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G20 in 2023
Priorities for
India's Presidency

Editors

Renita D'Souza
Shruti Jain
Preeti Lourdes John



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Observer Research Foundation
20 Rouse Avenue, Institutional Area
New Delhi, India 110002
contactus@orfonline.org
www.orfonline.org

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Introduction

India will assume the G20 presidency on 1 December 2022 at a critical juncture in global affairs. This presidency provides India with the opportunity to steer one of the more effective multilateral forums for global governance. India's presidency is momentous for several reasons. The critical challenges confronting humanity today are global in character, not confined by national boundaries, and require collective action. Solving these challenges demands multilateral initiatives. Nevertheless, multilateralism is in a state of decline. The failure to cope with the COVID-19 pandemic and the inability to avert the Russia-Ukraine war has further accentuated the fault lines in multilateralism. India's presidency is an opportunity to revive multilateralism. India can steer the empowerment of

alternative international institutions of global governance that respond to the realities of the twenty-first century and direct global governance in the 'decade of action' to deliver the Sustainable Development Goals (SDGs).

Global governance is skewed in favour of developed economies as they exert a disproportionate influence on setting international rules of cooperation, trade, and finance. This has adversely affected the ability of global governance in delivering substantive solutions to enable the Global South constituencies in tackling fundamental challenges to development, trade, and security. India can utilise its G20 presidency as an opportunity to rethink global governance processes and establish parity in international negotiations. The G20

troika in the next year will comprise three emerging economies—Indonesia (the past chair), India (the current chair), and Brazil (the incoming chair). The roadmap of India's G20 agenda must leverage this troika to address the concerns of the developing world in a coherent and focussed manner and facilitate greater agency of those countries not represented by the G20 membership.

A fractured G20 posed a setback to the Indonesian presidency as geopolitical tensions between the West and Russia undermined cooperation within the grouping. This fissure in the G20 has cast doubts on its credibility. India's neutral stance in relation to the Russia-Ukraine war provides hope that it might be able to bring both sides to participate in the G20 proceedings and make some headway beyond the current deadlock. India is faced with the task of identifying creative solutions to bridge these geopolitical differences and pave the way for conversations anchored in cooperation and collective prosperity. Indeed, India's presidency might be expected to steer the articulation of an unambiguous G20 policy on the Russia-Ukraine war.

India has identified several priorities for its G20 presidency—inclusive, equitable and sustainable growth; LiFE (lifestyle for environment); women's empowerment; digital public infrastructure and tech-

enabled development in health, agriculture, education, commerce, skill-mapping, and culture and tourism; climate financing; circular economy; global food security; energy security; green hydrogen; disaster risk reduction and resilience; developmental cooperation; fight against economic crimes; and multilateral reforms (1).

As the new G20 chair, India inherits the responsibility of steering collective action for restoring global economic and financial stability in the aftermath of the pandemic and the Russia-Ukraine war. The food and fuel crises triggered by the conflict are only worsening. India's presidency will have to prioritise the formulation of a robust strategy for a resilient recovery of economic growth and recalibrate the action plan for achieving the 2030 SDG Agenda.

It is imperative for the G20 to concentrate efforts on developing a robust policy, and a regulatory, institutional and market ecosystem for accelerating the transition from the existing 'brown' economy to a more sustainable and low-carbon one. Global talks on the challenges of climate change have been dominated by concerns of climate change mitigation, with climate adaptation not being given the necessary attention. Similarly, climate finance flows to developing nations fall significantly short of their financial needs

to undertake adequate and immediate climate action. India's G20 presidency will be expected to champion the cause of developing nations in coping with the climate crisis.

India will also need to prioritise the integration of sustainable lifestyles in global climate action. In October 2022, India and the United Nations launched Mission LiFE, characterised by a three-pronged strategy for collective climate action. The first step involves nudging individuals to make behavioural changes to change the composition of demand; the second step involves encouraging the industry and markets to respond promptly to the changing demand; and the third step involves the government and policymakers revisiting their strategy for accelerating sustainable consumption and production (2). Among the G20 members, France, the UK, and Argentina have also extended support to Mission LiFE (3), and India can leverage its presidency to win the support of other grouping members.

The theme of India's presidency is '*Vasudhaiva Kutumbakam*' (One Earth, One Family, One Future), which underscores global interconnectedness and reflects India's pro-planet approach (4). It indicates that India will seek to strengthen global interconnectedness, build upon the merits of this connectedness, and

find innovative solutions to cope with any resultant challenges.

The 10 chapters included in this compendium deal with some of the G20 working groups, taskforces, and engagement groups that are important for India's presidency. The compendium aims to provide insights on some critical global issues based on the past and present priorities under G20's Sherpa and Finance tracks.

The global financial and monetary system is still vulnerable to external shocks, especially for the emerging markets and developing economies. In 2022, the Framework Working Group discussed the economic risks and the best strategies to balance monetary and fiscal policies, especially in view of the limited fiscal space and high financial market volatility. India's G20's agenda for global macroeconomic stability remains crucial. Stormy-Annika Milder discusses how amidst the geopolitical frictions and diverging interests, India's G20 presidency can focus on three priority areas—global health architecture, digital transformation, and sustainable energy transition.

In the post-pandemic and post-war era, one of the most critical global challenges is ensuring equitable economic recovery. This can be done through collective action towards guaranteeing open supply chains

to facilitate essential commodities, collaboration to diversify investment and production, and cooperation to support the multilateral trading system. India's G20 presidency will be essential in establishing an inclusive and sustainable multilateral trading system. Heribert Dieter underlines the challenges the grouping is likely to face under India's presidency and how it can be a middle-ground for frank dialogues between the West and other countries.

At the G20, India has emphasised the need to cut absolute emissions rapidly while also considering the Paris Agreement, which stressed respective historical responsibilities, and the delivery of climate finance and technologies at a low cost taking into account per capita emissions and differences in per capita GDP. The war in Ukraine has added to global supply shocks, leading to more shortages in the agriculture and energy sectors. The Energy Transition Working Group will play a key role in highlighting the issues at stake for the global community, especially for emerging and developing economies. In his essay, Venkatachalam Anbumozhi highlights the role of India's G20 presidency in ensuring that the Global South cooperation agenda is brought to the table for discussion.

Access to global finance at scale continues to remain a top priority for countries,

particularly emerging economies, to make the necessary transition to a sustainable future. The Paris Agreement and the COP26 summit reaffirmed the need to mobilise sustainable finance at scale for developing countries to achieve net-zero targets. India and the other G20 members can play an influential role in catalysing sustainable finance at scale to meet the climate targets and the broader SDGs. In her essay, Suranjali Tandon discusses pertinent questions related to common taxonomies, carbon taxes, carbon pricing, and environmental, social, and governance disclosures.

'Digital transformation' was one of the three key priorities under the Indonesian presidency. In 2022, the Digital Economy Task Force was upgraded to a Digital Economy Working Group. It is crucial for India to carry the baton forward in prioritising digitalisation to achieve inclusive economic development and to further international cooperation on key digital issues. Addressing the digital transformation challenge will include creating digital solutions to accelerate achieving the SDGs. Rohinton Medhora and Paul Samson explore the role of the Digital Economy Working Group in the creation of an inclusive framework to harness the potential of new technologies.

Despite widespread acknowledgement of the importance of infrastructure building,

a persistent infrastructure gap still exists across countries. Given the infrastructure development gap paradox, multilateral cooperation for facilitating investment in infrastructure is of key importance for India. Thus, recognising and furthering the work of the Infrastructure Working Group to fill the financing gap will be crucial for India's G20 presidency in 2023. In his essay, Fahad Alturki discusses the role India could play in building an inclusive and representative approach towards creating sustainable solutions for the global common goods, including for infrastructure development.

The pandemic has shown the importance of designing a global health agenda and reinforced the need for placing multilateralism at the centre of crisis response and recovery. It is important to understand whether the G20 under India's presidency can strengthen global governance, specifically institutions such as the World Health Organization, to address contemporary challenges related to global health mechanisms. Sridhar Venkatapuram explores the role India can play in highlighting and addressing the fundamental causes for global health inequities.

At the G20, India has noted that while there has been an emphasis on capital and finance in recent decades, it is now crucial to focus on multiskilling and

reskilling to create a vast human talent pool. This will not only enhance the dignity of citizens but will also make them more resilient to face crises such as the COVID-19 pandemic. Under India's G20 presidency, the Employment Working Group can play a key role in building human capital and addressing challenges arising from the future of work. Gala Díaz Langou underscores the G20's role in framing a collaborative agenda to ensure that demographic transitions translate into sustainable futures.

The scope of the G20 International Finance agenda covers global financial stability, long-term fiscal sustainability, financing for development in low-income countries, reform of the international financial institutions, international taxation, strengthening financial safety, countering the financing of terrorism, and regulation of crypto assets. In the past, India has emphasised the importance of the global regulation of crypto assets and that no country can succeed by working in silos. In this regard, Ussal Sahbaz explores how India's G20 presidency can create a global regulatory architecture for crypto assets, which provides a balance between financial stability and innovation.

The G20 presidency presents an opportune moment for India to engage its youth in exploring creative solutions towards overcoming 'glocal' challenges

such as climate change mitigation, just energy transition, digital transformation, the future of work, and sustainable economic recovery. The Y20 is one such platform within the G20 mechanism, which provides an opportunity for the youth to amplify their voices and present

their solutions to the G20 leaders. In her essay, Erin-Lynn Watson highlights how the Indian G20 presidency can leverage the global platform to discuss key youth issues, including—employment, technology, housing, and governance.

- *Renita D'Souza, Shruti Jain,
and Preeti Lourdes John*

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Sustainable Economic Recovery: G20 in Troubled Times

Stormy-Annika Mildner

On 1 December 2022, India will pick up the baton from Indonesia to chair the G20 grouping.

The presidency of the G20 is a great opportunity and a great responsibility. This holds even more true today as the world is facing multiple crises, a sentiment echoed by India's finance minister (1).

The year 2022 was a tough one for the G20. Under the motto of 'recover together, recover stronger', Indonesia placed many pressing topics on the grouping's agenda. However, the G20, which is based on consensus, struggled under increasing geopolitical frictions. Russia's invasion of Ukraine in February 2022 marks a watershed moment for international

relations and the global economy. The world is more and more threatened to be divided into new blocks—between democracies and autocracies, and with many countries in the middle, gravitating to one side or the other.

Not all G20 countries have explicitly condemned Russia's blatant violations of international law and human rights. In early March 2022, the UN General Assembly overwhelmingly adopted a resolution calling on Russia to immediately end its military operations in Ukraine, (2) but some G20 members—China, India, and South Africa—abstained. At a G20 finance ministers meeting in April, American, Canadian, and British officials left the meeting when Russian delegates spoke. In mid-October, most UN members passed a resolution

calling on countries not to recognise the four Ukrainian regions that Russia has claimed. China, India, and South Africa once again abstained (3). Most G20 emerging economies have not joined the industrialised countries in implementing sanctions on Russia (4).

The signs were thus not good for the G20 summit, which took place on 15-16 November 2022 in Bali, Indonesia. That the summit was concluded with a joint Leaders' Communiqué is thus a success, even though it comes with limitations. For example, the text states: "Most members strongly condemned the war in Ukraine and stressed it is causing immense human suffering and exacerbating existing fragilities in the global economy (...)." It also highlighted that "There were other views and different assessments of the situation and sanctions (5).

Had the Leaders failed to agree on a communiqué, the setting would have been even more difficult for the following G20 chairs. However, the Bali success should not obscure the fact that there are many other conflictual issues among the membership on trade, macroeconomic stabilisation, debt, health, and climate and energy policy. It will take tremendous effort and skill and the willingness to compromise by the G20 chairs to achieve meaningful output in the upcoming years.

World Economic Outlook

The world is facing a triple crisis—an energy price crisis, a food crisis, and a financial crisis. This comes on top of the health and climate crises (6). In many countries particularly hard hit by the COVID-19 pandemic, the room for fiscal policy support measures is becoming increasingly narrow. In addition, high inflation is forcing many central banks to put the brakes on monetary policy. While poverty and income inequality decreased over previous decades, they have been on the rise again since the beginning of the pandemic (7).

A closer look at the data shows a projected global economic growth rate of 3.2 to 2.9 percent in 2022, and 3.0 to 2.2 percent in 2023, a noticeable decline in comparison to 2021 (8). The advanced economies are expected to grow by 2.4 percent in 2022 and 1.1 percent in 2023. The growth rate of emerging and developing economies (EMDEs) is estimated to reach 3.7 percent in 2022 and 2023 (9). The comparison between regions confirms that countries are affected to different degrees by Russia's invasion of Ukraine. Europe and Central Asia will be hit the hardest, while countries in West Asia and North Africa benefit from an increase in energy exports at higher prices. Thirty-one of the 72 economies (representing over one-

third of global GDP) analysed in the IMF's global economic outlook in October 2022 face at least two consecutive quarters of negative growth at some point in 2022 and 2023 (10). World trade is estimated to grow between 4.3 to 4.0 percent in 2022 and 4.0 to 2.5 percent in 2023, significantly lower than in 2021 (11).

Global headline inflation is projected to reach 8.8 percent in 2022, declining to 6.5 percent in 2023. The calculated inflation rate in advanced economies is estimated to be 7.2 percent in 2022 and 4.4 percent in 2023, while it is forecasted to be 9.9 percent in 2022 and 8.1 percent in 2023 in EMDEs. The risk of stagflation, which is a combination of sluggish growth and high inflation, is significant. To counter inflationary pressures, central banks around the world have tightened their monetary policies (12).

Global government debt is expected to reach 91 percent of GDP in 2022, implying that although the ratio has fallen recently, it is still 7.5 percent above pre-pandemic levels (13). High interest rates are increasing the burden of government debt.

The Food and Agriculture Organization's Food Price Index was 136.3 points in September 2022, 5.5 percent above the value of the previous year (14). Between 702 million and 828 million people are living in severe food insecurity, a number

that has risen by about 150 million since the beginning of the COVID-19 pandemic. The percentage of undernourishment has grown between 2019 and 2021, from 8.0 to 9.8 percent (15). Food insecurity in EMDEs has increased due to the disruptions to global food markets and high inflation. Low-income countries are particularly impacted, where a further rise in food prices may worsen poverty and induce social unrest. Additionally, the World Bank's Energy Price index rose by 26.3 percent from January to April 2022 (16).

According to a United Nations Development Programme analysis of 111 countries, 1.2 billion people (equivalent to 19.1 percent of the population of the analysed countries) live in acute multidimensional poverty in 2022. Nearly 50 percent of these people are children under the age of 18 (17). Before the COVID-19 pandemic, the number of people living in extreme poverty had been steadily decreasing for almost 25 years. Since the start of the pandemic, between 75 million and 95 million more people live in extreme poverty (18). The COVID-19 pandemic has set back the reduction of poverty by three to 10 years (19).

What the G20 Can Do...and Not

The outlook is grim. What can the G20 do about all this? The G20 represents the most important industrialised and newly

industrialising countries, including the European Union. It is today's leading forum for coordinating economic and financial policy at the highest political level through state and government leaders. Together, the G20 members account for more than 80 percent of the world GDP, 75 percent of international trade, and 60 percent of the world population.

While the G20 is not an international organisation with a permanent secretariate (the presidency rotates on an annual basis), it has become increasingly institutionalised with two main tracks and a multitude of taskforces and working groups: the Finance Track, with working groups such as the Framework Working Group (FWG) and the International Financial Architecture Working Group, and the Sherpa Track, with several working groups and taskforces (such as health, trade, investment, and industry).

