

# COUNCIL OF COUNCILS

*An Initiative of the Council on Foreign Relations*



# Council of Councils Third Virtual Conference *Reading Materials*

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*This meeting, and the broader Council of Councils initiative, is made possible by the generous support of the René Kern Family Foundation and Robina Foundation.*

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# COUNCIL OF COUNCILS

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## Session One

# *The Role of the G20 in an era of Great Power Tensions*



Background Memo

*The Rome G20 Summit: An Important Test for an Uncertain Future*

Council of Councils Third Virtual Conference

October 7, 2021

**Thomas A. Bernes**, Centre for International Governance Innovation

Group of Twenty (G20) leaders will meet on October 30 and 31 in Rome. This will be the first time in two years that they will meet in person, as last year's meeting was held virtually due to the COVID-19 pandemic. Much has changed over the last two years.

COVID-19 has thrown the world into chaos. Millions of lives have been lost; most countries have faced significant economic contraction; developed countries have deployed extraordinary monetary and fiscal measures leading to a huge run up in government debt; tens of millions of people in developing countries have been thrown back into poverty; and lower-income countries are facing mounting debt challenges as they confront the health and economic crisis. The unpredictable and destructive consequences of climate change have become increasingly evident, as has the imperative to take action to reverse global warming and mitigate the effects of climate change.

Significant changes in global leadership have also occurred. Former U.S. President Donald Trump is no longer in office, and of the Group of Seven (G7) country leaders, only Canadian Prime Minister Justin Trudeau and French President Emmanuel Macron remain. The heads of the International Monetary Fund, World Bank, and the World Trade Organization, among others, have also changed. The G20 summit itself will be chaired by Italian Prime Minister Mario Draghi, a widely respected but unelected technocratic head of government.

During the last four years, G20 summits were marked by increasing rancor and widening disagreements, most notably over trade and climate change, led by an isolationist Trump administration following an America First agenda. The upcoming summit in Rome will be an important test of whether the forum can return as a central player on critical issues of global governance and multilateral cooperation, like it did in addressing the global financial crisis.

To regain its credibility, the G20 will need to focus and make concrete progress on the most important global issues. Hundreds of pages of communique rhetoric without substance will not only not suffice, but it could also prove the death knell for the G20.

Responding to the COVID-19 pandemic, restoring economic growth, and addressing climate change are the most critical issues. None of these issues can be successfully addressed without global action—in other words, they are precisely the types of issues the G20 was established to address. Many other legitimate issues, such as implementation of the Sustainable Development Goals or global infrastructure development, could be considered at the summit, but nothing rises to the level of importance of these three global challenges.

For the COVID-19 pandemic, global vaccination is the first step, and the world is far from that goal. Until it is achieved, the global economy will continue to sputter. Money and infrastructure are required to produce and distribute vaccines to all the countries in need. Many proposals exist to accomplish this—decisions are now needed.

There are ancillary issues, of which the most important may be common rules for international travel. A patchwork of differing rules will be harmful. Countries need to work together to achieve this with a view to getting the world open again. Another requirement is strengthening the WHO and our global infrastructure for responding to future pandemics. G20 leaders should commission work on this with a view to making decisions at their meeting next year.

Restoring economic growth requires moving beyond measures to merely save our current economies to building more resilient ones. Governments have spent \$16 trillion in fiscal support and central banks have increased their balance sheets by \$7.5 trillion to respond to the economic crisis arising from the pandemic. These unprecedented measures saved us from a far greater economic collapse but must be redirected to provide support for enhanced growth and remove supply constraints that create bottlenecks and inflationary pressures. For emerging and low-income countries, restoring growth will be important to reverse the backward slide that has sent people back into poverty and dampened social progress, particularly in education and health.

With respect to climate change, the Rome G20 summit occurs just weeks before the twenty-sixth Conference of the Parties to the UN Framework Convention on Climate Change (COP26). G20 leaders should take concrete action to ensure that COP26 is successful. G20 leaders should focus on progress in two areas. First, take enhanced steps to achieving net zero emissions by mid-century. This requires accelerating the phase out of coal and eliminating fossil fuel subsidies, which the G20 has promised to do for years. Second, the G20 should take concrete action on their promise to annually mobilize at least \$100 billion in climate finance.

Actionable progress in these areas would mark a huge success for the G20 by showing the relevance and strength of the group, but it will not be easy. The Rome G20 summit is occurring with a new generation of leaders who have yet to show they can work together to achieve the necessary multilateral breakthroughs.

It is not clear whether any progress can be made at a time of growing great power rivalry between the United States and China. Certainly, the rhetoric of the United States has changed with President Joe Biden in the White House. But many remain uncertain if this is simply a change in rhetoric or a more meaningful commitment to multilateralism. The U.S. withdrawal from Afghanistan and the announcement of the Australia-United Kingdom-United States defense partnership have certainly raised questions. At the same time, recent

Chinese bullying with respect to Australia and Canada and concerns over Chinese debt financing and the Belt and Road Initiative also give pause.

The future of the G20 will be shaped by these factors—if the United States and China are able to work together and contain their areas of dispute, and if other members of the G20 can avoid being caught in a squeeze play that they prefer to avoid.

Finally, the G20 has tended to avoid geopolitical issues in favor of an economic focus. This has served them well. But some experts have suggested the future of support and relations with Afghanistan should be addressed at the upcoming summit. Certainly, these important questions should be tackled. However, given what is already on the agenda, it is hard to see this forum making substantial progress on Afghanistan and it could simply further complicate already difficult discussions on the broader G20 agenda.



Task Force 8  
**Multilateralism and Global Governance**

**Policy brief**

# AN OPEN, FLEXIBLE AND “FIT-FOR-PURPOSE” MULTILATERALISM

SEPTEMBER 2021

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# ABSTRACT

In recent years, the multilateral world order has come to suffer from the resurgence of protectionism and great power rivalry that have fostered divergence and fragmentation in the global arena. Nonetheless, the growing interconnections between world economies and emerging global challenges, among which the COVID-19 pandemic, prove the need to enhance international cooperation to tackle common global challenges, thus making rival powers in certain areas strategic partners in many others. Addressing issues such as the COVID-19 pandemic, climate change or the fight against tax evasion, requires collective action and provides benefits for all participants. However, to foster action in this direction, rather than only focusing on the advantages of international cooperation, attention should be also posed to the costs of non-coordination. The lack of an unambiguous definition and specific assessment of the “costs” (not only economic) of global inaction in the face of common challenges may lead to sub-optimal policy decisions. We suggest calling on G20 leaders to set up an open and inclusive platform to share information and evidence on the costs of non-coordination, offering a bottom-up, flexible and open approach to multilateralism. In particular, we believe efforts should be devoted towards exploring avenues for the development of a comprehensive index on the costs of non-coordination. This approach could serve as a basis for identifying open “fit for purpose” forms of international cooperation, anchored to specific and practical issues. While international relations remain complex and often determined by national circumstances, providing more tangible information about the costs of non-coordination can yield more informed, transparent and accountable policy decisions.



# CHALLENGE

Despite the growing challenges faced by the multilateral system in recent years, the deep interconnectedness of our economies and the global challenges they face demonstrate that while countries may have diverging interests in certain areas, they (should) remain strategic partners in most others. Rising tensions and antagonism at the international level have fueled the perception that multilateralism is no longer a positive-sum game and has resulted in increasing divergence and fragmentation in the global arena. Nonetheless, collective action remains in many cases a necessity that also provides clear benefits for all participants, such as in managing the COVID-19 pandemic, tackling the global environmental challenge or fighting against profit shifting and tax evasion. However, to stimulate action on these crucial issues, in addition to identifying the advantages of international cooperation, attention should be also posed to the costs of non-coordination. The lack of an unambiguous definition and specific assessment of the “costs” of global non-coordination for each actor may lead to sub-optimal decisions that impact on everyone’s well-being.

The outbreak of the COVID-19 pandemic and the management of the sanitary crisis offers a good example of the magnitude of the costs of non-cooperation. Initially, the lack of a collective and coordinated response led to the adoption of inefficient sanitary measures and a misallocation of global medical resources. The discovery and rollout of the vaccine provide a definitive solution to the pandemic, and further coordination is needed to ensure a fair, equitable and broad-based vaccination globally. Instead, so-called “vaccine nationalism” has hampered the effectiveness of the global response, leading to delays in vaccinations and the emergence of new variants. In that regard, in addition to cooperation within the framework of COVAX and ACT-A, the reduction of, for example, trade tariffs on vaccines – which currently stand at 0.76% on average – could lead to reducing the cost of vaccine acquisition for least developed and developing countries thereby facilitating global access to vaccines. Inaction on this issue can be incredibly costly for countries all over the world, from developing economies to developed ones. According to the National Bureau of Economic Research if the global vaccination campaign is not carried out thoroughly also in developing countries, the global economic cost could amount to US\$ 4 trillion (National Bureau of Economic Research 2021). This research provides an interesting example proving the usefulness of measuring the costs of international inaction on specific issues and demonstrating the severe impact that non-cooperation in managing the pandemic could have.

Environmental degradation and climate change are also amongst the most representative examples of the collective action imperative. Crucial global resources continue being depleted, waste volumes are escalating, pollution is increasing, ecosystems are being destroyed and we are collectively failing to reach the Paris Agreement objectives. According to the World Health Organization, air pollution kills 7 million people each year with a global economic impact of around US\$ 225 billion in lost labor (WHO data 2019). Plastic pollution instead costs approximately US\$ 13 billion in economic damage to marine ecosystems



per year, as reported by the United Nations Environment Programme (UNEP 2014). Despite some progress at the international level, our collective response is too weak and much more remains to be done to achieve concrete results. According to the OECD, if no major actions are taken to address this issue, by 2050 global greenhouse gas emissions could increase by 50%, terrestrial biodiversity could decrease a further 10% and air pollution could become the world's top environmental cause of premature mortality (OECD 2012).

Moreover, also in the area of tax evasion, base erosion and profit shifting, the costs of inaction are clearly evident as well as the benefits of global coordination. According to OECD calculations, before the advent of the COVID-19 emergency, base erosion and profit shifting practices cost countries approximately US\$ 100-240 billion in lost revenue every year, which amounts to around 4-10% of global corporate income tax revenue (OECD, 2021). In addition, according to a report by The Tax Justice Network, tax evasion at the global level cost governments across the world around US\$ 430 billion annually (Cobham et al. 2020).

International cooperation and collective action are the only means to concretely address these issues, most importantly in the presence of strong externalities, free riding and beggar thy neighbor incentives. International organizations and institutions have a major role to play in building trust, reducing transaction costs and supporting the implementation of collective commitments. G20 countries and the OECD have put in place cooperation initiatives to tackle these challenges and achieve positive results. The *Global Forum on Transparency and Exchange of Information for Tax Purposes*, for example, that brings together over 160 jurisdictions with the aim of improving transparency and the exchange of information for tax purposes, contributed to secure more than 107 billion dollars in tax revenue among members of the Forum since its launch; and in 2019, countries automatically exchanged information on 84 million financial accounts worldwide, covering total assets of EUR 10 trillion (Manatta et al. 2020). Another interesting initiative is the *G20/OECD Inclusive Framework on Base Erosion and Profit Shifting*. Members of this initiative are sharing information and best practices regarding fiscal policy and tax administration measures, contributing to the development of a more coherent and transparent system.

However, in the last years, the acceleration of globalization and digitalization have brought new challenges to the fore, highlighting the weaknesses of international corporate income taxation schemes. Much like it has been the case on previous tax issues, only international coordination on this matter will allow to adjust to the evolving circumstances and put governments in the conditions to avoid significant revenue losses, while avoiding the escalation of tensions and distortions through unilateral measures. The recent G7 agreement, supported by the OECD, is a good step in that direction.

Examples like the ones presented above could also be found in other areas such as trade or international migration. The lack of the development of common instruments and policies to address these global challenges, will lead to a continuous increase of the economic, environmental and social costs for all. The challenge today is thus to systematically shed light on the cost of the erosion of multilateralism to foster dialogue on specific practical issues and enhance international cooperation.



# PROPOSAL

## INTRODUCTION

Instead of focusing only on “top-down” reforms that seek to tackle the structural weaknesses of the current multilateral system, we suggest leveraging the opportunities for cooperation offered by fit for purpose responses to particular issues. The advantages of such cooperation can be better showcased by focusing on the costs of sub-optimal international cooperation, or in other words by demonstrating the cost of the counter-factual to coordinated action.

Our central assumption is that the absence of common action at the global level may not only reduce the efficiency of public policies but also lead to net losses for the global community, affecting well-being and economic outcomes. In that regard, more attention should be devoted to the collection and analysis of relevant data on the cost of non-coordination and non-cooperation. Tangible and transparent information about the cost of non-coordination is likely to contribute to breaking deadlocks in different policy areas and to better inform multilateral decision-making. Governments tend to operate with limited information which, if available, could foster pragmatic mutually-beneficial action. Providing in-depth data and analysis on the cost of non-cooperation to decision-makers might not be enough in itself, but making this information easily available could contribute to better inform the public debate, build incentives for cooperation and increase the accountability and transparency of policy choices. Such a pragmatic approach could facilitate the development of open “fit for purpose” platforms devoted to enhance cooperation and coordination on specific issues.

A similar approach is applied at the European Union level with a focus on the costs of non-Europe. This concept emerged in the mid 1980s, when the Albert-Ball and Cecchini Reports of 1983 and 1988, sought to quantify the potential economic benefits of a single market in the European continent (Dunne 2014). Later, a specific unit was created in the European Parliamentary Research Service, the European Value Added Unit, whose main function is to analyze the potential benefits of common action by regularly providing “*Cost of Non-Europe Reports*” in policy areas where major results could be achieved through coordination. The reports systematically provide to the general public and decision makers accurate data and analysis on the eventual gains and losses of European integration in different sectors. Even if some elements of the methodology can be perfected, this approach provides interesting insights on how to foster evidence based policy-making, increasing transparency and accountability.

In addition, the G20 provides the ideal framework to mainstream discussions on the costs of non-cooperation. As demonstrated by its track-record, the G20 offers enough flexibility, legitimacy and capacity to pragmatically build fit-for-purpose open platforms, which by allowing for broad-based country engagement and leveraging the capacities of relevant international organizations can tackle major global governance issues, as demonstrated by



the success of initiatives among which the Global Forum on Transparency and Exchange of Information for Tax Purposes or the Inclusive Framework on BEPS. In that regard, integrating the cost of inaction in the G20 discussions could further support the G20 efforts to kick-start innovative solutions to global challenges that could then be joined by the rest of countries of the global community.

## **RECOMMENDATIONS**

Rather than concentrating only on the potential benefits of common action in a specific field, we believe that a focus on the costs of not implementing specific policies can be more impactful in influencing international decision-making.

We call on G20 leaders to set up an open and inclusive platform to share information and evidence on the costs of non-coordination. The aim of this initiative should be to provide in-depth analyses on the costs of inaction on key global issues in order to stimulate the international debate. In particular, efforts should be devoted to exploring avenues for the development of a comprehensive index on the costs of non-coordination. Having a specific index that can measure the costs of non-cooperation on specific issues could be crucial in orienting global decision making and on breaking delicate deadlocks in the international agenda. The aim of this paper is not to theorize such a complex indicator or suggest a specific methodology, but rather to stress the need to develop such an instrument at the international level. This paper represents an invitation to G20 countries to organize an expert panel that could develop this methodology.

As the European Parliament has done by setting up a specific unit to measure, monitor and analyze the costs of non-Europe, G20 countries could take the initiative to evaluate more systematically the cost of inaction to underpin their collective responses. To date, no structured methodology to comprehensively measure these costs has been developed. Although quantifying the specific costs of inaction appears to be particularly difficult from a practical point of view, it is necessary to provide leaders and governments with strong evidence-based information that stress the need for cooperation on specific issues. The purpose of this indicator would not be having every country agree on a common policy agenda, but its rather about developing an instrument that can support decision makers, inform the general public and increase the accountability of the global governance system.

When it comes to the definition of the costs of non-coordination, the starting point can be the identification of economic costs. It is indeed a measure traditionally used, for example in the area of trade, where calculations on the impact of tariffs have been used to showcase their damaging potential and prove the need to enhance a cooperative approach. Yet, we believe it is important to expand the definition of costs to include the social and environmental dimensions together with the concept of well-being, using more comprehensive measures, directly connected with the UN Sustainable Development Goals (SDGs). In this respect again, the “Cost of Non-Europe” approach offers interesting insights. The work that has been done around this concept is not limited to the consideration of economic indica-



tors, on the contrary it also encompasses more political, strategic and also environmental dimensions. Reports have been developed with regards to the costs of non-Europe in the defense sector and in the area of migration, by focusing both on quantitative dimensions and on more qualitative aspects, among which operational shortcomings (Ballester 2013; Van Ballegooij and Thirion 2019). Although often difficult to measure quantitatively, evidence on the potential losses derived from inaction or non-coordination on a specific issue could prove to be crucial in providing more accurate and transparent decision making at the international level.

G20 countries should work together to develop a methodology to assess more systematically the cost of non-cooperation, considering the possibility of developing an index that is capable of providing evidence-based relevant information to decision-makers and increasing the transparency of the global governance system. This approach could serve as a basis towards identifying open “fit for purpose” forms of international cooperation, anchored to specific and practical issues. Relevant international organizations should be involved to reinforce the multilateral dimension of the process and increase its impact. As demonstrated by other initiatives like the Global Forum on Tax Transparency, IO’s participation is crucial in order to provide countries with a leveled playing field for cooperation and the institutional mechanisms for coordination.

The increasing interconnectedness of our economies, the daunting climate and environmental challenges, the pervasiveness of the digital transformation and the increasing levels of mobility across the world require common action and coordination. On many issues, only global cooperation can provide concrete and positive results. The aim of our approach is to remind decision-makers of this important assumption by providing hard evidence on the costs of international inaction. With relevant information at the table, leaders could be pushed to give greater attention to global cooperation.

## **CONCLUSION**

To sum up, while we are experiencing severe global challenges such as the Covid-19 pandemic and climate change that would require more international cooperation, we are witnessing an increase in tensions between world powers and less coordination. Often in fact governments lack in depth knowledge on the costs of non-cooperation, operating their strategic choices not on the basis of evidence but rather following narrow political interests. On the contrary, effective global governance should require focusing on the costs of non-cooperation between states and on transparently presenting these elements to the leaders and to the general public. We suggest the systematization of a new paradigm to measure the costs of non-coordination, exploring avenues towards the development of an index that is able to capture this complex dynamic. With this kind of information available, governments could be able to overcome differences and divergences and cooperatively address common issues.



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# Missing in action: The G20 in the Covid crisis

[TOM CHODOR](#)

The supposed “premier forum” has by and large failed to rise to hopes of a broader mandate.

Published 22 Apr 2020 14:00

As the Covid-19 pandemic deepens, the need for international cooperation to deal with the twin health and economic crises has been highlighted. While [much is made](#) of the failings of the World Health Organization, other international bodies have fared no better. In particular, the G20 – which styles itself as the “premier forum for international economic cooperation” – has been largely missing in action. Comprising the world’s 20 largest economies, the G20 [should be the natural forum](#) to devise and steer the global response to the twin crises.

This is especially so given its success in responding to the previous global crisis: the 2008–09 Global Financial Crisis (GFC). Back then, the G20 was transformed from an obscure gathering of finance ministers into the main forum for crisis management, which devised a timely and effective policy response to the crisis. Its particular strength was its informal nature, which enabled [networks of technocrats, officials and bureaucrats](#) to bypass gridlocked international organisations to avert a global depression. Since then, the G20 has evolved [from a crisis committee to steering committee](#), facilitating international cooperation on a broad array of issues, from health to development to women’s economic participation. Accordingly, the current crisis has led to widespread [calls](#) for the G20 to step up once again.

And yet, its response to date has been limited and tepid. It was largely on the sidelines early in the year, with a 7 March meeting of its Health Working Group concluding with a [one-page statement](#) with no concrete commitments or plans for action. It took calls by former leaders such as [Kevin Rudd](#) for the G20 to even acknowledge the need for a formal leaders’ summit.

When they finally convened on 26 March, the G20 leaders promised to do “[whatever it takes to overcome the pandemic](#)”, but their communique lacked concrete commitments, and their promise to inject \$5 trillion into the global economy consisted of already-announced domestic measures. Moreover, there was [no mention](#) of reversing export bans of medical equipment, funding a vaccine, or addressing the economic crisis brewing in the developing world.

While the recent meeting of G20 finance ministers produced [more concrete outcomes](#) – namely a suspension of bilateral debt repayments for low-income countries – there was no new actions on health crisis, and no response to International Monetary Fund pleas to bolster its resources. As former US Treasury Secretary Larry Summers put it afterwards: “[I had modest expectations, which were significantly disappointed.](#)”

The roots of this failure to rise to the challenge of Covid-19 stem from both the nature of the G20 itself, and the broader international context in which it operates.

Firstly, despite its broader focus, the G20 remains at its core an institution concerned with finance. True decision-making power lies in its “Finance Track” – which brings together finance ministers, central bank governors and officials – rather than the “Sherpa Track” where all other issues are discussed. This was key to its successful response to the GFC, and also explains why its most concrete actions in the current crisis – such as the debt suspension – have been in finance, as technocrats respond to threats to financial stability. A financial focus, however, means neglect of issues such as health, which are seen as outside the purview of financial policymakers. The expansion of the G20’s remit always sat uncomfortably with the continuing centrality of the Finance Track, and has been highlighted by the current crisis.

This does not mean that the G20 lacks participation from a broader array of stakeholders. Indeed, the past decade has seen the institutionalisation of “engagement groups”, integrating civil society actors into the G20 – including NGOs, unions, women’s groups, academics and business associations – in the hope they will bring a [more diverse perspectives](#) to its agenda.

These groups have lobbied the G20 to take a [holistic view of the crisis](#), including seriously addressing its health dimensions and going further on issues such as debt. And yet, their calls have largely fallen on deaf ears. Whilst the engagement process facilitates the participation of civil society in the G20, its terms are set by G20 officials, who often treat it as an opportunity to [solicit “buy in” to their policy priorities](#), rather than meaningful deliberation. In this context, civil society resorts to [issuing statements from the sidelines](#), with little effect.

The third reason for the G20’s failure stems – paradoxically – from its networked nature. [Much has been made](#) of the effectiveness of the informal institutions of the G20, in particular its ‘troika’ presidency, which brings together officials from the previous, current and future leadership countries, negating the need for a formal bureaucracy and secretariat.

As [commentators have pointed out](#), this year’s troika was not well positioned for action, consisting of Japan, which was focused on preserving showpiece events such as Olympics, Saudi Arabia, not known for its diplomatic activism, and Italy, the European country most ravaged by the crisis. Yet the broader point is that crisis situations require action and initiative, which can only come from leaders.

This is not to suggest that their mere presence is sufficient. Indeed, the current context is characterised by populist leaders rejecting the very need for global governance and international cooperation. This populist backlash stems from the [secular stagnation](#) of the global economy since the GFC, as the underlying causes that led to the crisis – inequality, stagnating wages and social mobility and growing precarity – remain unaddressed. The G20 is not free from responsibility for this, struggling since 2010 to devise [meaningful solutions](#). As a result, confidence in the efficacy of international cooperation has declined further, with the G20 [largely gridlocked](#) along North-South lines. In this context, it’s not surprising that the response from G20 leaders has been to further pull up the drawbridges and engage in beggar-thy-neighbour policies.

In short, the G20’s failure [“to demonstrate the power of global cooperation”](#) stems both from its own nature and the broader international context. There seems little hope for a sudden change of course, either for an effective response to the health crisis or a bold new

agenda to address the economic crisis, even before the “Great Lockdown”.

## COVID-19: The Failure of G20

*Tom Bernes, Distinguished Fellow, Centre for International Governance Innovation (Canada)*

The world faced its last major global crisis twelve years ago. Out of it emerged the Group of Twenty (G20)—an informal forum for world leaders to address the economic challenges threatening the world economy at that time. Most observers gave the new body high marks for averting a global economic collapse and saw it as an important innovation in global governance. Leaders called it their premier forum for economic cooperation.

Since that time, the bold ambitions of some for the G20 have faded as the forum has proved unable to shift from crisis fighting to managing a forward-thinking agenda. Some commentators saw this failure as inevitable but satisfied themselves with thinking that the forum existed, should the world face another global crisis. The current crisis is many times greater than that of 2008 and 2009. But the response of the G20 to date has been tepid and, unlike in the last crisis, totally inadequate to the challenge. The forces that have contributed to this may doom the future of the G20 and create a vacuum that has destabilizing effects on multilateral cooperation and global governance for years to come.

The G20, so successful twelve years ago, is failing today. In 2008, leaders saw themselves and the world on the brink of the abyss and firmly believed that the only resolution lay in multilateral cooperation because the problem was global: no country was immune from the forces at work. But that is also true in the current crisis, yet it is not leading to the same result. What has changed?

