GATEWAY HOUSE
INDIAN COUNCIL ON GLOBAL RELATIONS

GATEWAY HOUSE IN G20 & T20

2015 • 2016 • 2017 • 2018 • 2019 • 2020 • 2021 • 2022 • 2023

Gateway House in G20 and T20

Compendium report from 2015 - 2023

November 2022

GATEWAY HOUSE
INDIAN COUNCIL ON GLOBAL RELATIONS
भारतीय वैश्विक संबंध परिषद्

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What is the G20 and the Think20?

The G20 is the premier multilateral platform for global economic and financial issues. It has a rotating presidency, and India is the president of the G20 in 2023.

The Think20 (T20) is an official sub-forum of the G20, comprising think tanks from the G20 countries with expertise on global economic governance. The meetings bring together experts from think tanks working on issues of globalisation, international financial architecture and global economic governance.

The Think20 provides policy research and advice to the G20 by collating proposals from think tanks and experts on international economic issues. Think20 recommendations are synthesised into policy briefs and presented to G20 working groups, ministerial committees and leaders' summits to help the G20 deliver concrete policy measures. It was first initiated by the Mexican presidency in 2012 and continued by subsequent G20 presidencies.

The Think20 process is chaired by leading think tanks nominated by governments.

Preparing India for the G20 Presidency in 2022

January 23, 2019

Hosting the G20 Presidency in 2023 is a welcome challenge and a fitting aspiration for India. Preparations must begin now, with an immediate upgradation of domestic intellectual, administrative and physical infrastructure.
In 2023, India will be host to the G20, or Group of 20 nations, the world's most influential economic multilateral forum.

The current G20 leaders-level dialogue came into being during the western financial crisis of 2008, when the G8 countries invited the leaders of the large developing economies, including India and China, to help power their way out of the crisis.

For countries like India, the G20 is a unique global institution, where developed and developing countries have equal stature. Here, the latter can display their global political, economic, and intellectual leadership on a par with the world's most powerful countries. It is the agenda-setting body that guides the international financial institutions and global standard-setting body that develops and enforces rules of global economic governance.

The G20 has a rotating presidency and secretariat, ensuring that no country dominates the agenda. Instead, the G20 host sets the agenda for the year, wielding vast direct and indirect influence. Managing this process from inception to fruition showcases a country's talent and administrative ability.

This holds both opportunities and challenges for India: the opportunity to set the global economic governance agenda and make it inclusive, and the challenge of taking on the massive task as G20 President in 2023.

Is India ready for this leadership? Does it have a clear global positioning in place to lead an international financial agenda? Does the country's top political leadership have the capacity to lead the G20 year intellectually, financially, managerially and administratively?

At some levels, India is ready. Indian business and industry is becoming a noteworthy competitor globally. The country's domestic economy is starting to pick up, thanks to serious structural economic reforms undertaken. The central government is economically stronger, and the states are starting to learn about economic independence. This means they will pull their own weight more, making them contributive and structurally more aligned with their global counterparts.

Geopolitically, India is more internationally engaged. But it is less engaged geoeconomically, with a narrow focus on the World Bank, IMF and WTO issues. The country has much to contribute beyond these multilaterals, and that effort can commence with preparations for the G20 Presidency in 2023. In addition to the established themes of financial regulation, trade, and other topics, India can lead on several issues, most notably on reform of the Bretton Woods institutions, reconfiguration of global financial regulations, design of a new framework for trade in services and digital economy, and establishing better cross-border standards for transparency in financial flows.

It is organisationally that India will have challenges, where the country has an infrastructure, management and intellectual gap.

First, a G20 presidency brings together several global leaders, their attending delegations and independent experts. Unlike the Olympics and more like Davos, this effort is focused on a small but powerful group which expects good airports, accommodation, conference facilities, and communications infrastructure all year round.

Second, the president of the G20 is tasked with leading and managing the global economic agenda for the year. These are typically undertaken by the finance ministry and foreign ministry of a country, and a special appointee such as G20 Sherpa, which together act as the secretariat to the G20 Presidency. In India, the ministries have fine officers with this knowledge, but they are overworked and limited by their short tenures in the departments.

'Global economic governance' is almost no one ministry's mandate, but in fact involves many. For example, the ministries of commerce, energy, agriculture, have deep stakes in the emerging global economic architecture. The banking and securities regulators – Reserve Bank of India and Securities and Exchange Board of India – play a crucial role in contributing to the formulation of global financial regulations. They all have to work as one.

Third, the logistical exercise is monumental, and unprecedented for India. While the country has developed the capacity for organising conferences like 'Vibrant Gujarat' and 'Pravasi Bhartiya Divas' once a year, the G20's all-year requirements are equally intense, but more subtle and sophisticated. It needs an energetic secretariat to organise over 170 high-level ministerial, sub-ministerial and sub-forum meetings through the year; at least 50 task forces (including those of the sub-forums, such as those for think tanks, business). Then there are content management, negotiation and feedback processes and developing and executing the year-long agenda to culmination. The closest experience for India was in 2016 when as chair of the five BRICS countries, the ministry of external affairs and finance ministry together organised over 100 meetings, with uneven success on the presidency year.

Fourth, intellectually, India is constrained on capacity. There are virtually no think tanks or academics which emphasise on this subject, except some like Gateway House, which has focused on this since the early days of the G20. It requires deep inter-disciplinary research on issues of the international monetary system, global financial architecture, global trading system, cross-border use of energy and resources and global climate and sustainability commitments.

This constrains India to be a passive rule-taker, not rule-maker or designer of global economic rules. Consequential economic decisions are then driven by the West, and increasingly by China – neither of which are suitable for an India that should be a leading thinker of the new global economic era.

Hosting a successful G20 Presidency in 2023 then, is a welcome challenge and a fitting aspiration. Preparations must begin now, with an immediate upgradation of domestic intellectual, administrative and physical infrastructure. This will directly benefit the home economy through enhanced human capital and increased international economic engagement via trade, business, and finance. The government will have to work together with think tanks, business and other civil society organisations to develop an agenda for 2022.

India is a growing emerging economy, but it leads no global economic forums. As former Reserve Bank governor Raghuram Rajan said at the inauguration of the first Gateway House-led Think20 (an official sub-forum of economic think tanks of the G20) in 2015, "Those who hold the pen, write the rules." The time has come for India, heading into the 75th year of its independence, to both hold the pen and write the rules for a more equitable global economics and governance.

G20 and Think20 Gateway House Engagements

Gateway House is the only institution in India to host these official meetings under the annual G20 process. The first meeting was held under the Turkish presidency of the G20 in 2015. Since then, Gateway House has hosted this official meeting annually with our counterparts during the Chinese presidency in 2016, German presidency in 2017, Argentine presidency in 2018 and Japanese presidency in 2019. In 2019, it is the only Think20 meeting being held outside of Japan.

This tradition was suspended in 2020 and 2021 due to the Covid-19 pandemic. In 2022, it has resumed in the form of an independent G20 Task Force on Energy Transitions and Climate Finance, the first task force of the Indian Presidency of 2023.

Over the years, Gateway House has also been part of several Engagement and Working Groups, particularly on International Financial Architecture and Trade and Investment.

For Gateway House, these initiatives are the outcome of the focus on geoeconomics and on-going research on international economic relations and global financial architecture. We also continuously engage business leaders and government officials from India and the G20 countries.

G20 Task Force on Energy Transitions and Climate Finance

India’s G20 Sherpa Amitabh Kant at the Inception meeting

Gateway House’s Manjeet Kripalani and Task Force Lead Amit Bhandari

Research

1. The Group of Twenty today: India's Opportunity to Lead

By Rajiv Bhatia
November 8, 2022

On Dec 1, India will take over the Presidency of the G20, the premier global forum for dialogue and cooperation on global economics and financial issues. This is a unique grouping, where developing and developed countries come together with equal status. Understanding its mission, past trajectory, institutional mechanisms, work methods, and the multiplicity of challenges it addresses, is critical today and requires a serious examination.

INTRODUCTION

India is readying to commence its year-long presidency of the influential Group of Twenty (G20) nations on 1 December 2022, and public interest in all matters relating to the multilateral economic governance institution has begun to grow. What is this group, how did it gain prominence, and why is India's presidency in 2022-23 so important?

The G20 is the premier global forum for dialogue and cooperation on global economic and financial issues. It is over two decades old and holds the attention of experts and students alike for its intricate interaction between the geo-economics and geopolitics of the contemporary world. It is a unique grouping in which developing and developed countries come together with equal status. Understanding its mission, past trajectory, institutional mechanisms, work methods, and the multiplicity of challenges it addresses, is critical today and requires a serious examination.

What is and what is not the G20, therefore, is relevant. The G20 is "not a treaty-based multilateral organisation capable of taking legally binding decisions, much less implementing them," says Stewart M. Patrick, Director of the International Institutions and Global Governance programmes at the Council on Foreign Relations, New York. "It is a consultative forum that allows the world's most important advanced and emerging economies to harmonize their approaches, when so inclined, to the world's biggest challenges." The G20 today represents 85% of global GDP, 75% of international trade, and 2/3rd of the world's population."

This essay traces the emergence and evolution of G20 as a global forum of vital importance; explains how it works through its two principal tracks and hundreds of meetings of ministers, officials, and non-governmental experts as well as the annual Leaders' summits, and finally, decodes the context, implications, priorities, and challenges for the forthcoming Indian presidency.

