



INDIA'S G20 PRESIDENCY: CHALLENGES AND OPPORTUNITIES

Prof. Sachin G. Warwantkar

Assistant Professor & HOD,
Department of Political Science,
D.K.V. Arts & Science College, Jamnagar - 361008
Mobile: 9974402839
Email: sachinwarwantkar@gmail.com

ABSTRACT

In today's world international relations are increasingly becoming more like domestic politics. Once states become signatories to the international treaties and conventions, they have significant influence on their policy decisions. If you do not have a prominent or influential role in shaping these international laws and agreements, you are liable to be exploited or cheated by other powerful countries. In the backdrop of the above, India's G20 Presidency is an important event which is the world's most influential economic multilateral, agenda-setting forum. G 20 plays an important role in shaping and strengthening the global financial architecture. The G20 Presidency offers India an opportunity to become the voice of the Global South, that is otherwise under-represented in such forums. India can use the G20 process for achieving a stable, inclusive and representative global economic and financial system.

Keywords: India's G20 Presidency, Global financial architecture, Agenda setting forum

INTRODUCTION: THE CHANGING NATURE OF INTERNATIONAL RELATIONS:

The origin of the concept of modern "nation-state" can be traced back-to the Treaty of Westphalia in 1648, when the European powers formally recognized the sovereign independence of each nation-state. A simultaneous outcome of this development was the emergence of the modern international system in which the nation-state came to be treated as the most important actor.

But over a period of time, and especially after the second world war, the nature of nation-state as the only primary unit in International Relations has completely changed due to a number of external factors. Growth of supranational bodies like the United Nations the European Union, IMF, WTO, WHO and the need to find international solutions to the environment crisis are fast rendering the institution of the nation-state meaningless. Moreover, with increasing globalisation of economic life, the character of the markets has undergone radical transformation. In the changed international context, markets have become world markets, Transnational Corporations control most of the businesses, and capital is moved around the globe within a fraction of second. All this has resulted in the erosion of the power of nation-states in regulating and controlling their economic destinies. The forces of religious fundamentalism, sometimes assuming international manifestation in the form of terrorist assaults, are now shaking the pillars of state authority.

Another Important feature of today's international politics is rejection of power politics as the only possible outcome of international relations. War is no longer an option. Rather today's international politics is based on mutual benefits and international cooperation. Increased political cooperation through organisations such as the UN, as well as economic cooperation through institutions such as the WTO, the World Bank and the International Monetary Fund has today become the most distinguishing feature of IR. The belief is that people and nations share common interests and the prospects of cooperative activities among them will satisfy these interests.

Pathbreaking technological revolution in military technologies has changed the whole perception of security for the state. States are no longer invincible. They have become vulnerable preys to the latest technological discoveries of long-range cruise missiles, inter-continental ballistic missiles (ICBMs), short-range ballistic missiles (SRBMs), Multiple Independently Targetable Re-entry Vehicles (MIRVs) and a host of other improved newer weapons of mass destruction. Added to this are the dangers of biological and chemical weapons. given this nature of available weaponry, the traditional state system and security have become obsolete.

As a result, international relations are increasingly becoming more like domestic politics. Military force is fast becoming redundant and "negotiating skills" are increasingly becoming much more important.

THE BINDING NATURE OF INTERNATIONAL RELATIONS:

Another important feature of today's IR is that now international laws are more binding on the nation-states than ever before. Once states have become signatories to these international treaties and conventions, they have significant influence on the policy decisions of states and remarkably affect the sovereignty of states.

This is especially true about the Economic Sovereignty if not political Sovereignty of states that much. The 'most-favoured-nation' clause of WTO agreement, through which tariffs must be equalized to all countries, for instance, makes it impossible for a country to restrict export from any other country even if it violates its territorial integrity. Dispute settlement mechanisms of WTO as well as its regular periodical reviews of national governments' trade policies are so strict and binding on the states that you can't hide or manipulate these between two different states. So, India may be able to push back Chinese soldiers from the Galvan valley but its ability to restrict Chinese mobiles from entering Indian market is subject to the international trade agreements.

Violations of these treaties and conventions can be met with disapproval by others and in some cases severe coercive actions, ranging from diplomatic and economic sanctions to even UNSC authorised military actions.

IF YOU ARE NOT AT THE TABLE, YOU ARE ON THE MENU:

If you do not have a prominent or influential role in shaping these international laws and agreements, you are liable to be exploited or cheated by other powerful countries. In the backdrop of the above now we will discuss the importance of G20 which is the world's most influential economic multilateral forum. It is the agenda-setting forum that develops and guides rules of global economic and political governance. G20 summit is important and we all have a stake in it because diplomatic negotiations at G20 summit will set the agenda for the next WTO ministerial conferences. Joint Declarations coming out of G20 will determine emissions targets in next UN climate change conference, and meeting among the world leaders at G20 will decide the fate of reforms of UNSC in the next UN General Assembly debates. As India is the host to G20 Summit, 2023 it becomes all the more important for us to know what challenges we have got to deal with and what opportunities it offers.