The G20 emerged as the principal forum for economic cooperation, replacing the Group of Seven (G7), because the global economy had changed significantly and the role of the G7 countries in that global economy had shrunk. The G7 was no longer able to dictate global policy. China and emerging markets had become so economically important that they had to be involved in global economic decision-making.

At the center of both groupings and the multilateral institutions that underpinned the global economic order was the United States. Even as its absolute power slowly diminished over the seventy years since the end of World War II, the United States remained the undisputed leader—until recently. It provided much of the intellectual drive to craft the multilateral rules-based system that still governs the world today.

Despite designing a system that was clearly to its perceived advantage, Washington was also benevolent. It used the Federal Reserve to buttress the global system when needed—as it is again doing in the current crisis. In trade, although the United States was and largely still is a closed economy, it was able to offer access to its market to leverage global trade liberalization to the benefit of the global economy. Even on climate change, U.S. President Barack Obama worked with China to leverage a deal at the 2014 G20 Brisbane summit and to move that agenda forward.

But then came the 2016 U.S. presidential election. The country shifted from being the global leader to becoming the biggest impediment to multilateral cooperation. Reneging on its environmental commitments and promoting a disastrous trade policy agenda that entails demolishing a rules-

based system in favor of a force-based system are but two of the most prominent examples. Progress on a range of policies within the G20 ground to a halt under the nationalistic policies that put the United States at odds with most of its traditional allies.

Other leaders, fearful of the wrath of President Donald J. Trump and reprisals for any disagreement, chose to shrink their agendas for international cooperation. G20 meetings became largely photo opportunities and a time for addressing side bilateral issues.

Then came the COVID-19 crisis. Surely this was the issue on which the G20 could reestablish its leadership, given that success could only be achieved on a global basis. The G20, however, was paralyzed.

The United States could have turned to the G20 to help define a global response. It turned inward instead. The Trump administration chose to define the issue in terms of them versus us. China was arguably in no position to lead. Saudi Arabia, which chairs the G20 this year, does not have the leadership capacity to address an issue of this magnitude. When G20 leaders finally met virtually, all Trump could say at his press conference a few hours later was to recite the names of the G20 leaders.

In fairness, the G20 finance minister process has led to a commitment to suspend debt service payments from the poorest countries for six months. G20 central banks have responded significantly in containing financial panic. These actions, however, are at best limited against the largest crisis to face the world in almost a hundred years.

All countries face immense challenges, but emerging markets and developing countries face the greatest of them proportionally because they do not have the health-care systems and fiscal resources of the developed world. The developed world has responded, appropriately, implementing precedent-shattering fiscal and monetary policy responses in their respective countries. To assist the rest of the world, however, they have agreed on only minor tinkering with International Monetary Fund (IMF) programs. The United States has rejected a major issuance of IMF's special drawing rights—an international reserve asset that can play a role in providing liquidity and supplementing IMF member countries' official reserves—making the move impossible given that the United States holds a veto. The United States is also moving to cripple the World Health Organization (WHO), on which many of these countries depend, by freezing its contribution.

The G20 could have responded on a number of fronts—many at minimal cost. [Maurice Obstfeld and Adam Posen](#) propose a number of policies: expanding international health cooperation; lifting export restrictions on critical medicines, medical supplies, and basic foodstuffs; ending the disruption of supply chains; avoiding use of intellectual property to interfere with fast disbursement of relevant medicines and eventually a vaccine; resisting and managing excessive U.S. dollar appreciation, which is damaging to many countries and ultimately, the United States; and significantly strengthening international financial safety nets. Instead, ritualized pledges are repeated and pious hopes expressed.

The situational risks extend beyond the current crisis for the future of global cooperation and governance. It is not too late for the G20 to respond. Failure to do so could lead to the loss of millions of lives and economic setbacks to living standards around the world. Nationalistic and inward-looking policies will only exacerbate this. Where will the leadership come from?

It is unlikely to come from the United States, certainly not before an election result in November that could change things. China, for all its achievements and potential, is not yet in a position to provide it. The question has arisen as to whether an alliance of Canada, France, Germany, Japan, and other EU members (the Nordic countries in particular) could provide collective leadership. But the history of the last three years suggests that in the face of U.S. hostility (or just as possibly China),

countries are unlikely to do so. In any event, what they might do is severely limited. [Former Australian Prime Minister Kevin Rudd](#) has suggested that such an alliance of countries, perhaps including others such as Singapore, might at least work together to reform, fund, and politically defend the current multilateral system to the extent possible—for instance, by ensuring WHO funding or buttressing the dispute settlement mechanisms of the World Trade Organization. This would be a holding action for the time being.

A new U.S. presidential administration, if elected in November to take office the following January, could begin to repair some of the damage of the last few years. This would not come overnight, however. The forces of nationalism and a loss of confidence in multilateral institutions have gained a new impetus that will take time to blunt. The COVID-19 crisis plays to these fears. The G20 needs to start thinking now of the agenda for next year if it is to regain lost ground and move forward.

If U.S. policy does not change, then the world faces a period of a further unraveling of the multilateral institutions and system that has achieved so much over the last seventy years—a continuing erosion in global growth and living standards and a more dangerous world.

The impotence of the G20 in these circumstances is all too clear. It needs to start thinking today not only of global reforms that will be needed as the world emerges from the current crisis but also how to convince domestic voters that national interests are enhanced, not threatened, by a strong multilateral system. It will also need to consider how to reform itself to reduce the inertia that has come to characterize it over the last ten years.

## G20 in the Spotlight: The Fight Against COVID-19

*Ettore Greco, Executive Vice President, Institute of International Affairs (Italy)*

The human cost of the COVID-19 outbreak is enormous. The pandemic is also pushing countries across the globe into a deep economic recession that is [expected to be worse](#) than the financial crisis of 2008, even under [relatively optimistic scenarios](#) in which trade rebounds in 2021. A recent [UN World Food Program report](#) also warns that the number of people suffering acute hunger worldwide could double unless urgent measures are taken.

At stake is the international system of multilateral cooperation, not least because it has so far failed to provide an adequate collective response to the outbreak. Many national governments have enacted similar measures—such as lockdowns, travel bans, and social distancing—to cope with the health crisis, but efforts to ensure desperately needed international coordination have been limited. The Group of Twenty (G20), which includes the world's leading economies, has the potential to play a central role in alleviating this crisis. It could provide the political impetus needed to galvanize global solidarity in the fight against the outbreak and reinforce the mandates and instruments of global governance. Were it to do so, the G20 could make a crucial contribution to the preservation, and possibly revitalization, of the global multilateral system.

The COVID-19 emergency having laid bare various adverse aspects of interdependence, several national leaders have indulged in beggar-thy-neighbor policies. The resulting climate of mistrust has become a serious obstacle to collaborative initiatives, even goals of obvious common interest such as an effective vaccine. The crisis has also exacerbated geopolitical rivalries, especially between the United States and China, whose bilateral relations are critical to global stability.

The COVID-19 outbreak has also exposed structural weaknesses in the global governance system that need to be addressed. Multilateral organizations such as the World Health Organization have come under attack from various quarters for alleged inefficiencies and missteps. However, significant initiatives have aimed at fostering a more concerted and coordinated international response. One example at the regional level is the [substantial package of measures adopted](#) at the April 23 European Union summit. These measures are expected to strengthen the EU's cohesion and solidarity in tackling the far-reaching economic effects of the pandemic and may pave the way for unprecedented forms of EU-wide fiscal integration. In another example of significant global solidarity, at a meeting on April 15, G20 countries agreed to suspend debt service payments owed by some of the poorest countries through the end of 2020.

More generally, given the global nature of the COVID-19 shock and its economic effects, the G20, whose members contribute about 90 percent of global economic output, need to play an increasingly prominent and active role in fostering and coordinating international efforts to deal with the outbreak, including providing guidelines for the post crisis recovery. One of the body's main responsibilities is ensuring policy coordination and preventing major powers from pursuing disruptive competitive behaviors in times of crisis. This is the essential function it was

able to perform at the early stages of the 2008 financial crisis. To some extent, and provided that geopolitical tensions between the most powerful international players do not spiral out of control, the G20 could prove a vital instrument to help fill the leadership vacuum on display at the global level. The high-level politics of G20 diplomacy could provide opportunities even for leaders who make no mystery of their skepticism about—if not outright aversion to—multilateral cooperation, such as U.S. President Donald J. Trump, to strike deals that advance vital national interests. This is evident in the recent G20 oil supply agreement that aims to stabilize an energy market deeply shaken by an unprecedented demand collapse.

In the current circumstances, and taking into consideration the G20's record, The G20 should focus on six main tasks:

*Promoting new, badly needed international measures in the fight against COVID-19.* The body could, in particular, facilitate data and information sharing on both the evolution of the pandemic in various regions and the health measures enacted or being developed. By doing so, it would play a fundamental confidence-building role. It should also coordinate efforts to provide funds to build lacking health system structures and capacities in developing countries, including [setting up a special taskforce](#), as former UK Prime Minister Gordon Brown proposed.

*Promoting cooperation to preserve supply chains.* Little hope exists for the G20 to resume its traditional promotion of a free-trade agenda anytime soon given the profound disagreements among member states and persistent trade tensions. Reform of the World Trade Organization also appears a more remote perspective than ever. However, the group should promote cooperation to preserve essential supply chains and prevent the erection of new disruptive barriers. Ensuring a smooth flow of medical equipment—a critical component of the anti-pandemic strategy—would also contribute to restoring mutual confidence.

*Going beyond its current debt relief efforts.* The G20-endorsed debt relief initiative for the poorest countries should be considered as a first step only. Given that the financial situation of the targeted countries is widely expected to deteriorate in the coming months, other much more incisive debt-relief measures, including outright debt cancellation, will need to be taken. The G20 could play a crucial role in building consensus among leading economies around such objectives and in inducing private lenders to take analogous steps.

*Continuing its role of maintaining global financial stability.* The International Monetary Fund (IMF) and other international financial institutions have repeatedly warned of a new global financial crisis. New vulnerabilities are likely to emerge in the wake of the pandemic. The G20 has a unique responsibility in maintaining global financial stability by exercising the monitoring, supervisory, and regulatory functions of the Financial Stability Board. It would also be a critical player should the need emerge for new rules to stabilize the financial system. Other long-lasting goals on the G20 agenda, such as reform of IMF governance, including its quota system, and coordination between development financial institutions have acquired even greater relevance since the outbreak of the pandemic.

*Helping promote the stability of global commodity prices.* As mentioned, the G20 has been involved in the efforts to deal with the recent oil price shock. Those efforts, which have a critical monetary policy component, seem to have had a relatively limited effect on energy markets, which could remain highly

volatile for a prolonged period. More broadly, the fall in commodity prices may undermine the economic and social systems of several developing countries. The stability of global commodity markets will therefore need to remain high on the G20 agenda.

*Serving as a forum in which to discuss issues that have been at the center of ongoing U.S.-China disputes.* Some U.S.-China disputes are strictly bilateral and can be addressed only through bilateral diplomacy. Others, however, could find multilateral resolutions or at least be alleviated by multilateral agreements. This applies to several policy sectors, including trade, finance, and technological competition, all fields in which the G20 has tried to develop a distinctively prominent global role. In this respect, G20 diplomacy should also be seen as an instrument to facilitate a rapprochement between Washington and Beijing. A case in point is the flurry of allegations between the two countries about the respective responsibilities in dealing with—or even in triggering—the pandemic. G20 success in promoting common stances and initiatives, along the lines sketched out, to address the COVID-19 challenge would contribute to lessening tensions between the two powers, reducing the global risks associated with the possible further aggravation of their geopolitical rivalry.

# SPECIAL REPORT NO. 134

## Can the G20 Deliver? Priorities for a Post-Pandemic World



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APRIL 2021

# ABSTRACT

**T**he COVID-19 pandemic has led to the worst global economic crisis since the Great Depression in the 1930s.<sup>1</sup> International trade has been severely impacted due to, among others, budgetary shortfalls, reduced access to medical equipment, and an overall decline in economic activity.<sup>2</sup> Even before the pandemic hit, international trade was held hostage by trade wars in a deeply polarised world; COVID-19 further exposed the

faultlines of the global economic order. It is essential to build institutional resilience through coordinated or joint policy response to meet the pressing challenges posed by the pandemic. The Group of Twenty (G20) can play a critical role in spearheading a global recovery that is sustainable, inclusive and multilateral.

Attribution: Shruti Jain, Aarshi Tirkey, Nandini Sarma, Srijita Bose, “Can the G20 Deliver? Priorities for a Post-Pandemic World,” *ORF Special Report No. 134, April 2021*, Observer Research Foundation.

# INTRODUCTION

**I**n recent years, the concentration of global wealth at the top and the lack of global leadership towards fostering greater international cooperation has exacerbated the weakening of multilateral institutions and exposed their vulnerabilities.<sup>3</sup> Even before the COVID-19 pandemic, increased geopolitical tensions between China and the US had already fractured the fragile global trade cooperation. New tensions are now emerging due to the pandemic.

While the pandemic has affected advanced and emerging economies, the brunt of the crisis has been asymmetric, with greater risks for developing countries. The pandemic has exposed the vulnerable demographic groups and threatened their social safety nets through the loss of livelihoods, displacement of marginalised communities and increased conflicts. According to the World Bank, extreme poverty is set to rise, pushing about 150 million into poverty by the end of 2021.<sup>4</sup> Additionally, although 50 percent of all emerging economies were converging towards the advanced economies in terms of cumulative real GDP growth over the last decade, the post-pandemic estimates suggest a diversion over the 2020-22 period.<sup>5</sup>

The Group of Twenty (G20) can play a crucial role in initiating a multilateral dialogue and supporting the World Trade Organization (WTO) reform agenda—revising the rulemaking function to govern international trade and reinstating the deadlocked appellate body. The G20 was created in 1999 to steer the global economy, provide solutions and

contribute towards building a more sustainable path for economic development. It was one of the first multilateral forums to give both emerging and advanced economies an equal footing on the same platform. By rendering a global platform for reciprocal engagement between governments, businesses, experts and civil society, the G20 is well-suited to meet the challenges posed by the pandemic.

Within this context, the Observer Research Foundation hosted a virtual seminar on 15 December 2020 to discuss the role of the G20 in a post-pandemic world (see Annex for agenda and list of participants). The day-long seminar explored how India can lead the G20 in 2023, when it assumes the grouping's presidency, on issues related to business, trade, international finance and the monetary system. It also explored the role of the G20 in addressing the pandemic-induced challenges to the global economy. Four key areas were deliberated upon—the G20 in a post-pandemic world; the pandemic and its effect on heightening geopolitical polarisation; lessons from previous G20 presidencies; the long view for the G20. Key recommendations from the discussion include G20 leaders building a dialogue platform to promote mutual trust; reinvigorating the WTO and restoring its dispute appellate body; building coping mechanisms for the pandemic-induced challenges; and addressing the growing tensions in international trade.

# G20 IN A POST-PANDEMIC WORLD

**T**he COVID-19 pandemic will pose a new set of challenges for the global economy in 2021. As the centre of economic gravity shifts to the Global South, global governance must incorporate greater inclusion and diversity. In his keynote address during the seminar, India's G20 Sherpa Suresh Prabhu highlighted the need for global governance that is enlightened, forward-looking and formidable. Likewise, Paolo Magri, executive vice president of Italy's Institute for International Political Studies and current chair of Think20 (T20),<sup>a</sup> underscored the need to streamline and prioritise the agenda, and reinforce the troika—the current, immediate past and next host countries/presidencies. The G20 can lead such global cooperation and catalyse the strategic approach to develop recovery pathways. It can help align global priorities with the recovery and development needs of the world.

Furthering the agenda, the Saudi Arabia G20 presidency's overarching theme of 'Realising Opportunities of the 21<sup>st</sup> Century for All' provided a framework for the G20 to promote sustainable economic growth alongside equality of opportunity and social safety nets. The Saudi presidency focussed on five themes—climate and environment; empowering women and youth; multilateralism, economic development and finance; sustainable resources; technology and digitisation. The Saudi presidency effectively called upon world leaders to come together for a coordinated global response to the pandemic—countries have collectively injected about US\$14-trillion worth of fiscal stimulus into the global economy.<sup>6</sup> Saudi Arabia's advancing of the

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a Think20 (T20) is the G20's think tank engagement group.

Riyadh Initiative on the Future of the WTO—which promotes measures to free-up global supply chains, revive productive economic sectors, and digitise the world economy responsibly and inclusively—has also upheld WTO principles. Saudi Arabia’s ratification of the WTO’s Trade Facilitation Agreement and its active role in ongoing fisheries negotiations and the four Joint Statement Initiatives on e-commerce, domestic services regulation, investment facilitation, and micro, small and medium enterprises has further strengthened the vision of the G20.<sup>7</sup>

However, despite the US\$14-trillion fiscal push, the scope for fiscal stimulus is gradually shrinking.<sup>8</sup> It places the global economy in a precarious condition, bound by lowered creditworthiness, weakened non-bank financial institutions, rising sovereign debt and increasing financial risks. The ripples of the economic shock will be felt most by the countries that have existing inequalities and weakened development indicators. Against this backdrop, the Italian government has emphasised three pillars for its G20 presidency in 2021, “people, planet, and prosperity,” aimed at building a sustainable future, focusing on digital innovation.

“The G20 can lead global cooperation and help align priorities with the recovery and development needs of the world.”

# PANDEMIC, POLARISATION AND EXCLUSIVE ECONOMICS

**T**he COVID-19 pandemic is a prime example of the need for global cooperation and improved governance structures. However, many countries have reverted to protectionist measures, leading to heightened geopolitical tensions. With its dispute settlement pillar paralysed, the WTO is facing the deepest crisis since its inception.<sup>9</sup> Furthermore, the Doha round has been in a deadlock and the monetary function has been hampered by the lack of cooperation between member nations.

Claudia Schmucker, head of the Geoeconomics Programme at the German Council on Foreign Relations (DGAP), elucidated that the most important role of the G20 in the coming years is to lead the reform of the WTO, which will improve cross-border trade and investment and also showcase the effectiveness of the G20. However, given the differing interests of several members, such as the US, EU, China and India, reaching a consensus on the way forward will not be easy, but this obstacle can be overcome through sufficient political will. Additionally, Schmucker recommended a global dialogue platform for G20 to look into new initiatives and improve conflict resolution.

By the end of 2022, cumulative per capita income is estimated to be 13 percent below pre-pandemic projections in advanced economies, 18 percent lower in low-income countries and 22 percent less in emerging and developing countries, excluding China.<sup>10</sup> According to Staci Warden, executive director for Global Market Development at the US's Milken Institute, low-income and emerging economies do not have the same fiscal room or monetary policy mechanisms as the advanced countries. She suggested that US President Joe Biden should immediately signal his support for the G20 and acknowledge the importance of the forum for global coordination response. She also recommended that countries like China and India participate in globally coordinated efforts towards debt relief and climate resilience in low-income countries. Lastly, she highlighted the role of central banks and emerging economies in preventing a financial crisis in the aftermath of economic shocks.

“Emerging economies like India and China have a key role in preventing financial crises in the aftermath of economic shocks.”

In the context of WTO reforms, there is also a need to ensure that global value chains are not disrupted, especially for food and pharmaceutical goods, during crises. Reforms in these two areas and modernisation of inclusive trade rules can help reinvigorate the WTO. Rohinton Medhora, president of the Centre for International Governance Innovation, Canada, argued that supply chain could be restructured in the aftermath of COVID-19. However, he warned that the lack of consensus in the domain of e-commerce can stall such reforms since it also involves the issue of big data. Countries are less likely to cooperate on global governance frameworks for data flows and artificial intelligence, as data is intertwined with other social, political, and economic considerations, thus endangering their governance systems.

With the pandemic accelerating digital solutions, several issues in digital governance have come to the fore. The widespread use of tracking apps has highlighted the tradeoff between privacy, public goods and human rights. Moreover, in the absence of fair competition rules, anti-monopoly regulation or taxation in the offline economy, many tech industries have misused the unconstrained territory to their advantage.<sup>11</sup>

# FROM INDONESIA TO INDIA: A LONG VIEW FOR G20

The session focused on developing a multi-year agenda for the G20 and included deliberations on what is in store for the grouping and global economic governance in the years ahead. Ferdie Inan, policy analyst at the Turkey Economic Policy Research Foundation and a former T20 Sherpa (Turkey), discussed the G20's journey since its inception in 1999 in the aftermath of the Asian financial crisis, and highlighted two key features—inclusivity and flexibility—of the forum as an economic governance platform. In terms of flexibility, the emphasis was laid on the absence of a secretariat and no enforcement power, which freed the G20 from the burden of bureaucracy and brought together leaders on various global agendas and long-term objectives. The importance of studying the empirical evidence on these key features before looking forward was highlighted by James McGann, senior lecturer at the University of Pennsylvania. According to McGann, evidence suggests that the G20 and T20 have not achieved their objectives due to their exclusivity. Milken Institute's head of research Claude Lopez focused on the importance of being realistic and pragmatic about what the G20 can do. She also highlighted

the success of G20 on long term agendas. The idea for a multi-stakeholder approach, which was a common thread across all interventions, was highlighted by Akshay Mathur, head of Geoeconomics Studies at ORF. In response, the forum's challenges were discussed along with the potential ways in which leaders can combat the problems of inclusivity and more in the years to come.

According to McGann, to address the threat posed by the pandemic, a new and more inclusive governance model is required for the G20 and T20. This should involve an international advisory board with think tank representatives from all G20 countries and regional entities such as the African Union and the Association of Southeast Asian Nations. The current challenges faced by T20 were also highlighted—discontinuity and lack of institutional memory; lack of diversity and inclusiveness; lack of dedicated financial resources for the T20 and G20 county hosts; lack of policy relevance, impact and policy uptake; and lack of clarity regarding the role and purpose of the G20. The panel participants proposed establishing

a global, inclusive and representative governing board to help mobilise the financial, intellectual and institutional resources necessary to enhance and sustain the G20 and the T20; launching an outreach effort to the 9000 think tanks around the world and engaging them in the T20 process; developing strategies to accelerate the digitalisation of the T20 process, policy briefs and proceedings; developing strategies to dramatically increase the G20's adoption of the recommendations of the T20 and policy uptake of its research proposals by global, regional and national governments around the world; and creating a standing secretariat that would rotate every three or four years.

Inan also focused on the impact of the pandemic on the digitisation of the workforce, which has resulted in a rising trend in labour displacement and unemployment. The impact of the pandemic and slowing down of economic activity on small and medium enterprises in emerging economies was highlighted. Most importantly, the pandemic and the current economic crisis can be considered an opportunity for the leaders of the G20 to bring into focus long-term global megatrends such as inequalities and labour market tensions by being open to discussions on potential solutions.

As a way forward, it is important to bring regional debates to the global G20 level. The Italian, Indonesian, and Indian presidencies are expected to play a more active role in introducing fresh perspectives on regional development. The key agenda topics for the ongoing pandemic should include hard issues like technology transfer,

addressing technology's disruption of the labour market, digital inclusion and building green infrastructure. In addition, a public-private sector dialogue is required to facilitate these processes. The new regulations for a new industrial revolution must include a multi-stakeholder participation format in the future, and such G20 discussions can benefit from regional developments and Indian and Italian policy perspectives. Furthermore, Lopez highlighted the importance of understanding the regional cross-border challenges to provide effective oversight across different sectors and countries. For any efficient change to take effect, the private sector must be made part of the process since most successful initiatives are an outcome of public-private partnerships.

“An inclusive global governing board could help mobilise the financial and institutional resources necessary to sustain the G20 and T20.”

# REFLECTIONS: LESSONS FROM G20 PRESIDENCIES

**T**he G20 members, and indeed the rest of the world, are facing unprecedented challenges across multiple areas, including public health, economy, environment and technology. As the G20 presidency transferred from Saudi Arabia to Italy, the discussants acknowledged the importance of incorporating learning from the past presidencies to determine the G20's priorities in a post-pandemic world and beyond.

While the G20's priorities have grown over the years, the platform's success has been hampered by the difficulty faced by member states in reaching a compromise. Stormy-Annika Mildner, Germany's Business Twenty (B20)<sup>b</sup> Sherpa, divided the G20's history into three distinct phases. In the first phase (2008-2011), there was immediate crisis management following the global financial crisis, and the G20 was able to effectively implement a wide range of monetary, fiscal, economic and trade policy measures. In the second phase (2012-2016), the approach was less coordinated towards the debt situation in G20 countries and conflicts arose over

the right time to exit from expansionary monetary policies. This was also the stage when new topics, such as employment, infrastructure, technology and public health were first included in the agenda. In the third phase (2017 onward), there has been a huge erosion of trust and understanding between countries and compromise has become difficult to achieve. The G20 members are unable to agree on joint action, and the management of the COVID-19 crisis and its economic impacts has been poor.

