



# INDIA'S G20 PRESIDENCY: NAVIGATING CHALLENGES AND OPPORTUNITIES

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## ABSTRACT

In the modern era, international relations are becoming increasingly akin to domestic politics. By entering into international treaties and conventions, nations wield significant influence over their policy decisions. Those without a notable role in shaping these global laws and agreements may find themselves vulnerable to exploitation or mistreatment by more powerful countries. Against this backdrop, India's G20 Presidency holds great significance. As the world's leading economic multilateral forum, the G20 serves as a crucial platform for shaping and strengthening the global financial architecture. By assuming the G20 Presidency, India has the chance to amplify the voices of the Global South, which are often marginalized in such forums. India can leverage this process to promote a stable, inclusive, and equitable global economic and financial system. All these aspects are considered in this study.

**Key words:** India's G20 Presidency, WTO, World Bank , IMF, Agenda setting forum.

## INTRODUCTION

The concept of the nation-state emerged in Europe during the 17<sup>th</sup> century, when the Treaty of Westphalia was signed. This treaty marked the end of a series of religious wars and established the principle of state sovereignty and the non-interference of other states in the domestic affairs of one state. From then on, the nation-state became the most important actor in international relations. Its sovereignty and independence were recognized by other states, and this led to a system of international relations based on the balance of power between nation-states.

However, over time, this system has undergone significant changes. The world has witnessed the rise of supranational bodies like the United Nations, European Union, IMF, WTO, and WHO. These organizations are designed to promote cooperation between nations and to find international solutions to global challenges. As a result, the focus of international relations has shifted from a rigid emphasis on national sovereignty to a more complex and nuanced understanding of global relations.

The growth of these supranational organizations has led to fundamental changes in the way that international relations work. They have created new avenues for collaboration between countries, and they have put pressure on nation-states to work together to address transnational issues like climate change, terrorism, and pandemics. This has resulted in a move towards greater interconnectedness and cooperation between nations, which has transformed the nature of international relations. The concept of the nation-state remains a crucial element of international relations, but the changing nature of global challenges has given rise to new paradigms for cooperation. The development of supranational organizations represents a significant change in the way international relations function, and is now aimed at finding solutions to global problems based on shared interests and common goals.

The advent of advanced military technology has revolutionized the concept of national security. In the past, nation-states were assumed to be invincible. However, with the development of long-range cruise missiles, inter-continental ballistic missiles (ICBMs), short-range ballistic missiles (SRBMs), Multiple Independently Targetable Re-entry Vehicles (MIRVs), and other advanced weapons of mass destruction, nation-states have become vulnerable to attack. Additionally, the threat of biological and chemical weapons also looms large, further complicating the issue of national security.

This shift in military technology has rendered traditional approaches to state security obsolete, and has created a new paradigm for international relations. States are no longer the only significant actors in global politics, and traditional military alliances no longer hold the sway they once did. This has led to international relations becoming increasingly similar to domestic politics, with a greater emphasis on negotiation, diplomacy, and the pursuit of common interests. The focus has shifted from traditional military alliances to more nuanced forms of cooperation between nations, such as economic cooperation, cultural exchange, and technological sharing.

The advent of advanced military technology has fundamentally changed the concept of national security, and the nature of international relations. States are no longer invincible, and the traditional approaches to state security are now obsolete. International relations are shifting towards a more cooperative and diplomatically-driven model, similar to domestic politics, where the emphasis is on finding common ground and pursuing shared interests.

### ***THE ENFORCEABILITY OF INTERNATIONAL LAW IN TODAY'S WORLD***

One of the distinguishing features of contemporary international relations is the growing enforceability of international law. Nation-states are increasingly bound by treaties, conventions, and agreements they have entered into on a global scale. Once a nation-state has become a signatory to these international accords, they are held accountable to the terms of those agreements, which can significantly influence the nation's policy decisions and, in some cases, infringe upon their political and economic sovereignty.