During Indonesia's G20 presidency in 2022, the FWG prioritised macroeconomic sustainability amid climate change and the scarring effect of the COVID-19 pandemic, discussing global economic risks caused by the war in Ukraine, high and persistent global inflationary pressures, and the impact of stricter monetary policies in many countries. Concrete outcomes of the last meeting of finance ministers include a commitment to appropriately

adapt to the pace of monetary tightening, considering all necessary instruments, and cooperating globally to address the food crisis, energy insecurity, and the rise in the cost of living. In addition, the Pandemic Prevention, Preparedness and Response Financial Intermediary Fund was established to ensure a better response to future pandemics. Work also continued on the G20/Organisation for Economic Co-operation and Development international two-pillar tax package on a global minimum tax, which was agreed upon by the G20 in July 2021 (20).

The G20 possesses no executive powers; its decisions, which are built on consensus, are not binding. Whether these are implemented fundamentally depends on its members' willingness to compromise. This is both a strength and a weakness. Thanks to its informal character, the G20 has, in principle at least, the necessary flexibility to generate agreements between member-states with diverging interests. However, in more and more issue areas, compromise has become more difficult to reach. For example, in late August 2022, the G20 climate talks in Indonesia ended without member-countries being able to agree on language on climate targets and the war in Ukraine (21). It was only at the Summit that the G20 Leaders reiterated their commitment to the Paris Climate agreement, "Noting the

IPCC assessments that the impact of climate change will be much lower at a temperature increase of 1.5°C compared with 2°C, we resolve to pursue efforts to limit the temperature increase to 1.5°C.” While no new commitments were taken on, this statement itself is a great success of the Indonesian G20 Presidency (22).

Priorities for the Indian G20 Presidency

On 1 December 2022, India will take over the G20 presidency from Indonesia, and on 1 December 2023, hand it over to Brazil (23). Thus, for the first time since the founding of the G20, the so-called Troika (representing the previous chair, the acting chair, and the incoming chair) will consist of three emerging economies.

According to a September 2022 press release by the Indian Ministry of External Affairs, the G20 priorities are in the process of being formulated. Those currently under consideration include inclusive, equitable and sustainable growth; lifestyle for environment; women's empowerment; digital public infrastructure; tech-enabled development; skill-mapping; culture; tourism; climate financing; circular economy; global food and energy security; green hydrogen; disaster risk reduction; development cooperation; fight against economic crime; and multilateral reforms (24). India's

finance minister stated that restoring confidence in multilateralism was at the heart of the country's thinking (25).

India's G20 presidency will face a two-fold challenge: first, the world economy is going to worsen considerably in 2023; and second, geopolitical frictions and diverging interests will make finding compromises more and more difficult not only in the areas of energy and climate policy but also on finance and trade matters.

Priorities for Sustainable Economic Recovery

Without doubt, in 2023, the G20 members will have their hands full with crisis management. At the same time, India should place a strong focus on transformative policies in its G20 agenda. Indonesia had prioritised three issue areas: global health architecture, digital transformation, and sustainable energy transition. India should ensure continuity within these areas while giving the negotiations new impetus. Apart from the two priority areas, green and digital transformation, nutrition, food security, and health need to be at the heart of next year's G20 agenda to prevent the 2020s from becoming a lost decade for development. To ensure sustainable and inclusive economic growth, G20 members should agree not only on joint statements but also concrete, targeted projects and roadmaps, with a clear

vision on implementing the Sustainable Development Goals.

Within the finance track, macroeconomic stability will remain a key topic. Thus, the G20 countries need to coordinate their fiscal and monetary policies more effectively, when walking the fine line between tightening monetary policy to fight inflation and stabilising their economies with fiscal measures. As such, they need to take into account the implications of their policies on third countries, particularly the more vulnerable ones. Thus, G20 countries should also more strongly support low-income countries, which are burdened by unsustainable debt. India would also do well in ensuring that the agreement on a global minimum tax is implemented.

Another important topic is infrastructure. All G20 countries face a massive gap in infrastructure investment. Good quality infrastructure—both hard and soft—is paramount for sustainable and inclusive growth and the green transition. Building on the G20 Principles for Quality Infrastructure Investment, India should thus further the work on infrastructure investment in the grouping (26). In this respect, India is also right to plan a focus on multilateral development banks (27).

Decision-making within the G20

To enable the G20 to play an effective role

in global economic governance, India will have to rethink the negotiation modes and decision-making of the institution.

During the financial and economic crisis of 2007-2010, the G20 countries succeeded in coordinating fiscal and monetary policies and agreeing on core reforms for financial market regulation and supervision to stabilise the financial system. Since then, the portfolio of the institution has become much broader, and on many issues of global economic governance, finding common ground has become increasingly difficult. The first time the G20 diverged from the consensus principle was at the Hamburg summit under the German presidency when the G20 members failed to agree on language on climate change and energy transition. Unlike in 2008-2009, crisis management worked less effectively during the COVID-19 pandemic, with G20 members failing to coordinate fiscal and monetary policies.

Diverging from the consensus principle and introducing a G20 of different speeds for different issue areas, as some are proposing, could be a slippery slope, fueling block-building in the grouping. Thus, the goal should remain to issue joint Ministerial Declarations and a Leaders' Communique. At the same time, white papers in the run-up to important meetings might be a good avenue for

members to explore more ambitious targets among interested parties and thus energise the negotiations.

To counter any possible divisive nature of such an approach, more trust-building initiatives should be pursued. During the German G20 presidency, the health ministers, together with representatives from the World Health Organization and the World Bank, engaged in a pandemic preparedness exercise to rehearse how to respond in the event of a transnational outbreak (28). Not only could this exercise on health be repeated, but it could also be introduced for other global risks such as natural disasters and cyberattacks. This would not only help to better identify risks and vulnerabilities, but it would also help G20 members to better understand each other and to build trust among them.

In addition, the G20 should improve its capacities for anticipatory governance. Thus, the G20 members could engage in cross-sectoral strategic foresight exercises. Strategic foresight and scenario planning help to better anticipate and better prepare for the future. Such exercises would not only allow the G20 countries to learn from each other and pool knowledge, but could also help to create a better understanding of different perceptions, interests, and preferences, and thus build trust and foster collective strategic empathy among the G20 (29).

An effective G20 is needed more than ever. India, together with its Troika partners, has the chance to not only place important topics on the agenda but to also update the G20 through more novel negotiation modes. One thing is clear, the world needs more cooperation, not less.

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Which Way Forward for Global Economic Relations in 2023?

Heribert Dieter

India's G20 presidency coincides with a time of great turbulence in international economic relations. Cross-border trade is currently suffering from supply chain disruptions, rising trade costs due to high energy prices, and a mushrooming of autarkic thinking. The geopolitical conflict between China and a US-led group of countries has resulted in a rethinking of international trade. In finance, the return of inflation is resulting in economic distress in many economies. The sanctions against Russia amid the war in Ukraine have resulted in finance being used for political goals. Developing countries have been exposed to the impact of Western sanctions, although they had not been considered before the decision to exclude Russia from SWIFT, the Belgian-based service provider for the

processing of cross-border payments, had been made. In short, there is a risk of a return to a world characterised by deep political divisions, which will result in the benefits of globalisation being sacrificed.

These challenges ought to be discussed at the G20. India is an ideal mediator between the West and the non-Western world. But even a seasoned and capable mediator will be confronted with serious obstacles when trying to find compromise solutions. The most important mission of India's G20 presidency will thus have to be the creation of a frank dialogue between the various groups. The West needs to be reminded that double standards in international affairs and a lack of consultation in economic relations will result in a deepening of discord.

A Seismic Shift

Since 2020, there has been some restructuring of international economic relations. Indeed, with the onset of the COVID-19 pandemic, supply chains were disrupted, and freight rates multiplied. The shortage of semiconductors continues to cause production cutbacks in many parts of the world. China's rigid 'zero COVID-19' policy and the subsequent worsening business environment resulted in an exodus of skilled foreign workers; in 2022, Switzerland is said to be home to 2.2 million foreigners, or four times as many as those in China (1). Now, economic sanctions against Russia due to its actions in Ukraine have quickly led to a drastic reduction in Russian trade with OECD countries (2). International economic relations are in crisis mode, even as they are increasingly a factor in geopolitical considerations.

Amid these crises, the secure supply of products of all kinds is becoming critical. Globalisation was based on diametrically opposed assumptions: free trade, not self-sufficiency, ensured prosperity and development. Many economists are convinced of the economic benefits of the international division of labour (3). Free trade enables firms to specialise in specific products or services and has played a key role in enhancing prosperity in recent decades. So why should this model be put at risk?

The most important motive for the reorganisation of trade relations is the geopolitical conflict between China and the West, which has been intensifying since about 2018. The collapse of the Soviet Union in 1991 was followed by the largely smooth development of international economic relations for nearly three decades. To be sure, there were some financial crises that had to be weathered, but no fundamental objections were raised to the international division of labour in the trade of goods and services during that time. However, ever since US President Donald Trump put the conflict with China on the agenda, international economic relations have been repoliticised.

There are good reasons for this swing. Under President Xi Jinping, China has abandoned both Deng Xiaoping's reforms and the rules of the World Trade Organization (WTO). Xi is pushing back private enterprise and has one main goal: stabilising the power of the Chinese Communist Party. All other political and economic goals are subordinated to this.

This shift in China's policy—back to the thinking of the Mao era, and even the Ming and Qing dynasties on trade policy—is certainly a domestic matter. But given how powerful China is in terms of the global trade in goods and services, such a perspective is inappropriate and limited. Chinese companies compete

with firms from around the world, and governments have an obligation to protect their populations from unfair competition, especially when there is much that remains unknown about the functioning of Chinese firms.

This situation is exacerbated by China's new economic policy being pursued since 2020. Beijing is now focusing on strengthening the domestic economy. The dual-circulation policy, announced two years ago as part of the current five-year plan, is intended to make China less dependent on imports and maintain the country as an indispensable supplier of products for other countries (4). This shift in Chinese policy is a declaration of economic war on the West—the latter is to remain dependent on China, but Beijing is striving for partial autarky.

The Rise of Autarky

The emerging reorganisation of international trade relations is being exacerbated by the global trend toward self-sufficiency, including in Europe. For instance, in January 2022 before the Russian attack on Ukraine, Robert Habeck, the German vice chancellor and federal minister for economic affairs and climate action, called for a high degree of

self-sufficiency in energy policy (5). The European Commission is now seeking to expand semiconductor manufacturing in Europe through huge subsidies amounting to €43 billion (6) due to the shortage in the supply of semiconductors to European industry and to make Europe a technological leader.

This development must be strictly separated from the trade policy dimension. In the semiconductor industry, for example, there is little discussion that it might make more sense to let other countries subsidise semiconductor production and then buy the chips at market prices. The belief that today's semiconductor shortages will last for a long time is unshakable. Yet, temporary shortages of certain raw materials or components are neither new nor problematic. The agricultural economist Arthur Hanau pointed out the phenomenon of cyclical developments in agriculture in his dissertation nearly a century ago. If one is to follow Hanau's considerations, a medium-term disappearance of today's semiconductor shortages and falling prices can be expected (7). Today's high prices for semiconductors will lead to rising production and supply, in turn putting pressure on prices in the medium term.

The West's Mistakes in Finance

During India's G20 presidency, the grouping must discuss the effects of the Western sanctions on finance. The freezing of Russian claims and the exclusion of Russian banks from SWIFT undermine the trust in the existing financial system. The confidence of non-Western countries in the trustworthiness of cross-border transactions has weakened. The form and extent of the financial sanctions against Russia are unprecedented. During the Anglo-Russian War (1854-1856), for example, Her Majesty's Chancellor of the Exchequer unapologetically settled claims of czarist Russia. A British minister remarked that the claims of the enemy had to be met even in wartime (8).

The question is whether today's inclusion of the financial sector in sanctions is smart policy or whether earlier approaches are more convincing. Financial sanctions have been imposed on smaller economies many times over the years, but Russia is of a different calibre. So, what are the consequences of financial sanctions in the medium term?

For starters, they are spurring the search for alternatives. CIPS, SWIFT's Chinese competitor, saw a sharp increase in transactions between May and July 2022

(9). The longer sanctions are imposed, the more non-Western countries will find ways to process payments outside the Western financial system. The primarily Western countries that form the 'sanctions alliance' undermine the foundations of today's international economic relations and harms itself in the long run. Ever-greater political interference in both trade and finance will weaken, not strengthen globalisation. Without a functioning financial system free of political interference, the emergence of an economic Iron Curtain (10) (as former US Treasury Secretary Hank Paulson put it back in 2018) will increase in an era of ongoing geopolitical tensions.

A serious consequence of the financial sanctions is that non-Western countries feel let down. The financial sanctions affect all countries trading with Russia, but non-Western countries were not even consulted, let alone asked for approval, before the sanctions were imposed. In countries like India, South Africa, and Brazil, this is causing continuing disgruntlement. In June 2022, Indian Foreign Minister S. Jaishankar stressed that Europe must grow out of the mindset that its problems are the world's problems, while it ignores the many problems in the non-western world (11). Indeed, the sanctions were "based on the neo-imperial assumption that western countries are entitled to order the world

as they wish” and are nothing more than “feel-good symbolism” (12). For the strategically important geopolitical conflict with China, the anger of Asian, South American, and African countries over the way sanctions were imposed is a bad omen. Brazil’s former foreign minister Celso Amorim complained in March 2022 that sanctions are an instrument of interference and do not resolve conflicts. He even suggested that sanctions do not lead to more democratic policies of sanctions governments, but drive governments only into authoritarianism (13). It is important for the G20 member states to discuss such issues before implementation.

The Future Organisation of Global Trade

Against the geopolitical background, it is rational that the US and European governments are trying to break new ground in trade policy. There is thus probably no way around the reorganisation of the regulatory framework for cross-border trade in goods and services. The WTO cannot be reformed because of profound differences between important member states. Open clubs of market-based economies are a possible alternative. However, these plurilateral agreements must not be conceived as closed systems but must be open to all countries,

whether democratically constituted or not. It is a matter of enforcing economic principles and not of implementing a value-based foreign economic policy. At the same time, it should not be forgotten that the international division of labour has ensured high gains in global welfare. Specialisation, competition, and the reduction of trade costs have made these successes possible, not State control. The re-emergence of government economic planning, for example in the production of semiconductors, is leading us in the wrong direction.

The ideal solution would be to reform the WTO, but this path is blocked. China will not change its economic system and will not agree to clear rules on subsidising state-owned enterprises. The US, in turn, will not approve WTO reform without this central component. The WTO will not disappear, but it will not play an important role in the future organisation of international trade relations as the interests of the 164 member countries diverge too strongly.

There are thus at least two options for reorganising trade policy. The first option is to reconstitute the WTO and eliminate some of its current structural deficiencies. This includes excluding countries whose economies are shaped by the State. The most important example of these non-market economies is China. In a WTO

of like-minded countries, the current blockades could probably be overcome. However, the world would split into a free-market part and a block of non-market economies led by China.

Moreover, this variant will force geopolitically important states such as India, Brazil, and South Africa to take a stand. The experience with India's non-participation in the West's sanctions against Russia already makes it clear that Western states will be taking a great risk with the WTO 2.0 project. The attempt to establish a WTO 2.0 will do more harm than good in terms of foreign economic policy.

The alternative is to expand an existing free trade area into a new global group. This could be, for example, the already existing agreement of Pacific Rim countries, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This agreement, originally known as the Trans-Pacific Partnership, or TPP, will offer the possibility of concluding a comparatively ambitious agreement and organising the trade relations of the most important industrialised countries there.

CPTPP, renamed the Comprehensive Agreement for International Partnership, could become the club of market economies. The UK has already

applied to join this free trade area at the beginning of 2021 after leaving the European Union (EU). The EU and the US could follow suit (14). Indeed, former EU Trade Commissioner Cecilia Malmström supported this proposal at the beginning of 2022 (15). Other economies, including India, could also join this open, plurilateral agreement.

However, these ideas also harbour numerous risks. There is a danger of the world economy disintegrating into competing blocs, comparable to the development in the 1930s. The multilateral trade order, perhaps the most important foreign economic policy achievement of the post-Cold War era, will be destroyed, at least in the medium term. Neither the WTO's dispute settlement mechanism nor the further development of the multilateral rulebook will be possible.