Consequently, future G20 presidencies need to prioritise rebuilding trust between members and renewing the commitment towards coordination and cooperation. However, Dennis Snower, former president of the Kiel Institute of World Economy, emphasised that the ability of countries to build focus around issues has become a major problem. We live in a world where climate change, economic recession, and the COVID-19 health

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<sup>b</sup> Business Twenty (B20) is the G20's dialogue with the business community.

crisis have obfuscated the path towards growth and development for countries. This requires global cooperation at multiple levels—supranational, national, regional and local—and across different government domains. Apart from cooperation and coordination, continuity in the G20 can also improve coordination efforts on ongoing issues. The inherent danger in G20's rotating presidency is that each country wants to make its mark on the agenda. As such, with changing priorities, projects and initiatives can take many years to implement.

Countries are also witnessing a digital revolution—a development that has been fast-tracked by the pandemic. The idea of G20 was to promote greater inclusivity and bring more countries into the conversation since the most common contemporary problem is the increasing inequality within and between nations. Ussal Sahbaz, CEO of Centre for Economics and Foreign Policy Studies (EDAM) and Turkey's former B20 and T20 Sherpa, cautioned that the nature of the digital economy could aggravate inequalities. The digital economy and distribution channels are now dominated by a handful of companies in the US and China, and this form of monopolisation could be detrimental for emerging economies. However, the level of focus on digital issues remains low. The future of digitalisation and digital governance is determinable, but without timely and appropriate intervention it could disempower individuals and create more inequalities. The digital revolution is a cross-cutting issue that needs global responses, and the G20 is an ideal platform for building such consensus.

When the G20 was created in 2008, it was significantly easier to deliver international cooperation. However, the onset of the pandemic amid geopolitical rivalries and a fractured global

order has made it difficult for countries to cooperate on major issues. With COVID-19, most countries' initial reaction was inward-looking, in contrast to the coordinated global response to the 2008 global financial crisis. Countries responded with protectionist measures to suit their domestic agendas, and the crisis of trust in multilateralism and international institutions remains unresolved.

The path to renewing the commitment to international cooperation requires leadership and statesmanship of a much higher order. Rajat Kathuria, director and chief executive of Indian Council for Research on International Economic Relations, argued that the G20 has the ability to bring together the leaders of major countries and help them lead on a common platform, a feature that has a lot of merit and value. This, in conjunction with developing continuity in the G20's agenda, can enable leaders to understand other countries' capabilities, goals, and interests. Further, it is important to understand that the G20 cannot achieve everything on its own. Efforts at the local, national, international levels can help develop consistent policies, and the G20 can facilitate this by establishing a common narrative that aligns people towards shared ideals. It is important to understand that nationalism and multilateralism are not in conflict with each other and that patriotism and cosmopolitanism must be complementary with one another. The need of the hour is to develop a global consciousness and a feeling of common cause when it comes to global problems.

# RETHINKING GLOBAL ECONOMIC GOVERNANCE

**T**he COVID-19 pandemic has caused damage to the global economy, and India too has suffered economic impacts from the pandemic. The unprecedented crisis has exacerbated the significance of G20 in restoring the global economy. The importance of G20 as a premium forum for international economic cooperation and global governance can be underscored by the fact that its members collectively represent around 85 percent of the world's economic output, 75 percent of the international trade and two-thirds of the global population.<sup>12</sup>

In the post-pandemic era, the world economic order is set for a recast with gaping disparities between countries. According to the Organisation for Economic Co-operation and Development (OECD), the US economy will grow 6.5 percent in 2021, up from 3.2 percent growth predicted in December 2020. The US economy shrank 3.5 percent in 2020, the worst downturn since 1946.<sup>13</sup> Biden's US\$1.9-trillion stimulus plan will also likely boost other economies, including Canada, Mexico, the Eurozone and China. The OECD now expects the global economy to grow 5.6 percent in 2021,

up from 4.2 percent forecast in December.<sup>14</sup> Similarly, China's economy is expected to grow at 7.8 percent in 2021, down from the OECD's 8 percent projection in December.<sup>15</sup> The OECD has estimated India's economic growth at 12.6 percent in FY22, the highest among the G20 countries.<sup>16</sup>

In his valedictory address, NITI Aayog CEO Amitabh Kant indicated that global growth has historically been driven by four factors—population growth, total factor productivity growth, trade growth and debt growth. Some advanced economies are already facing structural headwinds due to an ageing population. A shrinking workforce and slower productivity growth can further drive global GDP growth down unless there is a huge increase in productivity. With weak fundamentals of economic growth, growing protectionism, increasing global debt and decreasing interest rates, economic growth acceleration is likely to face headwinds in the coming years. The G20's Debt Service Suspension

“The G20 can help reconfigure the global economic order by leveraging its ability to develop multi-layered governance using its access to experts, civil society, policymakers, and other non-state actors.”

Initiative postponed debt service payments from the 73 poorest countries that requested the suspension. This could temporarily ease the financing constraints in these countries and allow them to use their scarce resources to mitigate the human and economic impact of the COVID-19 crisis.<sup>17</sup>

Global integration through trade and investment flows is essential to boost growth when debt crosses its threshold. It is necessary to ensure that a commitment to globalisation is not replaced by turning inwards. Viewing economic governance through a unipolar or bipolar lens could result in a clash of paradigms in the political, economic and social realms of the world order. To strengthen the global order, it is necessary to ensure checks and balances on multiple economic-power centres.

Diversification of supply chains, improved trade, knowledge transfers and investments are key elements to sustainable economic growth.

Finally, the economic ramifications of the COVID-19 pandemic have a significant bearing on reshaping the world economic order. As countries weigh their external linkages and recalibrate development strategies, the global economic order needs to be reconfigured to set new standards for cooperation and moral narratives. As a significant part of the global economy, the G20 must leverage its ability to develop multi-layered governance through its access to experts, civil society, politicians, policymakers and other non-state actors. It is equally important for the G20 to recognise national and social identities based on which a new global governance system can be built.

# ANNEX:

## Agenda

**Can the G20 deliver? Priorities for a Post-Pandemic World** (December 15, 2020)

**Inaugural Session: G20 in a Post Pandemic World**

### Participants

Akshay Mathur, Director — ORF Mumbai; Head of Geoeconomics Studies, ORF

Sunjoy Joshi, Chairman, ORF

Suresh Prabhu, India's G20 Sherpa

Gabriela Ramos, Assistant Director General, UNESCO (former OECD G20 Sherpa)

Paolo Magri, Executive Vice President ISPI and Chair T20 Italy

Fahad M. Alturki, Vice President, King Abdullah Petroleum Studies and Research Centre, T20 Chair, Saudi Arabia

**Panel I: Pandemic, Polarisation and Exclusive Economics: Will the G20 Deliver?**

### Participants

Mihir S. Sharma, Senior Fellow; Head of Economy and Growth Programme, ORF

Klaus Milke, Chair, Foundations20 and Chairman, Foundation for Sustainability

Staci Warden, Executive Director, Global Market Development, Milken Institute, USA

Rohinton Medhora, President, Centre for International Governance Innovation, Canada

Claudia Schmucker, Head, Geoeconomics Programme, the German Council on Foreign Relations (DGAP)

## **Panel II: Reflections: Lessons from G20 presidencies**

### **Participants**

Mitali Mukherjee, Fellow, ORF

Rajat Kathuria, Director and Chief Executive, Indian Council on Research on International Economic Relations

Ussal Sahbaz, CEO EDAM, former B20 and T20 Sherpa, Turkey

Stormy-Annika Mildner, Head of Department, External Economic Policy, Federation of German Industries, B20 Sherpa Germany

Dennis Snower, former President Kiel Institute of World Economy, T20 Co-Chair Germany

## **Panel III: From Indonesia to India — A long view for G20**

### **Participants**

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James McGann, Senior Lecturer, International Studies, University of Pennsylvania

Feride Inan, Policy Analyst, Turkey Economic Policy Research Foundation (TEPAV), former T20 Sherpa Turkey

Claude Lopez, Head of Research, Milken Institute, USA

## **Valedictory Session: Rethinking global economic governance**

Amitabh Kant, CEO, NITI Aayog, Government of India

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# GLOBAL GOVERNANCE AT A TURNING POINT

## THE ROLE OF THE G20

edited by  
**Ettore Greco, Fabrizio Botti and Nicola Bilotta**

This book has been realized in the framework of the project “The Role of the G20 in Promoting Global Governance: Challenges and Opportunities of the Italian Presidency in 2021”, funded by the Italian Ministry of Foreign Affairs and International Cooperation (MAECI) and the Compagnia di San Paolo Foundation.

This publication benefits from the financial contribution of the Compagnia di San Paolo Foundation and of the Policy Planning Unit of the Ministry of Foreign Affairs and International Cooperation pursuant to art. 23-bis of Presidential Decree 18/1967. The positions expressed are exclusively those of the authors and do not necessarily represent the positions of the Compagnia di San Paolo Foundation and of the Ministry of Foreign Affairs and International Cooperation.

***Series Editor***

Lorenzo Kamel

First published 2021 by Edizioni Nuova Cultura  
For Istituto Affari Internazionali (IAI)  
Via dei Montecatini 17 – I-00186 Rome  
[www.iai.it](http://www.iai.it)

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ISBN: 9788833653334

ISSN: 2611-867X

Cover design: Marco Pigliapoco

Cover photo: ktsdesign

Graphic Composition: by Marco Pigliapoco

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# Introduction – Reframing Goals and Priorities of the G20 Agenda

*Ettore Greco*

This volume presents the results of a research project entitled “The Role of the G20 in Promoting Global Governance: Challenges and Opportunities of the Italian Presidency in 2021” which the Istituto Affari Internazionali (IAI) conducted in 2020 with the support of the Italian Ministry of Foreign Affairs and International Cooperation and the Compagnia di San Paolo of Turin. The project aimed at investigating the challenges and policy priorities of the Italian Presidency of the G20 in 2021 in light of the changing international scene and the most recent developments of the G20 agenda. It focused on four central themes of the G20 agenda in the belief that they would remain on top of it even during Italy’s G20 Presidency in 2021: the reform of the WTO, aging society, circular economy, and the impact of digitalization on the labour market. Those themes were chosen by the IAI research team after consulting with Italy’s G20 Sherpa Group in mid-2019, that is, at a relatively early stage of the process of the definition of the G20 Presidency’s agenda. Indeed, all four themes have figured prominently in the activities of the G20 working groups and are expected to be given central attention at several key G20 events and the final summit of the Group. In 2020, within the framework of the project, the IAI organized five international conferences to discuss the priorities of Italy’s G20 Presidency: one for each of the aforementioned themes and a final one dedicated to a more general discussion about the prospects of the G20 Presidency. The five conferences were organized around discussion panels which saw the participation of think tankers, scholars, decision-makers and representatives of international organizations. In 2021, the IAI has furthered its research effort on the role of the G20 as a scientific advisor to the Italian Presidency and as the Co-Chair of Think

20 (T20), one of the official engagement groups of the G20 which brings together a wide network of think tanks working on the G20 agenda and more generally on global governance issues.

The background just outlined helped to shape the structure of this volume. The first chapter, authored by Nicola Bilotta and Fabrizio Botti, offers an overview of the role of G20 in the global governance architecture examining both its shortcomings and its comparative advantages with respect to other organizations and international players. After illustrating the historical development of the Group, with a focus on the impact of the most recent international dynamics and the gradual expansion of its agenda, the chapter discusses the reform proposals of its governance structures, assessing their pros and cons. The authors argue that while legitimacy and representativeness remain key issues, the Group, even in its present configuration, has the potential of making a crucial contribution to the advancement of the global governance agenda.

The second chapter by Alex Berger and Clara Brandi analyses the current crisis of the World Trade Organization (WTO), discussing its main causes, the various reform proposals that have been put forward to address it and the role the G20 can play in fostering the ongoing reform efforts. Numerous factors – including the global power shift, protectionist drives, the rise of global value chains, the growing complexities of the trade system, and the new technological challenges such as digitalization – have played a role in what appears to be an existential crisis that has seriously undermined all three core functions of the WTO (rule-making, negotiation and dispute settlement). The authors examine in detail the state and prospects of the debate over the reform of the WTO, including the various positions of WTO members. Noting that only recently has the G20 made serious commitment to the WTO reform, they argue that the Group has a key role to play in moving the WTO reform agenda forward, by helping to keep up momentum for reform and promoting a “grand bargain” covering all different issue areas. Thanks to its wide agenda, the G20 can, they add, address the trade issues through an integrated approach that takes into consideration the inseparable health and environmental problems.

In the chapter which follows (No. 3), Paola Subacchi discusses what the G20 can do to address the problem of ageing, an increasingly topical

issue that has acquired a growing prominence in the Group's agenda in the last few years. Notwithstanding the huge regional differences, ageing, a phenomenon driven by big and rapid changes in fertility and life expectancy, has become a source of concern for an increasing number of countries, including China. This is due to the shrinking labour force, a potential decline in productivity and increased dependency ratio, that is, the ratio of economically active persons to inactive ones. The Covid-19 pandemic has had different impacts on the various age groups. This has amplified, in many ways, the effects of ageing. The author examines what has been done so far at the international level, particularly within the G20, to deal with the social and economic implications of ageing. She underlines that the initiatives have been fragmented because of the lack of mechanisms for international coordination and comprehensive data to monitor their results. Improvements in data collection is therefore essential, she argues, and so is a more thorough analysis of the impact of ageing on fiscal sustainability and income inequalities. The G20, the author concludes, can play a significant role, in conjunction with other organizations, notably the Organization for Economic Cooperation and Development, in fostering a global dialogue based on this holistic approach to the ageing issue.

The fourth chapter, written by Paul Towney, examines the wide-ranging impact of artificial intelligence (AI) technology on the future of work and what the G20 can do to promote international agreements to regulate the rapidly developing AI applications that have been accelerated by the Covid-19 pandemic. Noting that digital economy has been more conducive than other areas of the technology debate to international consensus building, he emphasizes that several initiatives have been undertaken to promote international cooperation on a wide spectrum of issues related to the governance of AI technology at the various levels – national, regional, international – although the results have been limited and the cooperation mechanisms remain embryonic. The author examines how and to what extent the problems associated with AI technology have been addressed by the various multilateral bodies, focusing on the initiatives undertaken in the G20 since 2015. Such initiatives have covered a wide range of issues including digital trade, smart mobility, digital skills in training and education and the protection of privacy and human rights. In the concluding

section, the author recommends a set of new initiatives that the G20 can undertake to ensure that the implications of AI technology are addressed by the Group in a more systematic and holistic way.

In the fifth chapter, Martin Charter and Ichin Cheng offers a comprehensive analysis of the circular economy (CE) concept, the prospects of its concrete application as a key component of the green transition and the national and international action aimed at supporting its implementation. The authors underline that CE concept has become a central element of the pursuit of new models for sustainable and resilient growth, but note that it reflects various concerns and motivations and as such it needs to be discussed and clarified. The G20 can contribute, according to the authors, to this essential effort to define, standardize and measure circularity. They underline that while the discussion about CE remains concentrated on the problem of waste, it has started to address the problem of how economic and social systems can manage differently products, materials and components. A section of the chapter is specifically devoted to the relevance of CE in the various economic sectors. Such sectoral analysis is crucial to shed more light on the actual opportunities for the CE implementation. The authors also provide a detailed analysis of the programmes launched by national governments and international institutions as well as other stakeholders to achieve circularity including new mechanisms allowing reuse, such as recycling and remanufacturing, a more efficient use of resources and waste management, investment in new materials and green public procurement. Recent trends that seem to have accelerated by the Covid-19, such as the diminishing reliance on China as a major manufacturing hub and the growing role played by regional supply chains as opposed to global ones is significantly changing the outlook for the implementation of the CE concept. The chapter also examines the role played so far by the G20 in promoting the CE paradigm and offers an articulated set of recommendations on the new initiatives that the G20 can undertake to foster the economic and social transformations needed to ensure circularity. Key areas on which the G20 should concentrate, according to the authors, are, in particular, synergy between CE and de-carbonization and other aspects of the green transition, the application of the new technologies to CE plans, and the promotion of CE governance in developing countries.

Overall, each of the chapters addresses the implications of the health crisis caused by the Covid-19 pandemic. What follows is an updated analysis of the role of the G20 that focuses on the impact of the pandemic but also takes into account more recent developments in the international cooperation environment.

No doubt that the Covid-19 pandemic remains a top priority for the G20. The international system of multilateral cooperation has so far failed to provide an adequate collective response to the pandemic. Efforts to ensure desperately needed international coordination have been limited. Moreover, the outbreak threatens to transform into an endemic disease. This calls for a long-term strategy that the G20 should help promote and coordinate.

The G20 has indeed the potential to provide the political impetus needed to galvanize global solidarity in the fight against the outbreak and reinforce the mandates and instruments of global health governance. By doing so, it would make a crucial contribution to the preservation, and possibly revitalization, of the global multilateral system.

One of the body's main responsibilities is ensuring policy coordination and preventing major powers from pursuing disruptive competitive policies and strategies in times of crisis. This is the essential function it was able to perform at the early stages of the 2008 financial crisis. To some extent, and provided that geopolitical tensions between the most powerful international players do not spiral out of control, the G20 could prove a vital instrument to help fill the leadership vacuum on display at the global level.

The Covid-19 emergency has laid bare various adverse aspects of interdependence, and several national leaders have indulged in beggar-thy-neighbour policies. The resulting climate of mistrust has become a serious obstacle to collaborative initiatives, even goals of obvious common interest such as global vaccination.

The crisis has also exacerbated geopolitical rivalries, especially between the United States and China, whose bilateral relations are critical to global stability. The Covid-19 outbreak has also exposed structural weaknesses in the global governance system. Multilateral organizations such as the World Health Organization have come under attack from various quarters for alleged inefficiencies and missteps.

In the first stages of the pandemic the G20 countries took significant steps to prevent the crisis from causing major destabilizing effects on the world economy, including the suspension of debt service payment owed by the most fragile countries and an oil supply agreement to stabilize an energy market deeply shaken by an unprecedented demand collapse. More generally, given the global nature of the Covid-19 shock and its economic effects, the G20, whose members account for about 90 per cent of global economic output, need to play an increasingly prominent and active role in fostering and coordinating international efforts to deal with the outbreak, including providing guidelines for the post-crisis recovery.

Reversing former US President Trump's unilateralism, which had done big damage to a number of key international cooperation regimes, the Biden administration is working towards a relaunch of multilateral cooperation efforts. This new attitude is providing, in several sectors, considerable diplomatic space for new deals aimed at reinforcing global governance instruments. Under the Italian presidency, the G20 should continue to make full use of this window of opportunity, by focusing, in particular, on issues on which a higher degree of convergence has emerged of late such as climate change.

The current international environment is characterized by a broader space for multilateral action in comparison with the recent past, but at the same time by persistent tensions and geopolitical rivalries among major powers. In this context the G20 can significantly contribute to trust and confidence building and assert itself as a driving force for the advancement of global governance. Taking into account the most pressing global challenges and the main past achievements – the growing body of positions and documents adopted under the successive presidencies which represents what can be termed as the *acquis* of G20 – the G20 should concentrate on the following tasks.

*Promoting new and increasingly needed international measures in the fight against Covid-19.* The G20 should promote innovative strategies to enhance global health cooperation drawing from the lessons of the Covid-19 pandemic. It should in particular concentrate on promoting the “One Health” approach that emphasizes the need to create synergies between anti-pandemic measures at the local, national and global level

and to address the connections between the health of humans and that of animals as well as the links with the protection of environment, including biodiversity. The Group could also facilitate the creation of mechanisms to ensure reliable and timely data and information sharing on both the evolution of the Covid-19 pandemic and the future ones and the health measures enacted or being developed in the various regions. By doing so, it would play a fundamental confidence-building role. The G20 should also coordinate efforts to provide funds to enhance healthcare structures and capacities in developing countries and foster the digital transformation of health systems.

*Promoting cooperation to preserve supply chains.* The G20 will probably continue to have difficulty resuming its traditional role of promoter of a free-trade agenda given the profound disagreements among member states and persistent trade tensions. Reform of the WTO does not appear within easy reach although, as we have seen, the G20 countries have recognized that profound changes of its mechanisms and rules are needed. The Italian presidency hopes that some progress can be made at the G20 Summit. However, the Group has a crucial role to play in promoting cooperation to preserve essential supply chains and prevent the erection of new disruptive barriers. In particular, ensuring a smooth flow of medical equipment – a critical component of the anti-pandemic strategy – would greatly contribute to restoring mutual confidence. Moreover, and not less important, the G20 can give a crucial support to the ongoing efforts to reach an agreement within the WTO to temporarily ease intellectual property protections for Covid-19 vaccines. Such a deal would give a boost to vaccine manufacturing and distribution worldwide.

*Going beyond current debt relief efforts.* The G20-endorsed debt relief initiative for the poorest countries should be considered as only a first step. The suspension of debt payments, set to be expire in June 2021, was prolonged until the end of the year, as advocated by the Italian presidency. The G20 economic and finance ministers also reached an agreement for a new allocation of special drawing rights (SDRs) to be used for the financial support of the most fragile countries. However, as the financial situation of the targeted countries has continued to deteriorate, other much more incisive debt-relief measures, including outright debt cancellation, will need to be taken. The G20 could play a crucial

role in building consensus within the International Monetary Fund and among leading economies around such objectives and in inducing private lenders to take analogous steps.

*Continuing its role of maintaining global financial stability.* The International Monetary Fund (IMF) and other international financial institutions have repeatedly warned of a new global financial crisis. New vulnerabilities are likely to emerge in the wake of the pandemic. The G20 has a unique responsibility in maintaining global financial stability by exercising the monitoring, supervisory and regulatory functions of the Financial Stability Board. It would also be a critical player should the need emerge for new rules to stabilize the financial system. Other long-lasting goals on the G20 agenda, such as reform of IMF governance, including its quota system, and coordination between development financial institutions have acquired even greater relevance since the outbreak of the pandemic.

*Helping promote the stability of global commodity prices.* As mentioned, the G20 has been involved in the efforts to deal with the recent oil price shock. Those efforts, which have a critical monetary policy component, had a relatively limited effect on energy markets, but the latter are likely to remain highly volatile for a prolonged period. More broadly, the volatility of commodity prices may undermine the economic and social systems of several developing countries. The stability of global commodity markets will therefore need to remain high on the G20 agenda.

*Serving as a forum in which to discuss issues that have been at the centre of ongoing US–China disputes.* Some US–China disputes are strictly bilateral and can be addressed only through bilateral diplomacy. Others, however, could find multilateral resolutions or at least be alleviated by multilateral agreements. This applies to several policy sectors, including trade, finance and technological competition, all fields in which the G20 has tried to develop a distinctively prominent global role. In this respect, G20 diplomacy should also be seen as an instrument to facilitate a rapprochement between Washington and Beijing. A case in point is the flurry of allegations between the two countries about the respective responsibilities in dealing with – or even in triggering – the pandemic. Success by the G20 in promoting common stances and initiatives to address the Covid-19 challenge along the lines sketched out above would

contribute to lessening tensions between the two powers, reducing the global risks associated with the possible further aggravation of their geopolitical rivalry. Biden's multilateral attitude provides significant new opportunities for the G20 to play this role as a facilitator.

*Facilitating global fiscal agreements.* While fiscal policy is doomed to remain mostly a national preserve – even plans for a “fiscal union” within the EU continues to meet strong resistance – there is a growing awareness that joint international action in the fiscal field can facilitate the efforts to address such global issues as growing inequalities, tax evasion and elusion and the related distortions and tensions at the national and international level. The recent preliminary agreements reached within the G20 to impose more effective levies on web giant companies and to harmonize corporate taxes seem to indicate that the G20 can be a driving force also behind the efforts to eliminate the biggest and most disrupting fiscal disparities that have a negative impact on economic competition and social cohesion and deprive governments of essential financial resources.

*Further developing its norm setting role.* Increasingly, the G20 has been able to approve significant documents spelling out norms and parameters on a variety of global issues. This important G20 “*acquis*” need to be preserved and expanded. One example is the application of new technologies: G20-led deals can significantly contribute to preventing highly destabilizing tech-wars. The search for global norms aimed at ensuring responsible behaviour and facilitating cooperation should also be extended to fields that still remain largely unregulated such as migration management. A further expansion of the G20 norm setting role would greatly help to improve its reputation and increase its legitimacy.

# The Role of the G20 in Promoting Global Governance: Challenges and Opportunities for the Italian Presidency in 2021

*Nicola Bilotta and Fabrizio Botti*

## 1. INTRODUCTION AND SUMMARY

This chapter analyses the evolution of the role played by the G20 over the years. The purpose is to identify the main challenges the G20 is facing in promoting global policy coordination and the factors that have contributed to its main achievements.