Moreover, international treaties, particularly those that relate to economic matters, can have far-reaching implications. Take, for example, the 'most-favoured nation' clause of the World Trade Organization agreement that stipulates that tariffs must be equal across all countries. Even if a nation-state perceives the trade practices of another nation as a threat to its territorial integrity, it cannot ban exports from that nation, as it is bound by the rules of the WTO.

Overall, these developments underscore the growing importance of international law and the increased relevance of institutions and accords on a global scale. The more nations participate in international agreements, the more enforceable international law becomes, and the more interconnected the world becomes. The dispute settlement mechanisms implemented by the WTO, along with its systematic evaluations of national governments' trade policies, hold significant weight and enforce strict obligations on member states. These measures are so robust that they cannot be easily manipulated or concealed between different entities. Thus, India's successful pushback of Chinese troops from the Galvan valley does not necessarily imply the ability to restrict Chinese mobiles from entering the Indian market due to international trade accords. Any breaches of such treaties and conventions are viewed with censure by other nations, and in extreme circumstances, can result in diplomatic, economic, and sometimes even UN-sanctioned military measures. The G20 is considered the most powerful global economic multilateral forum that shapes and steers regulations of global economic and political governance. The G20 summit holds essential significance to all stakeholders, as diplomatic negotiations during this summit will establish the agenda for upcoming WTO ministerial conferences. The outcomes of the Joint Declarations at G20 will determine the targets for greenhouse gas emissions in the subsequent UN climate change conference. Additionally, meetings among world leaders at the G20 will decide the success or failure of UN Security Council (UNSC) reforms in the upcoming UN General Assembly debates. India hosting the G20 Summit in 2023 makes it all the more necessary for us to understand the challenges and opportunities it presents.

### ***G20 – INDIA'S POSITION IN THE FORUM***

When we observe the G20 membership (G20 Map), we recognize that they comprise of longstanding acquaintances – the former colonizers, the colonized, the Global North, the Global South, countries of the North Atlantic Industrial Core, and the so-called peripheral third world, i.e., the developed and the developing world. Although India has been a part of the former category, the urge to form an alliance against the developed North is overwhelming. However, we must avoid further widening the gap between the two groups. The G20 presidency presents a unique opportunity to bridge this global divide. India's primary focus in the G20 is to act as a bridge between the developing and developed world, offering sustainable economic cooperation to the Global South as well as the world as a whole, via national, regional, and global institutions. The G20 is instrumental in shaping and consolidating the global financial architecture. The global financial architecture denotes the global system of legal agreements and organizations collectively responsible for facilitating international trade and investments.



Fig.1- G20 Member countries: <https://www.vecteezy.com/vector-art/104303-g20-countries-world-map-vector>

## ***GLOBAL FINANCIAL ARCHITECTURE– CHALLENGES & OPPORTUNITIES***

At the core of the global financial architecture/governance are three crucial international financial institutions—the International Monetary Fund (IMF), World Bank, and WTO – formed in 1944, under the leadership of the United States of America, by developed countries primarily to carry out their neo-colonial objectives. These institutions emerged when many developing countries were not even independent entities.

The International Monetary Fund (IMF) was established to bolster the monetary system by enabling cooperation on international monetary matters, providing advisory and technical assistance to members, and providing emergency funding to nations confronted with recurring difficulties restoring their balance of payments equilibrium. Instead of achieving this objective, however, the IMF created a new exchange rate system termed the Bretton Woods system, under which countries adjusted their exchange rates to the US dollar to replace the former international gold standard.

### ***IMF***

#### ***Challenges:***

Following the establishment of the Bretton Woods system, the US dollar became the primary currency used for international trade. The US dollar became the exclusive medium used to trade products such as oil, forex reserves, bilateral trade agreements, and dollar-denominated assets. All of this brought about an international economic system that favoured American economic interests exclusively.

As many of you may be aware, the US does not allow us to import oil from its competitors such as Russia or Iran. Especially in light of the Ukrainian War, the US has imposed further sanctions. In order to circumvent US sanctions and safeguard its interests, India has proposed a new transaction system for Russia to avoid US sanctions. In March 2022, India and Russia entered into a Rupee-Ruble Trade Agreement, the primary goal

of which is to substitute the US dollar as the only currency utilized in international trade and investment. The intent behind this DE-dollarization process is to end Dollar Hegemony and enable us to safeguard our national economic interests more effectively.