CREATION AND EVOLUTION

The G20, at the summit level, came into being after the western financial and sub-prime crisis of 2008 when the advanced economies led by the Group of 7 (G7) had to be bailed out of a potential bankruptcy by the developing countries, particularly India and China. That gave these two emerging economies and some other key developing countries (Indonesia, Turkey, Mexico, Argentina, Brazil, South Korea, and Saudi Arabia) a seat each in the decision-making councils on global economy and finance so far dominated by the advanced economies. It reflected the shift of a chunk of economic power and influence from the west and the north to the east and the south. It was an admission that developed countries by themselves were unable to resolve the global economic problems, and desperately needed the cooperation of countries such as India, China, Russia and Brazil among others, for this vital task.

Before the G20, there were the G7 and the G77

The G7 was established in June 1976, although its origin is traced to an informal meeting of four finance ministers viz. US, France, West Germany, and the UK, held in March 1973 amid the oil crisis. Canada, Japan, and Italy were added thereafter. Later, the G7 admitted Russia, thus transforming itself into the G8 in 1997. However, after Russia was expelled in March 2014 in the wake of its annexation of Crimea, the G7 resumed its original composition. It continues to be powerful and united, and its latest summit was hosted by Germany in June 2022.

Preceding the G7 was the forum of developing countries – G77 – established in June 1964. It has 134 members now but retains its old name. It is known as 'G77 and China' when it holds meetings jointly with China. It is much less influential today than it was during the Cold War. A smaller grouping of developing countries – G15 – comprising select developing countries from Asia, Africa, and Latin America was set up in September 1989. The aim was to foster cooperation in trade, investment, and technology within the South and provide inputs to G7 and the WTO. Later, its membership rose to 18, but the name remained unchanged. Regular summits were held during the 1990s and subsequently. The last summit was held in 2012.

The G20's origins were in the Asian-turned-global financial crisis of 1997–1999, which the G7 was unable to resolve by itself. Paul Martin, the Canadian finance minister, and Larry Summers, the US treasury secretary, convened a meeting of select finance ministers and governors of the central banks in December 1999. The G20 functioned at that level for nearly a decade. When the financial crisis struck the US in 2008 and quickly turned global, G20 was elevated to the summit level, with the presidents and prime ministers holding regular bi-annual and later annual confabulations with the single goal of preventing another global financial crisis. But like most well-meaning initiatives, it began to expand its scope, including the areas of development. The crisis in Syria led to a migration crisis in Europe, making the shift to this issue inevitable, which was included in the G20 economic agenda.

The engagement of the highest political leaders legitimised the progressive expansion of the G20 agenda beyond finance, fiscal and monetary policies. The grouping now represents a 'whole of the government' approach. This was on display when the COVID-19 pandemic hit the world in early 2020, threatening lives and health security, livelihoods, and economic stability and growth. The G20, more than the UN, was tasked with finding solutions to the economic and health problems during Saudi Arabia's G20 presidency year.

The composition of G20 is varied. For instance, different segments of the G20 should be carefully noted, as below.

All G7 countries are its members: the US, Japan, Germany, France, the UK, Italy, and Canada.

All BRICS members are included in it: Brazil, Russia, India, China, and South Africa.

- All the P-5 (Permanent Five) members of the UN Security Council are in G20: the US, the UK, France, Russia, and China.
- The members of the new MITKA group have also been included: Mexico, Indonesia, South Korea, Turkey, and Australia.
- Two countries not covered by any of the above groups, namely Saudi Arabia and Argentina, are also members of G20.
- The original plan was to include Nigeria, but it was dropped. Instead, the European Union (EU) was included.
- Besides the 20 members, the IMF and World Bank, Financial Stability Board, the UN, ILO, WTO, and WHO attend the G20 meetings. Spain is a permanent guest and so are the African Union (AU), the Association of Southeast Asian Nations (ASEAN), and the New Partnership for Africa's Development (NEPAD). In addition, the country holding the presidency has the privilege of inviting guests of its own. Singapore and the Netherlands are almost always invited.

HOW IT WORKS

The G20 has two clear goals before it: i) to promote financial stability and economic growth, and ii) to make globalisation work for the benefit of all by devising consensus in policymaking on a wide spectrum of government issues. "Both directly reflect the intense connectivity that defines the 21st-century world."

Official FORA

This grouping has a rotating presidency and does not have a permanent secretariat. That role is played by the country which holds the presidency. It is assisted by the Troika, comprising the past, present, and future presidency countries, much like the Rotary Club. As a legacy of the era when the G7 ruled the roost, OECD continues to provide considerable intellectual and policy advisory support to the presidency, keeping the influence of the G7 intact.

The G20 works on the Finance Track and the Sherpa Track. The first deals with economic, financial, and monetary issues through regular meetings of the finance ministers and governors of the central banks. It has eight workstreams: Global Macroeconomic Policies, Infrastructure Financing, International Financial Architecture, Sustainable Finance, Financial Inclusion, Health Finance, International Taxation, and Financial Sector Reforms.

The rest is handled by the Sherpas. Each country has a 'sherpa' who is the main interlocutor and coordinator of the G20 leadership. They prepare the ground and ensure the harmonisation of numerous Ministerial Meetings and Working Groups. The Sherpa Track has 12 workstreams: Anti-corruption, Agriculture, Culture, Development, Digital Economy, Employment, Environment and Climate, Education, Energy Transition, Health, Trade and Investment, and Tourism.

Engagement Groups

Beyond the governments, the G20 benefits from wide-ranging discussions and studies undertaken by 10 Engagement Groups of the private sector, civil society, and independent bodies. These are: Business 20, Civil 20, Labour 20, Parliament 20, Science 20, Supreme Audit Institutions 20, Think 20, Urban 20, Women 20, and Youth 20. Each sub-forum has its meetings and its summits, resulting in a crowded and busy annual agenda for the host country and other members.

Of these engagement groups, the two most important are the Think 20 and the Business 20.

Think 20 (T20) is a network of think tanks from G20 countries that provide intellectual support to G20 leaders through research-based policy recommendations. It is often called the "ideas bank" of the G20 process. The first T20 summit was held during Mexico's G20 presidency in 2012 and has since become a constant feature in the G20 process. Members of the T20 are leading think tanks from across the globe. Hence, the T20 'thinks' for the G20, and provides constructive evidence-based solutions to various global challenges.

Akin to the G20 leaders' format, engagement groups also follow the SHERPA system. In the case of the T20, think tanks and research institutions from G20 states are nominated as Sherpas. The Chair-Sherpa is a leading think-tank from the G20 host state and acts as the nodal point of coordination for the T20. Some countries like Indonesia appoint a single think tank sherpa, but others like Japan, appoint more than 10 sherpas for their presidency year.

Every year sees two priority areas: one, which is a continuous G20 agenda, and the other which is identified by the G20 president country's chosen agenda. For example, Indonesia's G20 presidency focussed on three priorities: 1) Global Health Architecture, 2) Digital Transformation, and 3) Sustainable Energy Transition, and the same was reflected in the T20 agenda as well. Through task forces, each focus area is further explored in a cross-disciplinary manner.

The main outcome of T20 is the communique, a vision document that is released by the chair at the T20 summit. The T20 communique lists proposals and recommendations for G20 leaders to consider during the

Business 20 (B20) is an exclusive G20 engagement group created for greater interaction with the global business community. As the corporate face of the G20 framework, the B20 strives to accommodate business interests within the broader global economic agenda. The B20, therefore, is a dialogue platform for leaders of business and industry to present, share and suggest policy options to the G20 leadership.

The B20 was the first engagement group founded within the G20, and its first meeting was held during the presidency of South Korea in 2010. However, the concept of B20 was formally introduced during France's G20 presidency in 2011.

The B20's usual focus includes international trade reforms, financial regulation, monetary system, global financial architecture, energy efficiency, sustainable investment, and digitalisation. For each focus area, a task force is constituted comprising industry leaders. The B20 network comprises business and trade organisations. Each G20 country is represented by trade organisations/associations that are nominated as Sherpas by their respective governments. While the apex chamber is usually appointed as the business sherpa, sometimes other chambers are too are given this designation. For instance, during the Turkish presidency in 2015, seven business chambers were assigned the work of the B20 Sherpa and focused on Small and Medium Enterprises and entrepreneurship.

From Bill Gates to Jack Ma, the B20 has witnessed the participation of prominent corporate leaders in the past, and their attendance speaks volumes. From India, business magnates such as Anil Ambani of Reliance Industries, Adi Godrej of Godrej Industries, Sunil Mittal of Bharti Enterprises, and others have been part of various B20 task forces/meetings in the past. Apart from the corporate world, policymakers, scholars from academia, and think tanks are also invited to participate in the B20 forum. The World Economic Forum and the International Chambers of Commerce are usual invitees and participate in the B20 network.

Besides the official engagement groups, there are unofficial engagement groups like the Young Entrepreneurs Alliance, the Girls20, and the Interfaith Dialogue.

The most important document that emerges from the presidency country each year is the 'Leaders' Declaration', issued at the conclusion of each summit. It is backed by and is based on joint statements that are issued by the Ministerial and other meetings. The G20's formal work through an expanding agenda is significant. Equally important is the opportunity the annual summit affords to the top leaders of member countries to meet, interact, and build personal relationships and "recast bilateral ties."

TRAJECTORY SO FAR

The journey of the G20 may be classified into three periods: i) 1999–2008, ii) 2008–2019, and iii) 2019–2022.

1998-2008:

The first decade comprised regular meetings of the finance ministers and governors of the central banks. The agenda for their discussions extended progressively, to include financing for terrorism in the wake of the war in Afghanistan. A major focus was the reform of IMF which resulted from the decision to give the emerging economies a proportionately bigger share in the vote of its executive board.

