IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

G20 Expansion: An Analysis Of New Trade Dynamics With The African Union In The Next Decade

Suneha Sharma[1] & Manish[2]

Research Scholar, Department of African Studies, University of Delhi[1].

Research Scholar, Department of African Studies, University of Delhi[2].

Abstract: This paper explores the implications of the African Union's (AU) inclusion in the Group of Twenty (G20) for global trade dynamics in the next decade. It provides an overview of G20 and highlights its origins, structure, and role in global economic governance, and also discusses India's strategic initiative to integrate the AU into G20, emphasizing its significance in enhancing India's global influence. Then, it explores the implications of the AU's membership in G20 for India, African nations, and global trade dynamics. It examines the AU's role in balancing representation within G20, particularly against the dominance of developed country regional blocs. The paper also highlights the AU's focus within G20 on trade-oriented matters and investment in local labourers. Finally, it discusses the alignment between the AU's Agenda 2063 and G20's goals, identifying potential areas of cooperation. The paper concludes that the AU's inclusion in G20 represents a transformative step in global economic governance, offering opportunities for enhanced collaboration and economic growth.

I. INTRODUCTION

G20 originated in 1999 subsequent to the Asian financial crisis, emerged as a pivotal platform for Finance Ministers and Central Bank Governors to engage in comprehensive deliberations regarding global economic and financial matters. (Ministry of Earth Sciences, 2023)

As the paramount forum for international economic collaboration, it assumes a pivotal role in moulding and fortifying global structural frameworks and governance across major international economic domains. G20 operates through a rotational Presidency model, wherein a member nation guides G20 agenda for a designated year and convenes the Summit. Comprising both the Finance Track, led by Finance Ministers and Central Bank Governors, and the Sherpa Track, overseen by appointed Sherpas following the Finance Track, G20, inclusive of 19 member countries and the EU, was initially established to facilitate discussions on international economic and financial concerns. Collectively, G20 members represent a substantial proportion of the global populace, accounting for approximately two-thirds of global population, 75% of worldwide trade, and 85% of the global GDP. Following the global financial and economic turmoil of 2007, G20 was notably elevated to the level of Heads of State/Government, signifying its ascension as the premier forum for fostering international economic cooperation. (G20, 2023)

G20 operates without a standing secretariat or a dedicated workforce. Instead, it adheres to an annual rotational system for its Presidency, wherein member nations take turns assuming this role, drawn from distinct regional clusters within the collective. These 19 member states are accordingly categorized into five factions, each housing a maximum of four nations. The configuration of these groups predominantly follows a regional framework, often uniting countries from shared geographical proximities within the same grouping. (G20, 2023)

India's conscientious engagement with Africa dates back to 2008, although China's earlier foray in 2000 with the Forum on China-Africa Cooperation (FOCAC) had garnered precedence. However, India's strategic move to integrate the African Union into G20 ambit positions itself as a vanguard championing the causes of developing and underdeveloped nations. This initiative aligns with India's broader ambition for securing permanent membership within the United Nations Security Council (UNSC), aiming to leverage support from Africa, which holds 55 decisive votes in this context. (Acharya et al., 2023)

