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India and G-20

Yogendra Kumar*

Although India has occupied an important place throughout the course of world history, its role has vastly increased in the current phase of globalization, which can be traced back to 1991 following the collapse of the Soviet Union and of its contrarian economic model. This has happened because of the largely economic and technological basis of the phenomenon and India's own domestic transformation since that time, also as a result of its economic liberalization policies. India's benign international role, rooted in its democratic, pluralistic and eclectic culture, has been a facilitative factor; it is a country to which most people in the world can easily relate, due to its universal civilizational appeal which has been shaped also, in contemporary history, by the experience of its non-violent and inclusive freedom struggle. India's role is seen by various powers as a balancer.

There is a realization that solutions – whatever they might be – for the current global problems cannot work without India's involvement. Its role is important, especially during the current historically unprecedented nature of global economic crisis, for its large domestic market of 1.2 billion people, a large and skilled workforce of nearly 530 million, and the potential of an economy which has grown between 2006 and 2011 at 8.4 per cent.[1] It certainly helps that the language of globalization is English, where India enjoys a major advantage over its other perceived economic rivals.

The global economic and political uncertainties are leading intellectuals and common persons alike to question the very premises of the present international economic and political order which is, at the same time, being called upon to address pressing, even existential, trans-national challenges

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***The Author** was formerly Ambassador to the Philippines, to Namibia and to Tajikistan. During 2008–09, he was in charge of Multilateral Economic Relations at the Ministry of External Affairs.

beyond the capacities of individual nations. The current global economic crisis has put the spotlight on the inadequacies of the post-Second World War global institutions. This institutional conundrum has resulted from various factors. After the end of the cold war, there has been a drive, especially on the part of the US and its allies, to recast the post-1945 "legal" institutions – be they political, economic or other types – to suit their changed global strategic objectives. The post-cold war period has also witnessed a proliferation of multilateral organizations, both global as well as regional, to serve a range of quite specific interests reflective of the changing geo-politics and geo-economics. Yet another major contributory factor has been the rapid growth of the international influence of China, India, Brazil, South Africa and the other so-called emerging economies.

Dialogue on the Global Economic Order: Historical Background

The Bretton Woods institutions, namely the IMF (International Monetary Fund) and the World Bank, were meant to govern the global economy, excluding the Soviet economic space and China, on the basis of fixed exchange rates vis-à-vis the new global reserve currency, i.e. the US dollar, and for development assistance for, first, post-war Europe and, later, the developing countries. The General Agreement on Tariffs and Trade (GATT), created in 1947, aimed to regulate global trade flows. A clear difference of views between the developed and developing countries, however, became evident; the latter thought these institutions to be wedded to free-market principles and not adequately supportive of their efforts at building a strong state sector considered necessary for eliminating the vestiges of international colonialism as well as for securing better terms of international trade. The Non-Aligned Movement, launched in 1961, also set up the G-77 (Group of 77) in 1964 for an effective voice to canvass for an equitable global order; the G-7 grouping, representing the world's richest countries, came into existence after the 1973–74 oil crisis for better coordination of their macroeconomic policies. Thereafter, an episodic dialogue began between the two sides, depending upon the prevailing circumstances, reflecting a grudging recognition by the rich countries that the global economy needed to be balanced better to address the emerging common challenges; the summit-level interactions were at Cancun (1981), G-7 meeting with leaders of Egypt, Senegal, Venezuela and India in Paris (1987), and the meeting of the G-8 – after the inclusion of Russia in 1997 – with the "G-5", viz., Brazil, China, India, Mexico and South Africa, at Evian, France, in 2003. The regular dialogue between G-8 and G-5, even if on an unequal basis, began in 2005 at Gleneagles, UK. The regular annual G8-G5 dialogue – "the Heiligendamm Process" – continued until the 2009 summit at L'Aquila, Italy. It was discontinued with the launching of the G-20 dialogue in Washington in September 2008, in the midst of the full fury of the global financial crisis.[2]

Establishment of G-20

Following the 1997–98 Asian financial crisis, contributed to in no small measure by the so-called Washington Consensus of the IMF and the World Bank and mishandled by the former, the G-7 Finance Ministers set up the Financial Stability Forum (FSF) in 1999 for better coordination. They also decided to invite the Finance Ministers and Central Bank governors from the developing countries, including India, constituting the "G-20" forum of these functionaries in 1998 for dialogue on macroeconomic policies of the member states; this forum would meet, usually, before the annual meeting of the IMF-World Bank in Washington.