In recent years, Chinese yuan dominance has overtaken US dollar dominance. Since 2011, China has been progressively transitioning away from US dollar trade in favour of the Chinese yuan through its Belt and Road Initiative. It has entered into agreements with Australia, Russia, Japan, Brazil, and Iran to trade using national currencies and intends to spread its economic hegemony further, which is a major issue that endangers our national interests as well as the overall global economic structure. Meanwhile, the Euro serves as the official currency of the 27 member states of the European Union (EU), while Arab countries have their own petrodollars.

### ***Opportunities:***

Currency acts like blood that runs through the entire global economic system, similar to how certain blood groups are compatible only with specific blood groups; each currency, be it the US dollar, Chinese yuan, Russian ruble, or the euro, is suitable for only one particular country or group of countries, yet unfavourable to others. The need is to develop a currency that is beneficial for everyone, similar to the universal donor O-negative blood group that can be used by all blood groups.

India's G20 schedule prioritizes discussing methods for global partners to adopt India's digital payment systems, such as BHIM-UPI. India is a trendsetter in digital payment technology. Its fellow countries express a strong interest in adopting this technology, particularly member nations of the Global South, owing to its G20 presidency. Through its G20 leadership, India, along with other countries of the Global South, can champion a more stable and equitable global transaction system. India has utilized technology to create digital public goods that are open, inclusive, and interoperable. These have resulted in substantial progress in areas such as social security, financial inclusion, and electronic payments. As a result, India's experiences may offer valuable insight into potential global solutions. During India's G20 Presidency, it can showcase its experiences, knowledge, and models as feasible templates for others, specifically the developing world of the Global South.

## **WORLD BANK**

### ***Challenges:***

As previously mentioned, the IMF and World Bank were formed to render emergency loans to nations confronted with balance of payments difficulties. However, these loans are contingent upon implementing specific policies known as Structural Adjustment Programs (SAPs), including privatization, opening up trade and foreign investment, and balancing government deficits. SAPs comprise of measures such as raising taxes and lowering government spending, also referred to as austerity. They entail raising the cost of public services and reducing salaries, as well as minimizing government expenditures, such as reducing government employment, opening up foreign direct investment, and privatizing state enterprises.

Consequently, countries relinquish their economic sovereignty. When public budgets are slashed, it is the poor who are most affected. In several instances, governments end up spending less on essential services than

on servicing international debts. By reducing a government's capacity to organize and regulate its internal economy, multinationals can enter countries and exploit their resources. Neo-colonialism results in the utilization of foreign capital for exploitation rather than development of underdeveloped areas of the world. Investment under neo-colonialism increases the disparity between wealthy and impoverished countries worldwide.

### ***Opportunities:***

The G20 Presidency presents India with an opportunity to become the voice of the underrepresented Global South in such forums. Countries in Asia, Africa, and Latin America have faith in India to advocate for their interests. Our G20 priorities will reflect the needs of the Global South.

India can propose a set of measures to end economic colonialism and dependence through a genuinely interdependent and New International Economic Order (NIEO), similar to the proposals outlined in the "Declaration on the establishment of a New International Economic Order." These include:

- 1) Granting full sovereignty to every state over its natural resources and other economic activities necessary for development.
- 2) Re-regulating transnational corporations.
- 3) Providing opportunities for the transfer of appropriate techniques and technologies, and conditionally offering foreign aid.
- 4) Democratizing the International Financial Institutions. One issue with these Bretton Woods institutions is that countries giving the most significant donations possess too much power over their policies and which countries receive loans. As a result, there is substantial demand for democratizing the institutions.