2008-2019:

The second decade began with the global financial crisis raging in the West, which necessitated the G20's elevation to the summit level. The first Leaders' summit was held in November 2008. From 2009 to 2010, two summits a year were held. Then the grouping followed the practice to hold an annual summit until 2019. The UK, Canada, South Korea, Russia, China, Argentina, and others got the opportunity to host the summit. The G20 thus became an integral part of international economic governance. A few presidencies left a longer-term impact such as those of South Korea for pushing the cause of South-South cooperation, and Germany for advancing the 'Compact with Africa'.

2019-2022:
The third period began with the Covid-19 era. Two summits were convened by Saudi Arabia in 2022 to address the unprecedented challenges created by the pandemic. The Debt Service Suspension Initiative (DSSI) proved a major achievement. Three summits were held in 2021 under the Italian presidency to tackle the continuing problems of Covid-19, the US-NATO handover of Afghanistan to the Taliban in August 2021, and the normal Leaders' summit.

The Indonesian presidency of 2022 with its mission of 'Recover Together, Recover Stronger' had barely begun when the Russia-Ukraine conflict flared up in February 2022, resulting in new geopolitical tensions. If there was a hope of keeping geopolitics away from the G20 agenda, that was disbanded as positions hardened, and complexities rose. President Joko Widodo attempted to play a mediatory role, securing limited success and assurances from the leaders of Russia and China to attend the summit in Bali in October 2022. The Russian annexation of four regions of Ukraine in September 2022, however, raised serious question marks over the prospects of the Bali summit.

Scholars interpret the nature and degree of success of the G20 summits in different ways. V. Srinivas, a senior Indian official who studies the G20, says that G20 has usually been upbeat. "In the past, G20 has witnessed several major successes in multilateralism, and there is optimism that renewed multilateralism efforts can succeed."[9]

John Kirton of the University of Toronto's G20 Centre has studied the past work of the G20 and suggests that the grouping be judged by six criteria comprising i) domestic political management, ii) deliberation for the collective conclusion, ii) principled and normative direction-setting, iv) collective commitments, v) compliance with commitments, and vi) institutional development of global governance. His macro verdict over two decades of the G20: "Charting G20 performance on these dimensions at each of its 16 summits shows the G20's comprehensive rise to an impressive performance at Hamburg in 2017, then a substantial decline, and a revival at Rome in 2021."

Spelling out three key economic priorities for G20 in mid-2022, Kristalina Georgieva, managing director of IMF, highlighted the need for reduction in inflation, tightening of fiscal policy, and imparting of a fresh impetus for global cooperation – "led by the G20." Today, the economic challenges facing the world are as pressing as they were in 2008 which led to the G20's elevation to the highest political level. Worrisome for the hosts of the G20 summits this year and the next i.e., Indonesia and India, is the deteriorating state of geopolitics, casting a dark shadow on this largely economic forum.

INDIA'S PRESIDENCY

India's presidency of the G20 comes at a critical time, both for India and the G20 countries. Due to last for a year from 1 December 2022, it coincides with the 75th year of India's Independence. The G20 summit will be a major milestone for the country's democracy and diplomacy, bestowing a key leadership role on India on the world stage. But the stage is strewn with thorns on both the economic and geopolitical fronts. The Bali summit, followed by the Delhi summit, will demonstrate if the world – and the two host countries – can tackle the immediate issues of war and conflict as well as focus attention on the need for financial stability, peace, and sustainable development.

Handling it with finesse and balance is particularly important as the G20 has an unprecedented opportunity: it will be led by four developing countries in a row, starting with Indonesia in 2022, India in 2023, and Brazil and South Africa in 2024 and 2025 respectively. It is a chance to show whether the G20, a forum of the North and the South, can do justice to the needs and expectations of both the developed and developing countries as well as those outside the G20 family, in an equitable measure.

India will host the 18th summit of G20 in New Delhi on 9 and 10 September 2023. Nine country guests have already been invited: Bangladesh, Egypt, Mauritius, Netherlands, Nigeria, Oman, Singapore, Spain, and the UAE.

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India will host the 18th summit of G20 in New Delhi on 9 and 10 September 2023. Nine country guests have already been invited: Bangladesh, Egypt, Mauritius, Netherlands, Nigeria, Oman, Singapore, Spain, and the UAE. In addition, the International Solar Alliance (ISA), the Coalition for Disaster Resilient Infrastructure (CDRI), and the Asian Development Bank (ADB) are invited as Guest-International Organisations (IOs)

India is expected to host over 215 events at 55 different locations across the country. At most of these meetings, the G20 world will be represented by 42 delegations of ministers and officials. The summit in September 2023 will bring nearly 12,000 international delegates, media, security, and associated personnel to Delhi.

The summit's theme and priorities may be announced formally in December 2022. But the following media statement made by the Ministry of External Affairs on 13 September reflects the present official thinking:

WHILST OUR G20 PRIORITIES ARE IN THE PROCESS OF BEING FIRMED UP, ONGOING CONVERSATIONS INTER ALIA REVOLVE AROUND INCLUSIVE, EQUITABLE AND SUSTAINABLE GROWTH; LIFE (LIFESTYLE FOR ENVIRONMENT); WOMEN'S EMPOWERMENT; DIGITAL PUBLIC INFRASTRUCTURE AND TECH-ENABLED DEVELOPMENT IN AREAS RANGING FROM HEALTH, AGRICULTURE AND EDUCATION TO COMMERCE, SKILL-MAPPING, CULTURE AND TOURISM; CLIMATE FINANCING; CIRCULAR ECONOMY; GLOBAL FOOD SECURITY; ENERGY SECURITY; GREEN HYDROGEN; DISASTER RISK REDUCTION AND RESILIENCE; DEVELOPMENTAL COOPERATION; FIGHT AGAINST ECONOMIC CRIME; AND MULTILATERAL REFORMS.

While speaking at the UN General Assembly on 25 September, External Affairs Minister S. Jaishankar observed, "As we begin the G-20 presidency this December, we are sensitive to the challenges faced by developing countries. India will work with other G-20 members to address serious issues of debt, economic growth, food and energy security, and particularly, of the environment. The reform of the governance of multilateral financial institutions will continue to be one of our core priorities."

India's presidency will be stamped by its past contribution to the deliberations and decisions of the G20. India's leaders – finance ministers, Reserve Bank governors, former Prime Minister Dr. Manmohan Singh, and Prime Minister Narendra Modi – have been proactive and influential in shaping the outcomes of the meetings and summits in the previous years. India has used the G20 forum to address its concerns on terrorism financing well. PM Modi addressed all the summits from 2014–21 and articulated the country's concerns on black money and tax avoidance; countering international terrorism; effective measures against fugitive economic offenders; the need to maximize digital technology for social benefit; and the imperative to make available ample climate finance for developing countries.

Guided by a mix of motivations – to promote its national interest, leave a mark on the G20, maintain the forum's primacy as an effective instrument of global governance, and insulate it from rising geopolitical tensions, India has four choices:

- First, it can be content with a unique branding opportunity offered by the presidency i.e., to project India's success as a democracy that delivers on development.
- Second, as part of a four-country chain (Indonesia, India, Brazil, and South Africa) that holds the presidency during 2021–25, India can consolidate their synergy and solidarity to advance the interests of the Global South.
- Third, the three IBSA countries (India, Brazil, and South Africa) will chair the forum from 1 December 2022 to 30 November 2025, thereby giving this trinity, somewhat somnolent at present, a chance to promote the interests of democracies moving on the development path and fulfill the G20 promises made by the advanced economies to developing countries.
- Four, as the chair of the G20, India can (and should) take a broader view of its global responsibilities and attempt to coordinate and synthesize diverging perspectives of different constituencies within the G20 family and beyond.

A sober and balanced view suggests that these four choices are not mutually exclusive. "It is possible to weld them together to create a holistic and comprehensive approach for the Indian presidency." India's performance and ability to lead the G20 will be judged, above all, on this specific score.

Finally, India must invest in the G20 by putting more of its best resources into it, so that developing countries and advanced economies stand at the same level, making equal contributions. As Dr. Raghuram Rajan, former governor of the Reserve Bank of India, told Gateway House in 2015, "We must, across the emerging world, realise that some of the reasons why global governance seems to be sort of against us are because we are not putting enough resources into this… It makes a big difference who has the pen. Because what you write is very different [from what industrial country markets do]."

Amb. Rajiv Bhatia is Distinguished Fellow, Foreign Policy Studies, Gateway House,

Manjeet Kripalani is Executive Director, Gateway House

2. G20 and Climate Change: Hegemony of power to global support

By Manjeev Puri and Damodar Pujari
November 8, 2022

India's G20 Presidency in 2023 will be the time of the global stocktake on climate change negotiations under the 2015 Paris Agreement and the upcoming COP28. It's an opportunity for the G20 troika of Indonesia, India and Brazil to move the needle on the key challenge of climate financing and turn the G-20 away from hegemonistic power control to being a global support mechanism.

Summits of leaders from the twenty largest economies of the world, G-20, began their journey in 2008. Their principal objective then was to tackle the economic recession gripping the world and to have a mechanism to address such challenges for the future. Climate Change had, by then, also been clearly recognized as a major global challenge with huge economic implications and one that even had an existentialist dimension for humankind. Urgent action was the need of the hour, yet all that the first G-20 Summit, held in 2008 in Washington DC, had to say on climate change and a host of critical issues for the globe in its declaration was:
"We remain committed to addressing other critical challenges such as energy security and climate change, food security, the rule of law, and the fight against terrorism, poverty and disease".

President George Bush was the US President at that time and for many this very limited reference to climate change was understandable given that the US's main efforts at that time was to rope in the major emerging economies into taking mitigation (reducing GHG emissions) actions, no matter the impact of this on their development imperatives. The US had not joined the Kyoto Protocol under which developed countries took quantified emission reduction targets and all effort were directed to dilute, if not jettison, the guiding UNFCCC (United Nations Framework Convention on Climate Change) principle of common but differentiated responsibilities (CBDR). This would also do away with the scientifically proven responsibility of the developed world for their emissions since industrialisation.