The G20 was created to improve international policy coordination and give greater visibility to the leading emerging economies, which are increasingly interconnected in the global economy. It played an important role in promoting a joint response to the great financial crisis of 2008 in terms of macroeconomic policy cooperation, containment of trade restrictions and reform of the international financial architecture.

Since then the forum has faced a set of political setbacks due to a number of factors: the divergent views on which policies should be adopted to revive growth in the aftermath of the crisis, the conflicting views among European members on how to deal with their crisis and, more recently, the growing geopolitical tensions between the US and China, notably with respect to trade issues and exchange rate policies.

The mechanism of rotation of the countries that host the G20 has led to expansion of the topics covered. Beyond economic and financial policy

matters a number of issues have been added such as agriculture, food security, climate change and infrastructure. This has led to a proliferation of working groups, study groups and task forces which resulted in increased engagement of business, labour, non-governmental organisations, women and think tanks. Most of these work streams however have not produced tangible results in terms of new institutional arrangements or concrete policy actions and there is an urgent need to refocus on main strategic issues.

The G20 has been increasingly exposed to criticisms of insufficient effectiveness in coping with complex global challenges and lack of legitimacy, due to its inadequate representativeness. Various proposals for reforms, like the creation of a permanent secretariat or the broadening of membership with the adoption of a constituency-based system, similar to that of the Bretton Woods Institutions, have not made any progress and the current political environment does not seem ripe to revive the discussion on these issues.

The Italian presidency of the G20 will come at a time in which most countries will still be recovering from the economic fallout of the global health crisis which is expected to produce one of the sharpest contractions of economic activity in history. Contrary to most recent crises, the current one has affected most advanced economies and may also have a dramatic impact on the less developed countries. This G20 could offer an opportunity to find a joint response on how to recover from the crisis and prevent it from happening again.

## 2. ORIGIN AND EVOLUTION OF THE G20

The G20 was founded in 1999, after the Asian financial crisis, as an annual forum for the finance ministers and central bank governors of 19 countries, representing the largest developed and emerging economies, along with the EU. At that time, it was felt that effective policy coordination could no longer be confined to clubs like the G7 or the G8 and required the inclusion of the leading emerging economies. Today, the G20 countries represent around 80 per cent of global GDP and 75 per cent of all global trade.

An important development took place in 2008 when, in the face of the worst financial crisis since the end of World War II, US President G.W.

Bush decided to escalate representation in the G20 to the level of the countries' leaders.

The 2008–2009 G20 summits with the heads of states were, according to most analysts and scholars, quite successful in mitigating the impact of the worldwide financial crisis.<sup>1</sup> A broad agreement was reached on the monetary and fiscal policies necessary to revive growth and the actions to be taken to restore confidence in the international financial system. The participating countries also jointly affirmed their willingness to avoid protectionism and maintain liberal trading norms. In 2009, during the Summit hosted in the US, the G20 countries established the “Framework for Strong, Sustainable and Balanced Growth” which was conceived as the mechanism to encourage G20 members to assess and coordinate national policies in order to promote growth. Important results were also achieved in some initiatives regarding reform of the international monetary system which led to an increase in the resources of the international financial institutions (IFIs), a revamping of the debate on the role of the special drawing right (SDR) and a shift of quotas in favour of the emerging economies.<sup>2</sup>

Since 2010, with the recovery of global growth and the fading of financial tensions, the political consensus that characterised the previous summits started eroding. The G20 countries started disagreeing on whether to encourage further expansionary fiscal policies, on the long-standing issue of exchange rate manipulation and on how to promote adjustments for countries with excessive surplus.<sup>3</sup> Fragmentation of positions eventually

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<sup>1</sup> Suman Bery, “The G20 Turns Ten: What’s Past Is Prologue”, in Bruegel Policy Contributions, No. 20 (November 2018), p. 9, <https://www.bruegel.org/?p=28339>; Christian Oliver, Chris Giles and Alan Beattie, “Forget Summit Failures, Look at G20 Record”, in *Financial Times*, 12 November 2010, <https://www.ft.com/content/1423f75e-ee61-11df-8b90-00144feab49a>.

<sup>2</sup> Carlo Monticelli, *Reforming Global Economic Governance. An Unsettled Order*, London/New York, Routledge, 2019.

<sup>3</sup> Martin Wolf, “Economics Failed Us Before the Global Crisis”, in *Financial Times*, 20 March 2018, <https://www.ft.com/content/28e2f9ac-2b66-11e8-9b4b-bc4b9f08f381>; Tony Payne, “The Global Governance of Global Crisis: Why the G20 Summit Was Created and What We Still Need It to Do”, in *SPERI Papers*, No. 17 (November 2014), <http://speri.dept.shef.ac.uk/wp-content/uploads/2018/11/Paper-17-Global-Governance-G20-Summit.pdf>.

prevailed. The discussions also ended up being dominated by the European crisis and the contrasts on how to address it.<sup>4</sup>

Since 2010, the performance of the G20 has been contradictory. According to the G20 Information Centre, during the latest seven summits between 2013 and 2019, leaders made 1,482 commitments.<sup>5</sup> However, as highlighted by Kaul, most of those are just a repetition of previous commitments made either in other G20 summits or in other international fora. Furthermore, the vagueness of these promises was rarely translated into concrete actions.<sup>6</sup>

In addition, the G20 meetings have been addressing a broader set of topics, besides the macroeconomic issues, as host countries have added new priorities like agriculture, food security issues, energy efficiency, climate change and the financing of infrastructures. It is however widely recognised that most of these work streams have not produced tangible results in terms of new institutional arrangements or concrete policy actions.

An important recommendation made by the group of eminent persons set up by the G20 to review its *modus operandi* has been that “The role of the G20 in the global financial architecture should be reset. It should focus on developing political consensus on key strategic issues and crisis response. This requires freeing up space from its current crowded agenda and devolving work to the IFIs”.<sup>7</sup>

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<sup>4</sup> One of the key moments of tension was the Deauville summit on 19 October 2010 when Chancellor Angela Merkel of Germany and President Nicolas Sarkozy of France agreed that in future, sovereign bailouts would require that losses be imposed on private creditors. That statement ignited financial pressures on the highly indebted countries that made much more costly the adjustment of their imbalances. Carlo Monticelli, *Reforming Global Economic Governance*, cit., p. 61.

<sup>5</sup> John J. Kirton, “The G20’s Growing Legitimacy”, in *G20 Analysis*, 25 October 2019, [http://www.g20.utoronto.ca/biblio/Kirton-G20\\_Growing\\_Legitimacy.html](http://www.g20.utoronto.ca/biblio/Kirton-G20_Growing_Legitimacy.html).

<sup>6</sup> Inge Kaul, “The G20@10: Time to Shift Gears”, in *South African Journal of International Affairs*, Vol. 26, No. 4 (December 2019), p. 563-582.

<sup>7</sup> G20 Eminent Persons Group on Global Financial Governance, *Making the Global Financial System Work for All*, October 2018, p. 9, <https://www.globalfinancialgovernance.org/report-of-the-g20-epg-on-gfg>.

### 3. CHANGES IN THE GEOPOLITICAL ENVIRONMENT AND DOMESTIC POLICY ATTITUDES

In the post-war era, the US has traditionally played a role of leadership in shaping the institutions of global governance. Under the Trump administration the US withdrew from the Paris climate accord, from the Iranian nuclear deal and from the Trans-Pacific Partnership. Trump also targeted global trade, introducing tariffs against Chinese and the European imports. The US disengagement policy is grounded on the view that multilateralism has provided advantages to foreign countries at the expense of the US, and that the benefits gained by the US have been absorbed by the financial industry at the expense of the real economy. The US is thus putting increasing pressure on the international rule-based system.

These difficulties are a symptom of deeper problems which have affected multilateralism in the past years, and which resulted in the failure of the Doha round or of the Copenhagen negotiation on climate change in 2009 due to the opposition of China, the US, South Africa, India and Brazil. In his term in office Trump was only an unpredictable accelerator of a rising trend that has been questioning the positive effects of globalization and multilateralism.

On its part the EU has strong political interests in preserving an international rule-based system, as it benefits from an open world economy. The EU, however, does not have the ability to exercise an adequate influence on global governance because of its internal divergences in several fields such as security and foreign relations. The EU has also been experiencing a decline of its relative economic importance in the world economy and, with Brexit, will lose a key economic and military member of its union.

Finally, also China's approach towards multilateralism has evolved. Whereas during the Hu-Jintao administration (2002–2012) China maintained a passive approach in the international community, under the leadership of Xi China has shown a proactive attitude and promoted the creation of new global institutions such as the Asian Infrastructure Investment Bank or global projects such as the One Belt One Road initiative. With the retreat of the US as a champion of multilateralism, China has tried to consolidate its global influence as a safeguard of the global governance system. However, China's adherence to the international

rule-based system is ambiguous as it has been extremely selective. Furthermore, China lacks the political legitimacy in the international arena which is necessary to lead the reform of the global governance system.

There are also serious doubts on the ability of China and the EU to act in coordination to support the international rule-based system. The US and the EU have been able to positively work together on global governance issues because of their similar political and economic systems, whereas China and the EU have very different systems. Moreover, the current international system has failed in transforming China and Russia into “market democracies”, and this has encouraged the US to change its international engagement strategy.<sup>8</sup>

In addition to geopolitical evolution, one has to take into account the growing public perception that globalisation has negatively affected the conditions of life for low and middle classes, a sentiment that has fuelled the rise of populist parties and the lack of confidence in international fora. In 2018, an opinion poll carried out by Bertelsmann Stiftung in several G20 countries showed that while the idea of international cooperation is very popular – 83 per cent of respondents expected national governments to cooperate – only 45 per cent have a positive opinion on the G20 summits and 41 per cent think that the G20 forum actually contributes to solving global problems.<sup>9</sup>

## 4. PROPOSALS FOR REFORM

### 4.1. *Organizational structure*

Some analysts have stressed that the G20 forum lacks continuity and implementation monitoring. Currently an informal and temporary secretariat set by the host country is in charge of planning and management

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<sup>8</sup> Jean Pisani-Ferry, “Can Multilateralism Adapt?”, in *Bruegel Opinions*, 3 July 2018, <https://www.bruegel.org/?p=26623>.

<sup>9</sup> Christina Tillmann, “The G20 Is Turning 20. Time to Take Stock of Multilateralism”, in *Future of Democracy Policy Briefs*, No.6/2018 (November 2018), p. 3, <https://www.bertelsmann-stiftung.de/en/publications/publication/did/policy-brief-6-2018-the-g20-is-turning-20-time-to-stock-of-multilateralism>.

for the G20 summit. Even though organisation of the summit and supervision of the implementation of plans and promises is a complex process, a continuity in organisational structure does not exist. This also affects the ability of the G20 forum to ensure continuity and institutional memory among summits.

One of the proposals frequently made is to establish a permanent secretariat which could enhance the coordination between members and international organisations, improve the capability to monitor implementation of G20 recommendations, and mitigate the discretion of each host country in selecting agenda priorities. A proposed option would be to establish a small permanent structure at the International Monetary Fund (IMF) with the function of ensuring continuity and coordination between the rotating presidencies.<sup>10</sup>

However, others argue that the current flexibility of the G20's informal structure enables the forum to offer quick responses in time of crisis and to adapt to sudden challenges, lowering negotiation costs.<sup>11</sup> A short-term solution could be to introduce a multi-annual work stream which could provide the rotating presidencies with some guidance, helping to establish a continuity of priorities and monitoring of implementation.

To improve inclusiveness and effectiveness, the G20 forum has created various engagement groups which are representatives of different civil society stakeholders. Their role is to discuss the major issues affecting their own area of interest and to provide the G20 forum with policy recommendations. These recommendations are non-binding but are usually taken into account during the G20 discussions and negotiations. Today, the G20 forum comprises seven engagement groups: Business 20 (B20) and Youth 20 (Y20) since the Korean Presidency in 2010; Labour 20 (L20) since the French Presidency in 2011; Think Tank 20 (T20) since

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<sup>10</sup>Ignazio Angeloni, "The Group of 20: Trials of Global Governance in Times of Crisis", in *Bruegel Working Papers*, No. 2011/12 (December 2011), p. 27, <https://www.bruegel.org/?p=6263>.

<sup>11</sup>Felicity Vabulas and Duncan Snidal, "Organization without Delegation: Informal Intergovernmental Organizations (IIGOs) and the Spectrum of Intergovernmental Arrangements", in *The Review of International Organizations*, Vol. 8, No. 2 (June 2013), p. 193-220.

the Mexican Presidency in 2012; Civil Society 20 (C20) since the Russian Presidency in 2013; Women 20 (W20) since the Turkish Presidency in 2015; and Science 20 (S20) since the German Presidency in 2016.<sup>12</sup>

#### 4.2 *Legitimacy and representativeness*

When the G20 summit was initially created, leaders positively cooperated, also producing a supportive political environment towards global actions. Nevertheless, the internal political changes in key G20 members and the end of an acute time of crisis have reversed this attitude.<sup>13</sup> If an international institution lacks legitimacy, its member governments are likely to weakly support it, undermining its effectiveness.<sup>14</sup> The Bertelsmann Stiftung opinion poll cited earlier certainly speaks to this situation, showing that while the idea of international cooperation is very popular – 83 per cent of respondents expect national governments to cooperate – only 45 per cent of them have a positive opinion on the G20 summits and 41 per cent think that the G20 forum actually contributes to solving global problems.<sup>15</sup> In Western countries, there is an increasing public perception that globalisation has had a negative economic impact on the condition of their national low and middle classes, fostering an increasing consensus towards nationalism, protectionism and bilateral agreements and simultaneously undermining the legitimacy of international forums.

Since the G20 summit has served as the forum to identify and propose policy for global challenges, legitimacy is seen by some as potentially

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<sup>12</sup> As stressed by Harris-Rimmer and Byrne, these engagement groups have three main functions: (i) influencing the working agenda; (ii) providing the summit with different perspectives; and (iii) pressuring the forum to include topics other than macro-economic issues. See Susan Harris Rimmer and Caitlin Byrne, “Feminist Approaches to Global Economic Governance: The G20 as a Platform for Step-Change?”, in Steven Slaughter (ed.), *The G20 and International Relations Theory. Perspectives on Global Summits*, Cheltenham/Northampton, Edward Elgar, 2019, p. 157-182.

<sup>13</sup> Clara Brandi, “Club Governance and Legitimacy: The Perspective of Old and Rising Powers on the G7 and the G20”, in *South African Journal of International Affairs*, Vol. 26, No. 4 (December 2019), p. 685-702, <https://doi.org/10.1080/10220461.2019.1697354>.

<sup>14</sup> Ibid.

<sup>15</sup> Christina Tillmann, “The G20 Is Turning 20”, cit., p. 2-3.

a structural weakness. First, some fear that the G20 could have undermined the credibility of pre-existing multilateral institutions (such as the IMF or the United Nations), also creating resentment among non-G20 countries.<sup>16</sup> For example, in 2010 Norway's foreign minister, Jonas Gahr Støre, described the G20 forum as "the greatest setback"<sup>17</sup> for international cooperation since WWII, arguing that the G20 lacked any international legitimacy, as it did not have a clear mandate or function.

Furthermore, others have argued that the G20 forum might have a representation issue as it does not include 173 countries in the process, leaving out low/middle countries and underrepresenting Africa.<sup>18</sup> The presence of South Africa and Saudi Arabia does not imply a proper representation of Africa and the Middle East, respectively. For instance, Nigeria, which has 200 million people and is the largest economy in Africa, is not a permanent member of the G20 summit. It is not also clear if the original selection of members is subject to adjustments following eventual major shifts in the global distribution of economic power.

It has also been argued that Europe is overrepresented with France, Germany, Italy and the EU as permanent members in addition to Spain and the European Central Bank which are permanent invited guests.<sup>19</sup> Others have also mentioned the absence of some of the big economies such as Switzerland which has a higher GDP than some of the current G20 members (Argentina, Saudi Arabia) and has the most powerful

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<sup>16</sup> Jakob Vestergaard, "The G20 and Beyond. Towards Effective Global Economic Governance", in *DIIS Reports*, No. 2011:04 (March 2011), <https://www.diis.dk/en/research/g20-and-beyond>.

<sup>17</sup> Jonas Gahr Støre, "One of the Greatest Setbacks Since World War II", in *Spiegel Online*, 22 June 2010, <https://www.spiegel.de/international/europe/norway-takes-aim-at-g-20-one-of-the-greatest-setbacks-since-world-war-ii-a-702104.html>. See also, Andrew Ward, "Norway Seeks Representation at the G20", in *Financial Times*, 8 November 2009, <https://www.ft.com/content/1f2e17fa-cc44-11de-8e30-00144feabdc0>.

<sup>18</sup> Jakob Vestergaard, "The G20 and Beyond", cit., p. 52.

<sup>19</sup> Barry Carin et al., "Making the G20 Summit Process Work: Some Proposals for Improving Effectiveness and Legitimacy", in *CIGI G20 Papers*, No. 2 (June 2010), <https://www.cigionline.org/node/3471>; John J. Kirton, Joseph P. Daniels and Andreas Freytag (eds.), *Guiding Global Order. G8 Governance in the Twenty-First Century*, Aldershot, Ashgate, 2001.

banking and financial sector globally.<sup>20</sup>

To cope with this issue the G20 has been working on improving the dialogue with non-member countries through the invitation of regional and international organisations and guest countries as well as the introduction of individual members' advisory processes with neighbouring states.<sup>21</sup> However, the lack of an institutionalised framework for non-member interaction leaves the invitation of non-members and other international organisations up to the host country, making the legitimacy of this practice questionable.

Several options for reform have been proposed, demanding a new geometry for the G20 composition with the aim of finding an optimal balance between representativeness and effectiveness. It has for instance been proposed to adopt a constituency-based system of representation which would allow the inclusion of a wider number of members without excessively enlarging the total numbers of those "sitting at the table".<sup>22</sup> This would also make it possible to periodically adjust membership to reflect changing realities of the global economy.

## CONCLUSION

Despite the G20 having faced endogenous and exogenous challenges, it is still the forum which is best equipped to foster international policy coor-

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<sup>20</sup> Paola Subacchi and Stephen Pickford, "Legitimacy vs Effectiveness for the G20: A Dynamic Approach to Global Economic Governance", in *Chatham House Briefing Papers*, No. 2011/01 (October 2011), [https://www.chathamhouse.org/sites/default/files/1011bp\\_subacchi\\_pickford.pdf](https://www.chathamhouse.org/sites/default/files/1011bp_subacchi_pickford.pdf). See also Sobhy Amr, *The Rise of the G20 and the Fall of G8*, Birkbeck College, University of London, unpublished.

<sup>21</sup> Permanent guest invitees are the following: African Union, Association of South-east Asian Nations, Financial Stability Board, International Labour Organization, International Monetary Fund, Spain, New Partnership for Africa's Development, Organisation for Economic Cooperation and Development, United Nations, World Bank Group, World Trade Organization.

<sup>22</sup> Jakob Vestergaard and Robert H. Wade, "Establishing a New Global Economic Council: Governance Reform at the G20, the IMF and the World Bank", in *Global Policy*, Vol. 3, No. 3 (September 2012), p. 257-269.

dination, as it accurately reflects the current global balance of power.<sup>23</sup>

While the time is not ripe for major changes in its working practices, it would be important to follow up on the recommendation of the Eminent Persons working group to use this forum to develop political consensus on key strategic issues and crisis response. And at a time when the world is facing a crisis of unprecedented magnitude and nature, there is a high expectation on the part of public opinion and the international community that global leaders will use the upcoming G20 forum to produce a joint plan of action, as they did during the 2008 financial crisis.

A coordinated global effort is necessary not only to contain the health crisis but also to prevent a situation where the ensuing economic crisis produces major disruptions in the global economy. This does not mean that the work programmes that the Italian presidency launched in preparation for the G20 presidency should be discontinued, but that they should be adapted to the new emerging priority.

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<sup>23</sup> It has been said that the G20 represents the best compromise between legitimacy (accurate representation of the power balance), efficiency (a compact group of policy-makers) and effectiveness (the inclusion of leaders who can really shape a global agenda). Barry Carin et al., "Making the G20 Summit Process Work: Some Proposals for Improving Effectiveness and Legitimacy", cit., p. 4.

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This book collects contributions from international leading experts on how the Italian Presidency of the G20 in 2021 could advance a renewed global governance agenda. The Covid-19 pandemic has impacted every nation in the world, highlighting how globally interconnected we are. To mitigate the health, social and economic effects of the Covid-19 crisis, the world needs effective global responses. However, multilateral cooperation has been facing dramatic headwinds before and after the Covid-19 pandemic. The G20 could play a key role in revitalizing multilateral cooperation, by pushing for new ways and means to deal with global challenges. In this context, the authors explore four key areas which would require fresh global coordination: global trade, digitalization, demographic patterns and circular economy.



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To cite this article: Axel Berger, Andrew F Cooper & Sven Grimm (2019) A decade of G20 summitry: Assessing the benefits, limitations and future of global club governance in turbulent times, South African Journal of International Affairs, 26:4, 493-504, DOI: [10.1080/10220461.2019.1705889](https://doi.org/10.1080/10220461.2019.1705889)

To link to this article: <https://doi.org/10.1080/10220461.2019.1705889>



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Published online: 13 Jan 2020.



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## A decade of G20 summitry: Assessing the benefits, limitations and future of global club governance in turbulent times

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### ABSTRACT

In 2008 the G20 met for the first time at the level of heads of state and government in the midst of the global financial crisis. In the following year the G20 coordinated collective actions that helped to contain the worst effects of the financial crisis. A decade later, the G20 is dealing with an underlying systemic crisis fuelled by challenges to rules-based international cooperation from major countries as well as criticism regarding its effectiveness and legitimacy. This article introduces a special issue that focuses on the institutional evolution and reform of the G20, its effectiveness in dealing with global challenges and the specific role of rising powers in this club governance structure. The contribution of this special issue lies in its emphasis on institutional perspectives and its discussion of the social purpose of club governance after more than ten years of G20 summitry.

### KEYWORDS

G20; club governance; rising powers; BRICS; G7; effectiveness; legitimacy

### Introduction

A decade on from its elevation to a global leadership forum, the Group of 20 (G20) merits nuanced, updated evaluation. The G20 met for the first time at the level of heads of state and government in Washington, DC, on 15 November 2008 in the midst of the most serious financial crisis since the Great Depression of the 1930s. What was previously an informal and technically-oriented meeting of finance ministers and central bank governors from economically significant countries, the G20 took on, under these precipitous conditions, a high-profile leader-oriented format intended to tackle a global crisis. At their subsequent summits in London (April 2009) and Pittsburgh (September 2009), the G20 exhibited an impressive degree of solidarity. Galvanised by the shocks of the global financial crisis, participants were able to agree on jointly initiating measures to calm down international financial markets, implementing large domestic fiscal stimulus packages, strengthening the crisis response of international financial institutions and setting in place a mechanism for mutual assessment of member countries' economic policies. These steps are credited with helping to contain the financial crisis.

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Despite the pivotal role the G20 played during the initial stage of the global financial crisis, however, concerns were raised about a wide number of issues regarding the nature and implications of the G20 for global governance. Unlike the established institutional pillars, the G20 operated on the basis of an informal club summit process. A self-selective body in terms of membership, the composition of the G20 and the arbitrary nature of the selection of its members came under intense scrutiny.<sup>1</sup> On top of concerns regarding legitimacy, most notably with respect to a potential rivalry between the G20 and the United Nations (UN) on economic policy issues, the effectiveness of the G20 was also called into question once the first cracks appeared between the European Union (EU) and the other G20 members, and in particular the United States (US), regarding the response to the Euro crisis.

In contrast to the commonalities punctuating collective action in the early stages, the G20 ten years on is no longer dealing with an immediate (financial) crisis, but rather with an (underlying) systemic crisis.<sup>2</sup> The club grouping – at least according to a variety of social forces – is expected to address structural economic and ecological problems as well as a wider set of environmental and social crises on various levels. These different crises range from the threat of dangerous global climate change to questioning the benefits of global trade flows. According to this wave of criticism, a major shortcoming of the G20 has been its lack of ability and/or will to tackle these and other systemic challenges.

There was also a backlash against the ethos of placing cooperation before the sovereignty of nation states; a political *zeitgeist* challenged rules-based multilateralism. Public opinion and governments in some major G20 countries, for instance, nurture a fundamental unease with economic globalisation and international solidarity, fuelled by increasing socio-economic inequalities within countries and resulting populist pressures. When attitudes as expressed by the slogan ‘my country first’ gain ground within key states of the G20, critics claim that this club does not – and cannot – work for the greater, global common good. The legitimacy of the G20 is questioned both from within, by its member countries, and also from without, by non-G20 countries, given the potential system-wide effects of G20 policy decisions. Beyond those states represented at the top table, the G20 is therefore facing a societal backlash that is questioning its basic premise of existence, potentially cutting into the incentives of governments to support cooperative activities going forward.