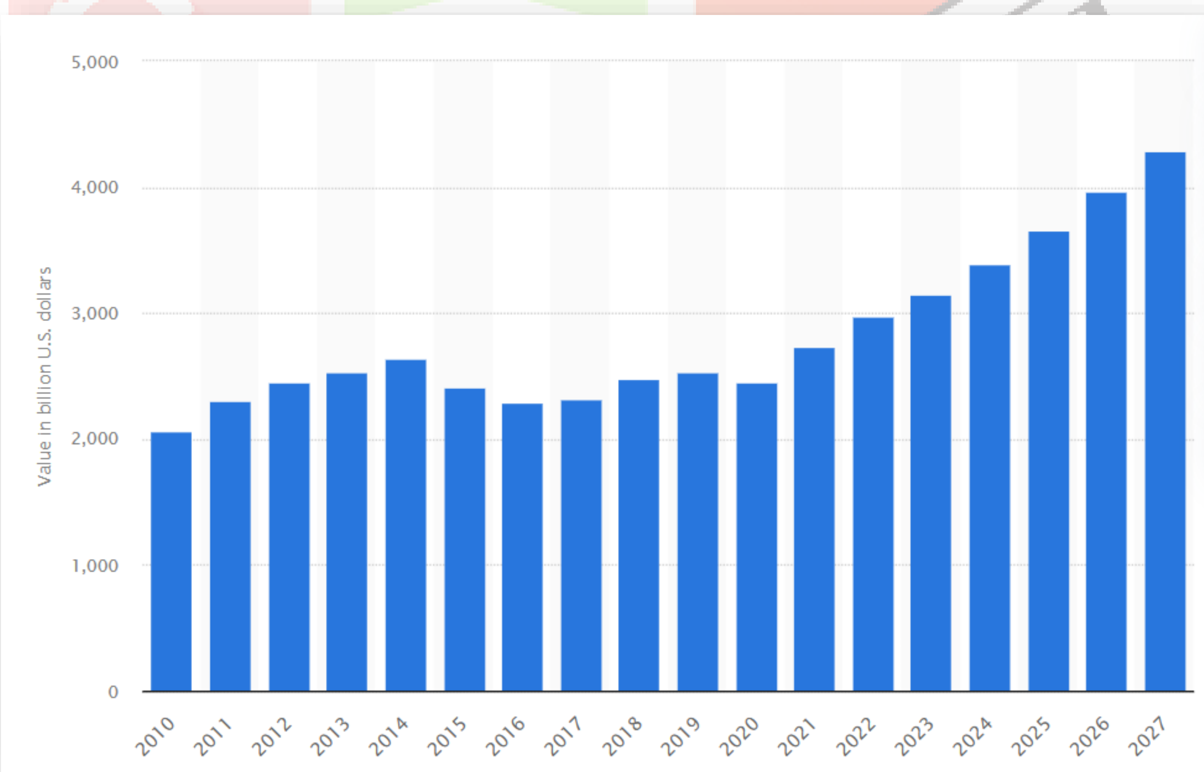

Figure 1: Gross Domestic Product (GDP) in Africa from 2010 to 2027 (Statista, 2024)

AU’s elevation to a permanent member within G20, an assemblage comprising some of the world's most affluent and influential nations, was underscored by Indian Prime Minister Narendra Modi during the bloc's summit in New Delhi. (Newslaundry, 2023) This significant development equates the African Union's status with that of the European Union, marking its transition from its prior designation as an "invited international organization." India's pivotal step of integrating the African Union into G20, realized in June of the present year, culminated in the official admission of this 55-country collective as a new member during the September 9 summit. (Roy, 2023)

The genesis of this idea traces back to June when Prime Minister Modi penned letters to G20 leaders advocating for the African Union's "full membership" during the upcoming G20 Delhi Summit, aligning with the African Union's expressed request. Reports indicate that the notion took root subsequent to the summit held in January and was called 'Voice of the Global South'. It witnessed substantial participation from a majority of African nations. Subsequent discussions furthered this proposal in Addis Ababa, Ethiopia, the African Union's headquarters. Notably, prior to this momentous inclusion, South Africa stood as the solitary representation of Africa in G20. Several leaders of Africa had articulated the parity of representation, noting Europe's representation by five countries alongside the European Union (EU), thereby advocating for a similar stance for the African Union.

II. SIGNIFICANCE OF AU’S MEMBERSHIP IN G20 FOR INDIA

The African Union's inclusion in G20 carries immense significance, representing 55 member states from the entire African continent across five distinct regions. The AU prioritizes fostering unity, coherence, and solidarity among African nations, aiming for comprehensive political and economic integration. India's engagement with Africa began in 2008, following China's earlier efforts in 2000 through the Forum on China-Africa Cooperation (FOCAC). (Deshpande, 2023)