However, historically, the phase of global regulation was the exception rather than the rule. During the Cold War, the General Agreement on Tariffs and Trade (GATT) applied different rules than those in the Council for Mutual Economic Assistance (CMEA) states. Although some CMEA states were GATT member countries, trade volumes between the East and West were consistently modest. In the 1980s, as little as 1.5 percent of US exports went to the Soviet Union, and imports from

there constituted a mere 0.2 percent of US imports (16). Trade with China is at a different level—in 2020, US goods and services trade with China totaled an estimated US\$615.2 billion in 2020; exports to China were US\$164.9 billion and imports were US\$450.4 billion (17).

Conclusion

There is perhaps no way around the reorganisation of the regulatory framework for cross-border trade in goods and services. The WTO will slip into a prolonged twilight sleep and cannot be reformed because of profound differences between important member states. Open clubs of market-based economies are a possible alternative. However, these plurilateral agreements must not be conceived as closed sets of rules, but must be open to all states, whether democratically constituted or not. Trade agreements ought to

facilitate trade and reduce trade costs. Implementing a values-based foreign economic policy is an attempt to force societies to accept the preferences of Western countries, which is both weakly legitimised and likely to fail in a geopolitical context. Simply put, China does not intend to interfere in the domestic political sphere of its trading partners. The G20 can play an important role in this process, although the geopolitical conflict between China and the US also affects the grouping.

At the same time, it should not be forgotten that the international division of labour has ensured high gains in prosperity. Specialisation, competition, and the reduction of trade costs have made these successes possible, not government steering. The return of the “bossy state” is a dangerous aberration that Western market economies should leave to communist China (18).

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Decarbonising the Global South: Energy Transition Imperatives and Priorities for India's G20 Presidency

Venkatachalam Anbumozhi

Developing and emerging economies in the Global South are among the world's most vulnerable to climate risks. Limiting global warming to 1.5° Celsius in line with Paris Agreement's long-term temperature goal reduces the impacts and risks for the Global South. On the other hand, the Global South has vast renewable energy potential, and the utilisation of solar, wind, bioenergy, hydropower, and hydrogen could satisfy the future needs of almost all developing countries, as the average costs of utilising these renewable power sources in 2022 are already in the range of the costs of fossil fuels (1) even if external costs of the latter are not included. An energy system transformation towards

full decarbonisation will have multiple developmental benefits for the Global South through increased energy security and access to affordable modern energy for all, avoided air pollution damages, and reduced or avoided water use, land contamination, and environmental degradation. To achieve the Sustainable Development Goals (SDGs) and the Paris Agreement targets, the G20 should aim for complete decarbonisation by 2050 and help the Global South to undertake power-sector reforms through technical and financial assistance. Indeed, policies that support the transition to a low-carbon economy are crucial to ensure an economically resilient future, especially for developing countries in the Global South.

Resetting Long-term Energy Transition Goals and Policies in the Post-Pandemic Era

Resetting long-term energy policy measures in support of low-carbon green growth in the post-pandemic era is critical for the Global South for three reasons. First, developing countries in the Global South need to regain ground in their battle against climate change, which was interrupted by the COVID-19 pandemic. Heatwaves, droughts, floods, and cyclones have become more intense and frequent in developing countries. Recent research found that the impact of climate change on agriculture, tourism, energy demand, and labour productivity will collectively result in a loss of between 8 percent to 11 percent of the world's combined annual economic growth by the end of the century (2).

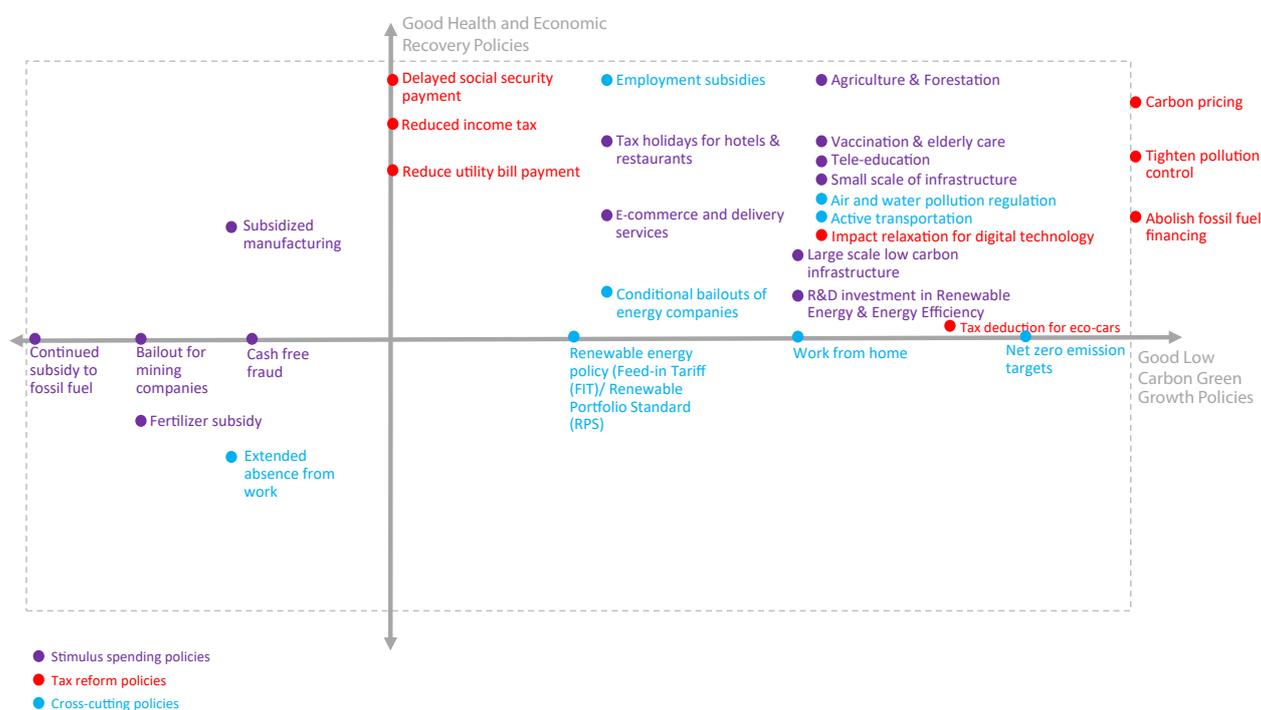
Second, stimulus policies, when combined with appropriate skill development programmes, generated more jobs in low-carbon sectors such as renewable energy and the development of resource-efficient services. For example, research by Heidi Garrett-Peltier (3) and Gustav Engström et al. (4) found that every US\$1 million spent on renewable energy created 7.5 full-time jobs, and every US\$ 1 million spent on energy efficiency created 7.2 full-time jobs,

which is significantly more than the 2.7 jobs generated from the same amount of investment in fossil fuels as part of the 2008 financial stimulus packages.

Third, policies that support internalising externalities, such as carbon pricing, can strengthen the long-term competitiveness of industries in emerging markets that cater to the needs of advanced economies, which are increasingly demanding low-carbon products. Setting the right policies will also ensure foreign direct investments from a growing number of multinational companies that have made public commitments to move toward a net-zero future. However, economic recovery measures announced by several developing countries in the Global South during the emergency and recovery phases of the pandemic are not well harmonised to combat climate change and achieve co-benefits such as job creation (see Figure 1 for the categorisation of the policy measures). This lack of harmonisation is not a result of ignorance, but rather due to the complex nature of policymaking and implementation (5).

The global pathway to meet Paris Agreement targets by 2030 and net-zero emissions by 2050 requires all G20 governments, particularly those in the Global South, to significantly strengthen and then successfully implement their

Figure 1: Categorisation of policy measures implemented in Southeast Asia during the pandemic



* Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

Source: Anbumozhi, Kalirajan and Yao, 2022 (6)

energy, climate, economic, and fiscal policies. At their first summit in the aftermath of the 2008 financial crisis, the G20 leaders promised to use fiscal measures to stimulate consumer demand for green products and services, and the rapid recovery of the global economy, especially as conventional policy appears to have reached its limits in many countries then and now. During the pandemic, the leading G20 economies have announced economic stimulus packages that would pump approximately US\$3.7 trillion from June 2020 onwards directly into sectors that have a large

and lasting impact on carbon emissions and nature, such as agriculture, forestry, industry, waste, energy, and transport (7). However, the Greenness of Stimulus Index shows that developing economies in the Global South have largely failed to harness the opportunity (8). Regardless of the economic structure or past performance in meeting the climate stabilisation goals, each country in the Global South can steer its own recovery and stimulus packages to support low-carbon green growth with the following three sets of policy tools:

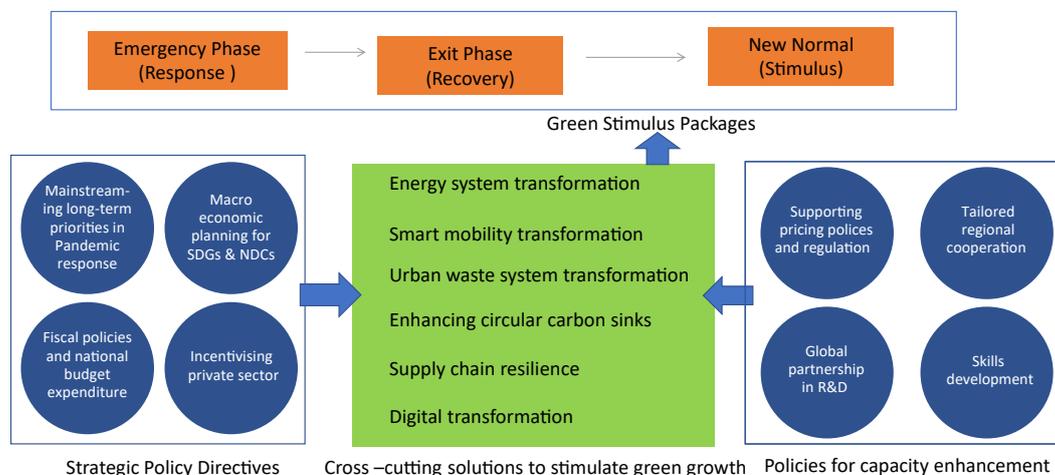
Designing transformative energy transition elements that bring sustainable development benefits for Global South

The quality, content, and strength of the stimulus investments as part of post-pandemic recovery will determine socioeconomic, decarbonisation, and environmental outcomes for decades to come. Developing countries in the Global South had a unique opportunity to design recovery packages that create the right jobs and build a better future. The right investments will need to be fast, labour-intensive in the short run, and have higher multiplier co-benefits in the long run. Investments with these characteristics include low-carbon energy infrastructures such as renewable assets, building energy efficiency, smart transport, innovations in green

technologies, urban waste management, and restoration of degraded forests. Implementing investment decisions on those assets will maximise co-benefits in at least three major ways, namely boosting demand, creating local jobs, and maximising pollution prevention.

A well-articulated smart and green growth strategy, as shown in Figure 2, has the potential to bring tangible long-term socioeconomic benefits. It is designed to harness emerging digital technologies and principles of a circular low-carbon economy, with strategic policy directives for inclusive growth and capacity building. In this regard, the South Korean stimulus packages place emphasis on green and digital investments. The long-term decarbonization strategies or net-zero emission targets of Japan, the

Figure 2: Outlook for integrating smart and green growth objectives as a part of the Energy Transition



Source: Anbumozhi, Kalirajan and Yao, 2022 (9)

European Union, and China also provide helpful guidance. Still, the differences among their stimulus packages reflect the immediate smart green energy technology solutions available to them, their commitment to the Paris Agreement, and their existing fiscal situation. But there are challenges and trade-offs in aligning short-term stimulus measures with long-term energy transition goals. In countries with inadequate or less ambitious climate mitigation targets and financing policies, new short-term investments are likely to reinforce unsustainable trajectories. Almost all developing countries in the G20 entered the pandemic while still producing significant carbon emissions, and air and water pollution. Many countries also lack sectoral targets to absorb targeted technology interventions. As a result, the recovery packages announced during the end of the pandemic phase risk reinforcing the status quo, which is significantly tilted towards negative environmental outcomes and may amplify climate risks in the medium term. But challenges common to both developed and developing countries include required behavioural changes by households and the affordability of new low-carbon technologies (Cable, 2016). For developing countries in the Global South, the challenges are that stimulus packages should have balanced the implementation of climate change

adaptation and emissions reductions measures, while improving economic growth and poverty reduction.

Upscaling investments by establishing a green finance-catalysing facility for the Global South

Fiscal policies and financing of decarbonisation programmes in developing countries should be implemented in an ecosystem where several large-scale, low-carbon infrastructure investments have already been cancelled or postponed due to the pandemic (10). Governments in developing countries can assess these projects and restart them, which will help limit cost overruns for projects that have been interrupted. There are also many smaller-scale projects that have strong multiplier co-benefit effects in terms of local economic growth, employment, and climate payoffs, and can be implemented fast. Nevertheless, there are two fundamental and persistent gaps that limit the amount and quality of low-carbon investment needed. First, countries are often unable to transform the tremendous developmental needs and climate change mitigation opportunities into a concrete pipeline of bankable projects. This is due to the inherent complexities of infrastructure investment, such as their long-term nature, interconnectedness, social impacts, and positive and negative externalities, and policy and institutional

impediments (11). Second, despite the large pool of available savings, mobilising long-term finance at a reasonable cost to match the risks of the project cycle and ensuring that finance is well aligned with nationally determined contribution (NDC) targets remain widespread challenges (12).

Tackling these challenges will require a concerted effort to strengthen investment policy and institutional frameworks, to design projects based on low-carbon green growth criteria, and to develop better platforms for project preparation. Developing innovative financing structures, such as the Low Carbon Finance Catalysing Facility (LCFCF), will help to mobilise all pools of finance, and public, private, and international development aid.

Once established, an LCFCF, with developing countries in the Global South as members, could have the following objectives: (i) to directly catalyse a pool of small-scale bankable low-carbon projects; (ii) to assist low-carbon investors in creating a financially viable portfolio of projects that meet the NDC targets and SDGs; (iii) to strengthen national regulations on carbon pricing, allowing a gradual reduction of national fiscal burdens; (iv) to mitigate project risk through concessional sovereign risk and development finance; and (v) to access

private finance. In contrast to common infrastructure finance approaches, establishing an LCFCF will also help mitigate risk and enable investment for small-scale, high-risk projects.

Enhancing G20 policy frameworks for mobilising private capital in support of decarbonisation in the Global South

Delivering international finance at the scale required was the stickiest point of contention between developed and developing countries at the COP26 meeting in 2021. This is because most of the NDC targets pledged by countries as part of the Paris Agreement are conditional and subject to the availability of an estimated US\$1 trillion (13). Developing countries are grappling with a long-term debt and liquidity crisis, aggravated by the pandemic. But the run-up to COP26 witnessed extraordinary support from the global finance industry. The world's largest investors called for a robust, transparent, and fair climate deal, and promised that they would make money available (14).

But private finance will not flow in a vacuum. There is a close relationship between the way incentives are handled and an increase in investments. So, the public sector needs to focus on the efficiency of the finance industry to help channel private savings into investments. This will not only give investors a return

in the short run, but it will also ensure that those returns are economically sustainable in the long run. The good news is that the financial industry is not short of savings to invest. At the global level, some US\$300 trillion is represented in capital markets, a little more than half from commercial banks, and the rest from insurance and institutional investors (15).

The motivation for private financing of low-carbon infrastructure is not strong. If a carbon-intensive investment gives a greater return than that of a clean and green alternative, investors cannot ignore the business case for making profits. That is why over 300 financial institutions urged world leaders at COP26 to reach an agreement on climate financing (16). They are ready to pay a price for carbon if it makes their investment relatively more attractive. These financial institutions have not suddenly become climate activists. They gradually understood that unless the climate is stable, the economy in which they invest will be at risk.

