unique organisation in which every country in a way has a veto in that as nothing is decided unless there is consensus among all the member states. It is unfortunate that such institution, which has actually proved its utility in the last two decades, is now being put under scanner. India believes that multilateral trading system and WTO are vital for the world trade to grow.

The issue of trade at this point of time is important as higher trade can contribute to higher economic growth. But global trade cannot grow unless the WTO becomes strong and functional. It is nobody's argument that WTO should not change. India has taken steps towards supporting the reforms of the WTO. India has taken a number of initiatives to ensure that WTO becomes a centrality to the global trading system. After the disappointing outcome of Argentina Ministerial in 2017, India organised a mini-ministerial on 19 March 2018 to make sure that the WTO becomes more effective. The participation of 57 countries manifested the success of this event which implies that most of the member states favour reforms in the functioning of WTO. This important platform facilitated interactions among all important countries of the world representing different regions and different interests for setting the future agenda for the WTO. India followed up that mini-ministerial meeting with another meeting of developing countries in May 2019 in New Delhi which was lauded by the Director General of WTO as important effort towards making WTO more effective. India reiterated the importance of reform of the WTO and strength of multilateral trading system in the Osaka Summit of G20. Moreover, one of the important cardinal principles of the WTO is the provision of special and differential treatments. Another key feature of WTO is the 'development agenda' which was the core agenda for negotiations of the Doha Round. Although member countries have differences over many issues, for larger interest of all the countries in the world, whether developing or developed, the countries should agree on a common agenda for the WTO. The same stand was echoed in G20 Summit in Osaka as well.

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## **Infrastructure**

Smart and quality infrastructure is another important global issue that has prominently featured in G20 summits including the Osaka Summit. Infrastructure can act as a catalyst for global economic growth. Many countries benefit from investments in infrastructure happening in different parts of the world. Infrastructure has a potential to pull economic activity globally. Even if you put infrastructure in one country, the supply chain is such that benefits can accrue to several other countries of the world. For example, the infrastructure in China might have been designed by a French architect, lawyers and financiers might be based in the United States, Europe or London, arbitration could be in Singapore and materials like cement could have been supplied from Indonesia. Likewise, the basic material for cement manufacturing could have come from Brazil. This demonstrates the benefits that the countries participating in the supply chain would benefit from infrastructure. In other words, infrastructure can kick-start the world economy as both manufacturing and services sectors would equally benefit from it. From that angle, creating quality infrastructure was given particular focus in Osaka. Infrastructure could also bridge the gap that exists between the developed and the developing countries.

## **Climate Change**

Climate change is a reality which now a common man is experiencing and suffering from. It is no longer an academic issue to be discussed in some forum somewhere outside of the place where actually the effect of that is felt. Many countries of the world are facing the adverse impact of climate change. The occurrence and intensity of natural calamities have increased and disasters have become frequent costing billions of dollars to the countries those suffer from them. The most contentious issue in the context of climate change is that the countries which suffer the ill-effect of climate change are not responsible for causing it. The cause of climate change is the greenhouse gas emissions which have been historically accumulated. The United Nations Framework Convention on Climate Change (UNFCCC) rightly recognised this reality and has decided to act on it. It amounts to the fact that the countries responsible for historical greenhouse emissions must contribute to the mitigation efforts for climate change in the form of financing, technology, etc. India played a key role in the Paris Agreement on Climate Change which factored this historical asymmetry in tackling climate change. The issue of climate change was discussed in Osaka even though there was a proposal that the reality of Paris deal should not



be mentioned. India strongly believes that climate change is a serious issue and all the countries should contribute to its mitigation and financing commensurate with their capacity as well as responsibility. India put forward the importance of common and differentiated responsibility rule that applies in case of climate change. Therefore, we put forward this strong view. Out of 20 member states of G20, 19 countries have agreed to put climate change as an important concern.

Energy is another aspect of climate change that needs worth mention in this context. The kind of energy used is responsible for greenhouse gas emissions even though there are many other things that contribute to climate change including land use. In this regard, one notable development in the recent years is the changing global energy mix adopted in many countries of the world. India has taken initiatives under the Prime Minister's leadership on International Solar Alliance (ISA), which in fact, will significantly contribute to changing global energy mix. Moreover, unless a move from fossil fuel-based energy to clean and green energy based on renewable is made, it is impossible to change and bring down the emission level of greenhouse gases to a substantial level. IPCC has always maintained that climate change is mostly human-induced and therefore human action can correct it. Unfortunately, despite agreeing in Paris there has not been visible actions by countries on this front. Hopefully, the Osaka Declaration of G20 which provides the necessary impetus to undertake strong actions on climate change in the future will find its way in the Cop25 which is going to be held in Chile in next few months.