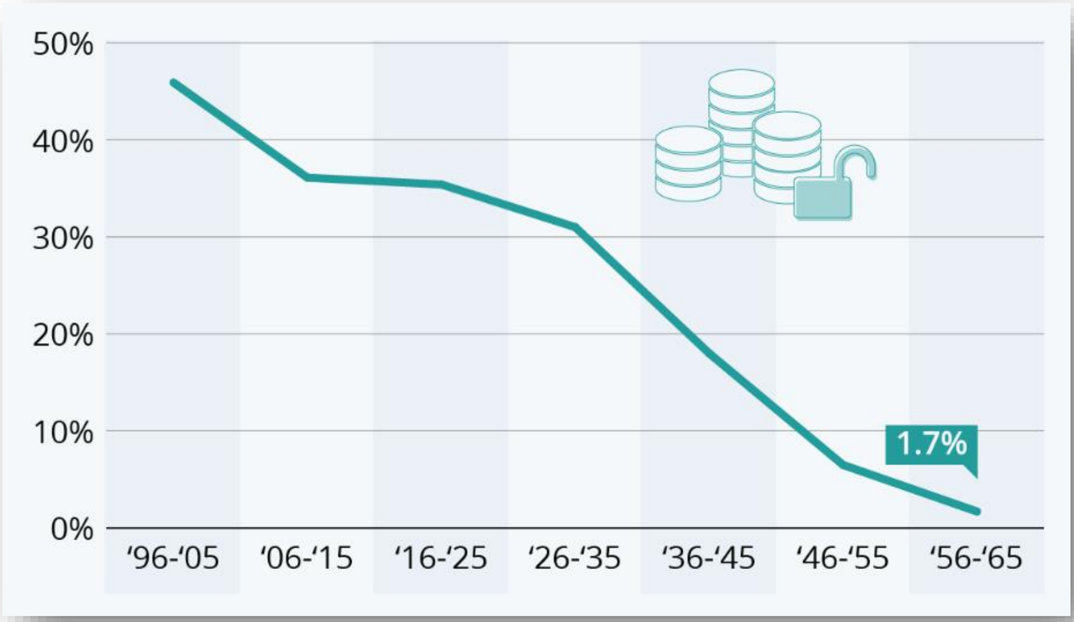

Figure 2. Projected share of population in Africa living in extreme poverty from 1996 to 2065 (Statista, 2024)

India strategically incorporating the AU in G20 underscores its advocacy for developing nations and aligns with its bid for Permanent Membership in the United Nations Security Council (UNSC), leveraging Africa's significant 55-vote representation. This move solidifies India's global governance role, emphasizing inclusivity and diversity. The partnership between India and the AU transcends symbolic gestures, evolving into a strategic alliance across trade, education, healthcare, and technology domains. (Hindustan Times, 2023)

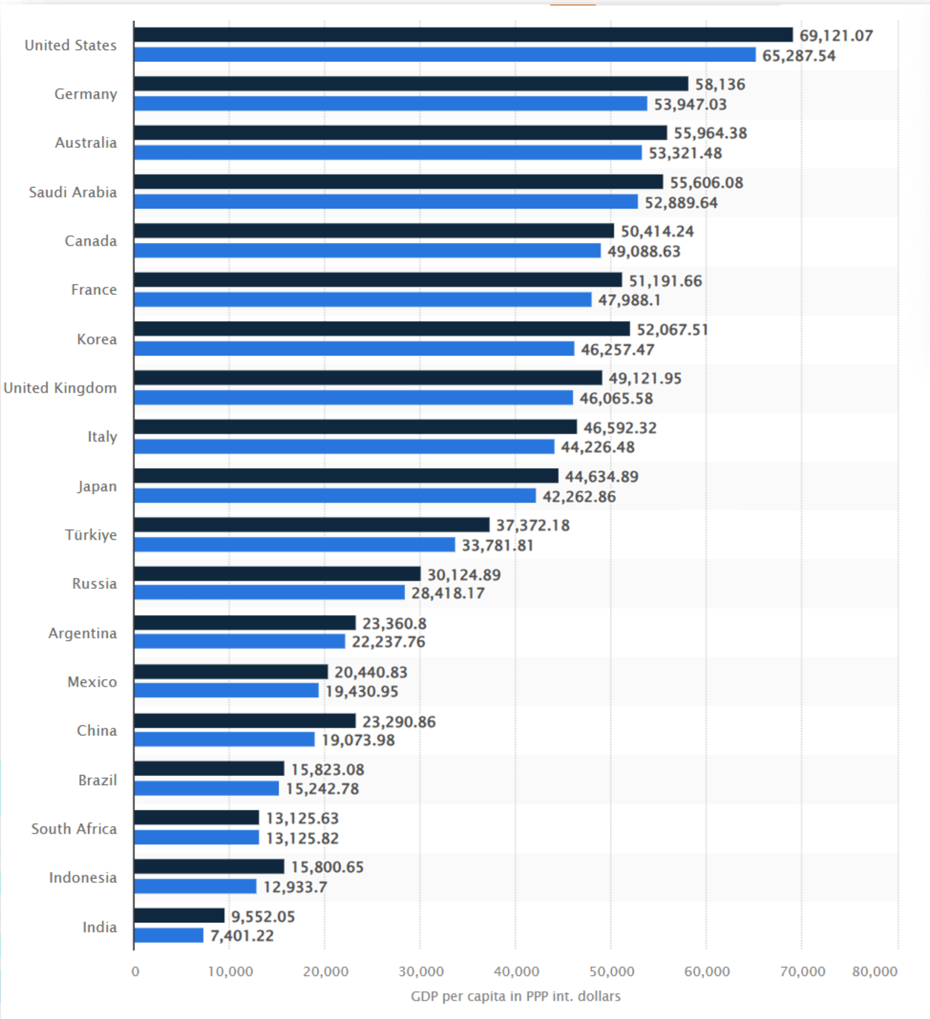

Figure 3. Gross domestic product per capita of G20 countries in 2023 & 2028 (Statista, 2024)

India's endorsement within G20, backed by its robust economy and geopolitical influence, fosters a more diverse and representative platform, aligning with its ambition for a multipolar world. This pivotal step signals a shift toward a more inclusive G20, reshaping the global order fundamentally.