Moreover, most private investments directed toward climate change in developing countries of the Global South are not made by financial institutions but by big corporations. And most often, they do not reach out to their bankers but pay for new investments with retained profits. There could be huge economic

rewards if they were steered towards low carbon investment through carbon-pricing in the markets.

there is also new momentum for environmental, social, and governance, or ESG, investments in Asian bond and stock markets. For example, signatories to the Principles of Responsible Investment represented US\$50 billion in 2020-21. The green bond market, where countries and companies borrow for climate projects, grew by 12 percent in developing Asia during the pandemic in 2020 (17).

Though many activities are taking place in finance systems, there is still a long road to mobilise the US\$1 trillion funding needed to support the clean energy transition and green recovery. A major reason is that financial institutions themselves are not well structured to accelerate financial flows in the right direction. They inadvertently give preference to carbon-intensive investments over low-carbon investments. For example, credit rating agencies, which determine whether a bond is investible, do not consider risk beyond three years. So, a bond backed by a fossil fuel power plant can receive the same rating as a renewable energy plant driven by solar or wind.

The same is true for accounting standards. Even though they claim to be prudent, they do not question the value

of stranded assets. The risk measures used to manage banks are backward-looking and are ill-adapted to foresee climate risks that lie ahead. Investment institutions, which owe a fiduciary duty of care towards their stakeholders, often ignore the effects of climate change on the population for which investment decisions are made. Shareholders, citizens, and policymakers alike need to ensure that financial systems are fit for the purpose to achieve net-zero targets. In short, a significant coordinated effort is necessary among developing countries in the Global South to drive future investments toward climate change mitigation and adaptation.

Conclusion

The world was on an unsustainable path, vulnerable to the climate. Developing countries in the Global South will not be forced to return to the “old normal” if the abovementioned interconnected actions are taken up in the post-pandemic era. The Indian G20 presidency in 2023 will be an opportunity to bring this Global South cooperation agenda to the table for discussion. The Indian presidency marks a legacy of a series of G20 presidencies located in the Global South, with Indonesia in 2022 and Brazil in 2024. It is thus a chance to strengthen the international cooperation agenda for smart, green, and inclusive energy transition at the global level.

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Defining India's Agenda for Sustainable Finance at G20

Suranjali Tandon

On 1 December 2022, India will assume the presidency of the G20 and have the opportunity to shape the grouping's agenda for the next year. This comes at a critical juncture when India must confront the constraints of its low-carbon growth. According to World Economics Research, India accounted for about a little less than a tenth of the world GDP in 2021. As such, the low carbon transition within the Indian economy is expected to have spillover effects. This interconnectedness warrants collective thinking to shift away from the prevailing self-seeking and siloed approach, which is the very cause of environmental damage.

Taxonomy: A Common Language?

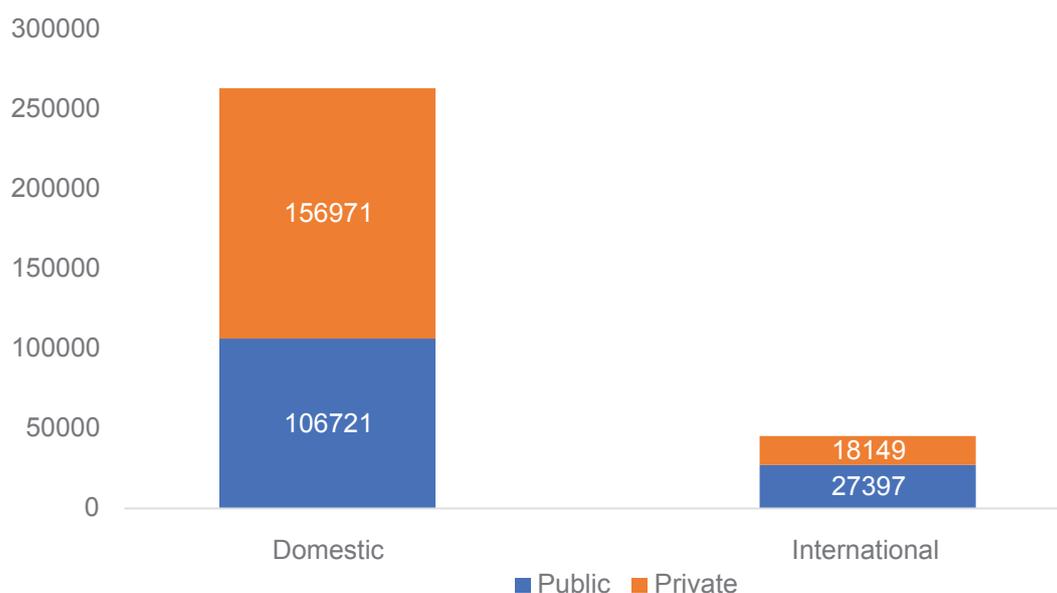
Hypocrisy prevails in the advocacy for low carbon transition. Circumstantially flexible taxonomies (such as the inclusion of natural gas in the EU's lexicon of 'green') and the precedence of national priorities that support fossil fuel consumption, especially in the wake of the Ukraine-Russia crises, highlight that the dialogue on a green transition is not even-handed. It is, therefore, time to reflect on the least common denominators; concerted thinking on the minimum thresholds of the acceptable definitions of green is necessary. On the one hand, countries could adopt uniform taxonomies. On the other, they may choose taxonomies compatible with national goals. For example, China adopted a calibrated and inward-looking approach. 'Clean coal'

was initially included in the definition of green. While this is claimed to have paved the way for progress, it was eventually excluded to strengthen China’s position in the financial markets (1). Therefore, some degree of convergence may emerge as countries begin to raise capital.

One of the main arguments in favour of a common language of ‘green’ is that inconsistency between taxonomies acts as barrier to investment. The often-competing goals of growth and decarbonisation put countries in a tough spot; so, which must receive their attention? As it considers its very own taxonomy, India faces similar challenges. It is fair to suggest that the principle of common but differentiated responsibility should be applied to the definitional

aspect. Notably, in the absence of a common language, the financial markets may not respond as expected. Investors often have internal benchmarks, and for capital-importing countries like India, the taxonomy adopted by investors may align with those of developed countries. In situations where there are any inconsistencies in taxonomy, finance will not flow to activities excluded by developed countries. For this, India and other developing countries should identify the sources of finances that will remain crucial for the various aspects of the transition. Currently, public and private sources of finance fund green projects in equal measure in India, but domestic sources of finance dominate the market (see Figure 1).

Figure 1: Source of green finance in India (in INR crore)



Source: Climate Policy Initiative (2)

If the current composition of financial flows continue, then taxonomies tailored to the context will be useful. On the other hand, if India is to reach out to foreign investors, it must articulate its case well for the divergence in its view of sustainable finance.

Setting Things Right with Carbon Taxes

The global carbon budget remains limited, and the critical question is the way it will be expended. This is even more important as the pressures to transition will accelerate with the introduction of levies on trade in carbon-intensive goods. The EU has proposed a carbon border adjustment tax to ensure that their domestic efforts to price carbon are not rendered futile on account of leakages (3). Such a tax could further affect developing countries' trade with the EU. The United Nations Conference on Trade and Development estimates that exports by developing countries across targeted sectors will decline by 1.4 percent with the application of the carbon border adjustment mechanism (CBAM) of US\$44 per tonne of CO₂ (4). Where India is concerned, iron and steel exports will predominantly be exposed to the tax, although it is possible that the competitiveness of Indian exports improves on account of relatively carbon efficient methods in steel and glass (5).

The direct impacts of the CBAM are not adverse for India. However, the second-order effects—how the tax feeds into global value chains and alters price levels or trade competitiveness—remain a concern. Optimism from self-sufficiency or positive direct effects should not cloud the long-term concerns that the race to decarbonise can immiserate countries that are constrained for capital.

There are many ways in which countries can respond to these taxes; one is by setting a domestic price of carbon. As observed in many countries, this can be achieved through the implementation of a carbon tax and/or national carbon markets. India does not have an explicit carbon tax but with the different taxes (such as excise, cesses, and royalty), carbon emissions are implicitly taxed. In 2018, India priced about 60 percent of its carbon emissions from energy use, and about 11 percent were priced at an effective carbon rate above €60 (US\$62.45) per tonne of CO₂ (6). While these taxes exist, the question is what rate will be optimal to make India compliant with its international obligations while ensuring that it does not imperil the sustenance of the bottom income deciles. In 2019, the IMF estimated that a rate of US\$35 per tonne of CO₂ would be sufficient to meet the mitigation needs of countries such as India (7). However, the domestic and international economic

implications of this tax can present challenges. The sovereign that exercises their right to tax must also uphold the virtues of equality, and the burden of economic transformation should not be lifted by the bottom deciles. It is estimated that the poorest quintile would incur a loss of 3.2 percent of their consumption with a similar effect on the top quartile of consumers (8). However, the authors of the estimate also noted that US\$50 of a carbon tax in India would raise the tax to GDP by 2.5 percent, and redistributing this as lumpsum transfers would lower inequality (9). On the international level, it is acknowledged that the tax rates cannot be uniform across countries for concerns of equity, and therefore an international carbon price floor will be a more pragmatic approach (10). The IMF finds that three price bands of US\$25, US\$50, and US\$75 could reduce emissions among the top six emitters, including India (13 percent at US\$25) (11). India seems to have a list of priorities—inflation, economic equity, low carbon transition, trade, and growth—but not all can be addressed simultaneously, and so it must identify its immediate and longer-term priorities. Perhaps, India must articulate the need for a reasonable carbon tax that is slowly ramped up. At the same time, a moratorium on border adjustment taxes can be negotiated for goods covered by the domestic carbon tax.

Cap and Trade

Another means to establish a carbon price is the use of cap-and-trade systems. These set an objective limit to the emissions in the sector, and the price of additional emissions is discovered through a liquid trading system. Experience bears that there are two preconditions for its success—strict targets and liquidity in the trading system. The former has been the primary criticism of the EU’s emission trading system (ETS) (12).

The Perform, Achieve and Trade scheme under India’s National Mission on Enhanced Energy Efficiency focuses on enhancing the energy efficiency of large energy-intensive sectors through the accelerated adoption of efficient and low-carbon technologies across specific sectors. While this is technically a carbon market, it has remained illiquid. While the government has mooted the idea of national carbon markets, which remains a domestic priority, India should consider its approach to trading Indian-issued ETS in foreign markets and vice versa. Permitting foreign trade in Indian-issued ETS units can bolster the acceptability of India’s carbon pricing as aligned with international practices. On the other hand, it can also raise the price to levels that may be considered untenable. Therefore, a well-articulated

strategy on the degree of integration with global markets may lay the roadmap for India's carbon markets, especially since there exist multinational enterprises with cross-border operations that can weather higher prices while smaller companies may find it hard to adapt.

Who Will Pay?

A crucial question associated with the low-carbon transition—but not restricted to it—is who will pay for the costs. Pricing carbon through regulatory action that includes a tax and ETS is one way to pay for the costs, but these may not suffice. To put in perspective the mismatch, India currently invests INR 3.09 trillion (US\$ 38.13 billion) in green whereas the estimated requirement for green finance is INR 11 trillion (US\$ 135.72 billion) (13). As for the Sustainable Development Goals, India needs to step up its current financing by 6.2 percent of the GDP by 2030 (14). Though the two may overlap, the distance to the target remains substantial. Given that many of the activities or projects may not carry a market rate of return, the need for public finances and international public finance must be stressed. At COP26, there was an enhanced commitment from multiple development banks. Although evidence indicates that the loans extended are not always concessional, they can be critical for funding climate adaptations. At the

same time, there is growing disconcert over the inadequate fiscal responses to fund post-COVID-19 recovery. The transition away from fossil fuels is only going to exacerbate the tension where fiscal rules are applied stringently. More importantly, the tax revenue from fossil fuels will taper, perhaps more swiftly as a component of total revenues than in absolute terms (15). It is imperative that India and other developing countries convey their apprehensions, including with regard to limits on sovereign debt that often determine ratings, and underscore the need for private financial support.

Channelling Finance Through Disclosures

There are means to discipline private financial capital through disclosures. India currently regulates the disclosure by top 1,000 listed companies on environmental, social, and governance (ESG) performance, as mandated under business responsibility and sustainability reporting. Reporting is an important tool for investors, yet these practices remain in their infancy as returns assume primacy. Similarly, Indian entities have been able to attract investments in green bonds, despite a shallow corporate bond market. Indian entities, including local governments, have issued green and sustainability bonds worth US\$19.5 billion

(16). But what is keeping such finance from scaling up? The attractiveness of ESG investments is that they mitigate long-term risks, but the same regulatory constraints exist as barriers to other investments. If countries are to compete for ESG investments, as they did for foreign investments, there is no way that other regulatory impediments, viewed as a hindrance to doing business, will be overcome with the promise of complying with ESG principles. While this remains within the remit of the domestic policy, it should certainly be a priority for India.

While bracing for the new order of a low-carbon economy, the health of the financial markets that support the fossil fuel economy should be assessed. India's gross non-performing assets ratio (5.9 percent in March 2022) (17) in the banking system has been a worry for the central bank. The pace of transition will determine the shock to the system and guide the credit policy. The Reserve Bank of India has taken the first step towards recognising physical and transition risks (18). Yet, much remains unknown about its approach: Will it target loan portfolios? Will the macro model for inflation targeting include climate risks? Will risk weights to green assets be different? The evidence on the performance of central banks in developed countries does not inspire (19). Central bankers must, therefore, discuss the first point of engaging on

this issue and how to manoeuvre the financial stability risks as the exposure to fossil fuel assets is increasingly brought on the books. In this, India must set its domestic strategy, which should inform its taxonomy, regulations, and disclosures, to communicate these as positions it takes at the G20.

Conclusion

The shifts in the global economy are expected to raise difficult questions, including on resource sufficiency to meet the needs of a low-carbon economy, changing employment patterns, and the fiscal incentives that will support the new economy. The G20 must deliberate on these efforts to ensure that all countries are able to pursue policies that support each of these. Any fiscal incentives or access to markets with resources are expected to have trade implications. More importantly, the G20's support of global minimum tax can potentially take away, to an extent, the option of offering incentives to entities related to select multinationals. Interestingly, the US, while making it clear that it supported such a deal, introduced tax-based incentives to renewables under its 2022 Inflation Reduction Act. It is important then for countries to ask if the global tax deal will fix tax revenue issues and eliminate the option of all incentives, or if incentives will remain important for the transition.

The US's recent position is an affirmation of the latter. As India sets the G20 agenda for 2023, it holds the potential to raise pertinent questions that speak for the

grouping's diverse membership. It must seize this opportunity to restore a level playing field through dialogue.

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Under India's Presidency, G20's Digital Economy Agenda Must Evolve

Rohinton P. Medhora and Paul Samson

The size, scope, and impact of the digital economy have greatly increased in the years since the G20 made its debut at the leaders' level in 2008. Now, the terms 'disinformation campaign' and 'chip wars' have entered the global governance lexicon as policymakers at all levels of government grapple with managing a phenomenon that is not fully understood, still expanding, and has geopolitical and geoeconomic implications. The issue appears tailor-made for the G20. But, as we argue in this essay, while the G20 provides the right table and contains the right players to advance on issues related to the digital economy, the grouping itself is in disarray. Plurilateral alternatives lie in wait as less efficient but still effective ways to proceed. Big hopes rest on India's stewardship of the G20 in 2023.

The country has the heft and gravitas in the digital economy space, but also more broadly to make a difference, thus giving the G20 new life.

Dimensions of the Digital Economy and Why They Matter

Although these terms are sometimes used interchangeably, the digital economy, the data economy, and the intangibles economy are not strictly the same. As we argue below (1), an initiative patterned on the United Nations' System of National Accounts (2) could standardise terminology and create a taxonomy of concepts and conventions around their measurement. Still, what we do know buttresses the dominance (still growing) of digital issues in economic activity and policy.