Standing back from this significant but increasingly unsettled record of G20 summitry, this special issue allows reflection that stands in contrast to the instant analysis that occurred amid the 2008 crisis,<sup>3</sup> with various works assessing the evolving role of the G20, exploring its longer-term benefits and limitations, and probing where it is moving. Questions in need of recalibrated academic research abound: Are the mechanisms of cooperation serving the established purpose, ie, do they enable collective action of the right kind, and by the best actors? Are the right topics adequately addressed? And have the mechanisms and topics changed over time, possibly adjusting to changes in the global context? Existing structures of global governance, not least the UN or the World Trade Organization (WTO), are in protracted discussions on how to reform in order to be more efficient and effective, while better reflecting current power structures. Are the G20 processes assisting global adjustments or, rather, are they creating diversions with inadequate value added to existing structures?

The special issue also offers an opportunity to re-evaluate the role of ‘developing’ countries within the G20. The fraying of the old order has made more pertinent discussions

on how to manage global issues beyond the traditional and somewhat persistent G7 establishment. How do rising powers view the G20 and what has been their impact on the development of the forum? The G20 has been successful in drawing together key members from beyond the G7 into an integrated forum. Yet, as illustrated by the emergence of the BRICS, rising powers have established other summit processes beyond the G20. Similarly, the G7 has persisted as a distinct setting when some expected this forum to wither away. This can also be read as a continued desire – notwithstanding all their own differences – to meet without the presence of rising powers. The ambivalence of established and rising powers about the broader G20 setting can be contrasted in turn with the strong level of support for the G20 provided by middle powers beyond both the G7 and BRICS.

A decade into its existence, the G20 thus faces fundamental questions about the benefits it offers to its members and the overall system, as well as limitations of its institutional set-up and the future of global club governance. Where is the G20 contributing towards improving, or providing possible fixes for, global governance? How can the G20 model of club governance offer alternative settings with less formal and yet still legitimised activities? With whom should the G20 or groupings such as the BRICS or the G7 engage – and in what manner over which issues?

Recent G20-related scholarship has taken an appreciable turn towards both a deeper issue-specific focus<sup>4</sup> as well as interest beyond the core components of the state-based summit processes. With these trends in mind, it is salient that the Think 20 has emerged as a key network focused on providing empirically-based policy recommendations on pertinent issues on the G20 agenda. Complementing this issue-specific research, this special issue focuses on the shifting dynamics of the institutional aspects of the G20. In doing so, the existing literature is built on but also stretched out in a distinctive fashion. Reflective of the need not only to address the G20's potential to widen its agenda, the special issue aims as well to bring together diverse informed perspectives from the global South and North: the aim is to allow a comprehensive analysis of not only the institutional evolution, but also the social purpose of global club governance as exhibited by more than ten years of G20 summitry.

### **What is the G20's role today?**

In terms of the shifting context of the G20, the theme that stands out is the erosion of the old – if not outdated – global order. While some of the traditional supporters of multilateral cooperation are turning their back on the global order they helped to create, a number of rising powers have taken a dualistic approach; they are acting both as insiders and outsiders.<sup>5</sup> That is to say, not only have they to a large degree integrated into the existing global governance system, they have at the same time moved to widen their autonomous options. Not wanting to be locked exclusively into the G20, rising states have set up new institutions that better reflect their preferences. In addition to the BRICS, this evolving architecture includes the Shanghai Cooperation Organization and the Asian Infrastructure Investment Bank. At the same time, rising states have exerted leverage as G20 members. Above all, they have taken a lead position in lobbying for reforms of the governance of the International Monetary Fund (IMF) focused on increasing the voting share of countries beyond the West. In 2010, their campaign produced a substantive reform that eventually became effective in 2016, after a protracted delay in the US Congress.

These global power shifts notwithstanding, the need to animate cooperation beyond national settings has appreciably increased. Not only is the global economy that faced the abyss in 2008 facing new forms of volatility, exacerbated by the return of protectionism and trade conflict; mounting challenges have also appeared due to shifts in global climate patterns, with immediate consequences particularly for often poor and fragile states as well as vulnerable populations. The need to accommodate for less predictability of international settings has been joined with the need to react more effectively and more quickly.

Can the role of the G20 adapt to these changing requisites for effective global governance? Looking back, there are numerous interrogative perspectives on the G20: ascribed roles range from global directorate to catalyst for global change to hopeless 'talk shop'.<sup>6</sup> The G20 was created at the height of a global crisis – and was instrumental in policy coordination during a critical time. The 'crisis management rationale' might not have withered away from the G20 and might be one reason to view it as a pivotal mechanism – a kind of international insurance club – in the case of a new round of crisis of similar magnitude, whether in the global financial system or elsewhere. In the logic of 'realism',<sup>7</sup> the G20 would then work as an arena for power struggles, where representatives try to gain the best possible deal for their respective countries, navigating transactional arrangements and blocking other initiatives. Modifying expectations in this fashion, the G20 is viewed as a sort of international clearance board of leading economic powers, providing an occasion for regular meetings of major powers. In this setting, each of the 20 members takes responsibility and sets a (vague) agenda for the club for one year, providing some structure for international discussions, and thereby building political capital and contacts, hoping to be able to use these for support whenever need be. In other words, the G20 would be serving the national interests wherever common ground can be identified. This realist, minimalist understanding of the G20 might partially explain why no country has defected from the group yet. The incentives for staying in the club may have changed, but they remain strong.

Still, the minimalist perspective might not be enough to justify the existence of the G20 over time. Rather than serving to establish the smallest common denominator of national self-interest, an ambition for the G20 – if not its mandate – is to contribute to the global common good, both as a forum to reach a common understanding on what constitutes the global common good as well as with regard to delivering policies that live up to a shared responsibility of the global commons.<sup>8</sup> The chair of the G20 cannot pursue only its own national agenda, but needs to accommodate priority issues in other countries.<sup>9</sup> In the absence of an immediate economic shock, it has become ever more difficult to reach consensus on fundamental issues such as preventing trade protectionism or the amelioration of dangerous climate change. The G20 clearly is not a 'club of like-minded', as the G7 has been (in the past), but rather a mechanism bringing together large economies (including established and rising global powers) to coordinate and deliberate on solutions. The protagonists are not necessarily on the same page when it comes to solutions, however, nor do they necessarily agree on the initial analysis of the problems.

In this complex and at times unproductive environment, the trend may be to revert to the appearance of a like-minded orientation. Notwithstanding a new and unanticipated lease of life, the G7 does not appear to have available the route of recalibration, especially in view of internal disagreements over fundamental questions, including the re-entry of

Russia. The preferred option therefore may be towards ad hoc initiatives, with a subset of countries belonging to the G20 participating. One signal of a shift toward this approach came with the conception by French president Emmanuel Macron of 'vanguard countries' with a selective inclusion of countries willing to make a commitment on an *à la carte* basis. Care would need to be taken under this arrangement to ensure that ad hoc coalitions, indeed, nudge the multilateral system rather than undermine it by creating alternative forums.

In contrast to the minimalist approach, the G20 has become more inclusive with respect to participation; it has evolved since 2008 in terms of the breadth of topics that are on the agenda and the number of stakeholders that are involved in the process. Inclusive settings, however, are often cumbersome to manage and notoriously slow to reach agreement and thus struggle with output legitimacy, particularly when speedy development of solutions is required. The G20 deals with this challenge by adopting an approach that can be called 'differentiated inclusion', outlined below.

First, the G20 has seen a broadening of the range of internal actors, mirroring the expansion of the G20's agenda over the years beyond core economic issues such as financial stability and economic growth; the G20 agenda now incorporates issues such as climate change and sustainable development, women's empowerment, and digitalisation and the future of work. This broadening of the agenda has led to the establishment of new working groups, study groups and task forces, further promoting the broadening and deepening of the agenda. Ministerial meetings have become a constant feature on the annual G20 calendar. That is to say, the G20 is much more than just a two days' summit of head of state and government (supported by their sherpas, or personal representatives) and involves a broader range of governmental agencies of G20 countries.

Second, the G20 has co-opted additional actors in the international sphere to enable effective policymaking on specific issues or just to provide more legitimacy. The G20 is made up of 19 countries plus the EU – and rather than emphasising exclusivity of the club, as was the case in the early years during the financial crisis, inclusivity (or outreach) is deemed relevant for legitimacy. By now, it has become a tradition for the annual presidencies to invite additional countries as guests. Among these more or less regular guest countries are some that question the composition of the G20 itself (eg, some larger European economies, such as Spain or the Netherlands), while others, as smaller partners with no seat at the table, represent regional organisations. One large and mostly absent region is Africa. Only South Africa is a G20 member; the largest African economy – Nigeria – is not represented and the collective entity – the African Union – is rather a guest than a participant thus far.<sup>10</sup> The dynamic allows for dedicated discussion rounds between members and guests. However, this differentiated status allows the retention of an inner circle within the G20, aimed at enabling targeted discussions before deliberating with 'the wider world'.

Thirdly, motivated by considerations of the often-questioned 'output legitimacy', the G20 aspires to contribute to global discussions through quality of input, deliberations and agreements based on evidence. While there is no permanent secretariat or coordination structure, other than a loose troika format (of previous, current, and incoming chairs), various international organisations are asked to produce analytical input for the G20 work streams and to support the implementation of G20 decisions. As a result, however, these organisations also demand a seat at the top table.

Last, but not least, the G20 is increasingly engaging with transnational actors. It is well acknowledged that the changing politics of foreign policy<sup>11</sup> require the consultation with transnational actors. The number of G20 stakeholders has been growing. The G20 universe comprises not only governmental actors and international organisations, but increasingly also several ‘engagement groups’ that represent different societal stakeholders such as business, civil society organisations, labour unions and think tanks. This effort of the G20 to be more inclusive may be a result of a need to increase input legitimacy through creating another tier of engagement. A number of ‘outreach groups’ alongside the G20 create linkages to relevant transnational actors, thereby going beyond the ‘state world’ in discussions. The aims of the B20 (business), C20 (civil society), L20 (labour), W20 (women), Y20 (the youth), T20 (think tanks) and S20 (science) groups range from lobbying the policy process and criticising the G20’s decisions to providing analytical input.

As the G20 has evolved into an increasingly wide-ranging club governance structure, critics have raised numerous concerns. One concern relates to the efficiency of the G20, a theme discussed in the wider literature on global governance<sup>12</sup> and multilateralism<sup>13</sup>, but one that poses particular challenges to the G20 for its own part as a global club governance structure. In its own setting, the G20 might be located between discussions on the multilateral system and those on (international) negotiations.<sup>14</sup> Internal challenges are thus a natural factor even within this rather exclusive group which has aimed to build trust, nurture reputations, establish communication lines, work in fairness, and build a certain ‘esprit de corps’ (or ‘we-identity’) of those involved. In other words, the G20 summitry is working with and towards elements that are identified as the cooperation hexagon.<sup>15</sup> To some extent, criticism of the G20 might also resonate with debates in the EU literature, particularly on the EU’s erstwhile Common Foreign and Security Policy, pointed to as an example of the ‘capability–expectation-gap’.<sup>16</sup>

In the early years, and under the impetus of acute crisis, many experts praised the G20 for its adoption of timely and effective measures in the years 2008 and 2009 that helped to cope with the global financial crisis.<sup>17</sup> Since then, critics argue, the G20 has not been able to deliver outcomes that effectively address other global challenges.<sup>18</sup> Initial hopes that the G20 would help to overcome gridlock in the UN by catalysing consensus in a smaller, supposedly more delivery-oriented setting proved wrong. Others argue that the G20, as a self-selected club of economically powerful countries, lacks the legitimacy and broad-based support among non-G20 governments and civil societies to act as the ‘premier forum for international economic cooperation’.<sup>19</sup> Some fear that the G20 will undermine existing multilateral organisations such as the UN and its various sub-organisations. Critics aptly point to the protests – both peaceful and violent – against the G20 Hamburg Summit in July 2017 as illustrations of the club’s lack of connection to publics at large.

### **Key lines of argument**

After a decade of G20 summitry, how can we make sense of the institutional changes of the group during the past years, and which institutional reforms are necessary to address current societal challenges? The following section summarises the contributions included in this special issue and identifies three broad lines of argument.

### ***The G20 as an institution in the evolving global governance architecture***

First, in order to assess the G20's performance, it is important to appreciate its changing institutional set-up and position within the broader global governance architecture.

There is a longstanding debate in the literature about the specific role the G20 has played (and should play) in the global economic governance architecture. While some scholars have argued that the G20's strength lies in the prevention and management of immediate economic and financial crisis,<sup>20</sup> others argue that the G20 should take over the role as a global steering committee that coordinates global policy-making on a broader scale.<sup>21</sup> The contributions included in this special issue make clear that the discussion has moved on from dualistic views of the G20's role. After a decade of global summits, the G20 has become a more fragmented and decentralised global governance hub, or platform, that interacts with various international organisations, non-G20 countries and regional organisations as well as societal stakeholders including business, labour organisations, non-governmental organisations and think tanks (Cooper, Luckhurst and Larianova/Sheleпов in this special issue). This evolution of the G20's institutional set-up has been a response to the increasing unwillingness of states to cooperate internationally (Cooper in this special issue), and to increasing demands from societal actors and non-G20 governments to become part of the G20's policy processes (Luckhurst and Mabera in this special issue).

This transformation of the G20 towards a global governance hub, though, does not mean that its effectiveness has vanished. It is increasingly important to evaluate the G20 not (only) on the basis of its actual policy output in the form of specific commitments and their implementation, but also in terms of its contribution to maintaining global governance in an era of increasingly contested multilateralism (Cooper in this special issue). In that respect, the G20 has played a role to stabilise international cooperation in some areas.<sup>22</sup>

Furthermore, the expansion of the G20 universe by including societal actors favourable of international cooperation also has the potential to stabilise, if not transform, multilateral cooperation beyond the interactions of nation states (Luckhurst in this special issue). However, in light of mounting systemic challenges ranging from climate change, societal inequalities and the onset of the fourth industrial revolution, the mere stabilisation of international cooperation will not be enough. The question, therefore, remains as to how the G20 can contribute to multilateral cooperation that helps to tackle such meta-challenges.

### ***G20 strategies for greater effectiveness***

Second, the effectiveness of the G20 depends on its ability to build political coalitions, gather support from international organisations and to improve its underlying working group structure. Views, however, diverge on the question of whether this requires the G20 to become a more formalised international institution.

An evaluation of past experiences shows that the G20 has been most effective when the annually rotating presidency has been able to build a broad coalition within the G20 and gather the technical support of key international organisations (He in this special issue). This constellation is not only necessary to adopt joint policy initiatives but also helps to sustain their implementation during subsequent presidencies. The

green finance agenda, adopted during the Chinese G20 presidency in 2016, is a case in point. Another ingredient for effectiveness that is often overlooked is the role of the G20's working groups (Villanueva Ulfgard/Vega in this special issue). Both in the Sherpa Track as well as in the Finance Track a number of working groups have been established during the past decade. These groups often comprise mid-level officials and meet regularly during the year leading up to a G20 summit. It is often in these groups that policy initiatives and commitments are drafted to be adopted by the leaders. Another important aspect of these working groups is that they allow for a dense interaction between G20 government officials and representatives of international organisations. There are also first steps, in particular in the context of the Development Working Group, to open the discussions of G20 working groups for regular exchanges with G20 engagement groups.<sup>23</sup>

Nonetheless, whether current approaches are sufficient to accelerate policy development and implementation needed to support the United Nations' 2030 Agenda on Sustainable Development and the Paris Climate Agreement is up for discussion.<sup>24</sup> A key criticism relates to the focus of the G20 on policy deliberation and not on policy implementation. One way to increase the effectiveness of the G20 is to increase its outcome orientation by assuming a role of a lead investor in a select set of strategic projects. One key reform that may be necessary in this respect may be the informalisation of G20 processes enabling 'fireside chats' among leaders (Kaul in this special issue). An opposite approach to increase the G20's effectiveness could lie in the formalisation of the G20. In contrast to the mainstream view in the literature that the G20's strength lies in its informality, the recent inability of the G20 to tackle urgent global challenges, and the increasing delegitimisation that comes with it, may necessitate an institutionalisation of the G20. Such an institutionalisation may include decision-making procedures beyond consensus, transparency guidelines and more formalised consultation processes for societal stakeholders (Benson/Zürn in this special issue).

### ***The G20 and rising powers***

Third, the specific role attributed to rising powers in this structure – at times organised in distinct groupings such as MIKTA or BRICS – merits specific attention in particular in view of their distinct status-seeking approaches.

The dynamics of integrating rising powers in the international system have attracted considerable attention in the literature. One aspect that is often underappreciated is the set of perceptions and expectations among the societies of rising powers. An investigation of the dynamics of legitimation with regard to club governance from the perspective of rising powers in comparison to old powers reveals interesting patterns (Brandi in this special issue). A key argument is that there are no substantial differences between old and new powers with regard to output legitimacy; they both put a stronger emphasis on indicators of output legitimacy such as effectiveness. However, when focusing on input legitimacy criteria it becomes clear that issues like participation are slightly more important for societal actors from rising powers than for those of old powers. Furthermore, this research indicates that speakers from rising power refer more frequently to the problems of poorer countries and their challenges than do speakers from old powers (Brandi in this special issue).

Beyond the categories of established powers and rising powers, the G20 also includes a number of countries that may be labelled as middle powers. The MIKTA countries (Mexico, Indonesia, South Korea, Turkey and Australia) are a sub-grouping of the G20 that has, so far, received little attention in the literature.<sup>25</sup> It is therefore necessary to understand how middle powers relate to club governance formats such as the G20 by analysing their priorities, conflicting interests and status-seeking policies. While all rising powers in the G20 focus on South-South development cooperation (SSDC) to underline their distinctiveness vis-à-vis traditional donors, interesting variations in their strategies can be observed (Parlar Dal/Dipama in this special issue). While countries like Brazil, Indonesia, South Africa and Mexico prioritise certain types of multilateral aid channels, others such as China, India, Russia and Turkey are more likely to adopt other types of multilateral aid and bilateral channels in their social creativity strategies through SSDC.

## Conclusion

This special issue underscores the club nature of the G20 in global governance. Operating outside of the traditional pillars of formal institutional architecture, the G20 has always struggled with the question of legitimacy. Compounding the challenges confronting the forum, ten years on from the financial crisis of 2008, is the grinding down of group adhesion, exacerbated by the lack of binding rules within the forum.

That said, if operational flexibility and organisational fluidity have proved to be weaknesses, these characteristics are also sources of strength. As the group has evolved, although the instrumental capacity of the club culture has eroded, the network attributes of the G20 have been accentuated. This 'stretching out', in the form of its expanded membership, magnifies a fundamental question about the trajectory of the G20. If there is a strong image of the G20 moving towards the minimalist scenario, with the G20 becoming a forum associated with one-on-one meetings (and transactional arrangements) of leaders, there is the countervailing image of the G20 consolidating its position as an expanded summit process. The demand for the G20 to take the lead in terms of a broadening and deepening of the agenda clearly exists. Participants in and beyond the inner circle have remained engaged, with no sign of an unwillingness to take part.

Even as the intensity of the initial stage of the G20 activities has been lost, an appreciation of the hub status of the G20 has been extended. The paradox, however, is that under current conditions the framing of this hub status is diverging in a way that is completely at odds with the initial dynamics of the G20. The US and the UK – the original instigators of the G20 – have withdrawn into an insular and transactional operational mode. Alternatively, some rising states that took the most low-profile – or even reluctant – stance at the outset have moved into the spotlight. Most notably, after backing away from the opportunity to take on the G20 presidency, India has embraced the host role for the 2022 summit. Akshay Mathur of Gateway House, an Indian think tank, made a compelling case as to why the G20 should be viewed positively by a 'rising' India, in line with a more inclusionary global system: 'The G20 is unique. Here, developing countries can display their political, economic and intellectual leadership on a par with the most powerful countries. The G20's rotating presidency ensures that no one country dominates the agenda'.<sup>26</sup>

A similar emphasis is evident among various non-state engagement groups, and a central argument of this special issue is that this form of activity should be further institutionalised (Luckhurst, Benson/Zürn in this special issue). To make progress, however, the engagement groups are advised to focus on increasing their policy impact (Mabera in this special issue), on improved public diplomacy (Villanueva Ulfsgard/Vega in this special issue) and on transparency (Benson/Zürn in this special issue).

Such activities will benefit the overall summit process; these include moves to counteract the attempt by chairs to shape agendas according to domestic purposes only, instead emphasising coalition building and seeking support from IOs (He in this special issue) and collaborating with engagement groups (Luckhurst in this special issue) to ensure more continuity.

The incentive for greater formalisation of the network dimension of the G20 is accentuated by the return of great power politics, especially in view of current posturing by Russia, China and the United States, including the disruption ethos of US President Donald Trump. In such an environment, the G20 will struggle to reach consensus beyond a lowered bar of expectations, as illustrated vividly by the Leaders' Declaration at the 2019 Osaka Summit. This environment adversely affects the smaller and supposedly like-minded club of the G7, as well, as seen at the Canadian Summit in 2018 and the French Summit of 2019, although the dynamic was more contained at the latter.

For the G20, challenges such as the Osaka Summit's 19 + 1 constellation on climate change shows that the group needs to think seriously about how to deal with the lack of cohesion in the summit process (and how to bring the US back in on climate issues). Maintaining bonds built over years of group dynamics in the face of these challenges, never mind pressing ahead with the implementation of policy decisions, will pose a greater test – in additional to those burdens already in place – for the G20's pivotal position in global governance.

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## Disclosure statement

No potential conflict of interest was reported by the authors.

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## Does the G20 Still Matter?

The first few gatherings of the G20, at the height of the global financial crisis, yielded concrete results, and seemed to promise an auspicious future for global governance. But in the years since, the group has increasingly replaced action with empty talk.

EXPLAINER    16 JULY 2019 — 2 MINUTE READ

### The Right Hon Lord O'Neill

Former Chair



When the G20 leaders held their first summit in late 2008, many welcomed what looked like a diverse, highly representative new forum for crafting common solutions to global problems. The group acquitted itself well in responding to the global financial crisis, and, for a while, its emergence as a forum for international policy coordination seemed like one of the only silver linings of that mess.

I was certainly among those applauding the G20's initial achievements. Since 2001, when I [identified](#) the rise of the BRIC countries (Brazil, Russia, India and China) as a key feature of the 21st-century world economy, I had been [calling for](#) a major overhaul of global-governance structures. As I argued at the time, the continued dominance of the G7 (Canada, France, Germany, Italy, Japan, the United Kingdom and the United States) was increasingly [out of step](#) with the complex world of the early 2000s. To this day, the G7's exclusion of China is a glaring omission, made worse by the presence of so many European countries, most of which share a currency and abide by the same fiscal- and monetary-policy rules.

Unfortunately, following the [G20's summit](#) in Osaka, Japan, last month, I cannot help but wonder whether that gathering, too, has lost its purpose. Indeed, the only relevant development to come from the summit was an agreement on the sidelines between US President Donald Trump and Chinese President Xi Jinping, who brokered yet another 'truce' in their countries' trade war.

Part of the problem, of course, is that global governance in general has been marginalized, now that the US has abdicated its role as the custodian of the international order. But there are also issues with the G20 itself. On one hand, the group looks like an appropriate vehicle for facilitating global dialogue. Its membership represents around 85% of global GDP and comprises most of the leading emerging economies, including those that have not adopted Western-style liberal democracy. With the exception of Nigeria, Africa's largest economy and most populous country, the countries that one would expect to have a seat at the table do. And in the future, one could imagine Vietnam and a few others joining them.

On the other hand, while the G20 has been very good at issuing grandiose communiqués to acknowledge the existence of global challenges, it has proven utterly incapable of advancing any solutions to them. To be sure, one could argue that it isn't realistic to expect a bunch of bureaucrats to fix everything that is broken in the world. If anything, it is the duty of activists, entrepreneurs and other creative thinkers to pressure and persuade political leaders on the need for change. And yet, when it comes to problems that can be addressed only cooperatively at the global level, there is no alternative to bodies like the G20. Even if political leaders have adopted all the right ideas, they still need a forum for turning those ideas into coordinated policies.

To my mind, there are two barriers standing in the G20's way. First, though it is representative, it is also far too large. As I have argued since 2001, what the world really needs is a [more representative G7](#), comprising the US, Japan, the European Union, and the BRIC countries. This new grouping would reside within the G20 and represent three-quarters of global GDP. While Canada and a post-Brexit UK would lose some of their current influence, they would have no less of it than similarly situated countries such as Australia. At any rate, they need not worry: there is no reason to expect a diplomatic overhaul of this scale anytime soon.

The G20's second deficiency is that it (as well as the G7) lacks an objective framework through which to set goals and measure progress toward them. Since the group's initial success a decade ago, its agenda has been fluid, with each host country adding something new to the mix at

every annual gathering. In the case of the Osaka summit, the Japanese government introduced the goal of universal health care.