III. SIGNIFICANCE OF AU'S MEMBERSHIP IN G20 FOR AFRICAN NATIONS

The African Union's inclusion in G20 holds substantial significance for African nations, particularly in global climate discourse. Gaining a seat at G20 table has sparked attention within African climate dialogues, amidst diverging views on renewable energy standards and fossil fuel usage among G20 members. African nations advocate for a two-pronged approach—maintaining fossil fuel use while promoting green energy adoption. This elevation in representation at G20 enhances Africa's negotiating power and voice in critical decision-making. However, discord among G20 nations hampers swift adoption of clean energy technologies, impacting Africa's climate resilience. Disagreements on renewable energy expansion and fossil fuel phase-out hinder unified agreements crucial for addressing climate challenges. Africa's leaders emphasize a balanced strategy, incorporating their fossil fuel reserves in a hybrid energy model alongside renewable sources, aiming for stable energy grids to drive industrialization while progressively embracing renewables. (Ndebele, 2023)

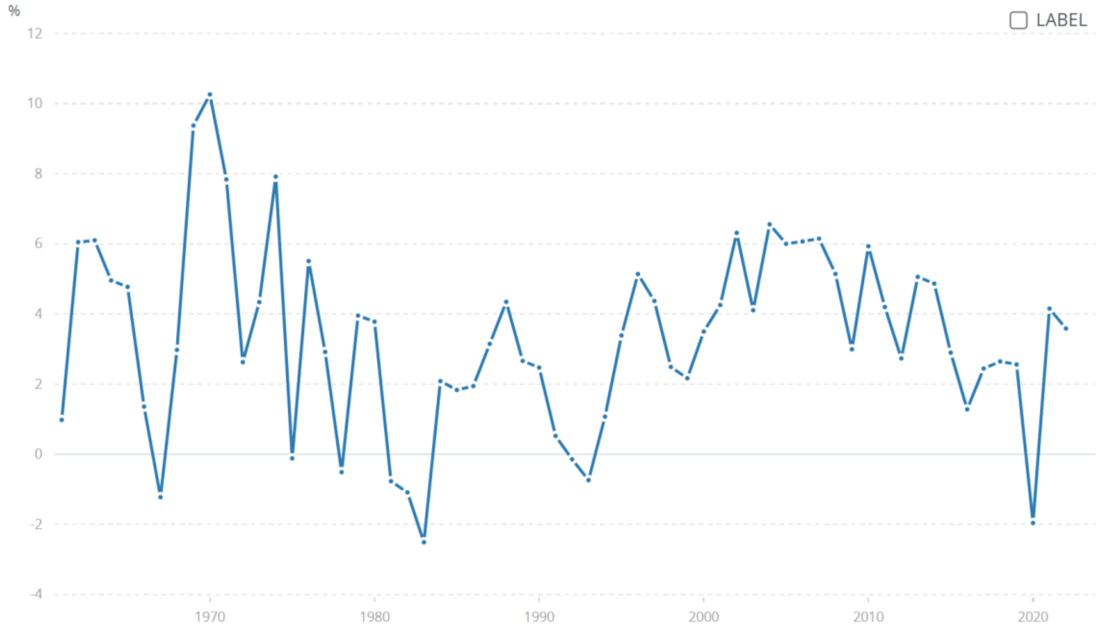

Figure 4. GDP growth (annual %) - Sub-Saharan Africa (World Bank, 2010)

IV. TRADE: A NEW DECADE

i. India-Middle East-Europe Economic Corridor (IMEC)

By the year 2030, the African continent is projected to encompass a population of approximately 1.7 billion individuals, with an anticipated aggregated expenditure encompassing both consumer and business sectors estimated at 6.7 trillion U.S. dollars. (Signe & Dollar, 2020)