In 1975, intangible assets represented just one-sixth of the market value of companies in the S&P 500 Index, with tangible assets comprising the other five-sixths. By 2020, the ratios were more than reversed, with intangibles accounting for 90 percent of market value (3). Although consistent data do not exist to make global comparisons, investment in intangibles overtook investment in tangibles in the mid-2000s in the European Union (EU) and the US. It is evident that data and digital technologies are ubiquitous and are economic and social drivers around the world.

Firms driven by intangible assets (and by extension, industries and countries dominated by intangible assets) have characteristics that are known separately to economists but have not necessarily come together in the manner that they now have, with implications for a range of economic policies. In the intangibles area—be it software development, mineral exploration, the creation of entertainment, or building a brand—participants face high upfront costs and, associated with this, a high risk of failure. But once success is achieved, it is sweet—marginal costs of reproduction are zero or near-zero, and if protected by any form of intellectual property, profits are basically economic rent. There is a first-mover advantage that is accentuated if the product or industry standards are

lagging or developed concomitantly. As a consequence, the intangibles economy is more driven by monopolistic, oligopolistic, and strategic behaviour than a traditional manufacturing economy.

Standards—the technical and process ‘handshakes’ that provides conformity across diverse products, production, and distribution—are the underappreciated ground game here. For example, the standardisation of the dimensions of the shipping container through ISO 668 in 1968 is credited as one of the principal drivers of globalisation (4). In the information and communication technology sector, between 1998 and 2012 alone, some 435 consortia were created to develop and lock-in standards. These are neither fully inclusive in the producers and technologies they represent, nor are they neutral across sectors or companies in their economic impacts.

Finally, success in this area is underwritten by economies of agglomeration and geopolitical strategy. In the high-tech sector ‘clustering’, be it of firms, talent, finance or support services, an active national strategy to nurture and build out the sector is key to understanding the winners and the ‘collective’ character of innovation. This is most apparent in the data sphere. Big Data has been described as the new oil, powering 5G networks and decision-making systems worldwide, and

also as the new plutonium, “amazingly powerful, dangerous when it spreads, difficult to clean up and with serious consequences when improperly used” (5).

Big Data generate in-built natural economies of scale—the more of it you have, the better your product; the better your product, the more numerous the users; the more numerous the users, the more data you have. Little wonder that its plutonic nature and economic characteristics, coupled with deviating value systems around its use, have resulted in the balkanisation of global data zones. The state-centric China zone and the firm-centric US zone are mirror images of each other: in neither case do individuals have sovereignty or control over their personal data. By contrast, the EU’s General Data Protection Regulation (GDPR) offers a higher degree of control to individuals on questions of privacy and the use of their data. This also serves as the model for data laws at the local level (for example, the state of California) (6) and in countries—such as India—outside the three big data zones.

Evolution of Digital in G20 and Actions to Date

Nowhere do the words ‘digital’ or ‘data’ appear in the outcomes and documents of the inaugural meetings of G20 leaders in Washington, DC (2008) (7) and at the

London Summit (2009), which issued the ‘Global Action Plan for Recovery and Reform’ (8). The absence of any need or utility to refer to digital, data, or digitisation at all as part of a 2009 global economic framework illustrates how much has changed over the last dozen years.

The evolution of G20 thinking during the last decade, in addition to rapid advances in technology itself, was prompted by G20 initiatives such as those on global tax coordination (Base Erosion Profit Shifting) and financial regulation and inclusion. These issues helped make the global breadth of digital transformation and the need for broader frameworks clear to decision-makers.

The importance of a broader digital framework in the G20 context came into focus when G20 digital ministers met for the first time in April 2017 and set out plans for “shaping digitalisation for an interconnected world”, including a roadmap for digitalisation (9). The German presidency also initiated the G20 Digital Economy Task Force the same year.

By the time of the Japanese presidency in 2019, a comprehensive and systematic approach to digital and data issues was taking clear form in the G20. Trade ministers issued a Ministerial Statement on Trade and Digital Economy,

which framed a broad “human-centred approach” well beyond trade, including free-flowing data with trust, ethical artificial intelligence, governance innovation, digital security, and inclusion (10). Later that year, G20 leaders established a framework for ‘Innovation: Digitalization, Data Free Flow with Trust’ for those same issues, and issued a set of ‘G20 Artificial Intelligence Principles’ (11).

In 2021, under the Italian presidency, digital ministers established the G20 Digital Economy Working Group (DEWG), an upgrade to 2017 task force. The DEWG, chaired by the current G20 presidency, produces an annual report that is coordinated across other work streams and ensures follow-up on commitments. While the process is clear, the terms of reference prescribe only a general scope “to leverage digital technologies, through the sharing of information and views, and seeking an understanding on policies...” (12). The bottom line is that it falls to each presidency to determine the focus for the working group each year, with light linkage to past and future G20 presidencies.

The DEWG met several times under the Indonesian presidency in 2022. The chair’s summary from the digital ministers’ meeting in September 2022 noted general agreement on the importance of digital connectivity,

measuring digital skills/literacy and cross-country data flows (13). A chair’s summary is a weaker outcome than a joint statement, and is now feedstock for leaders at the Bali Summit. As an aside—but given the membership overlap—it is worth noting the BRICS group established a new Digital Economy Working Group at the Beijing Summit in 2022.

There is no doubt that digital transformation has been further accelerated by the impacts of the COVID-19 pandemic and the widespread use and dependency on digital technologies. Advances in artificial intelligence are in the news almost weekly, as are reports of cyberattacks and risks. A number of governments in the G20 are themselves considering new legislation or regulations at the heart of digital and data policy. While the G20 and its membership are advancing digital discussions and taking some action, there is no evidence yet of substantive policy integration or coordination and outcomes remain marginal. It would take significant effort and focus at the highest levels to change this.

A Way Forward

Despite the pessimism around global cooperation and the peculiar characteristics that lead to a winner-take-all mentality in the digital sphere, there is

room for cautious optimism, driven by the tremendous gains to be had *by all* if a functional global governance regime were to be designed for digital issues. Put another way, a lack of cooperative governance leaves everyone potentially worse off.

Sustained and pointed diplomacy in this area has not yet been given a chance. In digital issues, we are where the world was broadly in 1944 at the dawn of the Bretton Woods conference. If a concerted effort is made, gains are possible—for example, the New Global Tax Agreement (14) finalised in late 2021. It is a step forward to harmonise tax practices for digital multinationals but can be sharpened to address some of its flaws (15). The low level of minimum tax has been criticised as setting a low rather than an adequate bar; high-income countries have priority in topping-up taxes; and low- and middle-income countries must forgo existing and future digital service taxes in exchange for the new revenue-sharing formula contained in the agreement. India might take the lead in adding 'real-time monitoring' of the implementation of this agreement and proposals to modify it over time as part of the remit of the existing G20 DEWG.

The citizen-empowering ethos underlying the GDPR is widely accepted as a benchmark for data governance, and

is reflected in laws the world over. The Indian stack (16)—digital ID, e-payments, financial inclusion, and health ID—is an example of a country outside the three data blocs applying sound citizen-oriented principles to digital policy. But there are broader issues to anticipate and sort out. One such is the current experimental approach to developing data standards and stacks that is occurring in the absence of a universally (or even plurilaterally) agreed-upon digital governance framework. Another is the ad hoc weaponisation of the SWIFT electronic payments system through sanctions on, to date, Iran, North Korea, Russia, and Venezuela without an overarching framework for which global public goods are part of a sanctions regime in the digital era and which are not, or for a dispassionate understanding of the longer-term consequences.

After the global financial crisis, the global community led by the newly created leaders' G20 recognised the uniqueness of the situation and the inadequacy of existing institutions to fully address it, thus creating the Financial Stability Forum (now the Financial Stability Board). Global digital governance is analogous. The time has come to consider a Digital Stability Board to shape global standards, regulations, and policies across the platform economy (17). This new body could offer advice on best practices,

as well as insights about the regulatory and policy actions needed to address vulnerabilities in a timely manner. It could monitor risks arising from new technologies—including their impact on civil society—and develop regulatory and policy interventions to address them. It could ensure that its efforts complement the work of other institutions, such as the International Monetary Fund and the World Trade Organization (WTO) on central bank digital currencies (CBDCs) and on e-commerce, for example.

In parallel to this more ambitious agenda, incremental and practical confidence-building measures can be initiated by a G20 during its Indian presidency. For example, pilots on data sharing and data pooling by sector (health research is a good place to start); a plurilateral agreement on e-commerce; norms around some forms of corporate data storage; and use of e-signatures in contracts.

Finally, while tentative and with limited country coverage, the Digital Economy Partnership Agreement (DEPA) currently in place between Chile, Singapore, and New Zealand (and which Canada has asked to join) is a template for the next generation of economic agreements (18). DEPA goes beyond traditional trade agreements and their digital sections by directly addressing seamless digital trade; trusted data flows; and trust-

building in digital systems. The G20 could put its weight behind DEPA's key features and, taking Canada's lead, other members could seek to join while broadening and deepening it.

Together, these actions would provide an impetus for the G20's DEWG to move from discussion to operationalising broad intent. This is not only a call to action for digital ministers. After all, many countries are still grappling with how to make this an explicit portfolio in cabinet and government machinery more broadly. The DEWG will work best when they have the leaders' support in working towards their stated intention of creating an inclusive framework to harness the potential of new technologies, one that goes beyond economic considerations alone.

Conclusion

Although a relatively new agenda, the G20 has recognised the importance of the digital economy in recent summits, but it has missed opportunities to advance in meaningful ways on its totality (19). Progress can and will be made, but this is not dependent on the G20 (20). The maxim of the past decade-and-a-half in global economic governance ("if not the G20, who?") at some point wears thin. Countries will proceed with their CBDC and other digital plans. The e-commerce agreement at the WTO will continue to

take shape. Countries will continue to make war and impose sanctions on their enemies. DEPA might thrive. Countries will try to regulate digital platforms individually and in a patchwork manner.

The G20 remains a potent potential vehicle for progress because of the agenda's cross-cutting nature. Of course, not every faultline in the digital world is amenable to a 'G20 solution'. The process of standard setting is mostly industry-led, and there is no certainty that a ready

cooperative solution would emerge if the G20 were to attempt to corral the matter. But on the issues where the G20 can make a difference, India brings weight to marshal and carry forward the discussion like few recent presidencies have. If the substantive parameters of comprehensive global governance in digital issues emerge during India's tenure as chief of the G20, *and are implemented*, the country will have shown it has truly arrived on the global stage while creating a lasting legacy in partnership with others.

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Stability, Continuity, and Resilience: Infrastructure Aspirations from India's G20 Presidency

Fahad Alturki

India embarks on its year-long presidency of the G20 forum in December 2022. As a multilateral institution, where developed and developing countries can help define the global agenda and set standards, the G20—and its presidency—can influence international affairs. India assumes the presidency at a time of multiple grave economic challenges, ranging from inflationary pressures threatening global financial stability, rising income inequality, disruptions to supply chains, food and energy security, and intensifying geopolitical conflict. The COVID-19 pandemic has shown that global prosperity is interlinked, and multilateral organisations like the G20 can play a critical role in helping shape the global architecture of collaboration

and cooperation that is so critical to ensuring humankind's continued economic prosperity and the equitable sharing of future economic opportunities and challenges.

The developing plethora of novel risks and challenges to the global economy governance highlights the importance of resilient and enabling infrastructure in all aspects. An increasing share of renewable energy and its uneven geographical resource availability is resulting in the demand for the cross-border trade of green energy, which further highlights the challenges of cross-border transmission infrastructure. The expanding occurrence of extreme weather events, such as hurricanes and wildfires, are destroying existing infrastructure and affecting

human life in an ever-increasing number of cities worldwide. At the same time, the rising number of cyberattacks necessitates that the global governance of digital infrastructure is brought to the forefront of the international agenda. It is becoming increasingly important to have a working energy infrastructure, which is critical to the continued growth of the global economy. Global infrastructure is an area where the G20 has invested considerable thought and effort in large-scale convergence toward best practices.

The G20 Infrastructure Working Group: A Brief Overview

The Infrastructure Working Group (IWG), operating under the G20 Finance Track, drives the G20 infrastructure agenda (1). The IWG was established during the 2014 Australian presidency, and Australia and Brazil co-chair the working group. The IWG seeks to develop analysis and advise policymakers of the G20 nations to address the challenges that often impede infrastructure development as an asset class. The IWG intends to work towards expediting infrastructural investment flows by developing multilateral institutions like the Global Infrastructure Hub (GIH). Over the years, the IWG has developed several infrastructure-related initiatives, including the Global Infrastructure Initiative (2014) (2), the GIH (2014) (3), the Global Infrastructure

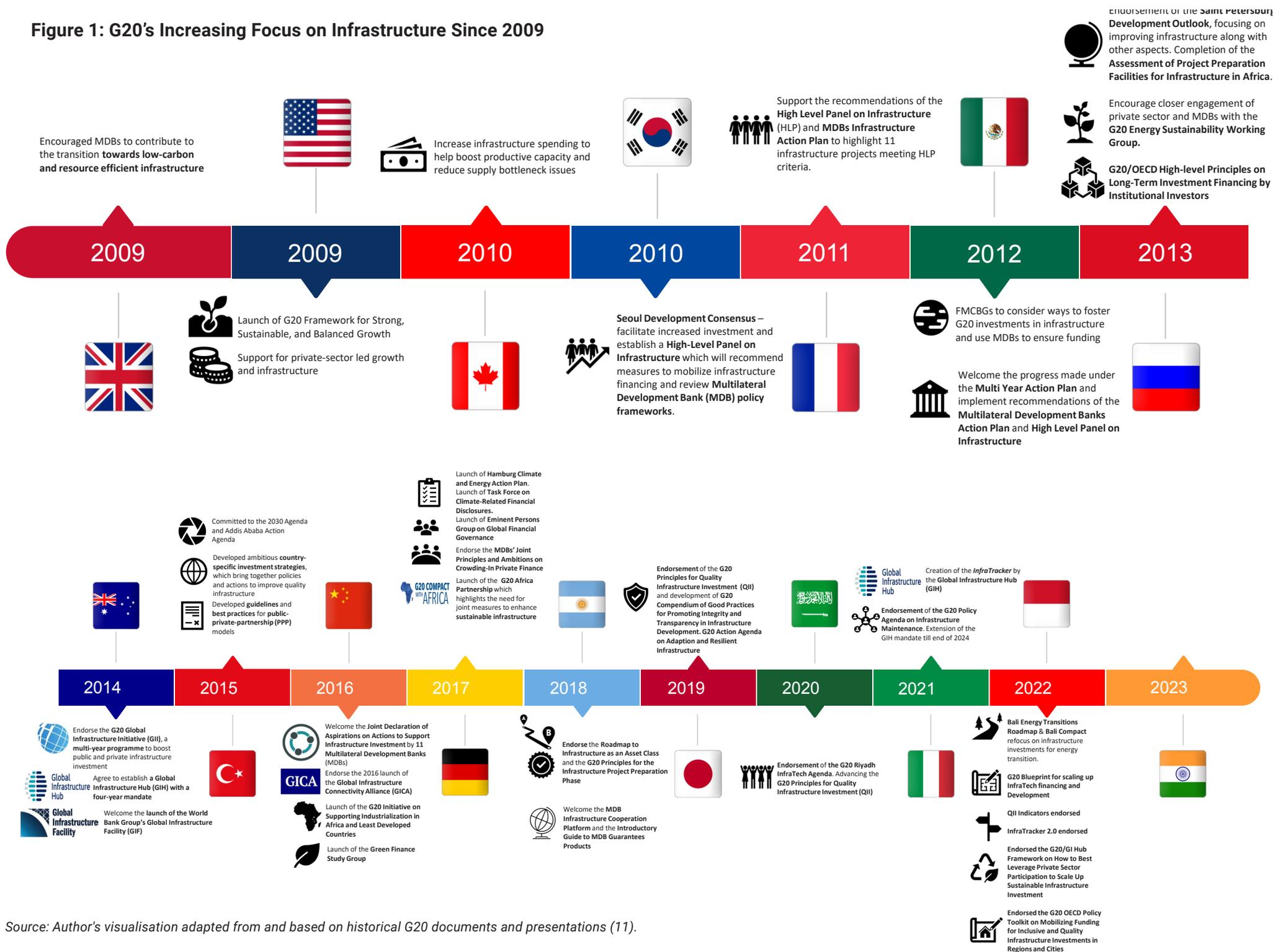
Connectivity Alliance (2016) (4), Roadmap to Infrastructure as an Asset Class (2018) (5), Principles for Quality Infrastructure Investment (QII, 2019) (6), InfraTech (2020) (7), and InfraTracker (2021) (8). These initiatives generally focus on the transparency and risk management aspects of infrastructure investments, and reflect an ongoing legacy of collaboration and cooperation between the G20 nations.