This forum was convened for the first time at the summit level in 2008 at the initiative of President Bush; the difference this time with the previous interactions between the developed and developing countries being the equality of participation. Comprising Argentina, Australia, Brazil, Canada, China, the European Union, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, Turkey, UK and US and with Spain participating as a "permanent invitee",[3] the G-20 countries together represent around 90 per cent of the global GDP, 80 per cent of the global trade, and two-thirds of the world's population;[4] despite its consultative character, the decision-making process is more effective, given its small size.

Non-tenability of the structure of the earlier dialogues between the developed and developing countries was highlighted by the former Canadian Prime Minister, Paul Martin, in his memoirs, in 2008, where he stated:

> … the image of Hu Jintao, the President of China, and Manmohan Singh, the Prime Minister of India – leaders of the two most populous countries on earth, quite possibly destined to be the largest economies on earth within our lifetimes – waiting outside while we held our G8 meetings, coming in for lunch, and then being ushered from the room so that we could resume our discussions among ourselves, is one that stayed with me…. Either the world will reform its institutions,

including the G8, to embrace these new economic giants, or they will go ahead and establish their own institutions.[5]

After its launch at the summit level, the G-20 leaders declared the grouping to be the primary forum for international economic coordination.[6] Its objectives are (i) policy coordination between its members in order to achieve global economic stability and sustainable growth; (ii) to promote financial regulations that reduce risks and prevent future financial crises; and (iii) to create a new international financial architecture.[7] There have been seven summits so far.

Chronology of G-20 Summits

The first summit, convened in Washington on 14–15 November 2008 by President Bush, aimed to develop a coordinated response to the worst crisis since the Great Depression of the 1930s. It agreed on an action plan – both in the short and medium term – to restore growth, strengthen the international financial system and reform the international financial institutions (IFIs); the subjects covered were transparency and accountability, sound regulation, prudential oversight, risk management, integrity of the markets, reinforcement of international cooperation, and reform of the IFIs. The Prime Minister, personally invited by President Bush, stressed, as he has consistently done in all the summits since, the interests of the developing countries, the continuity of trade negotiations and resistance to protectionism, broader representation in the existing G-20 mechanisms and mentioned the "raised expectations" of "new Bretton Woods II". These programmes addressed the structural, institutional issues caused by deficient regulatory and surveillance mechanisms as well as the financial crunch due to the banking crisis. They also set out the broader agenda for the G-20 seeking to imbibe the lessons of the Great Depression which were, evidently, forgotten in the first flush of post-cold war globalization. The member countries, including India and China, simultaneously undertook exceptionally large stimulus programmes, which turned out to be very effective.

Following in quick succession, the second G-20 summit took place in London on 2 April 2009, where it came up with a stimulus package of US$ 1.1 trillion for the IMF and the regional banks to restore credit and growth. The FSF, comprising the G-7 Finance Ministers since 1998 for discussions on the macroeconomic issues, was expanded with enhanced powers, to include the Finance Ministers of the remaining G-20 members and was rechristened Financial Stability Board (FSB). The summit leaders also received a progress report on the action points agreed by the leaders at the Washington summit.

The Prime Minister informed the summit leaders that the Indian domestic stimulus package amounted to 4 per cent of GDP during FY 2008–9 and that India had fared well in coping with the crisis and advocated aggressive counter-cyclical measures and coordination, to the extent possible, of stimulus measures amongst the member countries. He also emphasized the broad approach of the developing countries for global economic recovery and restructuring along the lines of his statement at Washington. At his press conference, he stated that India's views received wide acceptance and support.