In action, rather than words, the direction was to maintain the hegemony of the developed world even in climate action. This has continued to remain.

In the G-20, the developed world also sought to rope in the leading emerging economies to share in the global burden. In brief, with the by then apparent rise of China, a US-China concert, with some help from Europe (read Germany) was set in motion. There were, of course, checks and balances, including the inclusion of the next set of emerging economies like India, Brazil, Russia, South Africa and others in the grouping to make it more 'inclusive'. The US-China concert has also continued to play in the climate change auditorium.

In 2009, President Barack Obama was inaugurated and a Democratic administration with an avowed commitment to multilateralism and tackling climate change came into place. CBDR now found its way into the simple declaration of the 2nd G-20 held in London in early 2009:
"We reaffirm our commitment to address the threat of irreversible climate change, based on the principle of common but differentiated responsibilities, and to reach agreement at the UN Climate Change conference in Copenhagen in December 2009".

This was, in realty, lip service.

The next G-20 Summit was held in Pittsburgh USA in late 2009 just prior to the United Nations Convention on Climate Change (UNFCCC) Conference of Parties (CoP) in Copenhagen. Articulating a strong resolve on climate change, the Summit declared the G-20's *"resolve to take strong action to address the threat of dangerous climate change. We reaffirm the objective, provisions, and principles of the United Nations Framework Convention on Climate Change (UNFCCC), including common but differentiated responsibilities …… We will intensify our efforts, in cooperation with other parties, to reach agreement in Copenhagen through the UNFCCC negotiation. An agreement must include mitigation, adaptation, technology, and financing". Finance Ministers were tasked to report back with "a range of possible options for climate change financing to be provided as a resource to be considered in the UNFCCC negotiations at Copenhagen" and climate and green financing underscored as important for the World Bank's agenda."*

The Pittsburgh the G-20 declaration basically set the tenet for the G-20 position on climate change, which nominally acknowledged the developing countries on differentiation but demanded action by ALL countries. Underplaying the providing of climate finance and collaboration on innovation have also been a hallmark though again in well couched language.

Another push by the developed world at the G-20 which was concretised at a working lunch at the environment friendly facility of Phipps Conservatory at Pittsburgh was *"to phase out and rationalize over the medium-term inefficient fossil fuel subsidies while providing targeted support for the poorest. Inefficient fossil fuel subsidies encourage wasteful consumption, reduce our energy security, impede investment in clean energy sources and undermine efforts to deal with the threat of climate change".*

Since then, this has been one of the recurring themes driving the G-20 against fossil fuel subsidies. The narrative pushed is that these subsidies distort markets, widen fiscal deficits across economies and slower the adoption of cleaner fuels thus making fossil fuel subsidies an unfavourable global policy choice. All this, even while the developed world continues to ply its own fuel subsidies in various forms.

Let us see how things moved on climate change at the G-20 from 2009, the pivotal year in so far as global climate negotiations with world leaders attending the CoP at Copenhagen and even participating in the negotiations.

No matter the change in administration in the US, the country, with able support from the rest of the developed world, continued to be strong in dismantling differentiation. Indeed, President Obama himself negotiated with leaders of the BASIC group [India, China, Brazil and South Africa] on the issue of all countries agreeing to have their climate actions "verified" internationally, no matter this not being in consonance with the UNFCCC and its Kyoto Protocol, which was now in force. Despite strong opposition from the Chinese, he finally relented only when Prime Minister Dr Manmohan Singh told him that the Indian Parliament would not countenance such infringement of sovereignty. The leaders settled on the expression "consultation" in so far as developing countries were concerned and at the next CoP, in 2010 at Cancun, a process of International Consultations and Analysis was agreed for them as against an International Assessment and Review for developed countries.

The story regarding finance is equally interesting where developing countries were presented a figure of US$ 30 billion as commitment by developed countries for finance for the years 2010-2012 and US$ 100 billion a year for the coming decade till 2020. However, just as the hammer was to go down, an advisor whispered something in his ear and a visibly embarrassed President Obama had to block the proposal on the ground that specific money matters were a Congressional prerogative and not in his remit. The expression "approaching US$ 30 billion" then crept into the Copenhagen Accord and 'approaching' has been the guiding principle on climate financing to be provided by developed countries ever since. Indeed, the long-term promise of US$ 100 billion a year is still nowhere on the horizon with the Glasgow Climate Pact (UNFCCC COP in 2021), more than a decade later, noting the "regret" of the developed countries in keeping their commitment!

The next two G20 meetings, both held in 2010, at Toronto and Seoul, did precious little on climate change but heard special briefings from President Felipe Calderón of Mexico and Prime Minister Meles Zenawi of Ethiopia on climate change financing. The next G-20 Summit in Cannes (France) in 2011 saw the grouping return to the issue of fossil fuel subsidies with decisions on bettering data to tackle this issue.

Things changed at the G-20 as the Mexicans took the Presidency in 2012. The Los Cabos Summit moved to provide some substance to the climate finance agenda creating a group on climate finance and for finding ways to mobilize resources. Further, green recovery and sustainable finance mechanisms were also discussed in greater detail. Also, by 2012 the need for restructuring and refinancing the multilateral development bodies to support green growth was very well established and the G-20 action at Los Cabos sought taking measured steps to restructure the global financial architecture to deliver finance for green growth and tackling climate change.

The Los Cabos Summit, as indeed other Summits, clearly showed the interest of the hosts in guiding the declaratory thrust of the grouping. This was best noticed at the next G-20 Summit in 2013 in St. Petersburg where the Russians ensured that the declaration limited itself to a very narrow set of issues pertaining to the climate change and support to developing a legal instrument under UNFCCC to deal with climate challenge. Russia, whose ratification in 2004, had brought the Kyoto Protocol in force had now sown the seed for the jettisoning of the principle of differentiation with the support for a new legal instrument under the UNFCCC.

The directional shift of action by ALL was clearly noticeable in the declaration of the 2014 G-20 Summit in Brisbane (Australia) which noted *"We will work together to adopt successfully a protocol, another legal instrument or an agreed outcome with legal force under the UNFCCC that is applicable to all parties at the 21st Conference of the Parties (CoP21) in Paris in 2015. We encourage parties that are ready to communicate their intended nationally determined contributions to do so well in advance of CoP21* (to be held in Paris in 2015).

This was reinforced at Antalya, Turkey in 2015 though there the CBDR principle was at-least paid lip-service: *"We underscore our commitment to reaching an ambitious agreement in Paris that reflects the principle of common but differentiated responsibilities and respective capabilities, in light of different national circumstances. We reaffirm that UNFCCC is the primary international intergovernmental body for negotiating climate change. We welcome that over 160 Parties including all G20 countries have submitted their Intended Nationally Determined Contributions (INDCs) to the UNFCCC, and encourage others to do so in advance of the Paris Conference".*

The UNFCCC CoP at Paris in 2015 was a game-changing conference that saw a jettisoning, in real effect, of differentiation and committed ALL countries to nationally determined commitments (NDCs). The US, and the developed world, appeared to have prevailed with the Chinese as willing partners. Indeed, the game appeared set after the US and China announced a climate partnership in 2014. This was again to be witnessed in 2021.

India, under Prime Minister Modi, played a major role at Paris in giving a huge fillip to renewable energy by establishing the International Solar Alliance in collaboration with France.

But the ironies of the twists of history continued.

Presidential elections in the US brought President Donald Trump to power in 2016 and one of his first acts was to pull the US out of the Paris Agreement. From then onward, for the next four years, the G-20 was basically a divided grouping on climate change with the US, perhaps, elaborating disdain for the Paris Agreement [best captured in the G-20 declaration from Hamburg (2019): "The United States reiterates its decision to withdraw from the Paris Agreement because it disadvantages American workers and taxpayers." The real reason, it can be surmised, was not only its unwillingness to cap growth but to commit to cut down on fossil fuel usage.

Interestingly, but not unexpectedly, the US response of 2019 elicited a strong counter-response from the others under German leadership: *"The Leaders of the other G20 members state that the Paris Agreement is irreversible ….. We reaffirm our strong commitment to the Paris Agreement, moving swiftly towards its full implementation in accordance with the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances and, to this end, we agree to the G20 Hamburg Climate and Energy Action Plan for Growth"*

The G-20 Summit after the UNFCCC CoP in Paris was held in 2016 in Hangzhou and, with the US out, provided the Chinese an opportunity to try and take a moral high ground on climate change and push for the Paris Agreement. They also launched the Green Finance Study Group to identify institutional and market barriers to green finance and options to enhance the mobilisation of private capital for green investment.

The Osaka (2019) G-20 Summit tried to refocus matters on finance *"we strive to foster inclusive finance for sustainable development, including public and private financing mobilization and alignment between them, as well as innovation in a wide range of areas for low emissions and resilient development……..We emphasize the importance of providing financial resources to assist developing countries with respect to both mitigation and adaptation in accordance with the Paris Agreement"*

Thereafter, Riyadh (2020), a virtual Summit given the COVID-19 pandemic, had a non-negotiated declaration on climate change and an endorsement for a Circular Carbon Economy (CCE).