### ***WTO***

The WTO, with 164 member states representing over 98% of global trade and GDP, is another significant international economic organization. It officially began operating on 1 January 1995, following the 1994 Marrakesh Agreement, thereby replacing the General Agreement on Tariffs and Trade (GATT) founded in 1948. The WTO creates global rules for trade of goods and services, such as law firms, insurance companies and education, among participating countries. It also handles trade-related matters concerning intellectual property rights, including determining royalties for scientific inventions such as the medicinal use of turmeric. It does so by providing a framework for negotiating trade agreements, which representatives of member governments sign and later ratify through their legislatures. The agreements are binding and cannot be violated once ratified.

### ***Challenges:***

The Ministerial Conference, consisting of all member states, is the WTO's top decision-making body, with the most recent one being the Doha Development Round in 2001. The primary differences exist between developed nations (the Global North) led by the European Union (EU), the United States (US), Canada, and Japan, and major developing countries (the Global South) represented mainly by India, Brazil, China, and

South Africa (now, China is also the new Global North, despite its southern geographic location). Developed countries seek free trade on industrial goods and services while retaining protectionism on farm subsidies to their domestic agricultural sectors. In other words, they want developing countries to lower their tariff barriers for manufactured goods like electronic and digital products, but when it comes to agricultural products, raw materials, or natural resource-based products, where developing countries have a stronger position, they resort to hidden, subtle non-tariff barriers to trade, such as import quotas, subsidies, customs delays, technical barriers (e.g., rules for the valuation of goods or “made in” rules for origin, etc.).

The current deadlock has hindered progress in launching new WTO negotiations beyond the Doha Development Round. Consequently, there has been a rise in bilateral free trade agreements between governments, diverting focus from the multilateral process that the WTO was originally built upon.

### ***Opportunities:***

As President of the G20 summit, India can redirect the group’s deliberations towards reforming the WTO by advancing the Doha agenda. Through concerted efforts with like-minded countries, India can utilize the G20 process to achieve a stable, inclusive, and representative global economic and financial system.

### ***वसुधैव कुटुंबकमः***

As we navigate the challenges of climate action, it is crucial to reassert our reverence for nature, which is deeply rooted in our culture. We must look for solutions that go beyond just material changes and encompass behavioural shifts as well. India’s G20 presidency provides an opportunity to encourage a global rethink on not just how we produce, but also how we consume. This requires a mass movement, and India can lead the way by promoting environmentally sustainable and responsible choices at both individual and national levels. The theme of India’s G20 Presidency is “One Earth, One Family, One Future” or “वसुधैव कुटुंबकमः”. Drawing from its cultural ethos, India can assert its strong beliefs in shared solutions and strive to harmonize various interests, something that is ingrained deeply in its DNA.

### ***APPROACH AND RESEARCH DESIGN***

Regarding the methodology adopted for this study, a discerning choice has been made to employ the qualitative research method. Emphatically, an exhaustive selection of secondary data has been meticulously gleaned from esteemed newspaper columns, expert testimonies, and pertinent literary works closely aligned with the focal theme of this research paper. An astute analytical and explanatory approach has been thoughtfully embraced, seamlessly aligning with the paper’s comprehensive scope and well-defined objectives.

### ***CONCLUSION***

India’s G20 presidency signifies a remarkable occasion for the nation to exhibit its sway and credibility in tackling worldwide challenges. With a keen focus on international economic matters, India can capitalize on its rich historical connections with Russia to engage a more isolated Moscow in diplomatic dialogues and

bridge the gap between the Western nations and the Global South, particularly on critical matters like climate change and trade facilitation. As the esteemed host of the 2023 G20 summit, India must adopt an inclusive approach, ensuring the representation of views from all member countries. The Indian PM has rightfully identified multilateral reforms, women-led development, and fostering public digital goods and digital infrastructure as shared priorities during India's presidency.

Yet, India will inevitably encounter hurdles while navigating geopolitical tensions and fostering effective policy coordination among member countries. Nevertheless, with strategic diplomacy and resolute determination, India can seize this unique opportunity to contribute substantially to the global stage and make a lasting impact on pressing international concerns.

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[14] **Figure source:** G20 Member countries: <https://www.vecteezy.com/vector-art/104303-g20-countries-world-map-vector>