Meeting within five months of London, the third G-20 Summit at Pittsburgh, US, took place on 25 September 2009, under the leadership of the new, Democratic President, Barack Obama. The leaders, in their statement, struck a triumphalist note, patting themselves on the back for having succeeded in effecting global recovery following "national commitments to restore growth … [by means of] … the largest and most coordinated fiscal and monetary stimulus ever undertaken." Cautioning against complacency, the leaders agreed to the withdrawal of the national stimulus packages in a cooperative and coordinated manner. They also agreed to continue the reform of the international financial regulatory system as well as the modernization of the global institutions to meet "the needs of the 21st century global economy". They stressed strengthening support for the most vulnerable, for generation of quality jobs at the heart of the recovery and for energy security and climate change. They adopted a "Framework for Strong, Sustainable and Balanced Growth" through policies that prevent cycles of boom and bust by means of a peer review process called MAP (Mutual Assessment Process); this was to be developed with the help of the IMF and the relevant working group came to be co-chaired by India and Canada. A decision was taken to reform the IFIs by shifting the IMF's quota share to dynamic Emerging Markets and Developing Countries (EMDCs) of "at least 5 per cent" from over-represented countries to under-represented countries;[8] to adopt a dynamic formula for the World Bank to generate an increase of at least 3 per cent – the eventual agreement at Toronto was for 3.13 per cent – voting power for developing and transition countries that are under-represented; and to ensure that the World Bank and the Regional Development Banks (RDBs) have sufficient resources to address global challenges. The Prime Minister spoke of continuing the flow of assistance to developing countries, of investment there, especially in infrastructure, and reiterated the necessity of adequate capitalization of the World Bank and regional banks; he cautioned against premature withdrawal of the stimulus measures by the member countries.

The fourth summit, convened nine months later to lay down the agenda for the Seoul summit scheduled five months thence, took place in Toronto, Canada, on 26–27 June 2010. With the world economy experiencing steady recovery in 2009 and 2010,[9] this summit was held before the full unfolding of the Greek crisis. Held under the theme "Framework for Strong, Sustainable and Balanced Growth", it recognized the satisfactory conclusion of the first round of peer review of the macroeconomic policies of member countries, which it agreed to take to the next, more comprehensive phase. The advanced economies committed themselves to fiscal consolidation by halving the fiscal deficit by 2013 and stabilizing debt by 2016 as part of internal re-balancing; these commitments were to be complemented by structural reforms in all the member countries for external rebalancing. An agreement was reached on a differentiated approach, through individual country commitments in respect of their surplus or deficit as relevant, supporting growth and recovery in their plans for exit strategies and fiscal consolidation. There was a further commitment to refrain from imposing new protectionist barriers until 2013. The policy measures for the reform of the IFIs and of the financial sector were further elaborated and a high-level Development Working Group (DWG) was agreed to be set up to address the issue of development of the poorer countries. The Prime Minister cautioned against simultaneous pursuit of contractionary policies by the developed countries to avoid a double-dip recession.

The fifth summit took place in Seoul, South Korea, on 11–12 November 2010, when the Greek crisis was rapidly worsening, causing widespread fears of its potential catastrophic global consequences; it was also the first summit hosted by a developing country. There is no direct mention of the Greek crisis in the summit documents and whether it was perceived as a game changer for the efforts to revive and rebalance global economy. The theme was "Shared Growth Beyond Crisis" under which a G-20 Development Agenda, embodied in Multi-Year Action Plans (MYAP), was launched: nine development pillars were identified, namely, infrastructure (including the setting up of a High-Level Panel on Infrastructure Investment), human resources development, trade, private investment and job creation, food security, growth with resilience, domestic resource mobilization, knowledge sharing and financial inclusion (including the launching of the Global Platform for Financial Inclusion). There was commitment to enhance the MAP to promote external sustainability and to correct persistently large imbalances, including those of the arch commodity producers. The leaders delivered on the IMF quota and governance reform by shifting 6 per cent of the share to the emerging markets, reduction of European representation in the IMF Board and advancing by two years the completion of the next – the fifteenth – general review of quotas by 2014.[10] Another significant development was agreement to move towards market-driven exchange rates, reflecting underlying economic fundamentals, avoiding competitive devaluation with the developed countries, including those with reserve currencies being on guard against excessive volatility in exchange rates; China's coming on board on this issue was not an easy process. There was agreement to introduce by 2013 for phase in by 2019 of the Basel III measures for strengthened supervisory oversight of the global financial system. In another first for the G-20 process, important progress was made, through modification and creation of the IMF's lending facility, in strengthening the global financial safety nets. The Prime Minister, in his intervention, emphasized the development agenda of the Seoul summit and also stated that the delay in the second stage of the MAP was understandable, given that the crisis did not make it easy to reach agreement on sustainable current account balances amongst countries with divergent economic structures. In his comment to the media, on board the return flight, he said, "… I brought the development issue into the very forefront of sustainable, manageable growth process", which was taken up, subsequently, by other delegates.