But the twists of history continued and in 2020, President Joe Biden assumed the Presidency of the US and brought it back into the Paris Agreement. There was, of course, no change in the pursuit of hegemony of power. Once again, no heed was paid to differentiation and accepting responsibility for past emissions, but the call was for ALL countries to achieve Net Zero GHG emissions by 2050. The G-20 Summit in Rome, Italy, was held in this backdrop and preceded the UNFCCC CoP at Glasgow which once again saw global leaders converging at a CoP. Of all the G-20 Summits, Italy's G20 presidency of 2021 delivered the most seminal declaration on climate change. The declaration touched upon various important issues including, climate mitigation, circular economy, fossil fuel subsidies and using tax instruments for climate finance. The G20 climate finance study group constituted in 2018, under the Argentinian Presidency, was expanded in terms of its mandate and now tasked to consider additional aspects of sustainable development. The group was, therefore, renamed Sustainable Finance Study Group (SFSG). The Group was also mandated to developing, climate focused G20 sustainable finance roadmap, improving sustainability reporting, identifying sustainable investments, and aligning International Financial Institutions' efforts with the Paris Agreement.

Italian presidency also witnessed introduction of a new pillar dedicated to protecting the planet in the G20 action plan. Climate change was no longer being viewed as one of global challenges, rather its macro-economic and fiscal impacts were being assessed for safeguarding the global economic architecture.

The relevant text from Rome thus demands full reproduction, even though it is lengthy, to capture its full import:

By the end of 2021, it was almost clear that the developed world couldn't mobilize committed climate finance of $ 100 bn per year. The climate delivery plan submitted at the Glasgow presidency of Conference of Parties to the UNFCCC acknowledged that the target agreed at time of the Paris agreement, can only be achieved by 2023[i]. Therefore, the G20 needed to step up its efforts in mobilizing and safeguarding the financial resources for climate action.

The declaration reaffirmed the G-20's "commitment to the full and effective implementation of the UNFCCC and of the Paris Agreement, taking action across mitigation, adaptation and finance during this critical decade, on the basis of the best available scientific knowledge, reflecting the principle of common but differentiated responsibilities and respective capabilities, in light of different national circumstances. We remain committed to the Paris Agreement goal to hold the global average temperature increase well below 2°C and to pursue efforts to limit it to 1.5°C above pre-industrial levels, also as a means to enable the achievement of the 2030 Agenda.

We recognize that the impacts of climate change at 1.5°C are much lower than at 2°C. Keeping 1.5°C within reach will require meaningful and effective actions and commitment by all countries, taking into account different approaches, through the development of clear national pathways that align long-term ambition with short- and medium-term goals, and with international cooperation and support, including finance and technology, sustainable and responsible consumption and production as critical enablers, in the context of sustainable development. We look forward to a successful CoP26.

In this endeavour, informed by the IPCC assessments, we will accelerate our actions across mitigation, adaptation and finance, acknowledging the key relevance of achieving global net zero greenhouse gas emissions or carbon neutrality by or around mid-century and the need to strengthen global efforts required to reach the goals of the Paris Agreement. Accordingly, recognizing that G20 members can significantly contribute to the reduction of global greenhouse gas emissions, we commit, in line with the latest scientific developments and with national circumstances, to take further action this decade and to formulate, implement, update and enhance, where necessary, our 2030 NDCs, and to formulate Long-Term Strategies that set out clear and predictable pathways consistent with the achievement of a balance between anthropogenic emissions and removal by sinks by or around mid century, taking into account different approaches, including the Circular Carbon Economy, socioeconomic, economic, technological, and market developments, and promoting the most efficient solutions. We acknowledge the efforts made to date, including net zero and carbon neutrality commitments and new and ambitious NDCs and LTSs by G20 members, and those to come by or at COP26.

Impacts of climate change are being experienced worldwide, particularly by the poorest and most vulnerable. We stress the importance of the effective implementation of the global goal on adaptation and will submit adaptation communications. We also commit to scale up adaptation finance, with a view to achieving a balance with the provision of finance for mitigation to address the needs of developing countries including by facilitating mechanisms, conditions and procedures to access available funds, taking national strategies, priorities and needs into account. We recall and reaffirm the commitment made by developed countries, to the goal of mobilizing jointly USD 100 billion per year by 2020 and annually through 2025 to address the needs of developing countries, in the context of meaningful mitigation actions and transparency on implementation and stress the importance of meeting that goal fully as soon as possible. In this regard, we welcome the new commitments made by some of the members of the G20 to each increase and improve their overall international public climate finance contributions through to 2025 and look forward to new commitments from others. We note the Climate Finance Delivery Plan, which shows, based on OECD estimates, that the goal is expected to be met no later than 2023. We also recall the Paris Agreement aim to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, and that one of its goals is to make finance flows consistent with a pathway towards low GHG emissions and climate-resilient development. We encourage International Financial Institutions, including MDBs, to step up their efforts to pursue alignment with the Paris Agreement within ambitious timeframes, to support sustainable recovery and transition strategies, NDCs and long-term low greenhouse gas emission development strategies in emerging markets and developing economies, and to set out plans to mobilize private finance, in line with their mandates and internal approval procedures, while continuing to support the achievement of the UN 2030 Agenda.

We commit to significantly reduce our collective greenhouse gas emissions, taking into account national circumstances and respecting our NDCs. We acknowledge that methane emissions represent a significant contribution to climate change and recognize, according to national circumstances, that its reduction can be one of the quickest, most feasible and most cost-effective ways to limit climate change and its impacts. We welcome the contribution of various institutions, in this regard, and take note of specific initiatives on methane, including the establishment of the International Methane Emissions Observatory (IMEO). We will further promote cooperation, to improve data collection, verification, and measurement in support of GHG inventories and to provide high quality scientific data.

We will increase our efforts to implement the commitment made in 2009 in Pittsburgh to phase out and rationalize, over the medium term, inefficient fossil fuel subsidies that encourage wasteful consumption and commit to achieve this objective, while providing targeted support for the poorest and the most vulnerable.

We acknowledge the close link between climate and energy and commit to reduce emission intensity, as part of mitigation efforts, in the energy sector to meet timeframes aligned with the Paris temperature goal. We will cooperate on deployment and dissemination of zero or low carbon emission and renewable technologies, including sustainable bioenergy, to enable a transition towards low emission power systems. This will also enable those countries that commit to phasing out investment in new unabated coal power generation capacity to do so as soon as possible. We commit to mobilize international public and private finance to support green, inclusive and sustainable energy development and we will put an end to the provision of international public finance for new unabated coal power generation abroad by the end of 2021.

As we are recovering from the crisis, we are committed to maintain energy security, while addressing climate change, and guaranteeing just and orderly transitions of our energy systems that ensures affordability, including for the most vulnerable households and businesses. In this endeavour, we will remain vigilant of the evolution of energy markets, taking into account trends over the years, and promote an intensive dialogue. Accordingly, the G20 in collaboration with the International Energy Forum (IEF) will facilitate a dialogue between producers and consumers to bolster the efficiency, transparency and stability of the energy markets. We emphasize the importance of maintaining undisrupted flows of energy from various sources, suppliers and routes, exploring paths to enhanced energy security and markets stability, while promoting open, competitive and free international energy markets. We recognize the role of digitalization in enhancing energy security and market stability through improved energy planning, while ensuring the security of energy systems against risks of attacks, including through malicious use of ICT. In addition to continuing to address traditional energy security challenges, we are mindful that clean energy transitions require an enhanced understanding of energy security, integrating aspects such as the evolving share of intermittent energy sources; the growing demand for energy storage, system flexibility changing climate patterns; the increase in extreme weather events; responsible development of energy types and sources; reliable, responsible and sustainable supply chains of critical minerals and materials, as well as semiconductors and related technologies.

We welcome the introduction of a Pillar dedicated to Protecting the Planet in the G20 Action Plan. We agree on the importance of a more systematic analysis of macroeconomic risks stemming from climate change and of the costs and benefits of different transitions, as well as of the macroeconomic and distributional impact of risk prevention strategies and mitigation and adaptation policies, including by drawing on well-established methodologies.

Sustainable finance is crucial for promoting orderly and just transitions towards green and more sustainable economies and inclusive societies, in line with the 2030 Agenda for Sustainable Development and the Paris Agreement. We welcome the establishment of the G20 Sustainable Finance Working Group (SFWG) and we endorse the G20 Sustainable Finance Roadmap and the Synthesis Report. "

Allocating a longer space to climate change in the official declaration has raised a bar for acting on climate change. However, the geopolitical and economic challenges persist. The issue of limiting global temperature rise to 1.50 C or 20 C has also become another pressure point on large developing countries as the former would even further limit the available carbon budget for humanity with every possibility of restricting them in their pursuance of development and growth. This, more-so, as the developed world was also giving itself space for growth till 2050 and really not moving on an urgent basis to cut down on their GHG emissions.

The UNFCCC CoP at Glasgow in November 2021 once again saw a galaxy of world leaders attending. These included President Biden, Prime Minister Modi and a host of Europeans – notably the Chinese and Russians were absent. Agenda of Net Zero by ALL by 2050 and a concerted effort at phasing out coal was strongly pushed.

The Glasgow Climate Pact adopted at this CoP has energized the climate change negotiations though the shadow of the Russia-Ukraine conflict could diminish action on mitigation even across Europe, the climate action leaders, given rising energy prices faced as a result of sanctions on Russia, including its gas supplies. Again, not unexpectedly, the US-China climate concert was once again visible in Glasgow with a Joint Declaration that saw China commit to phasing down its use of coal in the coming decades. This phrase later found its way into the Glasgow Climate Pact. Prior to Glasgow, China had announced its commitment t Net Zero by 2060.

Prime Minister Modi announced India's commitment to Net zero by 2070 at Glasgow along with a host of other significant measures to step up induction of renewables in India even by as early as 2030. India's leadership in pushing the global climate agenda was very visible.