G20 - INDIA'S POSITION IN THE FORUM:

If we take look at the G20 membership (G20 Map) we realise they are all 'old friends! The erstwhile Colonizers and the Colonized! The Global North and The Global South, countries of the North Atlantic Industrial Core and the so called peripheral third world or in the simple words the developed and the developing world. Even though historically India has been the part of former and the temptation of building a bloc against the developed North is irresistible, we don't want to further widen this gap. G20 presidency is an opportunity to bridge this global divide. India's Focus in G20 is on emerging as a bridge between the developing and developed world and offer sustainable economic cooperation to the Global South as well as the whole world through national, regional, and global institutions.

**G20 Member Countries****GLOBAL FINANCIAL ARCHITECTURE/GOVERNANCE - CHALLENGES & OPPORTUNITIES:**

G 20 plays an important role in shaping and strengthening the global financial architecture. The global financial architecture is basically the worldwide framework of legal agreements and institutions, that together facilitate international trade and investments.

The most important components of the global financial architecture/governance are the three international financial institutions, the International Monetary Fund (IMF), World Bank and the WTO, which were created around 1944 by developed countries under the leadership of US to basically carry out their neo-colonial designs.



These institutions were established at a time when most of the developing countries did not even exist as independent states.

Challenges (IMF):

Apparently, The IMF was established to support the monetary system by facilitating cooperation on international monetary issues, providing advisory and technical assistance to members, and offering emergency lending to nations experiencing repeated difficulties restoring the balance of payments equilibrium. But instead of this IMF, created a new exchange rate system. Under this system, nations would adjust their exchange rates to the U.S. dollar as against the previous international gold standard. This arrangement has come to be referred to as the Bretton Woods system.

After the establishment of Bretton Woods system, only US dollar is used as the medium for international trade. US dollar was the only currency used for trading oil and other commodities, forex reserves (i.e., foreign exchange reserves), bilateral trade agreements (i.e., even India and Sri Lanka will do trade in dollar) and dollar-denominated assets. All this has led to an international economic system which is favourable only to American economic interests.

As you all may be knowing US doesn't allow it if we trade import oil from Russia or Iran because these countries are its competitors. Especially, in the wake of Ukrainian War US has further tightened its sanctions. So, to avoid US sanctions and to protect its national interest India has offered Russia a new transaction system to avoid US sanctions. In March 2022, India and Russia entered for a Rupee - Rubble Trade Arrangement. The main purpose of this DE dollarisation process is to substitute US dollar as the exclusive currency used international trade and investment and put an end to Dollar Hegemony so that we can protect our own national economic interests in a much more efficient manner.

Recently this US Dollar dominance is being replaced by Chinese yuan dominance. Since 2011, China is gradually shifting from trade in US dollar in favour of Chinese yuan through its Belt and Road Initiative. It has made agreements with Australia, Russia, Japan, Brazil, and Iran to trade in national currencies and wants to further spread its economic hegemony, which is also dangerous for our own national interest as well as in the interest of overall global economic structure. Similarly, the euro is the official currency of the 27 member states of the European Union (EU) and Arab countries have their own petrodollars!

Opportunities:

Currency is like blood which runs through the entire global economic system. Like certain types of blood groups are suitable to only a certain types of blood group, currently each of these currencies, whether it is US Dollar, Chinese yuan, Russian ruble or the euro, is favourable only to one particular country or a group of countries and unfavourable to others. Whereas the need is to devise such a currency which is favourable for all, like the universal donor O-negative blood group which can be donated to all types blood group.

One of the key-foci of India's G20 agenda is to discuss strategies for global partners to adopt India's digital payment facilities such as BHIM-UPI. India is the pioneer of digital technology in payment. Taking inspiration from India's digital revolution in payment particularly member countries are very interested to adopt this technology with strong

willingness. Through its G20 presidency India along with other fellow countries of Global South can lobby for a more stable and equitable economic transaction system. India has leveraged technology to create digital public goods that are open, inclusive and inter-operable. These have delivered revolutionary progress in fields as varied as social protection, financial inclusion, and electronic payments. For all these reasons, India's experiences can provide insights for possible global solutions. During our G20 Presidency, India can present its experiences, learnings and models as possible templates for others, particularly the developing world of the global south.