In keeping with the decision taken at Pittsburgh in September 2009,[11] the sixth G-20 Summit took place after one year, unlike the preceding summits, on 4 November 2011, at Cannes, France, notwithstanding the worsening Eurozone crisis in the intervening period: in the summer and autumn of 2011, the Greek crisis threatened the existence of the Eurozone, negatively affecting global recovery. The Cannes Summit declaration welcomed the EU leaders' action on Greece and on strengthening the health of Eurozone banks and their commitment for robust governance reform of the Eurozone. The summit communiqué, titled "Building our Common Future: Renewed Collective Action for the Benefit of All", and Declaration, titled "Cannes Action Plan for Growth and Jobs", indicated, for the first time, country-wise commitment to short- and medium-term action plans. For the first time, issues concerning regulation of commodity derivatives markets with an action plan on food price volatility and agriculture and increase in transparency of energy markets were addressed; there was expression of support for recommendations of the High Level Panel on Infrastructure Investment. There was agreement on development of a country-specific action plan on growth and jobs, including the setting up of a G-20 Task Force on Youth Employment. There was a commitment to ensure the adequacy of the European Financial Stability Facility by the EU members and the IMF resources by the G-20 members. There was further movement on financial sector reforms, reaffirmation of the G-20 anti-protection pledge and of the strengthening of WTO, and commitment to give the FSB a legal personality and greater autonomy. Significantly, there was endorsement of a list of twenty-nine global systemically important financial institutions (G-SIFIs) for special measures concerning them and of strengthened regulation of "shadow banking activities". There was special emphasis on the social dimensions of globalization and endorsement of the implementation of Seoul's G-20 Anti-Corruption Action Plan. The Prime Minister, in his intervention, underlined that the global economy was facing exceptional uncertainty and that the Eurozone is of great importance to it. The MAP has the challenge of orchestrating a broad-based recovery and sustainable growth for both the developing and developed countries. The IMF needs to keep the Eurozone situation under watch and provide help as necessary. In his media interaction, he said that there was clear recognition amongst the summit participants that, primarily, the European leaders should handle the Eurozone problems.

The most recent, the seventh, summit took place on 18–19 June 2012, at Los Cabos, Mexico, in the backdrop of the worsening Eurozone crisis. The summit adopted the Final Declaration and the Los Cabos Growth and Jobs Action Plan. The declaration recognized the Eurozone countries committing themselves to take necessary measures to safeguard the integrity and stability of the Union and for the Greek government to stay on the path of reform and sustainability. It emphasized structural and regulatory reforms for enhancing medium-term growth prospects and the need for a more resilient financial system. There was agreement in favour of a more conducive environment for development in the developing countries, especially the least developed, with special attention to infrastructure investment. For the first time ever, countries were mentioned by name about their policy commitments: the US with regard to avoidance of sharp fiscal contraction in 2013, Saudi Arabia for prevention of fluctuation in oil prices, China for market-driven determination of the Renminbi and for greater transparency of exchange rate system. There were individual, explicit policy commitments by the member countries under the MAP framework. There was commitment to extend the duration of anti-protectionist policies to the end of 2014 and to further the Doha Round of negotiations. There was a call for deeper analysis by the WTO (World Trade Organization), OECD (Organization for Economic Cooperation and Development) and UNCTAD (United Nations Conference on Trade and

Development) of the impact of global value chains of trade and investment measures. There was also agreement to complete the next general review of IMF quotas at an accelerated pace by January 2014 and to further increase its resources by $456 billion. Projecting a growing influential role for itself in the IMF, India contributed an additional $10 billion to the IMF.[12] The Prime Minister, in his intervention at the plenary, weighed in on the side of growth in the debate about growth versus austerity, particularly in the Eurozone, suggesting thereby the adoption of an expansionist stance on the part of countries like Germany, as other Eurozone countries were being expected to implement severe austerity programmes. He highlighted the development concerns of the developing countries, laying emphasis on infrastructure investment. He also pointed out that the G-20 agenda was getting overloaded and that there was need for fewer goals for the summit leaders. At the second plenary session on the international financial architecture, he pointed out that the IMF quota reforms process was slower than expected and also stressed that the basis for the next quota review in 2013 should be a country's economic strength calculated on purchasing-power-parity basis. In his press conference, he pointed out the assurance of the Eurozone leaders about their determination to save the Eurozone and to move towards unified banking supervision and adoption of common and enforceable fiscal rules.