India will host the 18th G-20 Summit in 2023. That will also be the time of the global stocktake under the 2015 Paris Agreement of the UNFCCC and the COP, likely in UAE, could be another keystone on the road of climate change negotiations. Financing will be a key challenge. Ukraine conflict and recent developments involving Taiwan strait has created a significant challenge in getting the world to agree on even some of the critical issues as climate change. No resolution coming from the environment ministers meeting under Indonesian presidency (2022) and China withdrawing from its cooperation with USA on climate action are the fresh examples of the magnitude of the hurdles that India will encounter in its G20 presidency, if it hopes to provide substance to the discussions.

It is generally accepted that the need for sustainable finance is huge and there are suggestions for such funding being anchored, perhaps, multilaterally. Such a fund or mechanism should also help accrete low-cost funds from other sources to developing countries. This is also an imperative for an exit from fossil-fuels after taking on board the need for development with equity in countries further down the development ladder and a just transition.

Furthermore, developing countries face fundamental financing barriers for investing in new green technologies and scaling up their climate actions. First, green technologies have higher capital cost in comparison to conventional technologies, primarily due to their unproven status on the impact of the operational efficiency of production, often making it prohibitive to invest in these. Secondly, developing countries lack capacities even towards the development of bankable projects beyond the renewables sector.

But, perhaps, the most critical is that the cost of capital is significantly higher in developed countries, making green investments more costly. This is projected to further increase due to the impact of climate vulnerability on a country's sovereign credit rating, worsening their financial burden and economic challenges. Moreover, they face rather high costs of hedging. This makes de-risking another priority need, particularly on lowering the currency risk.

Additionally, looking at green financing only from the lens of mitigation measures will not be enough and equal attention needs to be paid to adaptation. Indeed, as extreme weather events propel large scale loss of physical assets and loss of agricultural productivity, their handling is likely to be beyond the abilities of insurance companies and, maybe, even Governments.

Three developing countries presiding over G-20 in succession is a perfect opportunity to structure global climate action in favour of the needs of developing countries and vulnerable communities. With the next three G-20 Summits taking place in Indonesia, India and Brazil, this is an opportunity to move the needle on climate finance and the G-20 from a grouping focussing on retaining hegemony on power to being a global support mechanism. Prime Minister Modi had called for US$ 1 trillion for climate finance at Glasgow. This needs to be realised and the G-20 Summit in India is a major opportunity to push this agenda in the interests of humankind.

Manjeev Singh Puri is a Former Ambassador and Lead Negotiator for India at Climate Change negotiations

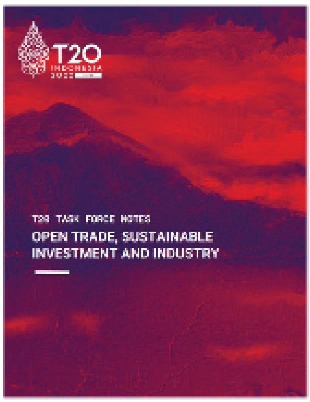
Damodar Pujari is a Fellow, Climate Change at Gateway House.

TASK FORCE:

T20 Task Force Notes on Open Trade, Sustainable Investment, and Industry

By Yose Rizal Damuri
September 22, 2022

G20 President Indonesia, hosted the Think-20 (T20) Summit in Bali 4-6 September. The recommendations of the working groups resonate in the Leaders’ Statement released at the G20 Leaders’ Summit. The T20 Task Force on Open Trade, Sustainable Investment and Industry published its notes on multilateral trade reform, digital trade, health. Yose Rizal Damuri of CSIS, is the Lead Co-Chair of this Task Force.



Amidst the constrained economic recovery and geopolitical uncertainty, the trade-investment and-industry nexus should be the catalyst to achieving robust and sustainable economic growth, especially for least-developed countries (LDCs) and developing countries. Moreover, the supply chain disruptions that occurred after the COVID-19 outbreak have provided justification for governments to shift from multilateralism and adopt nationalist, protectionist and unilateral policies and measures, as well as forgoing bilateral and regional agreements, thus accelerating the ongoing pattern of fragmentation. Therefore, a call for international cooperation in trade, investment and industry is imperative to address pressing challenges such as the global health crisis, climate change and supply chain disruption.

In this regard, the G20 Trade, Investment and Industry Working Group (TIIWG) has discussed six priority issues, i) WTO reform; ii) the role of the multilateral trading system in strengthening the achievement of Sustainable Development Goals (SDGs); iii) trade, investment, and industry response to the pandemic and global health architecture; iv) digital trade and sustainable global value chains (GVCs); v) spurring sustainable investment for a global economic recovery; and vi) sustainable and inclusive industrialisation via industry 4.0. These issues are crucial to providing future clear direction and agenda-setting for policymakers around the world from the perspective of developing countries.

As the ideas bank of the G20, T20 Indonesia has released the T20 Communique and the T20 Policy Briefs that present evidence-based ideas from researchers/experts around the world. These T20 Task Force Notes on Open Trade, Sustainable Investment and Industry provide policy recommendations tailored to the G20 TIIWG, by following the six priority issues discussed in the working group. These notes also discuss specific recommendations on food supply-chain issues as critical issues that need to be addressed in the G20.

Yose Rizal Damuri is lead Co-Chair in the T20 Task Force on Open Trade, Sustainable Investment & Industry.

Manjeet Kripalani, Executive Director, Gateway House is also a Co-Chair in the Task Force.

MEETING:

The future of digital trade policy and governance: Driving Digital Trade and Economic Growth

From 4th – 6th September, Manjeet Kripalani, Executive Director, Gateway House attended the Think20 (T20) Summit in Bali, Indonesia. T20 is part of Group of 20 (G20) and is the official engagement group where the G20 countries' leading think tanks and research organizations help to enrich the 'ideas bank' and provide policy recommendations. Ms Kripalani is Co-Chair of Task Force 1 and was panelist in the session: "The Future of Digital Trade Policy and Governance: Driving Digital Trade & Economic Growth". The keynote speech was delivered by Djatmiko B. Witjaksono, Director General of International Trade Negotiation, Ministry of Trade, Republic of Indonesia and the panel included Jane Drake-Brockman, Visiting Fellow, University of Adelaide, Eunice Huang, Head of Asia-Pacific Trade Policy, Google, Yose Rizal Damuri, Lead Co-Chair TF 1, T20 Indonesia and Johannes Fritz, CEO, Global Trade Alert.

Manjeet Kripalani of Gateway House, Yose Rizal Damuri of CSIS, Jane Drake-Brockman, Visiting Fellow, University of Adelaide

Trade ties support Indonesia's G20 year

By Manjeet Kripalani and Jane Drake-Brockman
September 26, 2022

Indonesia has managed its G20 Presidency year by understanding the importance of not going it alone. This trading nation has used its deep regional and multilateral cooperative processes which provided trusted back-up and support at every step, and was book-ended by strong linkages and investment partnerships with Japan and Australia. In this, it has laid the groundwork for India's 2023 presidency.

Indonesia has just delivered an important milestone of its G20 Presidency – the Think20 Summit in Bali, Sept 4-6, 2022. The Think 20 (T20) is the "ideas bank" for the G20 – a key mechanism through which G20 policy-makers engage the pooled resources of the global academic, research and think tank community to solve global problems. As co-chairs of T20 Taskforce 1 on Open Trade and Sustainable Investment, we hope G20 governments will take notice of the many common sense recommendations in the T20 Communique.

The G20 – the Group of 19 countries plus the EU – is a unique grouping, where developed and developing countries share a common platform to discuss proposals for improving global economic governance. 2022 kicks off a first-ever occurrence, with a series of developing countries taking on the Presidency for four years consecutively: Indonesia, followed by India, then Brazil, finally South Africa. The extended leadership opportunity for the global South is obvious: a chance to a) bring forward G20 promises on economic equity for the developing countries, and b) lead the world out of recession with implementation of policy approaches that are inclusive, accessible and adaptable.

India needs to reflect on its own strengths and weaknesses as it readies for its Presidency year starting December 2022. Hosting the G20 should not be seen merely as a giant tourism and investment promotion opportunity. It requires dedicated and consistent policy engagement at every level, including in the academic and business community. There is an external perception that India has not invested sufficiently in global multilateral engagement, including the G20 and the WTO, preferring to play a strongly defensive position. As the world's fifth largest economy, exhibiting a relatively rare positive rate of growth, India needs to engage more fully. By 2023, all eyes will be on India – and it will need to be ready.

There are learnings from Indonesia's experience.

First, Indonesia's achievements, evident even part-way into 2022, are testimony to the intrinsic importance of not going it alone. Irrespective of its own large, expanding domestic market, Indonesia is a trading nation. It participates actively in most of the regional trade and economic cooperation groupings across East Asia and the Pacific: ASEAN and ASEAN's own embedded network of FTAs, the ASEAN + 6 East Asian Summit, the 15-member mega-regional Regional Comprehensive Economic Partnership (RCEP) and the 21-member economic cooperation grouping under APEC.

Indonesia is therefore deeply engaged in regional and multilateral cooperative processes which provide trusted back-up and support at every step. ASEAN integration, which always comes first, provides a critical test bed for what works, what won't, and why. Three decades of familiarity with cooperation and capacity-building means that Indonesian institutions are relatively outward turning with strong people-to-people ties across Asia and the Pacific.

Second, intra-Asia relationships are ASEAN-centred but book-ended by strong education linkages with Australia and long-term investment partnerships with Japan. Australia is the top international destination for Indonesian students. Japan is consistently among Indonesia's largest investment partners after Singapore, with investment increasingly directed at boosting Indonesia's role in global supply chains.