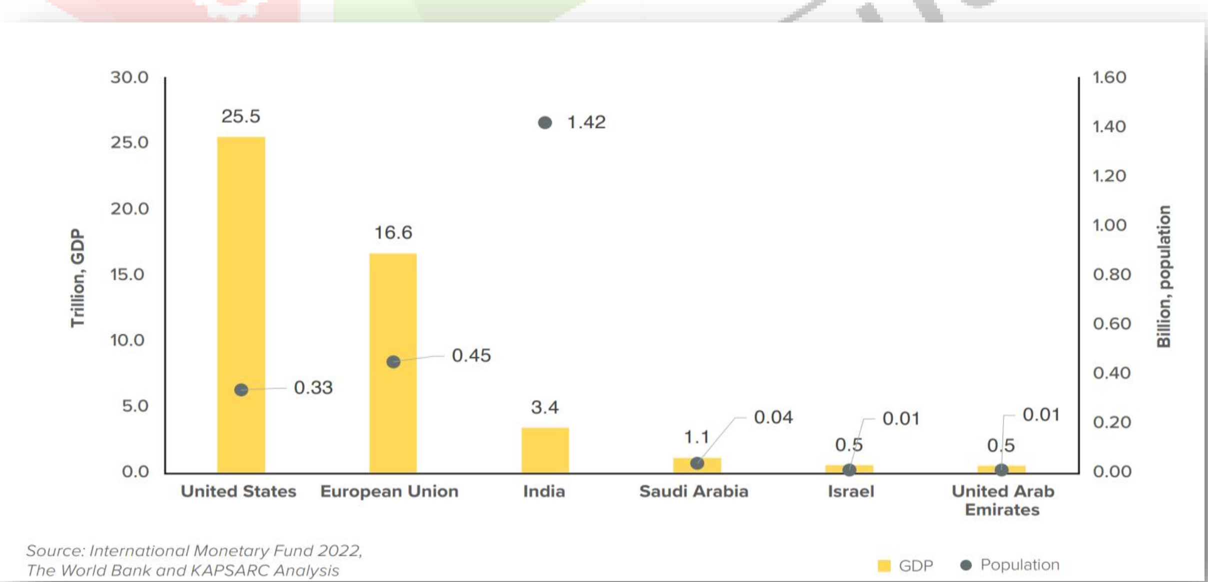

Figure 5: GDP, current prices in USD, and population of IMEC countries (Bhatt & Roychoudhury, 2023)

The AU's inclusion within G20 signifies a pivotal moment fostering new avenues for collaboration and economic opportunities within the proposed corridor. This inclusion expands the platform's representational diversity and accentuates the potential for greater engagement between African nations and the stakeholders involved in the IMEC. The corridor's expansive reach and strategic significance offer possibilities for enhanced trade and economic cooperation between Africa, the Mediterranean, and Europe, potentially influencing the future trajectory of trade routes and geopolitical interests across these regions. (Gilani, 2023) (Singh, 2023)

The establishment of the India-Middle East-Europe Economic Corridor (IMEC) represents a significant geopolitical development, sparking tensions between Greece and Türkiye while offering substantial prospects for economic connectivity across diverse regions. Announced during G20 meeting in New Delhi, this corridor is envisaged as a strategic initiative involving the collaboration of key stakeholders including the European Union and seven countries: India, the US, Saudi Arabia, the United Arab Emirates (UAE), France, Germany, and Italy. (Kala, 2023)

Prime Minister Narendra Modi's engagement with Greek Prime Minister Kyriakos Mitsotakis culminated in finalizing port acquisitions to facilitate the corridor's operations. The proposed corridor encompasses a maritime route linking Mumbai and Mundra in Gujarat with the UAE, complemented by a railway network interconnecting the UAE, Saudi Arabia, and Jordan, culminating at Israel's Haifa port, strategically situated at the Mediterranean Sea's shores. Haifa's linkage by sea to Greece's Piraeus port is envisioned as a gateway to extending connectivity routes into Europe.

ii. Meeting of Economies and Sharing of Resources

By the projected year of 2030, the African continent is anticipated to achieve a combined expenditure totaling 6.7 trillion dollars encompassing both consumer and business outlays. Specifically within the manufacturing domain, business expenditures are estimated to approximate a substantial 700 billion dollars within that timeframe. (Signe & Dollar, 2020) Africa's significance is underscored by its wealth of resources, including vast agricultural land, mineral reserves, rare earth elements, and a burgeoning youth demographic. Despite encountering multifaceted challenges such as poverty, political instability, climate stress, and the socio-economic fallout from crises like Covid, food shortages, fuel disparities, and financial instability, Africa stands as an economic and political powerhouse on the global stage. Its strides toward economic integration, encapsulated through the launch of the FTA (i.e., Free Trade Area) in 2018 and the visionary 'Agenda 2063: The Africa We Want,' outline a blueprint for transformation as a formidable force. (Puri, 2023)

The inclusion of the AU with G20 has heralded a transformative phase in global economic governance, positionxing G20 Summit hosted by India as a historic milestone in the evolution of international decision-making bodies. With Africa, the second-largest continent globally, now fully represented within this exclusive forum, G20's demographic coverage expands substantially, encapsulating approximately 80% of the population, incorporating 97 member the UN (which has a total of 193 states), and commanding 88% of global GDP alongside 79% of global trade. (Barthwal, 2023)

This strategic integration brings equilibrium by counterbalancing the representation of developed country regional groupings within G20, primarily the European Union (EU), with the inclusion of the AU, emblematic of the largest developing country regional bloc. Notably, this expansion augments the stature and credibility of G20, amplifying the effectiveness and execution of its policies, programs, and initiatives while upholding its principles. (ANI, 2023)

The AU's entry embodies a significant enhancement in representation without impeding operational efficiency, as the inclusion entails a single leader representing the entire African Union. This pivotal moment furnishes Africa with a platform for active participation, articulation of its developmental challenges, and formulation of solutions, enabling the continent to shape the global economic agenda. Consequently, African leaders gain substantive agency and leadership roles at this international high table, an avenue to address a myriad of challenges spanning developmental, financial, economic, and environmental spheres.