The Los Cabos summit is also significant for having the first coordination meeting of BRICS (Brazil-Russia-India-China-South Africa) leaders on the eve of the G20 summit. A strong signal was given out that the Eurozone crisis threatened global stability and cooperative efforts were needed to resolve it; they also agreed to strengthen the IMF's reserves for this as also to indicate the BRICS countries' stronger role in the organization. The leaders discussed possibilities for swap arrangements for national currencies and reserve pooling. In yet another development, there was an informal meeting of the G-20 foreign ministers for the first time; the Mexico Presidency's media advisory stated that the objective was to discuss global governance for a multilateral system, green sustainable development and current global challenges.

The leaders have agreed that the next summits will be in Russia (2013), Australia (2014) and Turkey (2015), thus establishing a practice of annual summits, in contrast with the first four which took place, in response to the 2008 crisis, roughly every six months or so. Its current mechanism and agenda have become elaborate and complex, reflecting, manifestly, the protracted nature of the global economic and financial crisis, which presents both financial and structural challenges. To understand further India's role in the G20 in this context, a brief description of its structure is necessary.

G-20 Structure

Post-Los Cabos, the mechanism of the G-20 process has shaped up as follows:

- *G-20 finance ministers' and central bank governors' forum,* which includes the FSB and the Basel Committee on Banking Supervision;
- *G-20 summit mechanism* operates without a permanent secretariat but with a revolving troika system,[13] where the incumbent presidency is rotated on an annual basis and joined by the immediate past and future presidencies and comprises two tracks – the Sherpas' and the Finance.

The Sherpas' Track steers Working Groups on the following non-economic issues, in addition to internal aspects such as procedural rules of the G-20 process:

1. *Employment and Social Dimension of Globalization at the level of Ministers of Labour* – covers issues like quality jobs creation, social security systems and structural reforms for coherence between growth and employment.
2. *Food Security at the level of Ministers of Agriculture* – covers issues like agricultural production and productivity, prevention of and response to food crises, sustainability in agricultural production, climate change, nutrition, commodity price volatility, etc.
3. *Development* – focuses on three priorities, viz., food security, infrastructure and inclusive green growth; the other aspects cover MDGs (the United Nations' millennium development goals), disaster risk management, social protection, Doha Development Round, reduction of foreign remittance costs, financial inclusion policies, increase of domestic resources, impact of financial regulatory reforms on emerging and developing economies, and a framework for accountability process in implementing the decisions of G-20 summits.
4. *Anti-Corruption* – realization of the UN convention against corruption and work for more active engagement with the OECD working group on bribery; renewal of FATF (Financial Action Task Force) mandate; monitoring high-risk jurisdictions.
5. *Tourism* – A meeting of Tourism Ministers was organized with the support of the United Nations World Tourism Organization and will follow up on the work carried out in France in October 2011.

6. *Multilateral Trade at Ministerial Level* – focuses on issues like the centrality of WTO; standstill until 2014 on additional protectionist measures; developing countries' participation in regional and global value chains; WTO, UNCTAD and OECD work on analysis of global value chains; Doha Round; streamline the procedure for WTO accession for low-income countries.

The Finance Track steers its Working Group on the following economic and financial issues:

1. *Working Group on Framework for Growth* – Issues related to economic stabilization, restoration of market confidence and structural reforms sustainably leading to greater growth and employment; the Los Cabos Growth and Jobs Action Plan, including MAP commitments.
2. *Strengthening of the International Financial System* – current issues like over-the-counter (OTC) derivatives, compensation practices to discourage risk-taking, national resolution regimes regarding systemically important financial institutions, systemically important insurers, reduced reliance on credit rating agencies' ratings in standards, laws and regulations, global legal entity identifier mechanism, unintended consequences for emerging markets and developing countries of financial regulatory reforms, tax-related information exchange system, FATF issues; financial inclusion policies to cover globally nearly 2.7 billion people; a tabular status report by FSB of progress on G-20 recommendations through depiction of "traffic lights", viz., deep green, light green, amber and red.
3. *Working Group on International Financial Architecture* – increased resources for the IMF, quota and governance reforms; review of the current quota formula by January 2013; complete the next round of quota review by January 2014, two years ahead of date; IMF surveillance issues like exchange rate policies, global liquidity, capital flows, capital account measures, fiscal, monetary and financial sectors impacting on external stability and development of local currency bond markets.
4. *Working Group on Energy and Commodity Markets* – covers issues like volatility in international commodity markets; inclusion of green growth policies in structural reform agendas; functioning and transparency of energy markets; rationalization and phase-out of fossil fuel subsidies.
5. *Study Group on Climate Finance* – covers the most effective ways to mobilize resources against climate change; consideration of the Green Climate Fund activated under UNFCCC for developing countries.

Comments on Indian Participation in G-20 Summit Diplomacy

Although Indian participation dates back to the Asian financial crisis, it is the summit diplomacy, led by the present Prime Minister since its inception, which has helped in the delineation of the contours of a post-2008-crisis global economy at this consultative – and coordinating – forum. Whilst the complexity and enormity of the challenge are evident from the foregoing brief description of the forum's mechanism, it is significant that the world's most influential countries, including India, have accepted both short- and medium-term commitments for domestic reforms.

The Prime Minister and other leaders of the developing world have striven to ensure that the current crisis, originating in the developed world, does not witness a repeat of the mistakes of the 1930s Great Depression and that the developmental needs of the poorer countries do not fall by the wayside in the efforts to resolve it. India is co-chair of the Working Group on Framework for Growth which covers, inter alia, the MAP: this is at the heart of the G-20's efforts to "rebalance" the abnormal imbalance between countries with large external and internal balances, where the biggest challenge is to overcome the sensitivities of countries like the US and China as well as of the EU. A sense of urgency, touching virtually all countries, and the "peer review" – or pressure – have moved this process forward, which the IMF had tried but failed to achieve during 2005–2007; likewise, the Basel III benchmarks for the banking sector have been agreed as a result of the G-20 process within two years, whereas the Basel II benchmarks took ten years to conclude.[14]

Even more importantly, the frequent meetings between the G-20 leaders at the outbreak of the 2008 crisis helped stem its worsening and in putting the global economic recovery on a steady, if somewhat slow, growth path. The Eurozone crisis, which began unfolding in the summer of 2010, has turned out to be more complex, given the weak EU decision-making mechanisms, enormous sovereign debt overhang of individual countries and varying levels of economic development within the Euro area; however, the G-20 message to the Eurozone leaders has been salutary in strengthening their resolve for greater financial integration. The first ever coordination meeting of the BRICS leaders, on the eve of the Los Cabos G-20 summit which followed their full-fledged summit in New Delhi on 29 March 2012, is a significant development insofar as this grouping, in contrast with the earlier groupings of developing countries, is more firmly established to conduct dialogue with the developed countries.

However, the achievements of G-20, so far, need to be looked at with a touch of realism. G-20 succeeded with the 2008 crisis as the solution, perhaps, was easy in that the affected countries were encouraged to follow a reflationary policy, especially in the recapitalization of the banking sector. The resultant heightened risk of sovereign default due to massive public and private debt fuelled the growth-versus-fiscal-consolidation debate, exposing the complications in the exit plans for the stimuli in a "cooperative and coordinated way", as committed at the Pittsburgh Summit of September 2009. A critical test of the G-20's effectiveness is its handling of the Eurozone crisis. Furthermore, the Prime Minister has expressed concern about the slow pace of quota reforms in the IMF, given that in his plenary intervention in Washington in 2008 he had said that the summit had "raised expectations in many circles" about a new Bretton Woods II; despite lip-service about top appointments at the World Bank and the IMF being open to meritorious candidates from member countries,[15] there has been no progress. The Prime Minister also stated at Los Cabos that the G-20 agenda should not be overloaded, but rather focus on fewer and substantive issues; enlarging the number of participants, as the practice has developed over succeeding summits, produces a formal atmosphere with set-piece interactions amongst leaders rather than the informal, clubby air which characterizes the G-8 summits.