No one doubts that universal health care is a worthy cause. But nor has the G20 actually done anything to help individual member states expand the provision of health care. Worse, the time spent paying lip service to this new objective could have been used to discuss outstanding issues such as antimicrobial resistance (AMR), which was added to the G20 agenda in 2016. The language about AMR in the latest communiqué was notably similar to that of previous summits, which suggests that little progress has been made.

Meanwhile, the market for new antibiotics is deteriorating rapidly. Without a concerted international response, [drug-resistant superbugs](#) could take 10 million lives per year by 2050, resulting in a cumulative loss of around \$100 trillion in global output. What the world needs now is action, not empty words.

*This article was originally published by [Project Syndicate](#).*

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# BROOKINGS

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## **Strengthening the G-20 in an era of great power geopolitical competition**

Colin I. Bradford Tuesday, April 27, 2021

**N**ow that it is clear that geopolitical confrontation is part of the repertoire of U.S.-China relations, there is a danger that this bilateral relationship could divide the world, ushering in another bipolar competitive era.

But there are alternative dynamics that could pluralize U.S.-China relations by involving other actors, dynamics that could channel the relationship toward more international cooperation at a time when such cooperation is sorely needed. Within the G-20 grouping — which brings together the world’s major economies, which are also the major carbon emitters — there are opportunities for change. The G-20 could become a vehicle for more ambitious concerted global actions and a platform for addressing and managing geopolitical tensions.

### **Plurilateral dynamics**

Throughout the 14 years that the G-20 has been meeting at leaders level, a handful of leaders have generated strong policy outcomes for the whole group. The composition of that relatively small group of leaders has varied from year to year. The G-20 is large enough to prompt shifts in these coalitions over time, as countries rotate in and out of the plurilateral leadership group.

This dynamic has increased the flexibility for officials to negotiate complex outcomes, avoiding rigid blocs that stifle innovation and reduce policy space. Plurilateral dynamics provide momentum and reward creativity, as well as generate buffers for managing U.S.-China geopolitical tensions as other significant countries assert their interests, presence, and influence.

During this crucial transition year with the new U.S. administration, the most promising countries for leadership roles are Germany, France, Italy, Japan, Canada, Korea, the U.K., the United States, and China. Their leaders have the weight, the leadership, and technical skills to contribute to making the G-20 play crucial roles not only in addressing global challenges, but also in managing geopolitical relations. Not all of them will step forward. But that group is large enough to offer strong leadership to reform the G-20, as well as to drive global solutions to global problems — rather than lose momentum to systemic competition between the U.S. and China.

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## **Recognizing China as a plausible member of the plurilateral leadership group could be an important breakthrough in easing geopolitical tensions.**

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Recognizing China as a plausible member of the plurilateral leadership group could be an important breakthrough in easing geopolitical tensions. China and the U.S. might actually agree on measures to strengthen G-20 and advance concerted action on public health, food security, climate change, the oceans, weather monitoring, and developing-country debt. There is every reason to believe that China could be a leading voice for implementing the Sustainable Development Goals (SDGs), because of its record in advancing the SDGs within China and the rest of the world since its G-20 presidency in 2016.

## **Strengthening the G-20**

There are several ways that the G-20 could be strengthened in terms of institution-building and process reforms. (Many elements here flow from conversations I have had with the Right Honorable Paul Martin, who was finance minister of Canada for nine years in the 1990s before becoming prime minister. His efforts with American counterparts and others were crucial to developing the G-20 and mobilizing it to address global challenges.)

First, the most overarching innovation in how G-20 summits operate would be to intensify the preparatory meetings that lead up to the annual summits — making them month-to-month, week-to-week processes that produce results themselves, rather than focus largely on the peak moment of the two-day annual G-20 summit.

Too many of the existing series of G-20 meetings throughout the year are geared toward preparing for the once-a-year leader summits, instead of being vehicles for action themselves. No problem can be solved in one meeting. The current set of systemic threats and global challenges require greater and more regular engagement.

Accordingly, there needs to be less focus on G-20 summit communiqués by leaders and more focus on major problems and how to address them. Less focus on words, and more focus on actions.

Second, as a result, the G-20 can become a platform for ministers themselves to act, not only to feed ideas to their leaders and wait for them to act. G-20 countries, by definition, have sufficient weight in the world to drive change. In 2021, G-20 health and environment ministers could generate joint actions on global pandemic preparedness and on climate change as urgent issues. These precedents would encourage similar efforts by G-20 ministers in other realms, like employment, technology, biodiversity, education and training, and social cohesion in future years.

The G-20 group of finance ministers has proved to be an effective mechanism for collective action, but also has been able to create new institutions (like the Financial Stability Board) and benefit from institutions (like the International Monetary Fund and the OECD), which support, pressure, and serve the G-20.

Third, ministers with other portfolios could follow this model and create new institutions that support, implement, and encourage their actions and use existing institutions to amplify their work. There are notable weaknesses in international institutions in the realms of global health and global warming. The World Health Organization is neither an action platform nor does it have credible financing. G-20 health ministers acting together could change this. The U.N. Environment Programme has a broad environmental agenda; what is lacking is a more prestigious and powerful international institution focused solely

on climate change threats and accelerating the pace of national climate change actions. G-20 environment ministers could lead an effort to create a climate stabilizing agency to vigorously monitor and enforce climate change commitments.

## **Include security issues**

To leave geopolitical issues off the G-20 agenda is to ignore the elephants in the room. The most important change would be to enable the G-20 to address geopolitical tensions directly by opening summit agendas to selective strategic and political security issues and to include foreign and defense ministers and officials in some G-20 processes.

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## **To leave geopolitical issues off the G-20 agenda is to ignore the elephants in the room.**

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Brookings colleague Bruce Jones first recommended including security issues in G-20 summits at the entity's creation. There have been occasional foreign minister meetings, but they have been episodic and only partially attended. Security issues have sometimes come up at summit dinners, for example, but they have never been part of the G-20 work program. Freedom of navigation, cyberwarfare governance guidelines, and human rights (in Myanmar, for instance) are examples of the kinds of security issues that could be usefully discussed in the G-20 setting, because most nations have a stake in these issues.

The proposal here is to open the agenda to security issues so that G-20 leaders and senior officials could decide what to bring up (and when) to encourage propitious discussions. Given heightened geopolitical tensions today, security issues have become the backstory of global governance. Opening the G-20 agenda to security issues could be the single most important step to strengthen global governance in the 2020s, since these issues are dominating the global order now, and need to be managed collectively.

## **Connecting with people**

These steps can help the G-20 broaden and deepen its agenda, creating continuing processes throughout the year that focus public and parliamentary attention on concerted actions by major countries that have consequences for *people*. Too much of G-20 activity is insider baseball among banks, corporations, and bureaucrats, and not about political leadership on behalf of the public interest. There is more time spent on how to send the right signals to markets, interest groups, and officials than on communicating with publics and legislators. The excitement of international cooperation and understanding across cultures, professions, and sectors is lost in a welter of technical jargon and official wordsmithing, with economics and financial jargon drowning out layman's language. As a result, G-20 summits have seemed remote and unrelated to real life of ordinary people. Leaders have lost connections to their societies at these events, instead of bringing their publics into them by resonating with and responding to their concerns.

Senior political advisers to G-20 heads of state and government need to involve themselves in summits and G-20 sherpas need to exert greater influence to reconnect their leaders to their publics by managing the G-20 communications processes to prioritize content that is relevant and meaningful to citizens and social issues.

Finally, there is a problem of consistency and follow-through from year to year, as the country hosting the G-20 summit changes annually. Continuity could be markedly improved by creating a small but effective secretariat to see issues through from incubation, to consultation, to teeing up for leaders, to decisions, to communications, to implementation, to monitoring and evaluation. The secretariat should also be charged with making the G-20 processes throughout the year more effective in ensuring that commitments are fulfilled and plans are implemented consistently year after year.

## **Conclusion**

Given the current state of U.S.-China relations, many think the global order faces another bipolar competitive era. Actively energizing plurilateral leadership and diplomacy, involving other countries in altering the geopolitical dynamics, could be a game changer. There is no reason to leave China and the US alone to work out their bilateral relationship in which all countries have immense stakes.

The G-20 is a promising forum for addressing the geopolitical tensions between the U.S. and China. Taking actions to strengthen the G-20 and engage these tensions within the G20, rather than avoid them, could be the most promising steps to empower global governance to meet the global challenges of the 2020s. The G-20 could become the forum within which U.S.-China relations could be most successfully improved, by relying on the presence of other countries to pressure both states to exercise global leadership on behalf of the whole world, instead of competing to divide it. Plurilateral leadership that includes China and the US embedded in the G-20 is a powerful opportunity to move the global agenda forward and multilateralize the management of geopolitical tensions at the same time.

### **Order from Chaos**

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# G20 Information Centre

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## Analysis

# The G20's Global Governance Centrality

**John Kirton, G20 Research Group**  
November 18, 2020

Presentation on "[The Future of Diplomacy: G20 in a Covid era](#)," streamed live by the Overseas Development Institute from London, United Kingdom, on November 17, 2020 (watch [here](#)).

## The G20's Place in Global Economic Governance

Is the G20 the best global forum for marshalling, motivating and coordinating international finance and action to address global development challenges?

Yes, it is the best. Indeed, it is the only one. There is nowhere else to go. The only choice is between a G20 or a G-zero world.

The G20 is by far the best choice for several reasons.

Global threats are great and growing in our increasingly globalized world. To respond, the world needs global governance at the summit level, with the unique authority, comprehensive mandate and synthetic responsibilities that only country leaders bring. It needs the leaders of the most systemically significant states to gather, in a compact group that has globally predominant power, in economic, medical, ecological, digital and other relevant capabilities. These leaders now know their big countries are themselves vulnerable in our globalizing world, just as small countries have long been. These leaders must come together to act face to face as equals, to collectively discover solutions to problems that none know the answers to when they are home alone, or even what their countries' specific interests are.

On September 15, 2008, when the American-turned-global financial crisis struck, only the G20 responded by rising to the leaders' level. The United Nations did not, nor did the Permanent Five (P5) members of its Security Council (UNSC). Nor did the International Monetary Fund (IMF), or the component Britain's Gordon Brown had recently created there — the International Monetary and Finance Committee. Nor did the "G7 Plus 5" that had shown its value at Tony Blair's Gleneagles G8 Summit in 2005. Nor did the 17-member Major Economies Meeting that subsequently arose. Only the G20 rose to the challenge.

Since then only the BRICS summit of Brazil, Russia, India, China and South Africa has appeared on the global summit governance scene. But even it quickly focused on the G20.

And this year it delayed its summit, scheduled for September in St. Petersburg, until November 17, just four days before the G20 one takes place. And its compliance with its previous years' commitments has declined to only 72%, well below the G20's 78%.

So the G20 summit won. It did so by repeatedly proving its worth. First, it solved the American-turned-global financial crisis from 2008 to 2009. Then, it prevented the European one from going global, from 2010 to 2012. Next, it stopped any regional ones from erupting for seven years, from 2013 to 2019, until COVID-19 arrived in 2020 to bring us closer to another one.

In 2010, the G20 summit did what the IMF and World Bank could not do by themselves — reform the voice and vote of their executive boards to give emerging powers a greater place, in the ultimate zero sum game. In 2012 at Los Cabos, the G20 produced the great transformation, by creating the IMF's \$500 billion "firewall fund." Here the United States withdrew from its historic role as the global lender of last resort, to be replaced by China, Japan and almost all other G20 states.

During its first 11 years, G20 summitry supported the rise of major emerging economies and many developing ones, led by China and India. China is already back from COVID-19 and on the rise again. The G20 helped lift many people out of poverty, and spurred the march to meet the UN's Sustainable Development Goals (SDGs).

Thus the G20 has done well on its first distinctive foundational mission of promoting financial stability, and is doing well to this day. But it still has a long way to go on its second mission of making globalization work for the benefit of all — not just the one percent at the top, but also the one percent at the bottom, and all those in between.

## **G20 Performance Beyond the Economic Core**

How successful has the G20 been in bringing global solutions to systemic challenges in social, health and ecological fields?

Overall, the G20 summit has been a steadily rising, now substantial success. It has moved from financial and economic crisis response to crisis prevention, and become a global steering committee for these and social, ecological and security subjects too. But it has done best by far in its macroeconomic, finance and development governance, rather than on its newer, broader subjects. In the social domain, it has done well only on labour and employment, but poorly on gender equality, health and migration and refugees. Its greatest failure has come on the environment and climate change, especially since its performance peaked on these at its Hamburg Summit in 2017.

On the 2020 COVID-19 crisis, its response got off to a very good start. On March 26, 2020, its first ever inter-sessional, emergency, virtual summit made 47 commitments. They achieved 72% compliance in the next two months. But the G20 did not prevent the eruption of the severe second wave in Europe, Canada and the United States that was killing so many by the autumn of 2020. Nor did it help mobilize enough money and enough new power for the World Health Organization (WHO) to do these things.

Why did the G20 not hold a second emergency summit in September? Its test will come at its Riyadh Summit in just a few days. Will it provide safe, effective, affordable, trusted vaccines for all and simultaneously combat the soaring cases of mental health, non-communicable disease, antimicrobial resistance and other animal—health diseases?

## **Club Diplomacy as a Global Governance Form**

What are the strengths and weaknesses of "club diplomacy," of the sort the G20 offers, over the full, formal, multilateralism that the major international organizations from the 1940s produce?

There is no alternative to club diplomacy. The Bretton Woods—UN system is still largely controlled by the highly closed clubs of the UNSC's P5, the permanently European-headed IMF executive board and the permanently U.S.-headed World Bank one. These multilateral organizations were born in, designed for and still largely govern for the world of 75 years ago. They had almost 65 years to prove their worth, before G20 leaders found it necessary to create their own summit club.

Neither the IMF nor the World Bank has ever had a summit. The P5 only did in 1992. The UN as a whole restarted its summitry, after a 45-year sabbatical, only in 1990, thanks to a G7 push. Some of its subject-specific high-level meetings add value. But they are mostly on siloed subjects and only a subset club of leaders actually attend. All G20 leaders almost always attend the G20 summits.

This year the UN took a summit sabbatical, by delaying its scheduled climate and biodiversity summits until year. For those who care about the climate and biodiversity crises, the G20 is the only global summit there to act on those issues this year.

The G20 has the best combination of a continuing, compact club, combining maximum power and global responsibility for all. Its inherent legitimacy comes from its dual distinctive foundational mission of promoting financial stability and making globalization work for the benefit of all.

It does have some serious weaknesses. First, the demand for global governance is great and growing, but the G20's supply declined from 2011 to 2019. Second, its agenda has expanded, but the leaders' time together to address it has remained very small. Third, the second African member slated to be given a seat at the start — Nigeria — has not yet been allowed to take it up.

## Recommendations for Reform

Among the many institutional reforms the G20 summit needs, five stand out.

First, G20 leaders should meet more often. G20 summits should be held at least twice a year, as they were from 2008 through 2010. G20 leaders should come out of semi-retirement and go back to full-time G20 work. They should hold an emergency summit in early 2021 and add a permanent one each September at the UN General Assembly to address the SDGs.

Second, they should meet for longer when they gather. They should stay together for more than their usual 24 hours over two days, when they are awake for only 16 hours. They need more time to cover their expanding agenda, discover what's on each others' minds, invent new initiatives on the spot and bond as a cherished club.

Third, they should add as full members, alongside the IMF and World Bank, the head of the UN, the WHO and probably the United Nations Environment Programme too.

Fourth, they should change the Financial Stability Board, which is *de facto* a G20 secretariat, into the Sustainable Financial Stability Board, with the central mission, staff and powers to foster climate finance. They should do the same for Global Infrastructure Hub — the only G20 institution that reports only to the G20 — making it the Global Sustainable Infrastructure Hub.

Fifth, they should mandate many ministerial meetings, by many different ministers, before and after the summit. These increase members' compliance with their leaders commitments, making promises made, promises kept, as the first step to solving problems and saving lives.

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**John Kirton** is director of the G20 Research Group, G7 Research Group and Global Health Diplomacy Program and co-director of the BRICS Research Group, all based at Trinity College at the Munk School of Global Affairs and Public Policy at the University of Toronto. A professor of political science, he teaches global governance and international relations and Canadian foreign policy. His most recent books include **Accountability for Effectiveness in Global Governance**, co-edited with Marina Larionova (Routledge 2018), **China's G20 Leadership** (Routledge, 2016), **G20 Governance for a Globalized World** (Ashgate, 2012) and (with Ella Kokotsis), **The Global Governance of Climate Change: G7, G20 and UN Leadership** (Ashgate, 2015), as well as **The G8-G20 Relationship in Global Governance**, co-edited with Marina Larionova (Ashgate, 2015), and **Moving Health Sovereignty in Africa: Disease, Governance, Climate Change**, co-edited with Andrew F. Cooper, Franklyn Lisk and Hany Besada (Ashgate, 2014). Kirton is also co-editor with Madeline Koch of several **publications** on the G20, the G7 and global health governance, including **G20 Saudi Arabia: The 2020 Riyadh Summit** (available soon from the **Global Governance Project!**) and **G7 France: The 2019 Biarritz Summit**, and, with the support of the World Health Organization, **Health: A Political Choice — Act Now, Together**, published by GT Media and the **Global Governance Project**.

# COUNCIL OF COUNCILS

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## Session Two

### *G20 Briefing and Conversation*



# Italian G20 Presidency

## Third Finance Ministers and Central Bank Governors meeting

**Communiqué**  
**9-10 July 2021**



## Communiqué

Since we met in April 2021, the global outlook has further improved, mainly due to the roll out of vaccines and continued policy support. However, the recovery is characterised by great divergences across and within countries and remains exposed to downside risks, in particular the spread of new variants of the COVID-19 virus and different paces of vaccination. We reaffirm our resolve to use all available policy tools for as long as required to address the adverse consequences of COVID-19, especially on the most impacted, such as women, youth and informal and low-skilled workers. We will continue to sustain the recovery, avoiding any premature withdrawal of support measures, while remaining consistent with central bank mandates – including on price stability – and preserving financial stability and long-term fiscal sustainability and safeguarding against downside risks and negative spillovers. On the basis of the *G20 Action Plan*, we will continue our international cooperation to steer the global economy toward strong, sustainable, balanced and inclusive growth. We confirm our April commitments on exchange rates. We reaffirm the important role of open and fair rules-based trade in restoring growth and job creation and our commitment to fight protectionism, and encourage concerted efforts to reform the World Trade Organization (WTO).

We remain determined to bring the pandemic under control everywhere as soon as possible, and we welcome the commitments to attain this ambitious objective, including those made at the Global Health Summit. We recognise the role of COVID-19 immunisation as a global public good and reiterate our support for all collaborative efforts, especially to the *Access to COVID-19 Tools Accelerator (ACT-A)*, to address the current health crisis, urging both the public and private sector to address the remaining gaps, including through the equitable global sharing of safe, effective, quality and affordable vaccine doses. We support efforts to diversify global vaccine-manufacturing capacity and strengthen health systems. We will also prioritise acceleration of the delivery of vaccines, diagnostics and therapeutics, target responses to rapidly react to new variants or flare-ups, and provide support in delivering and distributing vaccines, especially to developing countries. We acknowledge the formation of the task force by the World Bank (WB), World Health Organization (WHO), International Monetary Fund (IMF), and WTO on COVID-19 vaccines, therapeutics and diagnostics for developing countries. Recognising the urgent need to be better prepared for future health threats, we welcome the Report of the *G20 High Level Independent Panel on Financing Global Commons for Pandemic Preparedness and Response* and take note of its recommendations. We commit to working together and with International Financial Institutions (IFIs) and relevant partners, in particular the WHO, to develop proposals for sustainable financing to strengthen future pandemic preparedness and response, and to improve international governance and coordination between global health and finance policy makers. We task experts from our Ministries of Finance and Health to follow up with concrete proposals to be presented at the G20 Joint Finance and Health Ministers' meeting in October.

After many years of discussions and building on the progress made last year, we have achieved a historic agreement on a more stable and fairer international tax architecture. We endorse the key components of the two pillars on the reallocation of profits of multinational enterprises and an effective global minimum tax as set out in the "Statement on a two-pillar solution to address the tax challenges arising from the digitalisation of the economy" released by the *OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS)* on July 1. We call on the *OECD/G20 Inclusive Framework on BEPS* to swiftly address the remaining issues and finalise the design elements within the agreed framework together with a detailed plan for the implementation of the two pillars by our next meeting in October. We invite all members of the *OECD/G20 Inclusive Framework on BEPS* that have not yet joined the international agreement to do so. We welcome the consultation process with developing countries on assessing progress made through their participation at the *OECD/G20 Inclusive Framework on BEPS* and look forward to the Organisation for Economic Co-operation and Development (OECD) report in October.



Digital transformation has the potential of boosting productivity, strengthening the recovery and contributing to broad-based and shared prosperity. We endorse the *G20 Menu of Policy Options - Digital Transformation and Productivity Recovery*, informed by policy experiences shared by members and supported by analysis from the OECD and the IMF, which provides policy options, shares good practices, promote inclusion and sheds light on the key role of international cooperation to make use of the growth opportunities of digitalisation. The *Menu* is a contribution to our future work on productivity. We will continue strengthening global risk monitoring and preparedness through a systematic integration of climate, health and other risks to enhance future policy design where appropriate and through sharing tools, analysis and experiences, including drawing on well-established methodologies. We will continue to closely coordinate our efforts in enhancing resilience against future shocks, including pandemics, natural disasters and physical and transition climate change risks, and addressing the interrelated policy challenges. We recognise that a more comprehensive assessment of environmental and climate-related macro-economic risks can help develop innovative solutions to make our economies more sustainable, resilient and inclusive. We recognise the importance of good corporate governance and well-functioning capital markets to support the recovery. We look forward to the review of the *G20/OECD Principles of Corporate Governance* and ask the OECD to report back on progress at our first meeting in 2022.

We reaffirm that harnessing the wealth of data produced by digitalisation is critical to better inform our decisions. We take note of the concept note prepared by the IMF, in close cooperation with the Financial Stability Board (FSB) and the Inter-Agency Group on Economic and Financial Statistics (IAG), on a possible new Data Gaps initiative. We look forward to appraising the development of a detailed work plan.

Tackling climate change and biodiversity loss and promoting environmental protection remain urgent priorities. We look forward to further analysis by international organisations on the impact of recovery packages and of adaptation and mitigation policies on climate and environment, as well as on jobs, growth and equity. We agree that a closer international coordination on climate action may help achieve our common goals. This can better inform our discussion on the appropriate policy mix to shape just and orderly transitions to a low- greenhouse gas emission, more prosperous, sustainable and inclusive economy, taking into account national circumstances. This mix should include a wide set of tools, such as investing in sustainable infrastructure and innovative technologies that promote decarbonisation and circular economy, and designing mechanisms to support clean energy sources, including the rationalisation and phasing-out of inefficient fossil fuel subsidies that encourage wasteful consumption and, if appropriate, the use of carbon pricing mechanisms and incentives, while providing targeted support for the poorest and the most vulnerable. We welcome the constructive discussions held at the *G20 High Level Tax Symposium on Tax Policy and Climate Change* and acknowledge the importance of a dialogue to address climate change related challenges and promote transitions towards a greener and more sustainable economy. We look forward to the IMF/OECD report on these issues in October. We encourage IFIs, including Multilateral Development Banks (MDBs), to step up their efforts to pursue alignment with the Paris Agreement within ambitious timeframes and finance sustainable recovery and transition strategies, Nationally Determined Contributions and long term low greenhouse gas emission development strategies in Emerging Markets and Developing Economies (EMDEs), in line with their mandates and while continuing to support the achievement of the United Nations 2030 Agenda. International climate finance is critical for supporting developing countries' climate change adaptation and mitigation efforts. We look forward to advancing a common understanding on the comprehensive strategies needed to support the transition to low-greenhouse gas emission economies and societies, and to the International Conference on Climate on 11 July, which will focus on the policy mix and green investments to foster just transitions, the role of MDBs in supporting transitions in EMDEs, the actions to promote high-quality standards for climate-related financial disclosure and incentives for mobilising private financial flows and aligning them with the Paris agreement.