Primarily, the AU's thrust will predominantly concentrate on trade-oriented matters, leveraging its array of operational institutions to effectively advocate for G20 reforms. One crucial focus area will involve stimulating value-added trade and investment within Africa, strategically positioning manufacturing bases closer to the continent. This initiative aims to counterbalance the prevailing trend of mineral extraction from Africa, potentially mitigating the encroachment of 'resource nationalism' prevalent in the region. (Chaurasiya, 2023)

AU’s agenda emphasizes investment in local labourers through extensive skill development and capacity building, aligning with the shift in global supply chains. At one point, these supply chains were valued only in terms of how cheap they are. But these are now an integral component of national security strategies for nations. Negotiations are expected to revolve around redesigned value chains. This will be achieved by establishing newer production units which are aimed to boost exports. This will result in job creation and enhance the value of locally developed skills. This friendship with G20 also ushers in an era of nuanced negotiations about Africa's approach to the 'Green Transition' in terms of industrialisation. Opposite to the Western narrative, actually, Africa champions a concept termed 'Blended Development.’ This advocates for a balance between green transition efforts and the continued reliance on traditional resources like coal to fuel industrialization. Debt financing is still a crucial negotiating point. It requires alignment with institutions such as EXIM (Africa Export-Import Bank and AfDB (African Development Bank) to provide funds for projects.

AU's inclusion unveils new avenues for G20 in terms of economic expansion and collaboration. Established economic partnerships within Africa are concentrated among specific countries, e.g., China, France, America. This inspires G20 nations like Japan and Germany to explore diverse opportunities in Africa through preferential trade agreements. G20 can consider strategies such as phasing out agricultural subsidies, extending tax benefits, and providing duty-free access to Least Developed Countries (LDCs). This will surely resemble India's arrangement with the LDC. (African Union, 2023)

G20 countries can surely navigate Africa's regional economic divisions if they align their strategies with AU. Distinct regional characteristics (which are peace and economic integration in East and Southern Africa) require tailor-made ideas of negotiations and plans. The differences in the movement of people across various African regions also hold significance. This has affected regional trade dynamics and productivity in developmental projects. These regional differences within Africa imply the need for a hybrid negotiation approach for G20 countries when they are dealing with AU. This will increase flexibility and adaptability in their economic engagements.

iii. Agenda 2063

By 2030, the mission to build a working infrastructure remains a pressing concern in AU. High-quality infrastructure stands as a sure-shot way for unlocking economic opportunities. Notably, institutions like the African Development Bank have taken strides, such as establishing the African Investment Forum and leveraging substantial financial resources to bolster infrastructure development across the continent. Furthermore, collaborative initiatives involving the African Union and development agencies—formerly recognized as the New Partnership for Africa's Development and the Program for Infrastructure Development in Africa (PIDA)—have showcased commendable advancement in recent years, actively contributing to the advancement of Africa's infrastructure prospects.

AU joining G20 signifies a pivotal point in the alignment of global economic governance and the AU's strategic agenda given in its 'Agenda 2063.' This transformative blueprint is a one-of-a-kind master plan which is aimed at reshaping Africa's trajectory and incorporating seven key aspirations alongside a multitude of flagship programs. The links and similarities of nature between AU's Agenda 2063 and collaborative involvement of G20 hold deep implications for the integration of these agendas.

ASPECT	TARGET BY 2023
Real per-capita income growth	33% more than 2013 levels
GDP growth rate	0.07
National firm output share	At least 1/3 of total
Labour-intensive manufacturing	Double total agricultural factor productivity
Value addition in blue economy	Beginnings of fisheries, tourism, biotech, port operations
Creative arts contribution to GDP	Double the 2013 contribution
ICT contribution to real GDP	Double the 2013 levels
Regional industrialization hubs	Linked to global value chains
Preserved areas for climate resilience	17% terrestrial, 10% coastal and marine
Intra-African trade volume increase	Threefold increase in agricultural value-added products

Regional power generation increase	At least 50%
Educational access for African youth	Study and work anywhere on the continent
Creative arts programs in polytechniques	One in five offering
Local media content increase	60% increase
Financial institutions established	African Investment Bank, African Guarantee Facility, African Remittances Institute, 2 Regional Stock Exchanges

Figure 6: Economic Goals in Agenda 2063 (Auda-Nepad, 2022)