## **Ocean Resources**

Oceans attracted much attention as the dominant environmental issue at the G20 Osaka Summit. Biodiversity is a natural treasure which needs to be preserved. Over a long period of time, human actions have destroyed a good part of terrestrial biodiversity of the world. Oceans have more biodiversity than even terrestrial biodiversity, so marine biodiversity is very important for the economy and the society. Instead of conserving it, marine biodiversity is under serious threat because of massive use of plastics, overfishing, and other industrial activities on oceans. In addition, land-based pollution also spills over to the oceans which affect its biological and metallic resources. Ocean warming because of higher emissions which is happening all over the world could destroy the marine biodiversity and cause ecological imbalance in the ocean habitat. Therefore, it is our common responsibility that we save the oceans. Incidentally, oceans are important also as carbon sinks. Many of these huge emissions can be absorbed by oceans. But now if oceans also give up finally, then what is the hope for the humanity. So the entire biological life, the human life, everything else depends

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### **Society 5.0**

Japan has stressed upon Society 5.0 as an important issue that G20 countries should dwell upon. Ageing is a not a serious issue for Japan only; rather all countries including India are to face the consequences of ageing at some point or other. So it is not just a question of one society but it is a challenge for the global community. In that sense, Japan's idea of Society 5.0 and India's emphasis on caring society using modern technologies are consistent with the fulfilment of a free, open, sustainable and inclusive society. India understands the problems involved in ageing and the social provisions needed for handling such issues. Among other social issues, women, health and youth issues occupied more space in the Osaka Summit.

### **India's Thrust Areas in G20**

India has been a founding member of G20 process and has played an active role in proposing new ideas and finding solutions. Some of the proposals that India made in the previous G20 summits, and continued to work for action in the Osaka Summit are briefly mentioned below.

#### **Terrorism**

International action on terrorism is the need of the hour as the roots of terrorism may be in some other country; the conspiracy could be hatched in some third country, and the actual target maybe another country like India. It, therefore, requires global action, particularly regarding the money that flows into terrorist network from different parts of the world.

#### **Economic Offenders**

Dealing with the economic offenders has been emphasized by India as a serious policy challenge for India and other countries in G20. India reiterated it in the Osaka Summit as well. Economic offenders often commit the crime in one country and flee to another to escape the legal process at home. India proposed this idea and sought cooperation from other G20 countries. This proposal was received quite well by all the member countries.

#### **Taxation**

Global taxation is another issue for G20 to deal with. G20 has already taken cognizance of this fact and has come up with the Base Erosion and Profit Sharing (BEPS) framework. The

complications arise from the spread of global supply chains as activity happens at different levels and at different places. Very often, it is difficult to assess the origin of a particular activity for tax, like when and how to tax the entities engaged in tax evasion. E-commerce mostly involves transactions without adequate information about the place of these transactions. Base Erosion and Profit Shifting (BEPS) framework has to be strengthened to seize the arbitration opportunities and locating the tax heavens.

### **New Digital Technologies**

Innovations in digital technologies are rapid and spreading faster across the world. The Fourth Industrial Revolution is going to be driven by those digital technologies like artificial intelligence, internet of things, block chain, etc. Although the benefits of digital technologies for economic growth and social development are well-known, there are certain issues such as privacy, data security and digital governance which are to be properly understood. For instance, artificial intelligence involves a lot of ethical issues which need to be tackled properly with international cooperation. Most importantly, it is necessary to highlight the contribution of digital technologies to the humanity at large.

### **Future of G20**

The world is so interconnected and integrated now that countries have to work together to resolve all global issues. Economic interests of most of the member countries of G20 by and large converge on achieving high economic growth, leveraging on digital technologies for future and ensuring minimum level of social protection for the people. Growing economic interdependence and spread of global supply chains are a reality rather than hype. G20 must provide the vision to bind all the countries especially the emerging markets like Indonesia, India, Brazil and Mexico which are new actors in global governance to support coordinated actions on major global issues and promote global public goods. For example, India and China can work together on climate change even though both countries differ on several issues. India believes that foreign policy of the country should be properly aligned with the domestic interests, and it expects other countries to follow this philosophy.

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