Climate change poses increasing physical and transition risks to macroeconomic outcomes and to regulated financial institutions and financial stability. Quality data and comparable frameworks of disclosure are crucial for addressing climate-related financial risks and mobilising sustainable finance. We note the importance of working to address these risks. We look forward to discussing, at our meeting in October, the Sustainable Finance Working Group (SFWG) Synthesis Report and a multi-year G20 Roadmap on sustainable finance, initially focused on climate. We commend the support provided by international organisations, financial sector networks and private sector



representatives to the activities of the SFWG. We welcome the FSB report on the availability of data on climate-related financial stability risks and we will work to address data gaps and highlight the importance of financial authorities considering scenario analysis, including drawing on common scenarios as appropriate. We also welcome the FSB report on promoting globally consistent, comparable and reliable climate-related financial disclosures and its recommendations. We welcome growing private sector participation and we also take note of growing public sector participation and transparency in these areas. We will work to promote implementation of disclosure requirements or guidance, building on the FSB's Task Force on Climate-related Financial Disclosures (TCFD) framework, in line with domestic regulatory frameworks, to pave the way for future global coordination efforts, taking into account jurisdictions' circumstances, aimed at developing a baseline global reporting standard. To that aim, we welcome the work programme of the International Financial Reporting Standards Foundation to develop a baseline global reporting standard under robust governance and public oversight, building upon the TCFD framework and the work of sustainability standard-setters, involving them and consulting with a wide range of stakeholders to foster global best practices. We welcome the FSB roadmap for addressing financial risks from climate change. This will be a living document and will complement the work carried out by the SFWG.

We endorse the *G20 Policy Agenda on Infrastructure Maintenance*, accompanied by members' case studies and with the support of the OECD and the WB. We acknowledge that resilient, properly funded, well-maintained and optimally managed systems are essential for preserving infrastructure assets over their life-cycle, minimising loss and disruptions, and securing the provision of safe, reliable and high-quality infrastructure services. Recognising advanced and well-functioning digital infrastructure as an important driver for the economic recovery, we acknowledge the OECD contribution in this area and look forward to the ongoing works on financing and fostering high-quality broadband connectivity for a digital world by our October meeting. In line with the *G20 Roadmap for Infrastructure as an Asset Class*, we will continue to develop further the collaboration between the public and private investors to mobilise private capital and look forward to the outcomes document of the first *G20 Infrastructure Investors Dialogue* at our October meeting. We welcome advancing the work on the G20 Principles for Quality Infrastructure Investment (QII). We recall our previous agreement on exploring possible indicators on QII, and look forward to the discussion on the work of the International Finance Corporation in this area at the next Infrastructure Working Group meeting.

We will continue to support all vulnerable countries affected by the COVID-19 pandemic. We support the proposal to the IMF Board of Governors of a new general allocation of Special Drawing Rights (SDRs) in an amount equivalent to USD 650 billion to help meet the long-term global need for reserve assets and urge its swift implementation by the end of August. We also welcome the proposals to enhance transparency and accountability in the reporting and use of SDRs, while preserving their reserve asset characteristics and broadening participation in the Voluntary Trading Arrangements. To significantly magnify the impact of the allocation, we call on the IMF to quickly present actionable options for countries to voluntarily channel a share of their allocated SDRs to help vulnerable countries finance more resilient, inclusive and sustainable economic recoveries and health-related expenditures, for example through the creation of a new trust fund. We are committed to exploring those options and possible contributions, according to our national laws and regulations, and to scaling up the Poverty Reduction and Growth Trust. We call for contributions from all countries able to do so to reach an ambitious target in support of vulnerable countries. We look forward to the completion of the IMF's review of concessional financing and policies, which will strengthen its capacity to support low-income countries. We call on the IMF to complete its outreach on a review of access limits and surcharge policy and report to us on its outcome.

We reiterate our commitment to strengthening long-term financial resilience and supporting inclusive growth, including through promoting sustainable capital flows, developing local currency capital markets and maintaining a strong and effective Global Financial Safety Net with a strong, quota-based, and adequately resourced IMF at its centre. We look forward to the forthcoming review of the IMF's Institutional View on the liberalisation and management of capital flows. We remain committed to revisiting the adequacy of IMF quotas and will continue the process of IMF governance reform under the 16th General Review of Quotas, including a new quota formula as a guide, by December 15, 2023.



We welcome the progress achieved under the Debt Service Suspension Initiative (DSSI). As of July 2, 45 countries have requested to benefit from the first extension of the DSSI (to June 2021), amounting to an estimated USD 4.6 billion of debt service deferred in the first half of 2021. All official bilateral creditors should implement this initiative fully and in a transparent manner. We welcome MDBs disbursement of USD 44.1 billion to DSSI-eligible countries over the period between April 2020 and May 2021, as part of their USD 230 billion commitment to support emerging and low-income countries in response to the COVID-19 pandemic. We reiterate our commitment to implementing the *Common Framework for Debt Treatments beyond the DSSI* to address debt vulnerabilities in a coordinated manner, as set out in April. We welcome the establishment of the creditor committee for Chad as well as its recent statement. We urge all other official bilateral creditors and private creditors to commit without delay to providing Chad with debt treatment at least as favourable. We now look forward to swift adoption by the IMF Executive Board of Chad's envisaged IMF-supported upper credit tranche quality programme. We also look forward to timely addressing the debt treatment country case of Ethiopia under the *Common Framework*. We support the timely review of Ethiopia's IMF-supported programme. We will address eligible requests under the *Common Framework*. We stress the importance for private creditors and other official bilateral creditors of providing debt treatments on terms at least as favourable, in line with the comparability of treatment principle. We reiterate the importance of joint efforts by all actors, including private creditors, to continue working towards enhancing debt transparency. We recall the forthcoming work of the MDBs, as stated in the *Common Framework*, in light of debt vulnerabilities. We look forward to progress by the IMF and World Bank Group on their proposal of a process to strengthen the quality and consistency of debt data and improve debt disclosure. We look forward to the outcome of the second voluntary self-assessment of the implementation of the *G20 Operational Guidelines for Sustainable Financing* and to further updates on the implementation of the *Institute of International Finance (IIF) Voluntary Principles for Debt Transparency*, including on the launch of the joint IIF/OECD Data Repository Portal, and call on all private sector lenders to adhere to this initiative.

The work of MDBs is crucial to ensuring long-term support towards achieving the Sustainable Development Goals. We look forward to an ambitious and successful IDA20 replenishment by December 2021, including the sustainable use of IDA's balance sheet. We take note of the progress made on the *G20 Action Plan on Balance Sheet Optimisation* and the development of reliable and sustainable risk-sharing measures, and encourage MDBs to continue to explore avenues to make the best use of available resources, while preserving their preferred creditor treatment and current ratings. We stress the need for further efforts in finding innovative ways to mobilise private sector development financing. We agreed to launch an *Independent Review of MDBs' Capital Adequacy Frameworks*, to promote the sharing of best practices, maximise their development impact, taking into account their respective development mandates and without prejudice to their governance, credit ratings and preferred creditor treatment (Annex I). Better coordination will also boost MDBs complementarity and effectiveness. We welcome the update on the *G20 Principles for Effective Coordination between the IMF and MDBs in Case of Countries Requesting Financing while Facing Macroeconomic Vulnerabilities* and we endorse the complementary *G20 Recommendations for the use of Policy-Based Lending* (Annex II). We welcome the updates by MDBs on progress in implementing country-owned pilot platforms and urge them to continue to step up coordination at country level in close cooperation with host national governments.

In our comprehensive and united response to the COVID-19 crisis, we remain committed to ensuring that the financial sector provides adequate support to the recovery while preserving financial stability. We welcome the FSB interim report on the lessons learnt from the COVID-19 pandemic from a financial stability perspective. The global financial system has weathered the pandemic so far thanks to greater resilience, supported by the G20 financial regulatory reforms and by a determined international public authorities' response. However, some areas of the regulatory framework may call for further consideration, such as the functioning of capital and liquidity buffers and potential sources of pro-cyclicality, and gaps remain. We are committed to addressing these gaps, while avoiding unintended effects, including by completing the remaining elements of the G20 regulatory reforms agreed after the financial crisis, and we look forward to the final report in October. We are also committed to strengthening the non-bank financial intermediation (NBFI) sector resilience with a systemic perspective, including its interconnectedness with the banking sector and the real economy. We will also take into consideration the interactions between USD cross-border funding and NBFI-related vulnerabilities in Emerging Market Economies external financing. We look forward to the FSB progress report on NBFI in October, which will



bring together developments across the NBFI workplan and identify areas where further policy consideration may be needed. We welcome the FSB consultation report on policy proposals to enhance money market fund resilience and look forward to the final report in October, outlining suitable policy options, recognising that a single option may not address all vulnerabilities, to inform jurisdiction-specific reforms as well as possible follow-up work by relevant international organisations, in order to secure enhanced NBFI resilience at the international level. We also welcome the FSB progress report on LIBOR transition and reiterate the importance of an orderly transition away from LIBOR rates to suitably robust alternatives before end-2021.

We reiterate our commitment to a timely and effective implementation of the *G20 Roadmap to enhance cross-border payments* by relevant authorities. We look forward to the FSB report setting quantitative global targets for addressing the challenges of cost, speed, transparency and access, to be delivered in October, taking into account the feedback to the consultation launched at the end of May and emphasising actions needed by the public and private sectors. We take note of the report on central bank digital currencies for cross-border payments by the Committee on Payments and Market Infrastructures, Bank for International Settlements Innovation Hub, IMF and WB, and look forward to discussing these issues and the wider implications for the international monetary system in October. We reiterate that 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.

We welcome the progress made by the Global Partnership for Financial Inclusion in advancing the 2020 Financial Inclusion Action Plan and look forward to the high-level symposium on coping with new and existing vulnerabilities in a post-pandemic world and to the menu of policy options for enhancing digital financial inclusion for individuals and micro, small and medium-sized enterprises, both to be delivered in October. We also welcome the outcome of the workshop on *Remittances in times of crisis and beyond* and we look forward to the release of the National Remittance Plans later this year.

We recognise that financial literacy is an essential skill for the empowerment of people, especially the most vulnerable and underserved, including micro, small and medium enterprises, and for supporting individual and societies’ well-being, financial inclusion, financial consumer protection and transformation in the post-pandemic era. We welcome the *OECD Recommendation on Financial Literacy*, which presents a voluntary and non-binding instrument on financial literacy to assist governments, other public authorities and relevant stakeholders in their efforts to design, implement and evaluate financial literacy policies.

We reiterate our support for the Financial Action Task Force (FATF) and the nine FATF-style Regional Bodies (FSRBs). We each commit to making additional contributions, including to the IMF and WB, as needed, to strengthen the FSRBs and the Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) frameworks of their membership, in line with the priorities agreed by FATF, and share our commitments with the FATF. We call on other FATF members, the IMF and the WB to similarly increase their financial and/or technical support for FSRBs. We welcome the FATF’s ongoing work on money laundering risks resulting from environmental crimes, and recognise the links between climate and biodiversity threats and other serious crimes. We reaffirm our commitment to fully implement and strengthening AML/CFT global standards on beneficial ownership transparency and virtual assets regulation and supervision within our respective jurisdictions. We strongly support the FATF’s ongoing project to revise the current recommendation on beneficial ownership transparency.



**MATERA DECLARATION ON FOOD SECURITY, NUTRITION AND FOOD SYSTEMS.  
A CALL TO ACTION in the time of the Covid – 19 pandemic and beyond**

1. We, the G20 Foreign Affairs and Development Ministers, UN agencies and other partners convened here in Matera to contribute to strengthening international efforts to contain the effects of the pandemic on lives and livelihoods and to build forward better. We express deep concern for the state of food insecurity across the world. The number of people affected by hunger globally has been on the rise since 2014. The world is not on track to achieve Zero Hunger by 2030 and end malnutrition in all its forms as aimed for in the Sustainable Development Goals (SDGs) of the 2030 Agenda. With current trends, the number of people affected by hunger would exceed 840 million by 2030. These figures do not take into account the toll of the COVID-19 pandemic that is likely to add more than 100 million people to the total number of undernourished in the world, as people lost their jobs and income, with consequences on their food security. This exacerbated the multiple crises and structural obstacles especially in developing and least developed countries with worsening effects on all people, in particular on women everywhere.

2. We recognize that poverty alleviation, food security and sustainable food systems, are key to ending hunger, encouraging social cohesion and community development, reducing socio-economic inequalities both between and within countries, developing human capital, advancing gender equality and empowerment of youth, and promoting overall inclusive economic growth and sustainable development. Committed to contributing to the Decade of Action for the SDGs, we agree to deliver on food security priorities by enhancing efforts in ensuring safe and adequate nutrition for all, ending all forms of malnutrition, preserving agrobiodiversity, as well as relying on science, innovation, advanced business practices and responsible behavior complementing traditional knowledge, local food culture and best practices in order to achieve SDG 2 targets. Advancing these goals requires collective and coordinated leadership and action at the global level and a people-centered approach. The G20 is well positioned to provide such leadership, while promoting an inclusive approach with all stakeholders, private and public, and pursuing ambitious yet concrete and actionable programs. New and innovative policies and responsible investments in agriculture, territorial development and sustainable and resilient food, soil, and water management systems, as well as acting



ahead of shocks to mitigate their impact, including in conflict situations, are needed to increase resilience and prevent future crises.

3. We therefore **call all relevant actors in our countries and beyond to implement the following urgently needed actions** to recover from the crisis, including by stepping up North-South, South-South and Triangular cooperation, with the aim to reach a world free of hunger and malnutrition, realize the right to adequate food, alleviate poverty, and promote just, peaceful and inclusive societies. Building on previous G20 commitments related to food security and nutrition, we commit to work with developing countries to advance, through collective, multilateral and bilateral actions, the following priorities, in accordance with national policy priorities and objectives:

4. **Implementing effective actions for the empowerment of women and youth in the rural-urban continuum.** While women and youth have been at the forefront of the response to the pandemic, the world has also seen a loss of gender equality, education and decent work opportunities for women and youth, especially in rural areas and vulnerable situations. We therefore emphasize the need for policies, technical assistance, capacity building and investments that create new decent work and agri-entrepreneurship opportunities for women and youth and support their empowerment as active participants and leaders at all levels of food systems and institutions.

5. **Enhancing social-protection measures and programs**, with a focus on people living in vulnerable situations, of whom large shares depend on the agriculture and food sector for their livelihoods. This includes emergency food assistance and safety nets, cash and in-kind transfer programmes as appropriate, local procurement schemes and school feeding programmes as relevant, mother and child nutrition programmes, food banks, to the extent possible based on locally produced biodiverse food and local food culture, and other interventions focused on informal sector workers, with particular attention to effective action for gender equality, youth, persons with disabilities and people in vulnerable situations, which builds agency and empowerment. In this context, we welcome relevant efforts and initiatives by all stakeholders working on social protection, including technical and financial resources mobilization, as well as the work of WFP, together with other partners, towards the development of a global coalition for school feeding.



**6. Increasing catalytic investments** for food security, nutrition, and sustainable food systems and territorial development, as part of the substantial COVID-19 emergency funding and longer-term national recovery plans and packages, in a manner consistent with WTO obligations and taking into account the voluntary Committee on World Food Security (CFS) Principles for Responsible Investment in Agriculture and Food Systems. All relevant actors across the international financial architecture and financial ecosystem need to play a role, in line with respective mandates, in improving availability of and access to sustainable finance in the food and agriculture sector to effectively enable small scale and family farmers and fisherfolk, pastoralists, agro-enterprises, cooperatives and other operators within food value chains to invest more in sustainable food systems, particularly in developing and least developed countries. Public policies and resources such as procurement and public development banks' funds can help to address market failures and provide greater risk tolerance than what other financial institutions can, thus also stimulating responsible private investment and blended finance to: improve food security and nutrition and efficiency in food value chains; increase smallholders', family farmers' and fisher folks' productivity, capacity, managerial capital, accessibility to markets, incomes and resilience; support young entrepreneurs and decent work opportunities and conditions; as well as promote innovation in technologies and practices to promote sustainable food systems. In this regard, we welcome the establishment of a "Finance in Common" Working Group on Financing Sustainable Food Systems, led by IFAD, that gathers public development banks, and we recognize the critical role of the private sector to support public efforts to improve agri-food systems and emphasize the importance of accelerating digital transformation and innovation, with appropriate protection of intellectual property rights and data privacy consistent with national and international legal frameworks as well as the voluntary transfer of technologies on mutually agreed terms, in sustainable and resilient agriculture.

**7. Accelerating the adaptation of agriculture and food systems to climate change**, as increased climate variability and extreme weather events impact agriculture output and are among the forces driving the rise in global hunger, while recognizing the importance of sustainable agriculture. This includes, without limiting to, policies fostering territorial and gender sensitive adaptation, promoting more integrated farming systems, climate sensitive, agro-ecological and other innovative approaches as appropriate, supporting biodiversity as a source of climate resilience, fast-tracking the implementation of the



agriculture and food-systems related parts of adaptation plans, as well as promoting effective funding from climate finance to foster climate adaptation in the food and agriculture sector of developing countries in the light of different national circumstances. This also requires better understanding and managing of climate risks, leveraging the power of the private sector and of local national and international agriculture research organisations and knowledge institutes, as well as focusing on sustainable management and use of natural resources that are essential to food systems.

**8. Keeping international food trade open and strengthening global, regional and local diversified value chains for safe, fresh and nutritious food.** It is crucial to maintain global food trade open, and to keep food markets functioning. We highlight the importance of an open, transparent, predictable and non-discriminatory multilateral trading system, consistent with World Trade Organization (WTO) rules, to enhance market predictability, and allow agri-food trade to flow so as to contribute to food security and nutrition. International trade is crucial to ensure access to inputs, goods and services to produce safe, nutritious and affordable food. We will continue to guard against any unjustified restrictive and distortive measures that could lead to excessive food price volatility in international markets and threaten the food security and nutrition of large proportions of the world population, especially the most vulnerable living in environments of low food security. Policies, research and investments should also focus on: protecting the interests of small and marginal farmers especially in developing countries; improving inter-regional logistics and distributional systems along with better linkages between rural and urban areas; strengthening local food economies resilience to external shocks; improving handling, storage, processing and preservation to enhance value chain efficiency and resilience, reduce post-harvest losses, food loss and waste and ensure food safety; and increasing availability, accessibility and affordability of nutritious foods.

**9. Promoting a science-based holistic One Health approach,** by integrating it into national policies and international action as part of our collaboration, so to improve public health outcomes with a multi-sectoral response to address food safety risks, risks from zoonoses, and other health risks at the human-animal-ecosystem interface, and to provide guidance on how to reduce these risks. In recognizing that the health of people and planet is inseparable, and in particular the various linkages between food systems and the health of humans, animals and the environment, and using a science and evidence



based approach and identifying those factors that can be properly managed to optimize impact and manage risk, epidemics and other threats to food security can be mitigated. Such an approach supports interdisciplinary and cross-sectoral collaboration and strategies that contribute not only to preventing (zoonotic) disease and the emergence of Antimicrobial Resistance (AMR) but also to sustainable development and global food security. In this context, we welcome the One Health High-Level Expert Panel, recently established by FAO, OIE, WHO and UNEP, which could provide guidance to design these strategies and assistance in implementing them.

10. **We commit to strengthen our collective efforts to implement this call to a global mobilization**, in coordination with the G20 Ministers of Agriculture and existing initiatives and leveraging international processes such as the upcoming Tokyo Nutrition for Growth Summit, COP26, WTO 12th Ministerial Conference and UN Biodiversity Conference in Kunming, and the UN Food System Summit that has the potential to improve the sustainability of food systems. We will explore a broad suite of existing mechanisms and funding channels to achieve the priorities of the Matera Declaration, including operational multilateral initiatives, such as the Global Agriculture and Food Security Program, the G20 Rural Youth Employment Initiative, and the Global Network against Food Crisis, and international cooperation, technical assistance and donor development assistance programs. We encourage partners and stakeholders to collaborate with or join the Food Coalition launched by FAO whose goal is to build a global alliance to trigger coordinated action in response to COVID-19, with a focus on the thematic priorities identified in this Matera Declaration around food security, nutrition and food systems, and to mobilize political, financial, policy and technical support based on needs and demands of developing countries, with a focus on smallholder farmers, women and youth. As a light and flexible collaboration mechanism, the Food Coalition should provide for its members leadership to raise awareness on food security, nutrition and sustainable food systems, and promote, on a voluntary basis, operational coordination of responses to country and regional needs and priorities: horizontally across thematic areas, and vertically from local to global, including among all relevant UN agencies and International Organisations; thus also facilitating innovative multi-actor and multi-country initiatives such as to implement the One Health Approach and the voluntary CFS Guidelines and policy recommendations as appropriate.



## DECLARATION OF THE G20 HEALTH MINISTERS

Rome | 5-6 September 2021

### Preamble

1. We, the G20 Health Ministers, met in Rome, Italy, on 5 and 6 September, to promote strong multilateral cooperation, including towards ending the COVID-19 pandemic and supporting recovery, and to continue contributing with our joint efforts to better prevent, detect and respond to global health risks and emergencies.
2. Building on the Rome Declaration's (Global Health Summit, 21 May 2021) spirit and voluntary principles, we reaffirm our commitment to global solidarity, equity, and a multilateral approach; to effective governance, including by supporting the leading and coordinating role of WHO in the COVID-19 response and the broader global health agenda; to put people at the center of preparedness and to strengthen our collective preparedness to prevent, detect, report, and respond to health emergencies and notably promoting resilience of health systems and communities; to create trust by exchanging reliable information, data and scientific knowledge in a timely manner to develop science- and evidence-informed policies, measures and tools; and to sustain financial support and economic recovery in order to achieve full implementation of the 2019 Political Declaration on Universal Health Coverage (UHC). Ensuring a comprehensive, timely and robust international response to the COVID-19 pandemic, that includes transitioning investments and lessons learned into long-term capacity, is key for a strong, sustainable and inclusive recovery, building up resilience to future health shocks to health systems and addressing people's needs by focusing on the three broad, interconnected pillars of action of the 2021 G20 Italian Presidency: People, Planet and Prosperity.
3. The COVID-19 pandemic continues to have profound impacts on human health worldwide, causing a severe death toll, and has revealed weaknesses in health systems and services, information and education. It has disrupted peoples' livelihoods, increased food insecurity and malnutrition, shaken our economies, hampered international travel and trade, and exacerbated existing inequalities and inequities among and within countries, driving increased levels of poverty, hunger, morbidity and mortality. The pandemic is affecting mental health and well-being, due to isolation, rising unemployment, food insecurity, increased violence against women and girls and constrained access to education as well as health services including sexual and reproductive health. The pandemic and its socio-economic consequences have a disproportionately heavy impact on women and girls, older persons, persons with disabilities, young people, children, as well as the poorest and most vulnerable.



4. The pandemic has triggered major risks to the achievement of 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs). We consider progress towards the SDG achievement an important benchmark as we look to shape a more inclusive, gender-sensitive response for a resilient and sustainable future, in which communities in situations of vulnerability should be empowered to overcome the long-term negative impacts of this pandemic and of similar effects from future pandemics.
5. We call for continuity of concerted action towards a whole-of-government and whole-of-society response through good governance of health systems and immediate and medium-to-long term multi-sectoral actions on the social, economic and environmental determinants of health, in every country, to strengthen prevention, detection, preparedness and response capacities, through a health-in-all policies approach. Urgent coordination is needed to strengthen health systems, foster social well-being and community trust by implementing high-impact policies to protect people's health by working across all sectors for a "transformative resilience" approach. Principles of sustainability, inclusiveness, holistic vision, transparency, accountability, foresight and equality and equity must be at the center of a governance transformation of health. Within this context, linkages between human and animal health, the effects across One Health related to antimicrobial resistance (AMR), food systems, and environmental health, including climate change, ecosystem degradation, increased encroachment into natural systems and loss of biodiversity should be addressed through the One Health approach, leveraging and relying upon the technical leadership and coordinating role of the WHO, FAO, OIE and UNEP. The COVID-19 response and recovery efforts offer an opportunity to move in this direction, in order to ensure healthy lives and promote well-being for all.
6. We intend to reinforce the global health architecture and governance based on a shared vision aiming at addressing challenges and at strengthening health systems and partnership for global health emergencies preparedness and response capacities, emphasizing the leading and coordinating role of the WHO on international health work in close collaboration with relevant stakeholders. We note the discussions in the context of the ongoing WHO Member States process to discuss strengthening health emergencies preparedness and response, and a possible international instrument or agreement. We look forward to the findings and proposals of the Special Session of the World Health Assembly in November 2021. WHO should be adequately, sustainably and predictably funded by its Member States to fulfil its mandate and live up to their expectations towards the WHO. This also applies to all other donors that contribute to WHO funding. We support science-based, inclusive of broad expertise, transparent, and timely processes, free from politicization or interference, to strengthen international capabilities to better understand the emergence of novel pathogens and to help prevent future pandemics. We aim to reduce disparities in health, commit to achieving progress on SDGs following equity-based and people-centered approaches to health systems. We will foster innovative gender-responsive approaches using digital technologies and other innovations, in a way that protects personal health data, to improve access, monitoring and real-time support, and to provide better quality, more personalized, and specialized health services to promote prevention and able to diagnose and treat patients accurately and in a timely manner, as diagnosis is one of the cornerstones of providing safe, efficient, and effective care.



