

India's G20 Summit: What Global Governance Dilemma Means for Modi's Leadership

thequint.com/opinion/indias-g20-summit-what-global-governance-dilemma-means-for-modis-leadership

February 25, 2023



The G20 finance ministers met this week in India. Prime Minister Modi called on the G20 to focus its discussions on the “most vulnerable citizens of the world” and emphasised India’s successful public digitisation models in financial technology, with examples like UPI, serving as a template for other countries to implement.

While a lot of conversations in the initial part of the meeting got eclipsed by the differences seen over the Russia-Ukraine conflict, on a day that marked one year since the invasion of Russia in Ukraine, and its effects on the global economic order, further discussions from the finance ministers’ meeting remain significant not just for the G20 countries, but also for other nations, especially low-income economies, which face an unsustainably high debt burden from the polycrisis affecting them.

Also Read

[Russia-Ukraine War: A Year On, India Must Attempt To Mediate & Prove Leadership](#)



Us and China Split Over Economic Relief Plan

Back in November 2020, the Group of 20 finance ministers in a pandemic-era fright, announced a final blueprint plan for the US, China and other relatively new creditor countries like India to cooperate on debt relief for more than 70 low-income nations, facing a collective USD 326 billion burden, agreeing to deliver it in a “timely and orderly” way.

Now, two years later, the agreement—as historic as it was, according to *Bloomberg*, now looks increasingly fragile, with debt relief emerging yet another front in an increasingly bitter geopolitical tussle between the US and China.

If the G20 finance ministers can break the deadlock, it could unlock restructurings in Sri Lanka and Zambia—those worst-affected by sovereign debt defaults, helping them with immediate aid while also renewing hope for other nations (like Ghana, Pakistan) seeking desperate debt relief measures. Else, most of these countries may fail to recover from the position they are in.

A larger concern that stems from the gridlock seen in the way G20 functions is evident from the fact how countries like Zambia, Sri Lanka, appear just as “pawns” in the global cold war seen between the West (anchored by the US) with China and much of the developing world.

At the center of the current standoff on ensuring debt relief by the G20 are Chinese demands that loans made by the World Bank and other multilateral lenders be included in any “restructuring”. That’s being driven by a dominant Chinese or anti-West view of seeing those institutions as proxies for US power. And somewhere those concerns are understandable.

In a paper written by Robert Hunter Wade almost two decades ago, Wade warned of the consequential effects of the coercive US hegemony and the fight seen in the geopolitical landscape over people and ideas, especially in the governing dynamics of most Bretton Woods Institutions like the World Bank, IMF, GATT (later WTO).

Wade made scholars of International Relations and Economic Policy observers aware, way back in the late 1990s that despite a multi-polar world seen with the rising growth and geopolitical influence of developing countries like China and India (and a greater weight of investment in the Global South), multilateralism (or multilateral cooperation) may wane and interstate conflict may increase.

A lot of which may have to do with the residual effects of American hegemonic influence.

US Hegemony over Ideas vs Interests

For context, hegemony may refer to a dominant group's ability to make others want the same thing as it wants for itself. It rests upon (1) a substantive pillar of belief that the system of rule created by the dominant group brings material and other benefits to all or most participants and that the feasible alternatives are worse, and (2) a procedural pillar of belief that the processes and procedures of the dominant system of rule are fair and appropriate and will be enforced on the dominant group as well as the subordinate group. But the requirements of (1) and (2) may undermine each other – and this is the hegemon's dilemma.

The US intervention in multilateral organisations to strengthen the substantive pillar – the organisations' commitment to the idea of mutual benefits from free markets – came at the expense of the procedural pillar, by breaking collectively legitimated rules of, for example, personnel selection or research independence; and vice versa.

It was precisely for reasons such as this that new informalised, plurilateral arrangements like the G20 more as a club, came about and were expected to manage frictions and mediate between the current interests of the developing world viz-a-viz the ideas-interests of the industrially developed Global North.

Still, what we are unfortunately seeing now is a classical multipolar governance model dilemma.

The issue of climate financing between the Global North and South, as another case in point, remains a thorn in the flesh for these nations where consensus-building has remained difficult.

Why the G20 Seems Less Legitimate and Effective Now Than Before?

There are two issues facing the G20 group as a plurilateral group: a) legitimacy, b) effectiveness.

The G20 champions do not make a distinction between efficiency and legitimacy—indeed, the word 'legitimacy' rarely pass their lips, and if pressed, they use it to mean no more than "representative" or "efficient."