In 2022, under the Indonesian presidency (9), the IWG worked on the following six agendas:

- Sustainable infrastructure investment
- Social inclusion and subnational disparities
- Post-pandemic transformative infrastructure
- QII indicators
- Digital infrastructure and infratech
- Governance of GIH

Infrastructure investments for overall development have been emphasised as a critical pillar for economic growth by the G20 leaders since the 2009 G20 Pittsburgh Framework for Strong, Sustainable and Balanced Growth (10). Since then, all G20 presidencies have worked to gradually build on that agenda, with several measures being developed and institutions formed to help support public and private investments in the building and development of infrastructure (see Figure 1 for details).

Figure 1: G20's Increasing Focus on Infrastructure Since 2009



Source: Author's visualisation adapted from and based on historical G20 documents and presentations (11).

Recommendations for the Indian Presidency

India's approach to further develop and enhance the continued progress of the IWG will be a vital part of the success of its G20 presidency in 2023. India can achieve its aspirations for the G20 presidency by focusing on the following three main actions.

Maintaining the Stability of Infrastructure Spending

Global economic growth is still recovering from the lingering effects of the COVID-19 pandemic. Small and medium enterprises worldwide face economic challenges, and such developments continue to pose significant disruptions to infrastructure investments and financial markets. Continued infrastructure investment flows—and ensuring that these flows are stable, consistent, and growing—will be critical to global economic prosperity. Establishing harmonised environmental, social, and governance standards (ESG) frameworks will help ensure that infrastructure investments are sustainable, equitable, and inclusive across the developed, emerging, and least developed economies. This is a critical factor as ESG frameworks are currently more skewed towards countries that have developed and evolved financial and commercial markets. Ensuring a level playing field will ensure that ESG-

rated infrastructure investment-related fund flows do not discriminate between developed, emerging, and least developed markets. The focus should be to ensure an improvement in investment decision-making, promote quality infrastructure, and enhance the returns of infrastructure investments for a better future for the world. Sustaining and potentially expanding infrastructure spending could help alleviate the economic issues caused by supply chain bottlenecks and prepare the global financial system for the growth cycle that will inevitably come. Continued infrastructure investments will help build up the frailties observed in global supply chains. These include ports, roads, and related infrastructure, and help ensure that skill sets built over decades do not migrate away because of economic disruptions. Maintaining stability of infrastructure spending is also hugely relevant as countries that have set their net zero emissions ambitions for the coming decades require sustained investments in energy infrastructure to meet these targets.

Ensuring Consistency and Continuity of G20 Infrastructural Initiatives

Consistency and continuity of the G20 infrastructural initiatives have been a pivotal bedrock of the progress of the G20 process. During Indonesia's presidency, the G20 has endorsed the Blueprint for Scaling up Infratech

Financing and Development and released the QII indicators, thus achieving its deliverables (12). These two documents are expected to act as critical inputs for the G20 countries, and help increase and encourage investments in digitised and quality infrastructure.

The GIH also presented the G20/GI Hub Framework on How to Best Leverage Private Sector Participation to Scale Up Sustainable Infrastructure Investment (13) and the InfraTracker (14). Both these instruments are an essential part of the progress towards a coordinated multilateral approach for ensuring sustainable infrastructure development. InfraTracker builds upon the previous InfraTracker of infrastructure stimulus, helping track the investments in infrastructure by governments across G20 countries and associated guest economies. This tool is expected to help provide information regarding the infrastructure investment gap, first identified in 2017 by GIH, to stakeholders, including governments, investors, and multilateral development banks.

It becomes incumbent upon India to continue these efforts to support the overall G20 Roadmap to Infrastructure as an Asset Class. Maintaining consistency and continuity of such initiatives will help build investor confidence and trust in the G20 agenda. The IWG under the

Indian presidency should seek to build upon these initiatives and also work to enhance and expand their applicability and relevancy. Working closely with multilateral development banks and other financial institutions engaging in infrastructural investments, the IWG should focus on developing equitable and inclusive solutions that member countries can apply and that will aid in achieving the G20 agenda.

Improving Resilience of Infrastructure Investments

The economic shock from the pandemic has forced many countries to use infrastructural investments as a stimulus measure. Long-term infrastructure investments can be made resilient and adaptable to climate change by using various criteria, including strategic policy frameworks, nature-based solutions, innovative financing, and knowledge and expertise sharing, particularly for the most climate-vulnerable developing and least developing countries.

A key learning, not just from the pandemic but also from recent extreme weather events, has been the high level of asymmetrical impacts such extreme phenomena have on economies. The devastating impact of such events on infrastructure, rebuilding, and additional investments can negatively impact economies. While the adverse effects

of such impacts can be addressed for the developed economies, albeit at a high economic cost, for developing and least developed economies with large and informal economic sectors, these events could increase poverty and make them even more vulnerable to economic shocks. In turn, the interdependent nature of the global economy increases the likelihood of negative spillovers of such deterioration in the respective regions. To ensure continued prosperity, it is critical to make existing and future infrastructure investments resilient to these risks. Under the Indian G20 presidency, the IWG could use the frameworks developed by the Coalition for Disaster Resilient Infrastructure, announced by India at the 2019 UN Climate Action Summit in New York, to better inform stakeholders in the G20 (15). Such platforms, which help to increase collaboration and cooperation, could become a part of the frameworks involved in ensuring resiliency in infrastructure as knowledge, capacity, capability, and partnerships are built through the regular exchange of information. These could then help to shape future policy frameworks, and to achieve shared goals and ambitions for sustainable and resilient development.

Conclusion

The Indian G20 presidency proceeds from the Indonesian presidency and

will be followed sequentially by the presidencies of Brazil (2024) (16) and South Africa (2025) (17). The Global South now has a pivotal opportunity to bring critical developmental issues to the global agenda. India has an opportunity to leverage its G20 presidency to explore, develop, and build consensus around pragmatic solutions to global challenges across the spectrum, ranging from climate concerns to the international financial and economic order. An inclusive and representative approach towards creating sustainable solutions for the global common goods—be it health, infrastructure, or progress towards achievement of the Sustainable Development Goals (SDGs)—enabled by sharing knowledge and resources to meet climate change and related energy transition challenges will affirm the Indian G20 presidency and reflect its deep and abiding interest in multilateralism.

The G20 presidency themes follow the same interconnected arc of an increasingly economically interdependent and globalised world, right from the 2020 Saudi theme, which focused on “Realizing opportunities of the 21st Century for all” (18), followed by the 2021 Italian presidency theme “People, Planet and Prosperity” (19), and continuing with 2022 Indonesian presidency theme of “Recover together, recover stronger” (20), where collaboration and cooperation can

help to shape and catalyse the future direction of economic growth.

India must use its presidency to further the shared priorities of not just the G20 but the entire comity of nations worldwide. The world is entering the final stretch to accelerate meaningful progress toward achieving the SDGs and ensure the fulfillment of the Paris climate goal. India has been an early acceptor of the circular carbon economy framework and has initiated several pilot projects, across industries like steel, cement, power, and refining, that will enable continued economic growth for the country (21). India must work to share the knowledge generated from such pilots and continue contributing to sustainable and inclusive solutions, especially for emerging markets and developing and least developed economies that struggle to balance climate concerns with their developmental needs and aspirations.

The diverse and multiple challenges of the future will need to be fought in an integrated and coordinated manner, leveraging on the strengths of the individual countries, working, collaborating, and sharing the resources. India has showcased this approach through its stewardship of the International Solar Alliance (22) and the Coalition for Disaster Resilient Infrastructure. During its G20 presidency in 2023, India has the opportunity—and capability—to leverage its political capital, build and forge consensus, continue the focus on infrastructure development and investments, and work to bring it to the center of the G20 agenda. Such an achievement will be beneficial to all developing and least developed economies. It will also bridge the increasing prosperity gap between the Global North and South.

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India's G20 Presidency Must Address the Fundamental Causes of Global Health Inequities

Sridhar Venkatapuram

India's leadership of the G20 comes at the most important and transformative time in global health governance since the Second World War. The various structural weaknesses, peculiarities, and inequities in global governance, including and beyond the United Nations (UN) organisations, became amplified during the COVID-19 pandemic. One clear indication of the dire situation of our current global governance system was the September 2021 speech by UN Secretary-General Antonio Guterres at the first in-person meeting of the UN General Assembly since the pandemic began. He began by focusing on the global inequity in access to lifesaving COVID-19 vaccines. Guterres pointed out that the majority of the wealthiest countries had already

been vaccinated and were throwing out unused and expired vaccines, while over 90 percent of Africans had still not received their first dose. Guterres reprimanded world leaders, saying, "This is a moral indictment of the state of our world. It is an obscenity. We passed the science test. But we are getting an F in Ethics" (1).

By failing in ethics, he likely meant that despite people in every country facing a common and urgent existential threat, world leaders were not able to cooperate, go beyond mistrust and rivalry, or put national interests first. The abnormal and growing mistrust among the G7 countries prior to the pandemic because of former US President Donald Trump's extreme 'America first' foreign policies, Brexit,

and other issues meant that the richest, most powerful countries marshalled their wealth toward developing and securing access to vaccines for themselves. Science became an instrument of the richest countries and their national interests, while vaccine inequity made visible that our global governance system is geared toward privileging the interests of the richest countries.

Beyond the pandemic inequities, Guterres also identified other grave threats, including the climate crisis, mistrust and misinformation fuelling internal conflict in societies, rising instances of human rights abuses, and the heightened tensions between the US and China that are paralysing UN institutions. Then came Russia's invasion of Ukraine in February 2022 on the back of conflicts between the G7 countries and division between the G7 and Global South countries. Whatever attention was being given to the divisions between the richest countries and the rest, the war in Ukraine has now taken precedence in the global system.

While there is unlikely to be much change to the main global governance institutions and practices, there has already been enormous activity in global health governance pertaining to future pandemic responses, including a review of international health regulations (2), initiating negotiations for an international

pandemic treaty (3), and the creation of the pandemic fund for developing countries (4). There has also been an agreement for increased member-state contributions to finance the World Health Organization (WHO), an action item that has been neglected for decades (5).

Another way to assess this flurry of activities is to see which issues are not being moved forward or addressed. There is the glacially slow effort at the World Trade Organization to approve intellectual property waivers for COVID-19 vaccines and treatments, being blocked by the European Union, the UK, the US, and Switzerland. There have been very few high-level discussions on helping developing countries pursue 'health sovereignty' so they can produce their own healthcare goods and services instead of being dependent on rich countries and their pharmaceutical companies. Perhaps the issue that is most glaringly absent from discussions is "the great divergence" between the richest countries and the rest in the recovery from the pandemic. In the decade prior to 2019, despite enormous barriers, low-income countries were making visible progress in economic growth. The spread of COVID-19 and the resultant policy responses, including protracted lockdowns, the hoarding of vaccines by the richest countries, and continued restrictions on travel between

rich and poor countries have pummeled low-income country economies. The IMF estimates that an additional 95 million people have been pushed into extreme poverty, which has already increased non-COVID morbidity and mortality and means more disease and premature deaths in low-income countries in the coming years (6).

Against this background, India's leadership of the G20 provides an incredible opportunity to address the fundamental causes of global health inequities. The G7 countries will likely continue to pick and emphasise health agendas that do not disturb the existing global governance system, such as universal health coverage, pandemic preparedness, and digital health. It will be a wasted opportunity for India to mimic the same approach or agenda items. Leading the G20 is an opportunity to push forward the collective interests of the 20 member countries, as well as those of the 170-plus countries that are clearly disadvantaged in the current global system. The leadership of the G20 is an opportunity for India to model better ethics than what the G7 countries and their counterparts have shown over the past three years. Courage, cooperation, solidarity, and prioritising the worst-off in the world is what is needed now.

Three priorities

The primary aim of the G20 forum is economic cooperation. For over three decades it has been the dominant view of the G7 countries, and advocated by them in the G20, that deeper economic relations between countries would bring greater peace and security. The havoc caused by the pandemic on global supply chains showed the limitations of such thinking. The increasing weaponization of trade by the US and China in their retaliations against other countries or entities is another profound weakness of the view. India's approach to China over the past decade or so has reflected an awareness of such risks, and India's foreign minister stated in 2022 that recent events had vindicated the approach (7). The falsity of the view that increased trade between countries will bring peace and security necessitates a new vision of economic relations, one that does not make countries vulnerable to enormous suffering and massive deaths.

Moreover, low-income countries are in a precarious situation and must resort to appealing for aid, concessionary loans, and so on to keep functioning. Greater poverty will undoubtedly impact the spread of disease and premature deaths in these countries. Yet, this predictable wave of suffering is not prominent in global governance and global health

discussions. There should be greater worry about the vulnerable state of the poorest countries because the health of all peoples is interrelated. It is a great gamble to think that increased poverty and fragility of governments in low-income countries will not affect the rest of the world, particularly the richest 20 countries. This is why India should make addressing the situation in the worst-off countries a priority item for the G20 in 2023.

A second health item India must lead on is greater democratisation and accountability in global health governance. The responses of governments, particularly the wealthiest nations, amid the COVID-19 pandemic has shown that there is little democratic participation and deliberation across countries even when all countries are facing the same existential risk. The mightiest countries pursued their interests, irrespective of the consequences and needs of the rest. At the same time, the pervasive influence of certain non-state actors in global health—large health philanthropies, pharmaceutical companies, corporations, and international NGOs—became clear. The World Health Assembly, for instance, is meant to be a platform where health ministers from all WHO member states discuss, debate, and deliver global health policies. But it is clear that global health policies and institutions are

being created outside such democratic assemblies, often in non-transparent ways. While such extra-democratic efforts may be well-intentioned, and could potentially save millions of lives, their continued influence in global health governance does not bode well for the future functioning of intergovernmental policymaking. The biggest danger is that the increasing influence of the logics of philanthropy, markets, and religions in global health is whittling away at the foundational notion that governments have the primary responsibility for the health of their people.

A third pressing health item that India should lead on is addressing the aid dependency of many low- and middle-income countries. Over the past decade, India has increasingly eschewed foreign aid in part because of its growing wealth, desire to be more self-reliant, and to limit external influences on development programmes and policies. Meanwhile, in many low- and middle-income countries, development assistance, particularly for health, has increased manifold over the last few decades. While this has likely saved many lives and reduced suffering, many of the recipient countries have cut their health spending. As such, instead of development assistance supplementing health spending in these countries, it is becoming a substitute. There is also some thinking that the development

programmes and agencies that are meant to help low-income countries develop the capacity to become less reliant on foreign aid are now continually expanding their programmes and becoming more entrenched in such countries. For instance, Olusoji Adeyi, the former Director of the Health, Nutrition and Population Global Practice at the World Bank Group, has said that the aid-dependency situation is so extreme that he proposes that donor governments should cease funding core health programmes (8). He argues that every government should be primarily responsible for basic health programmes while donor agencies should support regional and transnational health issues.