Challenges (World Bank and IMF):

As mentioned earlier, The IMF and World Bank were created to give emergency lending to nations which are facing the balance of payments problems. However, these loans are given to countries on the condition that they implement certain policies Aka SAPs such as privatization, liberalizing trade and foreign investment, and balancing government deficit. Budget deficit reduction through higher taxes and lower government spending, also known as austerity. Raising the price of public services and cutting wages. Reducing government expenditure e.g., reducing government employment liberalization of inward foreign direct investment and privatisation of state enterprises.

Thus, countries completely lose their economic sovereignty. When public budgets are slashed, the primary victims are the poor people. In many cases, governments ended up spending less money on these essential services than on servicing international debts. By minimizing a government's ability to organize and regulate its internal economy, pathways are created for multinational companies to enter states and extract their resources. The result of neo-colonialism is that foreign capital is used for the exploitation rather than for the development of the less



developed parts of the world. Investment, under neo-colonialism, increases, rather than decreases, the gap between the rich and the poor countries of the world.

Opportunities:

The G20 Presidency offers India an opportunity to become the voice of the Global South, that is otherwise under-represented in such forums. Countries of Asia, Africa and Latin America trust India to speak up for them. Our G20 priorities will be shaped by the interests of the Global South.

India can put forward a set of proposals to end this economic colonialism and dependency through a truly interdependent and **New International Economic Order (NIEO)**. Proposals similar to those made in the “Declaration on the establishment of a New International Economic Order”²²:

- 1) Full sovereignty of each State over its natural resources and other economic activities necessary for development
- 2) Reregulation of transnational corporations.
- 3) Opportunities for transfer of appropriate techniques and technologies and only conditional foreign aid.
- 4) Democratization of the International Financial institutions. One of the critiques of these Bretton Woods institutions is that the highest donating countries hold too much influence over its policies and which countries receive the loans. Therefore, there is strong demand for democratization of the institutions.

WTO (Challenges and Opportunities):

Another world's largest international economic organization is the WTO with 164 member states representing over 98% of global trade and global GDP. It officially commenced operations on 1 January 1995, pursuant to the 1994 Marrakesh Agreement, thus replacing the General Agreement on Tariffs and Trade (GATT) that had been established in 1948.

The WTO makes international rules for trade in goods, services (such as Law firms, insurance companies and education etc.) and trade related aspects of intellectual property (i.e. determination of royalty to be given for scientific inventions e.g. medicinal use of turmeric etc.) among participating countries by providing a framework for negotiating trade agreements, which are signed by representatives of member governments and ratified by their legislatures and once they are ratified you can not violate them, they are of binding nature.

Challenges:

WTO's top decision-making body is the Ministerial Conference, which is composed of all member states the latest in the series being Doha Development Round, 2001. The most significant differences are between developed nations led by the European Union (EU), the United States (US), Canada, and Japan also known as The Global North (now China is also the new Global North even though geographically it is south located) and the major developing countries led and represented mainly by India, Brazil, China, and South Africa (That is the Global South).

The developed countries want free trade on industrial goods and services but retention of protectionism on farm subsidies to domestic agricultural sectors. In other words, They want developing countries to lower their tariff barriers to trade (tariff is a kind of tax or duty to be paid on imports or exports) for their manufactured goods such as electronic and digital products but when it comes to agricultural products, raw material or the products of natural resources where developing countries are in a stronger position they resort to hidden, subtle non-tariff barriers to trade such as import quotas, subsidies, customs delays, technical barriers (such as rules for valuation of goods or rules of origin 'made in' etc.).

This impasse has made it impossible to launch new WTO negotiations beyond the Doha Development Round. As a result, there have been an increasing number of bilateral free trade agreements between governments thereby side-lining the WTO process which is basically based on multilateral free trade agreements.

Opportunities:

India as the president of G20 summit can refocus the deliberations of the group for reforming the institution of WTO by pushing forward the Doha agenda. With consorted efforts with other like-minded countries India can use the G20 process for achieving a stable, inclusive and representative global economic and financial system.

વસુધૈવ કુટુંબકમ:

Finally, as we currently coping the challenges of climate action, it is obvious that we reassert our reverence for nature rooted in our culture and search for solutions that are not only material, but also behavioural. Through India's G20 presidency it would seek to encourage a rethink around the world not only on how we produce, but

²² “Declaration on the establishment of a New International Economic Order”. United Nations Digital Library. 1974. Retrieved 05 February 2023



also equally important, on how we consume. Green revolution at scale is possible only when climate action is converted into a mass movement. During our G20 Presidency, India can spotlight 'Lifestyle for Environment' (LiFE) and promote environmentally sustainable and responsible choices, at the level of not just individual lifestyles but also national development. **વસુદૈવ કુટુંબકમ** or "One Earth, One Family, One Future" is India's G20 Presidency theme. Drawing from its cultural ethos, it can assert its strong beliefs in shared and common solutions. Harmonising various interests is something that is ingrained deeply in India's DNA.