7. As our Leaders committed to in Riyadh, and reinforced at the Global Health Summit in Rome, we will work towards enhancing timely, equitable and global access to safe, affordable and effective COVID-19 vaccines, therapeutics and diagnostics (VTDs). In line with the WHO, we support the goal to vaccinate at least 40% by the end of 2021 of the global population. We reaffirm our Leaders' commitment at the Global Health Summit to strengthen local and regional manufacturing capacity, develop regional regulatory capacity and promote minimum standards for medical products quality. We support collaborative efforts in this respect, especially the Access to COVID-19 Tools Accelerator (ACT-A) and its COVAX Facility, including strengthening the Health Systems Connector and other relevant initiatives, and call on partners to support closing the ACT-A funding gap, in order to help it fulfil its mandate and potentially extend this mandate into 2022. We need to also share more doses to meet the immediate need for safe, effective and quality and affordable vaccines building upon the commitments made at the COVAX AMC Summit. The COVID-19 pandemic and the threat of rapid spread of communicable diseases must unite countries in urgent, transformative and collaborative action for rapid research, development, evaluation, production and equitable distribution of VTDs and pandemic-related products, such as personal protective equipment. We need to continue supporting the work of key partners such as WHO, Unitaid and the Medicines Patent Pool to facilitate voluntary technology transfers on mutually agreed terms, market shaping and increase local production capacities worldwide and important global research and innovation initiatives such as the Coalition for Epidemic Preparedness Innovations (CEPI) and the "Global Research Collaboration for Infectious Disease Preparedness (GloPID-R)". We welcome development of sustainable and transparent mechanisms, critical to promote rapid and equitable distribution wide accessibility and affordability and effective use of these essential resources.
8. We identified key actions by focusing on the following four priority areas: healthy and sustainable recovery; building One Health resilience; coordinated and collaborative response; and accessible vaccines, therapeutics and diagnostics.

### **HEALTHY AND SUSTAINABLE RECOVERY**

9. We recognise the highly damaging health, social and economic impacts of the pandemic on progress towards achieving the SDGs. We take note of the analysis from the OECD and WHO in the Position Paper on Healthy and Sustainable Recovery produced by the Italian Presidency, which shows how hard-won gains in progress towards the SDGs are being reversed by the impacts of COVID-19 and we will consider the best practices and recommendations it provides. We are determined to accelerate that progress on the health-related SDGs to ensure that the world is better prepared to prevent, detect and respond to future health emergencies. We reaffirm our commitment to achieving the health-related SDG targets, in particular to advancing health for all through UHC, and promoting full implementation of, monitoring of, and compliance with the International Health Regulations 2005 (IHR), which together will improve resilience and global health outcomes. Recognizing the interdependence of all dimensions of the 2030 Agenda, we also reaffirm the importance of achieving progress towards all SDGs, for People, Planet, Prosperity, Peace and Partnership.
10. We affirm, with a view to the social determinants of health, our commitment to respect the right of all persons to the enjoyment of the highest attainable standards of physical and mental health, and to promote safe and respectful



maternal, new-born, child and adolescent health services, free from discrimination, coercion, exploitation, abuse and violence, with a gender-sensitive response, to build on the ICPD Programme of Action and the Platform for Action of the Beijing Declaration and the outcomes of their review conferences. Aligning with the recent WHO-UNICEF "Statement on the 40th anniversary of the International Code of Marketing Breastmilk Substitutes" we welcome the 40th anniversary milestone as an opportunity to celebrate the progress made in promoting and supporting breastfeeding but also a reminder of the work still to be done. A shared effort and responsibility are needed to recover from the impact of COVID-19 pandemic and continue progress with the aim of improving breastfeeding rates, and call to create an enabling environment that allows women to be informed of their options and supported throughout the entire breastfeeding experience. We also recognize the importance of mainstreaming a gender perspective when designing and implementing health policies, considering the specific needs of women and girls, with a view to achieving gender equality in health systems delivery.

11. We commit to promoting a healthy and sustainable recovery which builds towards achieving and sustaining UHC by strengthening public health and focusing on primary health care, a vital front line and crucial link to the wider health system, and tackling the impact of the social, economic and environmental determinants of health. We recognise the need to adopt a renewed long-term vision embedding the achievement of UHC as the overarching goal of the health-related SDGs, including by paying attention to healthy ageing and dementia, in continuity with the G20 Health Ministers' Declaration 2019, Okayama, Japan. As we work to strengthen our health systems, making them more inclusive and resilient, we are committed to sharing our experience as widely as possible to ensure that countries will be able to learn from one another's experiences, including successes and challenges.
12. We acknowledge that non-communicable diseases such as cancer, cardiovascular disease, chronic respiratory disease, and diabetes may increase the risk of severity and death from COVID-19. Recalling the G20 Health Ministers' Declaration 2018, issued in Mar del Plata, Argentina, we recommend taking inter-sectoral action to promote active and healthy lifestyles, including physical activity for the benefit of all people throughout their life course alongside improving access to safe and healthy diets and sustainable food systems, in line with the UN Decade of Action on Nutrition, protecting human health and the environment, improving resilience to health emergencies. We will also continue efforts to end malnutrition in all its forms (SDG 2.2), welcoming the Tokyo Nutrition for Growth Summit later this year, and tackling the prevention and control of non-communicable diseases (NCDs; SDG 3.4) and supporting the WHO Global Action Plan for the Prevention and Control of noncommunicable diseases, 2013-2030. Therefore, we call on WHO and other signatory agencies of the Global Action Plan for healthy lives and wellbeing for all to further strengthen their commitment to working together to effectively address public health challenges and to meet the goal of leaving no one behind.
13. We recognize that important advantages are gained by further integrating digital health, including through: improving health information systems and information exchanges in a way that respects patient privacy; enhancing data analysis and reporting mechanisms; by encouraging and supporting the interoperability of digital health tools; by reinforcing the adequate training of the health workforce to strengthen health system capacity and investing more in improving health literacy to address the epidemiological vulnerability created by health and social inequities and



inequalities and for supporting equitable access to health services for all people throughout the life course. We acknowledge the designation by WHO of 2021 as the “International Year of Health and Care Workers” and that 70% of health care workers are women and the importance to eliminate all forms of violence against women and girls. We will strive for improving the quality of care, including patient safety through the achievement of a people-centered, gender-responsive and more resilient value-based health system. We reiterate our commitment to promote the work started under the Saudi G20 Presidency, in co-operation with relevant international organisations and strengthen our engagement with the Global Innovation Hub for Improving Value in Health.

14. We need to take action to assess existing and explore potential additional catalytic, sustainable, flexible and predictable financing with accountability systems to support longer-term preparedness, resilient public health systems, and to rapidly surge response to health emergencies; underlining that health expenditures should be regarded as an investment rather than a cost and that active prevention is, apart from avoiding human suffering, the most cost-efficient approach by far. We should therefore prioritise investment in public health systems and health services to drive and protect progress on SDG3 and the health-related SDGs. We recognize the crucial and leadership role of the WHO in this regard and the need for transparency, accountability, and effective oversight, sustainable financing and governance of the global health architecture. We welcome the efforts by the G20 Development Working Group with the support of the OECD and UNDP to promote enhanced mobilization, alignment and impact of financing for the SDGs, of all sources of finance, including private and public resources in support of Low- and Middle-Income Countries (LMICs). We recall the commitment of G20 Finance Ministers in July to work together and with International Financial Institutions (IFIs) and relevant partners, in particular the WHO, to develop proposals for sustainable financing to strengthen future pandemic preparedness and response, and to improve international governance and coordination between global health and finance policy makers. We look forward to the work of experts from our Ministries of Finance and Health to follow up with possible proposals to be presented at the G20 Joint Finance and Health Ministers’ meeting in October. We will work, on a voluntary basis, towards increasing transparency, accountability, and oversight on global health and health security financing.
15. We also acknowledge that the COVID-19 pandemic has had significant impacts on mental health and substance use, and has underscored gaps in our mental health systems. A dedicated effort is needed to increase the capacity of and improve access to mental health services, in particular in times of health emergencies and crises and raise the access to and quality of care. In line with the WHO Comprehensive Mental Health Action Plan 2013-2030, recently endorsed at the 74th World Health Assembly, we will seek to integrate mental health into our broader health systems and promote equitable access to mental health services and psychosocial supports as part of pandemic response and economic recovery efforts. We would like to thank the Italian Presidency for the Mental Health Side Event, which offered a unique and timely opportunity to share and discuss the lessons learnt during the pandemic, and take note the Policy Paper and the key recommendations for the G20 countries to strengthen mental health as a crucial element of the COVID-19 response and recovery. We also welcome the upcoming 3rd Global Ministerial Mental Health Summit, organized in Paris on 5 and 6 October 2021, with the support of the WHO.



## **BUILDING ONE HEALTH RESILIENCE**

16. We call for collaborative multisectoral action to increase surveillance, strengthen prevention, preparedness and response for improved health outcomes and enhanced well-being for all, sustainable food systems, water and sanitation, and environmental protection. We highlight the need to build a strong, trans-disciplinary, holistic One Health approach with political commitment for long-term investment. This would enable us to strengthen and support resilient and sustainable health, social protection and food systems, and to address risks emerging from the human-animal-environment interface, leveraging the technical leadership and coordinating role of the WHO, FAO, OIE and UNEP. We will consider identifying key actions and calling upon relevant international organisations, partners in the health and private sectors, civil society, academia, philanthropic and research institutions to follow through on these actions.
17. We commit to improving rapid and transparent research, data, information and material access and sharing, in line with applicable laws and regulations at the national and international levels, necessary to prevent, detect, and respond to future potential health emergencies, and collectively resolve to strengthen research initiatives to better understand the links between human, animal (both domestic and wild) and environmental health, to enhance decision making based on solid scientific evidence; improving systems for the coordinated surveillance of zoonotic pathogens, AMR and environmental risks through cross-sectoral data integration on the national, regional and global level; establishing early warning systems for communicable diseases, including zoonotic disease with pandemic potential and emergence of AMR by integrating data from across human, animal and the environmental sectors, as appropriate and feasible, with attention to digital transformation for enhanced governance and building off existing effective platforms; strengthening human, animal and plant laboratory policy frameworks that increase regional diagnostic capacity, including genomic sequencing and genomic data sharing, taking into account relevant national and international laws, and international collaboration. We support the use of innovative technologies to increase national, regional, and global capacity for detecting these threats, including for bioinformatics technologies for standardized and rapid processing of genomic sequence pipelines.
18. We welcome the role of the WHO and Member States to assist countries to strengthen their core public health capacities for disease surveillance and response; and we take note of creation of the One Health High Level Expert Panel (involving WHO, FAO, OIE, and UNEP); and of the Independent Panel on Evidence for Action against AMR, being established by FAO, OIE, and WHO; the WHO's Global Hub for Pandemic and Epidemic Intelligence. We welcome the update provided by the WHO on its work to establish an international pathogen surveillance network which, alongside other centres, will enable detection of variants of concern and future pathogen threats. We look forward to the United Nations Food Systems Summit to take place in September 2021, the United Nations Biodiversity Conference 15th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP 15) taking place in October 2021, and the 26th United Nations Climate Change Conference of the Parties (COP 26) taking place in November 2021 as well as the final report of the One Health Initiative Scope Study in March/April 2022.
19. We commit to operationalizing the One Health approach at all levels, and collectively supporting the development by the WHO, OIE, FAO and UNEP of a common strategy, including a joint workplan on One Health to improve prevention,



monitoring, detection, control and containment of zoonotic disease outbreaks (as in WHA74.7 resolution, 31 May 2021), with a joint vision and commitment to advancing collective action on One Health implementation, linked to related SDG targets; promoting multi-sectoral initiatives at appropriate local, national, regional, and international levels, sharing experiences and lessons learned in One Health implementation; supporting the development of joint capacity building initiatives and tools from international organizations related to One Health; improving preparedness through full IHR implementation and compliance, through cooperation and the development of core capacities, noting the role of relevant international organisations in that regard and encourage new public health guidance on international travel by air or sea, including cruise ships, based on the principles of inclusivity and non-discrimination. We aim to explore solutions, mobilize resources, raise awareness and look to funding from all sources, including existing national and international, to support the implementation of the One Health approach. We take note of the Call to Action on building One Health resilience developed by the Italian Presidency in collaboration with WHO, OIE, FAO and UNEP.

20. Noting the significant impact that AMR stands to have on the attainment of the SDGs, there is a need for continued actions to tackle AMR in line with initiatives supported by previous G20 presidencies and consider more strongly the environmental dimensions of AMR. We reaffirm our high-level commitment to build capacities for national, regional and global interoperable early warning information and surveillance of AMR and antimicrobial use, to strengthen the One Health approach, to support the implementation of infection prevention and control (IPC) measures, including through water, sanitation and hygiene (WASH), as well as the prudent use of antimicrobials in humans, animals and plants through multilateral initiatives such as the Multi-Partner Trust Fund on AMR. Effective new technologies addressing AMR, including treatments, diagnostics and vaccines, as well as promoting access to existing, quality assured, essential antimicrobials, will be a central component in securing a resilient future, for our communities, human, animal health systems, the environment and economies. We therefore commit to continue our support for the development of new safe and effective antimicrobials, in particular antibiotics, and strive for sustained and reliable of supply and sustainable production of existing antimicrobials, by incentivizing the production of affordable generic antimicrobials and advancing appropriate usage/antimicrobial stewardship principles, to fight infections and preserve antimicrobial efficacy, strongly endorsed by the G20. As multidrug-resistant tuberculosis (MDR-TB) is estimated to account for one-third of all AMR-related deaths globally, sustainable and robust resources for TB R&D are needed in order to address the challenges of developing new tools and delivering on previous commitments from the G20 and the UN HLM on TB, AMR and UHC. We highlight the necessity for a rapid, articulated, multisectoral response, and the need to strengthen national TB strategies, as appropriate, with robust funding and technical cooperation, including to achieve the global goal of ending TB.
21. We will continue to encourage strong collaboration between the members of the Tripartite and UNEP as well as the implementation of the Global Action Plan on Antimicrobial Resistance, FAO Action Plan on AMR, and the OIE Strategy on AMR and the Prudent Use of Antimicrobials, as well as the work of the Codex Alimentarius Intergovernmental Task Force on AMR, recognizing the different contexts and realities of countries, to accelerate actions against AMR at all levels. We also aim to promote collaboration on research and development, which may include through the work started under the German G20 Presidency, by strengthening the engagement with the Global AMR R&D Hub and



leveraging its expertise across the One Health. We welcome the establishment of the Global Leaders Group on AMR to strengthen accountability and international cooperation structures and the Call to Action on Antimicrobial Resistance put forward at the United Nations High Level Interactive Dialogue on AMR in April - 2021.

### **COORDINATED AND COLLABORATIVE RESPONSE**

22. The COVID-19 pandemic has highlighted the importance of investing in and protecting an adequate and well-trained health workforce and community-based health services, addressing a global shortage, increasing productive capacities to meet needs in the face of health risks and emergencies as well as insufficient human resource capacity at national and local levels. We take note of the analysis provided by the Presidency in collaboration with the WHO and OECD in the Briefing Paper on coordinated and collaborative response on how to address the gaps and shortages highlighted by the pandemic focusing on digital transformation, strengthening supply chains and the health workforce. We aim to support multilateral mechanisms, such as the WHO, to facilitate assistance and response capacities. We reaffirm the Global Health Summit commitment to investing in the worldwide health and care workforce, to bring about the triple dividend of better health, acceleration of development, and advancements in social inclusion and gender equality, by developing mutually recognised competencies through education and training. We recognize the key and central role of the health workforce.
23. In line with the resolutions adopted by the 74th World Health Assembly on 'Strengthening WHO preparedness for and response to health emergencies' (WHA74.7) and 'Protecting, safeguarding and investing in the health and care workforce' (WHA74.14), G20 members should expand and transform the recruitment, development, education, training, distribution, retention and financing of the health and care workforce. We will invest in human resources for health and in health and care workforce readiness, education, training, skills and competencies, and build capacities for health preparedness and response, including through WHO's Global Outbreak Alert and Response Network (GOARN), pre-service education and lifelong learning. We will work in partnership with WHO and the crucial role of the WHO Academy, which is also committed to develop One Health learning opportunities in conjunction with the OIE Training Platform and other potential partners, as well as other relevant training centres. In addition, we will contribute to the Member State led process to shape the 2022-2030 action plan for the ILO/OECD/WHO Working for Health programme and, as appropriate, work to ensure it is adequately resourced through its UN multi-partner trust fund. We recognize the importance of a pool of multi-disciplinary teams to facilitate assistance and response capacities nationally, regionally and internationally by expanding and strengthening national training programmes, with initiatives such as the Public Health Workforce Laboratorium for improving training in prevention, preparedness, and response to health - proposed by the G20 Italian Presidency.
24. The rapid spread of SARS-CoV-2 in 2020 and the high proportion of cases requiring medical care led to an unparalleled surge in demand for certain medicines, medical devices and medical consumables. We recognize the urgent need to address vulnerabilities and to eliminate WTO-inconsistent barriers that jeopardize the effective operation of the supply chains for essential medical goods, which have been exposed by the pandemic, and we highlight the need to strengthen their resilience to respond to future emergencies. It is important to promote open, resilient, diversified, secure, efficient and reliable global supply chains across the whole value chain related to health,



and that trade, procurement and public health policies are transparent in order to facilitate the smooth flow of these goods. By also acknowledging the importance of avoiding undue impediments to the supply of medical countermeasures, G20 members should promote international collaboration, including with the support of relevant IOs and other stakeholders, to identify and address vulnerabilities as well as enhance resilience and rapid scalability of the supply chain at a global level in a coordinated manner, and support expanding local and regional health goods manufacturing capacities.

25. The COVID-19 pandemic has exposed frailties in the functions of health care systems and preventive care. People exposed to vulnerabilities, including those living with chronic conditions, older people and those living in long-term care, are more susceptible to complications and death from COVID-19. They have also faced significant indirect health impacts as countries have seen disruption in routine and essential health services to manage surges in COVID-19 cases. This underlines the need to strengthen primary health care services and routine immunisation, essential for prevention, and to ensure the continuity of non-COVID-19 community-based health services as well as the need to strengthen health systems' capacities and resilience to withstand health emergencies.

26. Sustainable, flexible and agile funding systems for health emergencies are essential elements of pandemic prevention, preparedness and response and potential funding should add and complement rather than substitute existing streams for other development goals. The G20 High Level Independent Panel on Financing the Global Commons for Pandemic Preparedness and Response has reported to G20 Finance Ministers and Central Bank Governors in July, and will put forward concrete recommendations to be better prepared for future health threats to be considered at the G20 Joint Finance and Health Ministers' meeting in October. Similarly, the Independent Panel for Pandemic Preparedness and Response (IPPPR) and the Pan-European Commission on Health and Sustainable Development recommended raising new international financing for pandemic preparedness and response. We invite the multilateral organisations, including Multilateral Development Banks, international partners and country authorities to continue working together to strengthen financial support for LICs and LMICs, in order to accelerate transparent and accountable country-level preparedness, which should be coherent with the public health approach embodied by WHO.

### **ACCESSIBLE VACCINES, THERAPEUTICS AND DIAGNOSTICS**

27. Universal Health Coverage (UHC) is critically important in building resilient health systems and promoting more inclusive and fairer societies. We recall our commitment to achieve UHC, including financial risk protection, access to quality essential health services and disease prevention programs, and access to safe, effective, quality and affordable essential medicines and vaccines for all.

28. We encourage a collaborative effort to develop common global strategies to support research, development, and equitable distribution of vaccines, therapeutics – including, but not limited to, medical oxygen - and diagnostics, taking into consideration the ongoing WHO Member State process to examine strengthening health emergencies preparedness and response. Therapeutics are a vital part of the COVID-19 response, and we should closely work together to develop COVID-19 therapeutics and make them accessible and ensure work towards their equitable



distribution for a broader population, including those not yet vaccinated, and people in vulnerable situations, particularly migrants and refugees. High quality, adequately sized clinical trials are the primary way to generate actionable evidence, informing which vaccines and therapeutics are safe and effective. We will support science to shorten the cycle for the development of safe and effective vaccines, treatments and tests from 300 to 100 days. Testing is a critical enabler of UHC and the detection and timely response to emerging health risks rely on effective, reliable and sustainable diagnostic surveillance systems, including genome sequencing capacity and rapid data and sample sharing, in accordance with national legislation and international instruments. The role of communities, political leaders, and international organizations, consistent with their mandates, is crucial to ensure that collaboration and equitable access are genuine cornerstone of our commitment for a better, safer, healthier, and more equitable world.

29. As our Leaders committed to in Riyadh, and reinforced at the Global Health Summit in Rome, we recognise the extensive COVID-19 immunisation as a global public good and our commitment for all collaborative efforts in this respect. We reiterate our support to strengthen the resilience of supply chains, to increase and diversify global, local and regional vaccine manufacturing capacity, and building expertise for LMICs, including for the raw materials needed to produce vaccines and welcome the COVID-19 mRNA vaccine technology transfer hub launched by the WHO. We recall in this regard the Charter for Equitable Access to COVID-19 Tools.
30. We note the intermediate strategic review as a basis for recommendations to adapt and enhance the future work of ACT-A and the possible extension of its current mandate to the end of 2022. We acknowledge the formation of the task force by the World Bank (WB), WHO, International Monetary Fund (IMF), and WTO on COVID-19 vaccines, therapeutics and diagnostics for developing countries. We reaffirm our Leaders' support at the Global Health Summit for the global sharing of safe, effective, quality and affordable vaccine doses including working with the ACT-A vaccines pillar (COVAX) co-lead by CEPI, Gavi and WHO. The COVAX Vaccine Manufacturing Task Force and the COVID-19 Technology Access Pool (C-TAP) are working towards enhancing availability and access to VTDs for many countries. We welcome the outcomes of the COVAX Advanced Market Commitment (AMC) Summit co-hosted by Japan and Gavi, which include mobilizing and exceeding the targeted resources to ensure the 1.8 billion doses needed to cover nearly 30% of the population of AMC eligible economies, and dose-sharing commitments, and urge additional support for vaccine production, necessary supplies, other delivery and distribution needs, and vaccination support. We support the establishment of the COVAX Humanitarian Buffer and the commitment by Gavi/COVAX to allocate up to 5% of the doses for this purpose. We recognize the need to complement vaccine supply with financing for vaccine absorption and delivery, and surge capacity of resources to deploy these vaccines.
31. We call to reinforce health systems by maintaining resilient routine vaccination programs to prevent large outbreaks of other serious vaccine-preventable diseases. We note the critical role that adaptable surveillance capacity, like that found in the Global Polio Eradication Initiative, has in the ability to reach vulnerable communities to prevent and respond to pandemics. Extensive immunisation is a measure that can help prevent high out-of-pocket health expenditures and minimise risks to public health from more transmissible and severe variants, and should be considered as a global public good. We call to ensure that investments in delivery of vaccines and other tools to



respond to the pandemic are deployed in ways that sustain the strength of health systems long-term. We acknowledge that inequitable access to VTDs will extend the length of this pandemic, the devastating impact on children, communities and particularly for those in vulnerable situations and that robust and transparent support at the highest level to research and development (R&D), innovation, production, distribution and financing to procure new tools, will be able to accelerate and achieve the paradigm change that is needed to quickly facilitate access to all effective tools to prepare for future global pandemics. We emphasize the need to continue investing in locally and regionally-distributed, sustainable and scalable production capacity for the long term, aimed at improving the quality, safety, efficacy of affordable VTDs, including those thermostable, in order for countries where the cold chain represents a challenge to build resilience towards health risks.

32. We underline the need to promote vaccine confidence, by implementing the most effective, culturally appropriate, and science-based public communication and listening strategies tailored to the context of communities at the local level, to combatting misinformation and disinformation, and instilling trust in public institutions and experts. We also emphasize the need to consider research activities in the field of vaccine confidence, monitoring trends and analysing determinants to help guide public health policies and communications through evidence-based strategies at multiple levels of intervention. We take into account the importance of vaccination administration schedules, supported by scientific evidence, including the possibility of extended and mixed dose schedules.
33. In this regard, while reminding the central role of WHO, we note the essential role of the Global Fund to Fight AIDS, TB and Malaria, in its 20th anniversary, in the global response to COVID-19, as well as its sustained investments in health systems strengthening to combat existing and future pandemics. We will also strengthen our efforts to address communicable diseases, including HIV/AIDS, tuberculosis, malaria and hepatitis as part of universal health coverage and to mitigate the impacts of COVID-19, ensuring that the fragile gains are sustained and expanded. We reaffirm our commitment to eradicate polio. Given the accelerated development of new diagnostics tools and the scale of testing needed for COVID-19, the introduction of testing innovation/capabilities should be used for TB and HIV, particularly in LMICs. We need to continue to support capacity building for all governments, especially in Africa, in need of support to strengthen their health systems and provide high quality services for Neglected Tropical Diseases (NTDs). Controlling NTDs can help curb other future health threats and community-based interventions contribute to ensuring that no one is left behind.