Conclusion

The three agenda items—prioritising the worst-off countries in the global recovery, greater democratisation in global health governance, and breaking aid dependency—are not easy to resolve. They are the more fundamental causes of global health inequities. Crucially, these three items also reflect India's learnings and expertise over the past few decades. India has a long history of following its own course in international relations despite the pushes and pulls of conflicts or the agendas of the most powerful countries. It also has a long history of South-South cooperation, particularly in

issues related to development and global equity. This present moment is one of the most important and transformative periods in global health governance, and it would be a lost opportunity to let long-standing inequities become further embedded into the new instruments, regulations, and institutions that are being built.

This is also an opportunity for India to initiate a health agenda that can carry on beyond its tenure as the G20 chair. Its presidency follows Indonesia's and comes before Brazil's and South Africa's turns. While previous G20 summits may have focused on 13 countries speaking to the G7 countries, there is much to do among the 13 countries, and particularly the upcoming hosts. Both Latin America and Africa have been profoundly disadvantaged during the pandemic and under the current global health governance system. Collective action in the coming years by the G20 hosts could have an enormous impact on many of the fundamental issues that cause and distribute ill health and premature deaths across low- and middle-income countries. Bringing attention to these fundamental and structural issues in global governance should also motivate India and the other future G20 hosts to develop capacity among their civil servants, academic institutions, and civil society organisations in global health politics, negotiations,

policy analysis, ethics, and more. It would be a mistake to think that the pandemic will quickly be over, or that it will have little effect on global governance. In light of the enormous social transformations that the HIV/AIDS pandemic produced, including the rise of global health, nothing less should be expected from the

COVID-19 pandemic. This G20 leadership is an opportunity for India to be part of the change that could benefit the majority of humankind rather than be on the receiving side of activities and rapidly deployed agendas that are largely in line with the interests of the world's richest and most powerful countries.

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Gender, Education and Future of Work: Three Priorities for the Employment Working Group in 2023

Gala Díaz Langou

One of the most relevant trends the world is currently experiencing is changes in labour markets (1). Employment is shifting and the world is already seeing some of its new expressions. This is no novelty as labour markets have always changed (2). What is being seen now are changes at a different pace, which has significant impacts on how people will be able to live. This is a global challenge that crosses borders and requires articulated action between countries.

In the currently volatile and uncertain world, amid war and with democracies at stake, articulating international action becomes harder but more necessary than ever. Multilateralism is now exponentially

more difficult but also an evident imperative, as the COVID-19 pandemic has shown.

The G20 is a forum where global discussions between key stakeholders can take place to reach settlements that shape our future. It is a unique platform since it includes countries that are currently on opposing sides, and that are growing apart even more every day. This shift in the international order will surely affect the way the G20 works, but it is the strategic ability of the member countries that will determine if the grouping will be used as a redoubt for dialogue and negotiation. Indeed, the G20 is the right forum to take on the pressing global challenges because it is representative, diverse, and flexible by nature.

The Indian G20 presidency must determine if this current situation is a risk or an opportunity. Having survived the pandemic, and the first year of the war in Europe, the G20 can show its efficacy by fostering dialogues and reaching agreements on issues that are clearly relevant but not central to the divide between the East and West. The G20 Employment Working Group (EWG) is an excellent space to pilot this strategy.

In 2023, the Indian presidency will have the opportunity to foster discussions within the EWG and might be able to reach a consensus on at least three global problems: closing gender gaps in the labour market, improving the linkage between education and employment, and adapting policies and institutions for the future of work.

Gender Gaps in Labour Markets

The importance of gender equity has now been firmly settled in the public agenda. Closing gender gaps will naturally improve women's rights and enhance countries' overall development. World leaders already know that "getting more women into the workforce isn't just about equality, it's smart economics", as current European Central Bank President Christine Lagarde said in 2016 (4).

But gender gaps are not narrowing at the pace hoped for and, in many cases, are even widening. The pandemic has put decades of progress on gender equality under threat (5), especially in labour force participation and employment (6). Women still face many more obstacles to fully partake in and benefit from the economy. Fewer women participate in the labour market and those who do participate face higher unemployment, lower remunerations, suffer horizontal segregation, and have scarcer participation in leadership. These debts in gender equity indicate that there is a pool of talent that remains underexploited and therefore potential growth remains inaccessible.

The G20 has a huge potential to deliver on gender equity given its key role in the global economy. It acknowledged this fact in 2014 by setting the "25 by 25" target for the female labour force, which aimed to reduce the gender gap in participation by 25 percent by 2025. It was then estimated that this commitment would bring 100 million more female workers into the labour market⁶. But nine years since this target was articulated, it is even more crucial for the G20, and particularly for the EWG, to continue and strengthen its work on gender equity to fulfil this potential. Evidence and insights are needed to inform policy decisions on what to do and how and when to do it

to minimise gender gaps and maximise this underexploited potential. Two key international networks have made efforts in the past to produce these recommendations: The T20, which brings together leading think tanks and research centres worldwide, and the W20, which reunites female delegates representing NGOs, civil society, businesses and think tanks from the G20 members (7),(8).

One key recommendation for the G20 is to strengthen the monitoring and evaluation mechanism for gender equity, particularly for the fulfilment of “25 by 25”. We cannot change what we cannot see, and we cannot see what we do not measure. Most countries still face relevant obstacles in having a strong gender perspective in their statistical systems. Collecting and analysing gender- and age-disaggregated objective and subjective data along the life cycle is crucial to interrogate evolving and intersecting inequalities, and to design, deliver and evaluate policies tailored to the specific needs of different groups, such as youth, women in reproductive age and older women.

Social norms are now being challenged every day and the struggle against gender roles and stereotypes continues. But this is only the beginning. This changing gender paradigm is still more discursive than concrete. This sadly

depicts the unfulfilled potential of how a shifting paradigm can spark a recoupling of progress. G20 leaders need to understand that no policy is gender neutral. Fostering gender mainstreaming in policymaking means recognising that social norms are embedded in institutions and technologies, and these biases must be considered to avoid compounding existing inequalities. The economic and social returns of closing gender gaps will remain beyond reach unless we understand the implications of the new gender paradigm in policymaking processes. The G20 has a huge potential to deliver on gender equity. It is one of the main preconditions to foster both equity and growth.

Demographic Transitions, Education, and Labour Participation

Education is not always a high priority when discussing employment. Not only are educational credentials key to access quality jobs, but what happens within educational systems is also a crucial driver of increased labour force participation, productivity, and economic performance. However, the diversity in terms of regional representation that characterises the G20 impacts how specific countries can build this linkage between education and employment.

The G20 diversity is also reflected in the member countries' demographics, the unequal impact of the pandemic, and the policy challenges these imply. Age structures and projected population growth in the G20's Global South member countries, such as Argentina, Brazil, India, Indonesia, and South Africa, determine policy agendas that require that measures oriented to children and the youth be strengthened, in a different manner than the Global North countries. In these five Global South countries, between 20.5 percent and 28.7 percent of the population are in the 0-14 age group, while between 11.8 percent and 18.2 percent of the population in Canada, Germany, Japan, the US, and the UK are in this age bracket (9). In this sense, India depicts the urge to take demographics into consideration when designing public policies for the future not so far ahead. The country's number of children peaked a decade ago (10), its population is expected to surpass China's in the next decade, and its 25-64 age group population will represent approximately 10 percent of the world population (0.9 billion) in 2050 with a 38.1 median age.

These trends demand that the G20 countries frame a collaborative agenda that ensures the demographic transitions translate into more sustainable futures such that the children and youth of today will lead the responses to climate

change, global inequities, geopolitical security, and other challenges. However, countries are still finding it difficult to deliver the necessary policies to mitigate pandemic effects and spur recovery. Amid widespread school closures during the first wave of the pandemic in 2020, an estimated 463 million children did not receive education by remote learning, many of them concentrated in low- and low-middle income countries (11). Research shows that prolonged school closures have unequal long-term effects, primarily on girls and children in poverty (12), with an increase in drop-out rates, especially at the secondary level, and significant inequities among regions (13).

The G20 countries must put children and the youth at the very centre of global and domestic responses to pandemic recovery and other measures oriented to accomplish the Sustainable Development Goals. Global South countries within the G20 have the potential to address society's most pressing issues, such as green transitions, equity and inclusion, and geopolitical security. This will require resources to be assigned to ensure access to education and promote skills development to help new generations actively participate in a changing job market and their local communities.

The G20 members and the G20-Organisation for Economic Co-operation

and Development (OECD) Development Assistance Committee donors must adopt a “common good” perspective on education through an equity-focused, crisis-sensitive approach to build educational recovery, ensure inclusion, and stronger collective futures (14).

Future of Work

Artificial intelligence (AI) and other digital technologies are changing the way humankind produces, consumes, trades, and works. By augmenting the power of existing information and communication technologies, it also extends the ability of machines to master standardised and routine tasks. Labour markets are deeply challenged by these technological disruptions and are making some workforce skills obsolete.

The negative impacts of digital transformation on labour markets are expected to be temporary (15), and a new equilibrium—based on a full absorption of new technologies and the complete acquisition of relevant skills by workers—will eventually be attained. During this process, there will be a race between technology and skills, or a race between the adoption of new technologies and the reskilling of the workforce. It will translate into a mismatch between the available and required skills, or, in other words, a friction between the supply and demand

of labour. Since the new equilibrium will not be natural and the mismatch process has a high chance of heightening income inequality and political tension, governments and institutions will have a crucial role.

The G20 has a huge potential to deliver on the future of work given its key role in the global economy. In 2017, during the German presidency, the OECD helped highlight the positive impacts of digital technology on productivity, economic growth, and access to services (16). In 2018, the Argentinian presidency settled the future of work agenda as a cross-cutting theme (17). In 2020, under the Italian presidency, the need to adapt workforce skills was stressed, with the grouping saying it “will enhance our efforts to ensure that our research and work forces are able to adapt their skills to the rapidly evolving digital environment and harness the potential of innovation and digital tools whilst upholding shared ethical principles and values” (18).

There is a lot to do to tackle this issue and there are many ways to approach it. One key recommendation for the G20 is to improve labour and skills information systems, including the skills anticipation systems. Labour information systems are nourished by various indicators of skills demand, programmatic offers to acquire those skills, and professional

trajectories, among other types of valuable information that help anticipate skills and identify trends and gaps for policy decision-making.

In general terms, the education system was designed to meet the demands of a relatively routine-intensive type of employment. Therefore, the set of skills and knowledge that a person needed to enter and succeed in the labour market could be codified in a relatively fixed curriculum. AI and other digital technologies are now challenging this system. The construction of a labour information system that makes it possible to identify and anticipate skills in demand, and is reflected in a public access platform, can serve to inform decisions regarding the development of educational offerings and skills training with a rapid and flexible response.

Notably, the technological change will not have an equal impact around the globe since technological penetration itself is not equal worldwide. Additionally, the challenges of skilling and reskilling have unique complexities in the Global South as many current and future workers are excluded from formal education and training institutions due to lower coverage of high-quality education and the major prevalence of informality. These structural differences between the Global South and the Global North lay a very different ground for the digital revolution—inequalities will most likely persist or widened in the South. The actions that may be agreed upon at the G20 must take this into consideration to have a more positive impact in the future.

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The G20 Finance Agenda for Crypto Assets in 2023

Ussal Sahbaz

The G20's first mention of the term crypto assets was at the Buenos Aires Summit in 2018 (1), with a focus on anti-money laundering efforts: "We will regulate crypto-assets for anti-money laundering and countering the financing of terrorism in line with FATF [Financial Action Task Force] standards and we will consider other responses as needed." At the Osaka Summit in 2019, the G20 leaders said, "While crypto-assets do not pose a threat to global financial stability at this point, we are closely monitoring developments and remain vigilant to existing and emerging risks" (2). As a next step, the leaders asked the Financial Stability Board (FSB), the premier international coordination body on global financial stability, to monitor the potential financial stability risks, which resulted

in the FSB's 2018 report on the global 'stablecoins' (3). At the Riyadh Summit in 2021, partly as a response to Facebook's declaration to issue a global stablecoin named Libra, the G20 leaders gave a sharp reaction: "No so-called 'global stablecoins' should commence operation until all relevant legal, regulatory and oversight requirements are adequately addressed through appropriate design and by adhering to applicable standards" (4). Later, Facebook backstepped from Libra and stopped the project (5).

Under the Indonesian presidency in 2022, crypto assets have made a comeback to the G20 agenda, this time with a focus on general regulations. This is partly due to a hike in crypto-asset prices in 2021 and then their collapse in early 2022. At its peak, the global total value of crypto assets reached US\$3 trillion,

with widespread adoption worldwide (6). Many advanced G20 economies started to discuss and implement national regulations on crypto assets. Emerging G20 economies have been concerned about the risk of ‘cryptoisation’, or the risk of a significant portion of financial assets turning into crypto assets due to macroeconomic inflationary risks (7). They regard this as a type of capital outflow that may ultimately limit the macroeconomic policymaking power. In 2023, for the first time in the grouping’s history, the G20 Troika (consisting of the past, current, and incoming presidencies) will include three emerging economies—Indonesia, India, and Brazil. Given their concerns, the G20 is likely to place the regulation of crypto assets as a priority within the International Finance Working Group. Crypto assets are also relevant for some existing G20 priorities under the finance track, including financial inclusion and the facilitation of cross-border payments. One of the potential use cases for crypto assets is remittance payments, of which India is the largest recipient globally.

Four key outputs of FSB’s work on global regulation of crypto assets

The G20 work on crypto assets started with a comprehensive study by the FSB. The FSB’s approach to crypto-asset

regulation is to ensure the risks to the global financial system are controlled. In October 2022, the FSB issued the International Regulation of Crypto-asset Activities report (8), which was discussed at the subsequent Finance Ministers and Central Bank Governors Meeting in Washington DC. The meeting welcomed “the FSB’s proposed approach for establishing a comprehensive international framework for the regulation of crypto-asset activities based on the principle of ‘same activity, same risk, same regulation’.... It is critical to build public awareness of risks, to strengthen regulatory outcomes and to support a level playing field, while harnessing the benefits of innovation” (9). The future work stream on the regulation of crypto assets is likely to be based on the FSB report.

The FSB report makes four key observations. First, crypto assets are too small to pose a risk to the global financial system. When the crypto markets crashed this winter, it had a limited impact on the overall financial system. However, the picture may evolve as the markets continue to grow. For now, it is necessary not to rush to regulate the crypto-asset markets in the short run (the FSB’s proposed timeline extends to 2025), but it is essential to get prepared.

Second, the “weakest link” in crypto

assets is stablecoins. Stablecoins are pegged to national currencies such as the US dollar and the euro. However, it is unclear whether some stablecoins have adequate cash equivalents. During the market volatility in November 2021, when Tether could not properly display its reserves, the markets were shaken. The FSB has already published a report on this and continues to draw attention to the priority of the issue (10).

Third, crypto-asset exchanges can perform multiple functions that reduce transparency and increase the risk in the markets. There is nothing wrong with this; banks also carry out different tasks, but they do so within a set of governance regulations. For instance, the FSB report scrutinises the activities of the Bitfinex exchange, which tried to protect the value of Tether to prevent a major economic loss as a Tether holder at the time of the crisis. The FSB suggests that further transparency is needed to prevent manipulation in the markets.

Fourth, crypto assets are global, but regulations are local. Therefore, there are tremendous “regulatory arbitrage” opportunities for crypto-asset service providers. This is why it is beneficial to make crypto asset regulations with a global consensus. In this respect, what role the G20 will play is important.