The Prime Minister's comment about overloading the G-20 is important because it indicates some apprehension of the process going off-track. A focused approach on fewer critical issues would help in avoiding generalities and the plethora of documents which frequently contain programmes lifted from other multilateral organizations. Such an approach would strengthen the value of summit commitments and avoid diminution of their credibility; by way of illustration, the Renminbi remains deliberately undervalued and the WTO Report on G-20 Trade Measures (31 May 2012) states that there has been no slowdown in trade-restrictive measures by its members despite repeated commitments. As for the other global challenges touched upon in the summit documents, there is a stalemate in the climate change negotiations, the Doha Development Round and the recent Rio+20 Sustainable Development Summit.

Recommendations

Some additional steps may be considered to enhance the G-20's impact in the current phase of the crisis comparable to the 2008 crisis.

- First, it needs to maintain an active, continuous role in the current crisis.

Since Seoul (November 2010), the G-20 summit takes place once a year which, in the ongoing crisis, is not adequate for its impact and visibility. The troika mechanism, formalized at the Cannes Summit (November 2011) and now comprising France, Mexico and Russia, should constantly follow and consult on the Eurozone crisis which the IMF alone, apart from the EU institutions, is associated with; this would bring the other leaders, including India, into a constant feedback loop. The G-20 leaders, both at Cannes and Los Cabos, were able to strengthen the resolve of the Eurozone leaders for greater financial integration and, thus, prevent the possibility of any ideological predisposition towards market-driven processes to decide its fate; the informal BRICS summit, on the eve of the Los Cabos Summit, also sent an effective message to the Eurozone leaders.

- Secondly, and more so in the current global slowdown, some tangible action flowing from the G-20 decisions should be seen, by the broader publics especially in the developing countries, to be undertaken by its members individually and in concert with the global/regional banking institutions. The projects' shortlist appended by the Seoul High Level Panel on Infrastructure Investment may not have an immediate expansionary effect. A major effort in building expressways in the developing countries, including India, would have that desired effect. This would help reverse migration flows into the cities and, thereby, energize both the rural and urban segments of national economies for accelerated growth in a balanced and socially non-disruptive manner.
- Thirdly, consideration should be given for the G-20, assisted by the IMF, to encourage the vulnerable countries, and not just those within the EU, to negotiate a sovereign debt default/restructure which should, however, be contingent upon the formulation of a plan for restructuring of the national economy of the country concerned; this should be done as part of the widest possible consultations amongst all the affected groups both within and outside the national parliaments so as to reassure the widest public that the pain of austerity is being equitably shared within the human society.[16] The governments concerned should be assisted in imposing controls on the movement of capital out of the country should there be indications that it may occur precipitously as a consequence. A clearer roadmap for economic recovery, based on all stakeholders' interest in its success, would end the current, seemingly interminable uncertainty in the markets, which is proving far more damaging to the global economy. In the medium to long term, their structural alignment process could be

dovetailed into the G-20's own reform agenda, which also aims at total transparency in capital markets so as to eliminate feverish speculation about "exposure" of investment entities in times of crisis. Also in the longer term, the governance problem in the EU member states needs to be addressed through the strengthening of their party systems, ensuring the parties' own internal, democratic cohesion and continuing accountability of the leaders to their grassroots party membership. The paradox of the Eurozone crisis is that the populations of the affected countries are distrustful of their national leaders rather than lacking faith in the Euro itself; only such reformed parties can ensure support for the EU's mechanisms where all demographic segments feel a stake in their endurance.

Conclusion

India has a challenging role in this grouping as it is still dominated by the developed countries. There are challenges too for the grouping's future evolution, the biggest being the demonstration of its effectiveness in handling the current crisis, which is qualitatively different from the one in 2008. India needs to propagate an approach to solving the global financial crisis based on its post-independence growth model – strong physical and intellectual infrastructure built whilst maintaining a balance between the external and internal factors in the economy and ensuring inclusive growth through affirmative policies – which has served it well. In these times of flux and questioning, interest has grown among foreign observers in the "India story" where a poor, colonized, feudal and culturally diverse and vast country of 1947 has transformed itself into a modern, sophisticated society through a democratic, stable system.