With this support, Indonesia has been able to lay the groundwork for India's presidency. But it also means hard work for New Delhi. India is perceived to have less multilateral or regional economic engagement, relatively little interest in opening the domestic economy to global trade, and limited government, academic or corporate expertise on the subject. It has a big web of trade-related agreements, but many of them are comparatively shallow or with limited sectoral coverage. The chambers of commerce lean toward event management and lobbying for their members, with whom the fear of non-defensive engagement is high. Even in the areas where India excels globally – information technology and pharma – there appears to be a reticence to take a leadership role in case the comfort of continuing profits is disrupted.

These fears must be overcome and moment, seized. Geopolitically, India is on enviable terms with most G20 nations and like Indonesia, can use its exemplary diplomacy to build goodwill and consensus. Strong business support can aid New Delhi in the G-20 effort. Indian tech and pharma companies have proven during the Covid-19 pandemic, to be globally respected, reliable partners. Deepening these ties will help Indian policy-makers and other stakeholders to be in closer, more direct contact with their Asian counterparts. India can beef up engagement with the Indian Ocean Rim Association (IORA), and members of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) can be exposed, at India's invitation, to the G20 processes.

The signals for change are already apparent. First, G20 policies are notoriously repetitive, and driven by the G7. At the Bali T20 Summit and at India's initiative, the Japan-funded, Jakarta-based Economic Research Institute for ASEAN and East Asia (ERIA), has announced a new four-year G20 Research Forum to focus on development issues in support of the G20 chairmanships of India, Brazil and South Africa. This open global approach from a trusted common platform for rigorous economic study, is India's opening contribution to all developing countries in the G20.

Second, India's commerce ministry has just set an ambitious agenda for increased trade and multilateral engagement, aiming for $2 trillion in exports by 2047.

Finally, leadership in digital can be India's lasting legacy for the global South. The rules for digital trade are being written now. As the world's top IT and business services outsourcing centre, with a vibrant digital ecosystem and open source approach to innovation, India has a special interest in what the digital rules are and how they are written and implemented. For India's digital growth story is shared with all developing countries which are in varying stages of building a virtual infrastructure where services matter more than goods.

It will help India shed its negotiating reputation as seeking explicit bilateral reciprocity and trade-off, rather than building coalitions and leaning in with emerging consensus. Geopolitics are becoming more complicated, not less. India will have to speed-learn, double its energies to keep the G20 together and achieve an outcome every G20 leader can take home to their own domestic constituencies.

Manjeet Kripalani and Jane Drake-Brockman are co-chairs of the T20 Taskforce 1 on Open Trade and Sustainable Investment, Indonesian G20 Presidency.

Italy's G20 Presidency in 2021

Meeting: United Nations General Assembly, April 2021

On 27th April 2021, Manjeet Kripalani, Executive Director and co-founder, Gateway House represented the T20 Italy at a one-day High-Level Thematic Debate on Digital Cooperation and Connectivity, bringing together the international community to commit to a common digital future for all and leave no one offline – especially in the context of the COVID-19 pandemic. The speech can be read below:

Excellencies and friends: Good morning, and greetings from Mumbai, India's business capital, and from Gateway House, a foreign policy think tank started by two women. In the midst of the cruel second wave of the pandemic, I see rays of hope, offered by technology and digital solutions.

The pandemic is making clear two things: Digitalization will power the developing world out of an economic crisis and the digitalization of the Medium, Small and Micro (MSME) sector[1] is a necessary ingredient for it.

Four reasons for this good news is that the pandemic has accelerated economic reforms in many developing countries[2]; social distancing has accelerated the adoption of Digitalization by governments, companies, consumers, educational institutions and NGOs[3] [4] [5]; the decreasing cost of technology and prediction[6] makes it accessible and possible; and platforms are the new institutions – now easier to build and participate in.

At the cusp of this new era, how can we ensure equity and a level playing field in Digitalization?

There are some challenges. Digitalization is still fundamentally different in developed and developing countries. First, there's a difference between "access" and "usage" of technology. The developed world issue is 'usage' i.e. consumer privacy, security, data protection, productivity. The developing world needs "access" – digital availability, affordability and usage of infrastructure.

Second, there's a "hard" and "soft" infrastructure gap – "Hard" includes devices, electricity, telecom, servers, data centres; "Soft" includes digital platforms, content, legal and policy measures across value-chains. The developing world lacks both.

Third, the world is tied down to three approaches: proprietary digital platforms owned by a few private players; a government mandated system; and a broad regulation for consumers disconnected from their needs[7] [8].

A universalist approach is necessary to reconcile these worlds. One way is by making digitalization a 'public good' – available, affordable, accessible, auditable, scalable, with privacy embedded in its design. The UN Secretary General laid this out in his substantive Road Map for Digital Cooperation[9].

A ready and demonstrated model of digital public goods is available in India, in the form of IndiaStack – a set of open, modular, interoperable protocols, building blocks that allow "governments, businesses, startups and developers to utilise a unique digital infrastructure to solve India's hard problems."[10] It's like the public highways which governments finance and build – on which private and public vehicles can drive, commerce can thrive and people can prosper.

The base of this is a biometric identity, connected to bank accounts through which citizens receive services and subsidies, from pensions to remittances, licences to food rations. The identity stores the digital records –but consent of sharing data lies with the individual. It's been tested during the pandemic across India's vast, diverse population, and at continental scale – with food rations for migrant workers[11], vaccines taken and digital certificates provided[12][13] .

Efforts are also underway globally, to adopt all or part of this model. The Philippines,[14] Morocco, Ethiopia, are working with MOSIP, or the Modular Open-Source Identity Platform, a not-for-profit foundation offering the open-source code.[15] [16] The UN High Level Panel for Digital Cooperation endorsed MOSIP in its June 2020 report.[17]

Once the pandemic ends, the focus will be on getting people back to work, and this is where digital public goods are critical, especially to revive the MSMEs. In developing countries, they are plagued by low digitalization and poor access to low-cost and easily available credit. In the absence of data, the costs of reaching these MSMEs, underwriting, monitoring and repayment risks of small-sized loans, make it difficult for lenders to provide credit.

India is democratizing credit flows to MSMEs while simultaneously driving digitalization within them – this is Microfinance 4.0! Building blocks such as the Open Credit Enablement Network (OCEN), bring together private participants like app-based companies, credit-scoring, mutual funds, insurance, telcos, which can innovate across the entire lending value chain.

A word about sustainability. Massive digitalization requires mountains of silicon chips, magnets and batteries, which need rare earths and lithium, all difficult to mine. Data centres are responsible for 1% of global energy consumption[18]. Chip-making is water-intensive, and the chemicals are polluting. The need of the hour is yes, more digitalization, but also innovation for a smart, non-polluting chip.

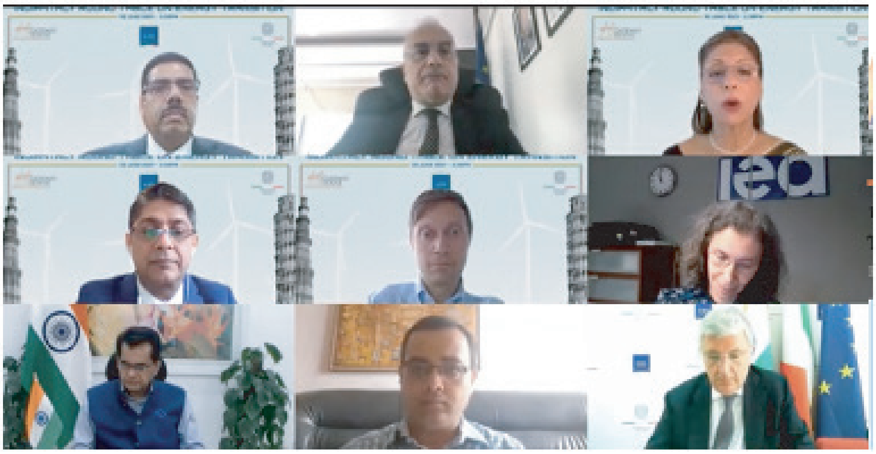
Till that comes, we hope democratic digitalization will create new tiger economies, across continents – in the Indo-Pacific, Africa, South America, the Caribbean. It's more possible now than ever before.

Thank you.

India-Italy Round Table on Energy Transitions

Juy 8, 2021

Gateway House and the Embassy of Italy in New Delhi co-hosted the India-Italy Round Table on Energy Transitions. Indian and Italian companies involved across in the energy ecosystem came together to discuss potential collaborations. India is energy dependent and Italy has an innovative energy industry. The two countries can partner on new technologies, trade, financing mechanisms and to update regulations for a new energy era.



Key Findings

1. **Energy transition is a policy priority for both countries. It entails developing entirely new ecosystems for green energy.** Italy has adopted a National Recovery Resilience plan, allocated 70 billion Euros for ecological transition and established a Ministry of Ecological transition. India too has ambitious goals for energy transition, and as of now, is the only large country to meet its climate change goals. It will add as much power capacity over the next 20 years as EU's present consumption. India has also set ambitious targets to increase natural gas and renewable energy in its energy mix.

2. **Sustainably-oriented innovation has three pillars for successful transition to a carbon neutral energy system.**
   • Sustainable Input: involves processes that do not deplete natural resources and foster efficient use of resources.
   • Flexibility: required to maintain the energy system balance.
   • Decentralisation: cost effective generation of renewable energy is shifting energy systems to smaller generation capacities.

3. **Scope for India-Italy collaboration:** India is a favoured destination for energy investments. It received over $7 billion FDI in the energy sector since 2014. Italian companies can invest in state of the art manufacturing lines and add value to the supply chain. It aims to be a global hub for cutting edge solar photovoltaic (PV) manufacturing. India is trying to innovate every part of the value chain and strategize collaborations with global innovators, and aspires to increase the share of natural gas in its energy mix from the current 6.5% to 15%. It seeks to increase its electrolyser manufacturing capacity and become a global hub.