The amalgamation of AU's dreams and G20's might shows pivotal areas of cooperation and alignment. G20's integration with the AU is notably poised to boost many flagship programs outlined in Agenda 2063. The list is long, a few of them are the AMM (which is African Mining Mission), AfCFTA (which is African Free Trade Agreement), CADP (which is Comprehensive Agricultural Development Program), AOSS (which is Africa Outer Space Strategy), AFI (which is African Financial Institutions), STSAF (which is the Science and Technology Strategy for Africa), SAATM (which is Single African Air Transport Market), superfast rail system, and the AP (which is Africa Passport). These key initiatives are bound to gain speed with this new collaborative engagement. AU is still in its nascent stages but possesses a fundamental structural framework to incorporate policy directives which are far more relevant in the context of Africa. This integration presents a reciprocal resonance resonating from both the Africa and G20 countries. The idea for the AU to operate with a permanent membership within G20's plurilateral forum signifies mutual recognition of the symbiotic benefits and shared objectives between the AU's Agenda 2063 and the overarching goals and engagements of G20 economies. This convergence serves as a cornerstone for fostering meaningful collaboration, advancing developmental initiatives, and catalysing transformative changes aligned with the AU's strategic vision for the African continent. (G20, 2023b)

iv. Environment, Energy and Economy

The induction of the African Union (AU) into G20 ushers in a new phase in the global fight against climate change, potentially altering the dynamics of climate action within this elite economic forum. Africa is the host of 60% of the world's most prolific solar resources and holds significant promise in advancing renewable energy capacities. Also to mitigate the impacts of global warming. However, recent G20 Summit, despite acknowledging the urgency to enhance efforts to triple renewable energy capacity by 2030, failed to incorporate substantial amendments to existing policies and targets necessary to achieve this ambitious goal. (The Indian Express, 2023)

The Summit's outcomes highlighted persisting challenges among G20 members in aligning on climate action strategies. While recognizing the imperative of mobilizing $4 trillion annually for a green energy transition, G20 leaders fell short in delineating a clear pathway to achieving this financial commitment. The divergence among G20 nations, particularly on shouldering the burden of global warming mitigation, continues to impede cohesive plans for concerted climate action, primarily observed in international fora such as UN meetings. (Oxfam, 2023)

However, the Delhi Declaration from G20 Summit marks a modest yet noteworthy stride in addressing contentious issues surrounding fossil fuel phase-out. The importance to speed up the efforts towards replacing coal power with better solutions (though it still depends on the conditions of each country) signifies progress in aligning perspectives within G20 on crucial environmental transitions. Consensus about financing this transition is of significant and is a breakthrough. For the first time, it feels that G20 nations are agreeing on the required financial resources for a clean energy shift. They are accepting that the demand for $5.9 trillion by the year 2030 is justified to help developing countries to achieve the emissions goals.

V. CONCLUSION

The African Union's accession as a permanent member of G20 is an important point. The remaining years of this decade will be important as world is fighting against global warming, ultra-capitalism and the never-ending poverty. AU as a member of G20 is a golden opportunity to lift a huge chunk of human population out of *miserable* poverty permanently. This effort is welcomed by African leaders and presents a monumental opportunity for the continent in the global economic sphere. AU can champion equitable changes in global trade, finance, and investment frameworks as G20's permanent member. This historic milestone will boost African voices and perspectives and will ensure that they are visible in shaping global agendas. This membership signifies a transformative jump towards creating a more inclusive and mutually beneficial trajectory for the world at large.

References

Acharya, S., Singh, S. C., & Ohri, N. (2023, September 8). G20 draft declaration leaves paragraph on Ukraine blank. *Reuters*. https://www.reuters.com/world/china/wrapup1-g20-members-struggle-consensus-ukraine-india-gears-up-summit-2023-09-08/

African Union. (2023). *External partnerships between the AU and organisations, regions or countries | African Union*. Au.int. https://au.int/en/partnerships

ANI. (2023, September 14). *Renowned trade organisation, Africa India Economic Foundation grants permanent membership to the African Union at the G20 Summit in New Delhi*. @Bsindia; Business Standard. https://www.business-standard.com/content/press-releases-ani/renowned-trade-organisation-africa-india-economic-foundation-grants-permanent-membership-to-the-african-union-at-the-g20-summit-in-new-delhi-123091400884_1.html

Auda-Nepad. (2022). *Second Continental REPORT ON THE IMPLEMENTATION OF AGENDA 2063*. https://au.int/sites/default/files/documents/41480-doc-2nd_Continental_Progress_Report_on_Agenda_2063_English.pdf

Barthwal, N. (2023, September 29). *African Union in G-20: Possible Outcomes for India – Center For Land Warfare Studies (CLAWS)*. Www.claws.in. https://www.claws.in/african-union-in-g-20-possible-outcomes-for-india/