Four gaps in global crypto asset regulatory dialogue that the G20 should narrow

The discussions around the regulation of crypto assets are complex and characterised by four major gaps:

Information gap between the crypto-asset industry and policymakers: Policymakers have a limited understanding of the fast-evolving blockchain technology, partly due to resource constraints (11) and partly due to institutional inertia. On the other hand, most crypto innovators are relatively young and made significant financial returns during the recent market boom. As the crypto industry evolved out of the traditional financial services industry, even as a cyber-punk alternative to the established structures, the dialogue between the industry and regulators has been limited. Generational, technical, and ideological gaps remain large.

Prioritisation gap between political and regulatory stakeholders: While regulators around the world are inclined to ‘minimise the risk’, politicians have a primary objective of ‘maximising the popular support’. As a result, political decision-makers around the world are more supportive of crypto assets as opposed to the risk-averse and restrictive approaches of many regulators. A recent example is Russia. The Duma has pushed

forward a crypto asset bill despite a white paper published by the Central Bank for a comprehensive ban on crypto assets (12).

Disruptive gap between traditional financial institutions and the crypto-asset industry:

Banks and other traditional financial institutions have been relatively slow to adopt crypto assets or decentralised finance in general, partly due to their institutional structures and present regulatory obstacles. They have also been reactionary in the regulatory dialogue. This paves the way for a blanket push against the entire crypto asset industry while increasing the risks for the global economy.

Regulatory gap between advanced, emerging, and small economies (13):

Advanced economies are leading innovators in blockchain technology. They are also setting the standards in crypto-asset regulations. The most prominent examples are MiCa in the European Union (EU), which is now at the final draft stage. There are also ongoing regulation efforts within EU member states and Japan. Emerging economies have mostly been reactionary vis-à-vis crypto assets due to macroeconomic risk concerns stemming from cryptoisation. Meanwhile, certain small states, most importantly Singapore and the UAE, adopt relatively liberal regulations and attract global crypto asset exchanges. While headquartered in

these areas, the global exchanges serve users in other jurisdictions. As a result of regulatory arbitrage opportunities, these jurisdictions may have an impact on the global regulatory environment that is disproportionate to the sizes of their economies and populations. Indeed, some of the small jurisdictions that act as crypto-asset hubs, such as Singapore, also participate in the G20 as permanent guests.

These four gaps require five types of stakeholders to sit around the same table—political decision-makers, regulators, banks, other relevant traditional financial institutions, and the crypto-asset exchanges.

Crypto-asset exchanges are the link between the traditional financial system and crypto-asset ecosystem. In most cases, they are the main agents to be regulated. Thanks to the effective dialogue within the G20, the B20's finance task force has also brought together traditional financial institutions and advanced regulatory agendas from the Basel III regulations to climate finance for many years. Now that the regulation of crypto assets is a G20 priority, it is time to invite the crypto-asset exchanges to the table to take the policy dialogue to the next level. The G20 should work closely with the B20 on the regulation of crypto assets.

A crypto asset regulatory agenda for the G20

The regulation of crypto assets covers a wide range of topics. The G20 will need a prioritisation strategy to focus on the issues that are the most relevant for a multilateral discussion. The G20 may take a three-layered prioritisation strategy (see Table 1).

The first layer with the utmost priority includes issues that have long been prioritised by the G20 and the international community—stablecoins and anti-money laundering. In October 2022, the G20 Finance Ministers and the Central Bank Governors reaffirmed their “commitment to delivering the strategic priorities of the Financial Action Task Force (FATF) and its FATF Style Regional Bodies to lead global action to respond to these

threats. We welcome the initiative by the FATF to promote the implementation of international standards on virtual assets, in particular, the “travel rule”, and transparency of beneficial ownership, and acknowledge their role in the fight against systemic corruption and environmental crimes, which gravely impact economies and societies” (14). The most important discussion will be around the most efficient ways in which the travel rule can be applied to blockchain technology, and the feasibility of national regulators setting standards higher than the FATF travel rule in a truly global crypto-asset economy.

The second layer that should be included in the G20's focus includes issues that concern national regulations by their nature. Even so, global coordination is essential to avoid regulatory arbitrage

Table 1: Crypto asset regulatory issues and relevance for the G20

Issues	Priority for the G20		
	High	Medium	Low
Stablecoins (global and national currency-backed)	1		
Anti-money laundering	1		
Licensing and authorisation for exchanges		1	
Safe keeping and custody		1	
Capital, liquidity, and resilience		1	
Governance and conflicts		1	
Risk and resilience (including cyber risks)		1	
Supervisory powers			1
Market integrity			1
Consumer protection and marketing			1

Source: Author's analysis

and ensure an efficient crypto-asset market. This includes licensing and authorisation for exchanges, safekeeping, and custody of crypto assets; capital and liquidity requirements; and governance and conflict management standards and resilience policies (including cybersecurity).

The last layer, which can be excluded from the G20 discussion for now, includes issues that are predominantly national and have limited global relevance, such as supervisory powers of the regulators, regulations related to market integrity (manipulation, insider trading, and so on), and consumer protection and marketing regulations.

Conclusion

While crypto assets are too small to pose a risk to the global financial system right now, regulations should be developed, in a timely but cautious manner. Current regulatory discussions are mostly focused on crypto-asset exchanges as subjects because they are the link between the crypto ecosystem and the traditional financial ecosystem. The G20 is an ideal venue for these discussions because crypto assets are global, but regulations are local, and there is always opportunity for regulatory arbitrage.

The G20 (in dialogue with the B20) must bring together political leaders, regulators, and traditional financial institutions of its member countries. Crypto-asset ecosystem players, especially global and major local exchanges, should be added to this dialogue through the B20. It is not possible to cover all regulatory issues pertaining to crypto assets in this dialogue, nor is it necessary. The priority should be stablecoins and anti-money laundering issues, which have already been on the G20 agenda, and which focus on truly global risks. Then the focus should be issues that require global coordination to avoid regulatory arbitrage. Other issues should be left to national policymakers.

In the October 2022 meeting, the G20 Finance Ministers and Central Bank Governors have already signalled a technology-neutral regulatory framework based on the motto 'same activity, same risk, same regulation' (15). Given the dynamic and innovative nature of blockchain technology, the regulatory framework that the G20 envisages should be sufficiently flexible, risk-based, proportionate, and not too detailed. A new global regulatory architecture for crypto assets should provide the right balance between innovation and financial stability, the priorities of advanced and emerging G20 economies, and the interests of traditional and disruptive financial institutions and their users.

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Securing a future of precarity: Recommendations for the Y20 in 2023

Erin Watson

Young people globally are living through a period of rapidly increasing precarity. Inflation, recessions, pandemics, technological advancements, increased costs of living, and climate change are no longer the subject of what policy challenges humankind might face in the future, they are now the concurrent reality experienced around the world (1). Young people are not responsible for the reality they have inherited, but to secure their futures they must be part of the solution.

The Youth 20 (Y20) is one of the ten official engagement groups of the G20. With three tracks of work, including the finance and sherpa tracks, the engagement groups are an opportunity for

civil society, independent bodies, and the private sector to contribute to the G20's policy agenda (2). Young people from G20 member countries and invited guest countries are tasked with producing a communique of policy recommendations for G20 leaders to consider (3).

There is much that can be said about the content and efficacy of Y20 communiqués over the years since this author was a delegate to the Y20 in Turkey. However, this essay does not look back and consider what could have been done better; instead, it looks ahead to India's G20 presidency in 2023 and makes recommendations on taking this important forum forward. In doing so, it engages with the perpetual existential question of the Y20 (and other

engagement groups) about what it might seek to achieve in 2023. It outlines why the Y20 must be brought further into the G20's inner circle and for India to take advantage of India's demographic advantage. The essay also proposes four policy areas that the Y20 might closely examine and advocate on through its policy agenda to start dismantling the future of certain uncertainty.

The Y20: Policy or Process?

A question that comes up every year pertains to the goals and purpose of the engagement groups. This is especially so for the Y20, where delegates are roughly between 18 and 35 years of age. Across the G20 membership, the delegates sometimes come from youth diplomat organisations, which run competitive processes to select the best and brightest minds to represent their home country (4). Delegates are sometimes drawn from a member state's diplomatic academy or are graduate members of the foreign service, and the Y20 comprises some of their professional development training. Regardless of their background, this network of policy-oriented emerging young people is an invaluable first or second step in their careers.

A good starting point for India's presidency is to think about the

purpose of Y20 India—is it about policy or process? In other words, is the Y20 a genuine policy forum that the presidency seeks youth perspectives on international economic policy, or a training ground for aspiring diplomats to earn their stripes. Both approaches are equally important, and generally the Y20 falls somewhere in between. But understanding where the Y20 India fits means appropriate mechanisms can be established within the machinery of the G20 to maximise efficacy of the Y20 (and other engagement groups). Without formal pathways to the sherpa and finance tracks, engagement groups run the risk of becoming sideline events with no substance or few resources to achieve what its mostly voluntary delegates set out to do. Establishing this positioning early in the G20 machinery will largely determine the success of the Y20 in 2023.

India's Competitive Advantage

In making decisions about the centrality or importance of the Y20 in the year ahead, it would be remiss of India to not leverage its enormous youth population. India has one of the youngest populations in the world (5). If any G20 member country can fully understand both the opportunities and challenges for young people, it is India.

With its 'youth bulge', or the demographic shift that is disproportionately young, India needs to maintain a high-level of economic growth to feed, clothe, educate, and employ the population (6). This is converse to the demographic trends in more developed countries among the G20 where the ageing population puts significant fiscal pressure on the working age population because of the high dependency ratio (7). In 2023, India has the opportunity to lead (along with the other countries in the troika—Indonesia and Brazil) on a policy environment that secures the futures of young people living in countries with these young populations.

Policy Recommendations for the Y20 India

The recommendations cut across four areas of precarity that young people face in an increasingly uncertain world: the future of work and retirement, tech regulation, housing affordability, and the administration of global governance.

Securing employment

The Y20 India should closely examine what working conditions are required for a secure retirement. Retirement may not sound that appealing for a younger audience, but if current conditions continue, retirement might be history among many G20 countries.

The future of work, including the disruption of traditional working lives, has been discussed for decades. The tripartite life of education, employment and retirement has long disappeared. This has been accelerated by the COVID-19 pandemic, digital transformations, and remote and globalised workforces. It means that work is increasingly precarious and casualised. An expensive, often western education no longer guarantees job security and a comfortable retirement.

Over many years, the Y20 has gone from proposing entrepreneurship as a policy approach to resolving the global youth unemployment crisis that emerged after the 2008 global financial crisis to one that values entrepreneurial skills but also the security of paid parental leave, anti-discrimination protections, and trade union membership protections. The Y20 should go another step further and consider policy that structures employment pathways around pension systems so that they have a secure retirement future for young people. It is no longer enough to consider this on domestic terms, but within a global and interconnected labour market. The Y20 should consider what young people want of their futures and careers, and how an economic system can be (re)design around this.

Securing technology

The Y20 should provide the G20 with technically- and politically-sound policy recommendations that address the acceleration of digital technology. Young people possess the skills and experience of the trends in science of technology that is shaping modern societies, economics, and politics. Whether social media, algorithms, data protection, artificial intelligence, machine learning, Web3 or the metaverse, establishing a global benchmark of how young people want these domains to be regulated is critical. Winding back regulation is much harder than shaping it in the first place, and young people must have a seat at this table through the Y20.

Dealing with digital is not new for the Y20; the group has long captured the benefits, especially when it comes to inclusive economies, for diverse groups of people and individuals. This includes providing opportunities for entrepreneurship and employment for people with disabilities, rural populations, people at the bottom of the economic pyramid, women, and refugees. However, the Y20 now needs to go one step further and consider how new technologies such as crypto and digital currencies, Web3, and the metaverse will be regulated. The Y20 should also focus on securing the safety of women and girls, protecting men and women at risk of radicalisation, child safety, data

protection, and data as a liability rather than an asset.

Securing housing

Housing security is not something that regularly features in global fora. However, a housing affordability crisis is emerging across the globe. It does not matter if you are in the global south or the global north, accessibility to affordable housing is in crisis (8). There are several arguments for why this might be, including the financialisation of the housing market, (9) the lack of regulation of short-term accommodation providers that push locals away from urban centres, (10) the rapid urbanisation of major cities whether in Latin America, Asia, and North America.

What role does the Y20 play in tackling the trends in housing unaffordability around the globe? Firstly, the Y20 needs to consider that housing and poverty are interlinked especially as people age, which is inevitable (11). Secondly, the Y20 should look at domestic policies around its membership that have been successful in managing the housing affordability crisis. Beyond the membership, the Y20 could turn to invited guest countries such as Singapore, which has a two-tiered public/private housing market that might be worth examining. Thirdly, the Y20 could consider how migration policies are interlinked with housing and propose

inclusive migration pathways that intersect with smart housing policies.

Securing governance

Multilateral reform is already a priority of the G20 India presidency, (12) and young people should be at the centre of shaping what these governance systems will look like in the future. Reform of global institutions does not need to be radical, but it does mean looking at existing systems of governance of global commons to ensure the sustainability and security of the planet.

The Y20 historically has a commendable history of proposing policy recommendations focused on peace building, refugees and migration, and climate change and sustainability. Young people have the foresight to know that these are the urgent priorities for their generation, and they know that current institutions are not always fit for purpose. This includes looking inward at the Y20 and G20 to identify ways and means for more effective advocacy, data collection and measurement, and accountability of the system. It means finding ways and means for governance that is inclusive in the current economic and strategic environment. This is especially important for India, which is on track to become a top four global economy by the middle of the century (13). India can leverage this new economic power to influence how

global governance systems are shaped in the future. Given the troika composition of emerging economies in 2023, this is the opportunity to position these inclusive multilateral reforms squarely on the G20 Leaders Communique.

Conclusion

The world is increasingly uncertain and unstable, and young people will feel the implications of this precarity more than any other group. India takes the presidency at an important time, and Y20 India has several levers it can use to influence across critical policy agendas including employment, technology, housing, and governance.

The policy agenda of the G20 and Y20 must go back to some of the fundamental basics, including workers' rights, housing, and peace and stability. As we face a more uncertain economic environment, many of these policy problems are going to be increasingly difficult to resolve without fit-for-purpose systems of global governance that can respond quickly and with the resources required.

To achieve any of this in an increasingly precarious and interconnected world, young people must come to the table with their expertise but also their ideas and vision for what a secure and safe future looks like.

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About the Editors and Authors

Erin Watson is Managing Director at Baker and York and Adjunct Research Fellow at the Griffith Asia Institute, Australia.

Fahad M. Alturki is the Vice President of Knowledge & Analysis at King Abdullah Petroleum Studies and Research Center (KAPSARC), Saudi Arabia.

Gala Díaz Langou is Executive Director of CIPPEC, Argentina.

Heribert Dieter is Adjunct Professor at the National Institute of Advanced Studies (Bengaluru, India), and Senior Fellow at the German Institute for International and Security Affairs (Berlin, Germany).

Paul Samson is President of the Centre for International Governance Innovation (CIGI), Waterloo, Canada, and former co-chair of the G20 Framework Working Group.

Rohinton P. Medhora is Distinguished Fellow at and former President of the Centre for International Governance Innovation (CIGI), Waterloo, Canada.

Sridhar Venkatapuram is an Associate Professor of Global Health and Philosophy at King's College London.

Stormy-Annika Mildner is Executive Director of the Aspen Institute Germany.

Suranjali Tandon is Assistant Professor at the National Institute of Public Finance and Policy, New Delhi.

Ussal Sahbaz is a managing partner of Ussal Consultancy, a tech-focused government affairs firm, and founder of the Free Internet Foundation, a technology policy think tank, both based in Istanbul, Turkey.

Venkatachalam Anbumozhi is Director of Research Strategy and Innovation at the Economic Research Institute for ASEAN and East Asia, Jakarta, Indonesia.

Editors

Preeti Lourdes John is Deputy Editor at ORF.

Renita D'Souza is a Fellow at ORF Mumbai.

Shruti Jain is an Associate Fellow at ORF.