They pirouette around questions about (1) the legitimacy of the process by which the twenty were selected, (2) the lack of explicit criteria for membership, (3) the principle of exclusive membership (with no rotation), and (4) the thinness of regional representation", observes Wade.

However, many states outside the G20 do question the G20's legitimacy.

For example, the Norwegian foreign minister once even described it as "one of the greatest setbacks since World War II." The UN, as the embodiment of the principle of inclusive multilateralism, was a center of resistance to the upgrading of the G20 from finance ministers level to heads-of-government level, on grounds that the G20's self-selecting, exclusive, non-rotating membership breaks a fundamental principle of liberalism—universality.

On Representation and US-Based Hegemonic Influence

Many of the G20's critics still emphasise that its composition meets no criteria that would justify the inclusion of Argentina (population 40 million) rather than, say, Colombia (46 million), or South Africa (50 million) rather than, say, Nigeria (158 million). They become incensed when they hear the G20 leaders announce from on high, as at the second summit, "We will reform [the international financial institutions'] mandates, scope, and governance."

In many scholars' reasoning, for most of its history, the finance ministers' G20 functioned toward the hegemonic incorporation end of the spectrum. All the way through, it has been standard practice for the chair country to send proposals for the meeting and the communiqué (drafted before the meeting starts) to the US government first to get its views.

Not that the United States has dominated overtly; according to Wade, its representatives have often played the strong, silent types, content to let US muscle do the talking. At most of these meetings, representatives from developing member nations tend to sit passively, contributing little to the agenda, the debate, or the communiqué.

On the Lack of Effectiveness

As per Wade, for all its ringing declarations about global leadership, the leaders' G20 has no means of enforcing its agreements.

"It decided at the first summit in 2008, in Washington, to eschew trade protection, but some of its members broke the promise as soon as they walked out the door. It decided at the same meeting to boost government spending, but almost all the programs announced

after the summit—as evidence of G20 cooperation—had already been decided on before the summit”, explains Wade.

However, in recent years, the United States, and its allies (including the United Kingdom, Canada, and Australia) have by no means gotten their own way in terms of the internal discussions and agreed-upon conclusions. Developing country members have not had much role in setting the agenda but have become more active in reacting, sometimes fighting back.

China has been a key factor in this regard-applying a veto on much of the West’s hegemonic influence in shaping the ideas and interests of the G20, particularly on subjects of “global imbalances” and “exchange rates”.

Many developing country members were active in shaping what the G20 said and did not say in the run-up to the Copenhagen climate summit. India’s own role in this regard is critical in the future given its own unique multi-aligned foreign policy position and growing geopolitical/geo-economic influence.

Managing G20's Own Debt in the Future

Another critical concern stemming from the G20’s inability to address debt relief for other “in-need” countries or implement its blueprint may come to bite their own members later.

Looking at the debt composition of all G20 countries, it is worth iterating the vulnerabilities that exist, in those nations with a high government debt to GDP ratio (for countries like Argentina, Brazil, Canada, China, Euro Area, France, India, Italy, Japan, Singapore, Spain, UK, US) to those with high private and household debt levels.

Given concerns of (a lack of) legitimacy and effectiveness, some might say that till the time the G20 club remained a gathering of finance ministers and central bankers, it had a useful, but minor role in the play of events.

The global crash of September 2008 revived the finance ministers’ meetings and prompted the government of George W Bush in the US to call the G20 leaders (G20L) together for the first time, to constitute an ongoing leaders’ forum.

It may perhaps happen that another crash most likely induced by a debt bubble burst at a global financial level, might lead to a similar scenario of events to take place, thus, presenting an opportunity for countries to work together.

Still, if the global pandemic response taught us one thing, it was that ensuring multilateral cooperation in times of heightened multipolarity -with different centres of power at play may accentuate the ‘brewing crisis’ of in-decision making and lack of implementation of agreements made in the past.

From the first day of the G20 finance ministers meet, and the differences observed between US, Russia, and others on the Ukraine situation, it seems nothing much may change in the near future, rendering the G20's own role and function as a group purposeless.

(Deepanshu Mohan is Associate Professor of Economics and Director, Centre for New Economics Studies (CNES), Jindal School of Liberal Arts and Humanities, OP Jindal Global University. Other contributors to this article are Yuvaraj Mandal, Bilquis Calcuttawala and Vedika Singhvi who are Research Analyst with CNES InfoSphere.)

(At The Quint, we are answerable only to our audience. Play an active role in shaping our journalism by becoming a member. Because the truth is worth it.)

Read Latest News and Breaking News at The Quint, browse for more from opinion

Topics: Narendra Modi US-China G20