Notes :

1 http://finmin.nic.in/the_ministry/dept_eco_affairs/capital_market_div/India_Factbook.pdf

2 Shyam Saran, 2012, "The Evolving Role of Emerging Economies in Global Governance – An Indian Perspective", London: King's India Institute, King's College, June; http://www.kcl.ac.uk/aboutkings/worldwide/global/indiainstitute/EmergingEconomiesPaper—final.pdf

3 http://www.g20.org/index.php/en/invited-countries-and-international-organizations. Each host country decides on invitee countries and organizations; the invitees do not negotiate

the outcome documents unlike the G-20 members.

[4] http://www.mea.gov.in/Portal/ForeignRelation/g20-august-2012.pdf

[5] Paul Martin, 2008, "Hell or High Water: My Life in and out of Politics". McClelland and Stewart, p. 358. Quoted by Gordon S. Smith, former Canadian Deputy Prime Minister and G-7/G-8 Sherpa and Distinguished Fellow at the Centre for International Governance Innovation, in his article "G7 to the G8 to the G20", dated 6 May 2011, http://www.cigionline.org/sites/default/files/G20No6.pdf

[6] G-20 Leaders' Statement, Pittsburgh (US), 25 September 2009. "We designated the G20 to be the premier forum for our international economic cooperation": http://www.g20.utoronto.ca/2009/2009communique0925.html.

[7] http://www.mea.gov.in/Portal/ForeignRelation/g20-august-2012.pdf

[8] The Prime Minister, in his media interaction following the Pittsburgh summit, mentioned that the BRICS countries had demanded 7 per cent quota shift on the IMF board in addition to the current 44 per cent, which would have given the developing countries more than majority share; 5 per cent was, in the Prime Minister's view, a compromise: http://www.mea.gov.in/outoging-visit-detail.htm?5178/Press+Conference +by+Prime+Minister+Dr+Manmohan+Singh+following+G20+ Summit+in+Pittsburgh+USA

[9] Toronto G-20 Summit Declaration, Annex I: "[T]he global economy is recovering faster than was expected": http://www.g20.utoronto.ca/2010/to-communique.html#annex1. However, the Declaration does not reflect any prognostication of the Eurozone crisis.

[10] With the coming into effect of the quota reforms, India and Brazil will join China and Russia as the top ten shareholders of the IMF. (IMF Fact Sheet, 18 April 2012), http://www.imf.org/external/np/exr/facts/govern.htm

[11] G-20 Leaders' Statement, Pittsburgh, 24–25 September 2009: http://www.g20.utoronto.ca/2009/2009communique0925.html

[12] "The International Monetary Fund has a critical supportive role to play in stabilizing the Eurozone. All members must help the Fund to play this role. I am happy to announce that India has decided to contribute $10 billion to the IMF's additional firewall of $ 430 billion." – The Prime Minister's statement at the G20 plenary session at Los Cabos, Mexico, 18 June 2012, http://www.mea.gov.in/outoging-visit-detail.htm?19797/Prime+Ministers+speech+at+the+Plenary+Session+of+G20+Summit+Los+Cabos+Mexico. The media note dated 18 June 2012, after the informal meeting of the BRICS leaders, states: "…These new contributions are being made in anticipation that all the reforms agreed upon in 2010 will be fully implemented in a timely manner, including a comprehensive reform of voting power and reform of quota shares…", http://www.mea.gov.in/outoging-visit-detail.htm?19732/Media+Note+on+the+informal+meeting+of+BRICS+leaders+ahead+of+G20+ Summit+in+Los+Cabos

[13] G20 Cannes Summit Declaration, 4 November 2011, http://www.g20.utoronto.ca/2011/2011-cannes-declaration-111104-en.html

[14] "The G20: A New Experiment in Global Governance", by Montek S. Ahluwalia, Deputy

Chairman, Planning Commission and Indian Sherpa for G20, June 2011 (Paper contributed to festschrift for Prof. Lord Meghnad Desai), http://planningcommission.nic.in/aboutus/history/index.php?about=spemsabody.htm

[15] Pittsburgh G-20 Leaders' Statement, 25 September 2009, http://www.g20.utoronto.ca/2009/2009communique0925.html

[16] On democracy deficit in austerity measures in European countries, see Amartya Sen, 2012, "What Happened to Europe?", *The New Republic*, 2 August, http://www.tnr.com/article/magazine/105657/sen-europe-democracy-keynes-social-justice?page=0,4#

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