Bhatt, Y., & Roychoudhury, J. (2023). *India-Middle East- Europe Economic Corridor (IMEC) Instant Insight Bridging Economic and Digital Aspirations*. https://www.kapsarc.org/wp-content/uploads/2023/10/KS-2023-II11-India-Middle-East-Europe-Economic-Corridor-IMEC-Bridging-Economic-and-Digital-Aspirations.pdf

Chauhan, A. (2023, September 9). *African Union in G20: A look at the G20's latest member*. The Indian Express. https://indianexpress.com/article/explained/explained-global/what-african-union-au-g20-8932115/

Chaurasiya, S. K. (2023, November 8). *Implications of the African Union as the 21st member of the G20: Opportunities for India*. India Foundation. https://indiafoundation.in/articles-and-commentaries/implications-of-the-african-union-as-the-21st-member-of-the-g20-opportunities-for-india/

Deshpande, D. P. P. (2023, September 13). African Union joining G-20: Significance for India. *The Times of India*. https://timesofindia.indiatimes.com/blogs/truth-lies-and-politics/african-union-joining-g-20-significance-for-india/

G20. (2023a). *About G20*. G20.org. https://www.g20.org/en/about-g20/#overview

G20. (2023b). G20 New Delhi Leaders' Declaration. In *G20.org* (p. 28). G20. https://www.g20.org/content/dam/gtwenty/gtwenty_new/document/G20-New-Delhi-Leaders-Declaration.pdf

Gilani, I. (2023, October 5). *India-Middle East-Europe Economic Corridor: A passage of possibilities*. Frontline. https://frontline.thehindu.com/world-affairs/how-the-india-middle-east-europe-economic-corridor-opens-up-a-passage-of-possibilities/article67344064.ece

Hindustan Times. (2023, June 20). *The African Union and India's G20 presidency*. Hindustan Times. https://www.hindustantimes.com/ht-insight/international-affairs/the-african-union-and-indias-g20-presidency-101687241566368.html

Kala, R. R. (2023, September 12). *BL Explainer: How does India Middle East Europe Economic Corridor compare with Belt & Road Initiative*. BusinessLine. https://www.thehindubusinessline.com/blexplainer/bl-explainer-how-does-india-middle-east-europe-economic-corridor-compare-with-belt-road-initiative/article67299024.ece

Ministry of Earth Sciences. (2023). *Overview of G20 | Ministry Of Earth Sciences*. Moes.gov.in; Ministry of Earth Sciences. https://moes.gov.in/g20-india-2023/moes-g20?language_content_entity=en

Ndebele, L. (2023, September 9). *G20 talks on climate could be crucial for Africa. Experts hope the continent will be heard*. News24. https://www.news24.com/news24/africa/news/g20-talks-on-climate-could-be-crucial-for-africa-experts-hope-the-continent-will-be-heard-20230909

Newslaundry. (2023, September 16). *Explained: African Union, trade corridor, Delhi declaration – key takeaways from G20*. Newslaundry. https://www.newslaundry.com/2023/09/16/explained-african-union-trade-corridor-delhi-declaration-key-takeaways-from-g20

Oxfam. (2023, September 9). *An underwhelming G20 skates over the big issues of poverty, inequality and climate – maybe the African Union can inject some urgency ahead: Oxfam*. Oxfam International. https://www.oxfam.org/en/press-releases/underwhelming-g20-skates-over-big-issues-poverty-inequality-and-climate-maybe

Puri, L. (2023, September 13). *African Union and the G20: Africa on the high table*. The Indian Express. https://indianexpress.com/article/opinion/columns/african-union-and-the-g20-africa-on-the-high-table-8937124/

Roy, S. (2023, September 9). *African Union in G20: How India successfully pushed engagement with AU nations and amplified Global South's voice*. The Indian Express; The Indian Express. https://indianexpress.com/article/explained/explained-global/african-union-au-g20-8931766/

Signe, L., & Dollar, D. (2020, June 20). *Africa's roadmap for long-term economic growth*. Brookings. https://www.brookings.edu/articles/africas-roadmap-for-long-term-economic-growth/

Singh, P. (2023, September 11). *G20 Summit 2023: From Economic Corridor To African Union Membership, Here's What India Achieved During Its G20 Presidency*. Outlook Business.

https://business.outlookindia.com/news/g20-summit-2023-from-economic-corridor-to-african-union-membership-heres-what-india-achieved-during-its-g20-presidency

Statista. (2024). *Africa: GDP value 2010-2027*. Statista; Statista. https://www.statista.com/statistics/1300858/total-gdp-value-in-africa/

The Indian Express. (2023, September 12). *Express View on G20 and climate action: Green step forward*. The Indian Express. https://indianexpress.com/article/opinion/editorials/express-view-on-g20-and-climate-action-green-step-forward-8935521/

World Bank. (2010). *GDP Growth (annual %) - Sub-Saharan Africa | Data*. Worldbank.org. https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=ZG