4. **For inclusive climate action:** There is a need to ensure availability of cheap capital in less advanced economies to make green technology widespread. Sustainable recovery measures are prevalent in advanced economies due to easily available capital. It is important to protect those who will not immediately benefit from climate action, like workers in labour intensive sectors.

G20’s Future: Italy, Indonesia, India

January 21, 2021

On January 14, 2021, Gateway House co-hosted a webinar with Konrad-Adenauer-Stiftung on G20’s future: Italy, Indonesia, India. The panel included Marco Felisati, B20 Sherpa, Italy, Dr. M Chatib Basri, Former Minister of Finance, Indonesia, and Sanjeev Sanyal, Principal Economic Advisor, Government of India.

The virtual Panel Discussion (14 January 2021) on “G20’s Future: Italy, Indonesia, India” was designed to raise awareness about the Italian presidency and its possible synergy with the two subsequent presidencies. It revolved around three key themes: macro view of the G20’s role; sectoral questions ranging from health to economy, sustainable development and more; and specific country perspectives of the present and future Chairs.

a. **G20’s role:** Faced with a grave crisis created by the pandemic, G20, which held two virtual summits during 2020, performed quite well. Its tangible achievements included G20 Action Plan, Debt Service Suspension Initiative (DSSI) and incremental progress on other important matters.

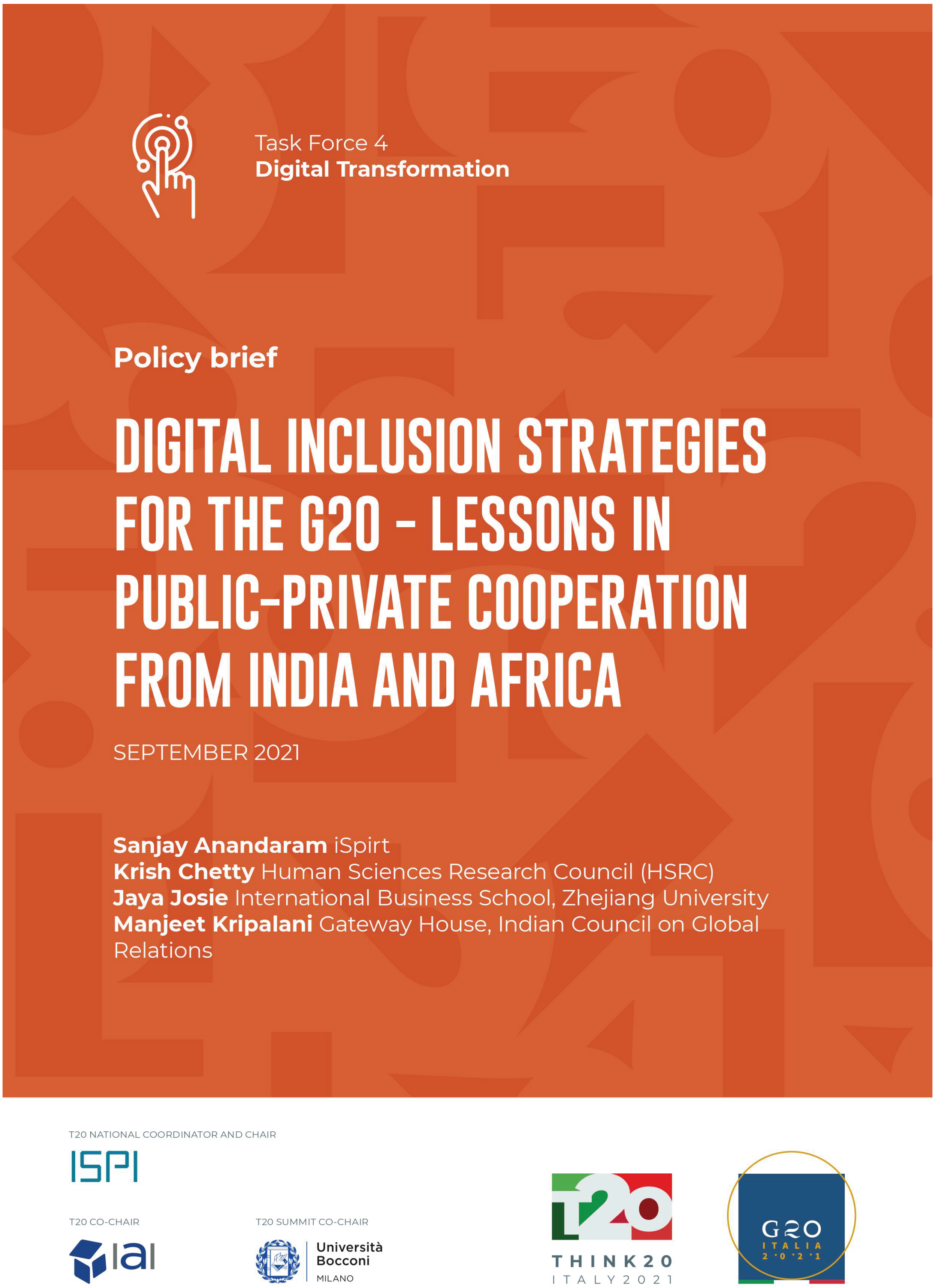
b. **Multilateralism:** The world needs more, not less, multilateral cooperation to resolve a host of challenges it faces. Multilateralism offers the best and perhaps the only path to international peace, security and prosperity. D10, the British-proposed grouping of democracies (as an expansion of G7), may have a useful role to play, but it cannot replace G20. The latter is free of ideological bias, and the presence of China gives it considerable weight.

c. **Sectoral focus:** G20’s attention is on the economy, health and sustainable development, with a special focus to MSMEs by the B20 sub-forum.
- In 2020, the G20 members successfully persuaded the Bank of International Settlements (BIS) and the Financial Stability Board (FSB) to review the existing Credit Ratings system which has a developed country bias. New, more equitable norms are now included in the Action Plan for change.
- The 2021 Italian Presidency will re-emphasize the Health Track and focus on life science and global emergencies.
- The Italian B20 will focus on the MSME sector and lead efforts to create policy tools and boost access to export credit and insurance to MSMEs.

d. **Country perspectives:** Role of the three “I”s in the G20 2021-23:
- Italian presidency is driven by ‘People, Planet, and Prosperity.’ It will focus on health and prevention of future pandemics, economic recovery, cybersecurity, access to water, and climate change.
- Indonesia may accord priority to combatting inequalities, ensuring sustainability, and access to digital technology.
- India will continue its intense combat against Covid-19, stabilize and expand economic growth, making it more inclusive. It will also promote global cooperation and purposeful multilateralism as its chief instrument to assist the world and assert its global leadership.

Gateway House G20 Policy Brief on Digital Transformation and Digital Public Goods

In 2021, a Gateway House policy brief proposing ‘Digital Inclusion Strategies for the G20 – Lessons in Public-Private Cooperation from India and Africa’ was published by Think20 Italy. It was discussed with the leading G20 think tanks at the Think20 Summit in Rome, Italy and was presented for the consideration of the G20 Sherpas that lead this process.


Task Force 4
Digital Transformation

Policy brief

DIGITAL INCLUSION STRATEGIES FOR THE G20 - LESSONS IN PUBLIC-PRIVATE COOPERATION FROM INDIA AND AFRICA

SEPTEMBER 2021

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THINK20 ITALY 2021
G20 ITALIA 2021

Policy Brief: Digital Inclusion Strategies for the G20 – Lessons in Public-Private Cooperation from India and Africa

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Written for the T20 taskforce on 'Digital Transformation'

Abstract

Public digital infrastructure, including hard and soft variants, encourages competition, innovation and inclusion. Through the India Stack and Modular Open Source Identity Platform (MOSIP), the Indian experience offers developing countries a path to leapfrog the development phase for digital platforms. Open-source systems offer countries an opportunity to establish low-cost public identity, financial and data exchange systems. The G20's support of such platforms will accelerate adoption, allowing developing countries to advance digital usage. Funding is key to implementation. This brief offers three mechanisms – specialised Digital Inclusion Social Impact Bonds, G20 coordinated multilateral collaborative funding and alternate multilateral financial mechanisms.

Challenge

Leapfrogging Traditional Digital Development Pathways

Any digital inclusion agenda must be predicated on "access" and "usage" requirements. The developed world has largely solved the "access" issue and is now focused on "usage". The developing world's digital inclusion agenda has to concentrate on solving both the "access" and the "usage" challenge. Digital access alone will not allow these nations to participate as equal partners within the digital economy. Participation requires a usage-centred digital inclusion agenda to introduce new consumers to identification, financial and e-government service systems. If developing countries leapfrog the traditional development path, developed/developing nations will benefit from global economic growth and accelerated poverty reduction. Open-source digital infrastructure offers developing nations an opportunity to simultaneously address access and usage priorities, promoting an inclusive, competitive and innovative digital economy.

Limited Choices between Current Digital Structures

Digitalisation is fundamentally different in the developed and developing worlds. The developed world has both the hard and soft infrastructure, while the developing world lacks both. A digital economy model which focuses on usage promotes digital availability, awareness, comfort, privacy and productivity. The developing world has yet to transition its priorities to such principles. There are three predominant digital economy models adopted in the developed world, which do not suit developing countries' requirements. China has adopted a state-controlled and mandated model, with open data-sharing among Chinese stakeholders. Europe follows strict consumer regulation intending to protect the consumer's rights, and the USA is dominated by private companies, proprietary infrastructure and product monetisation, favouring the incumbent mega-platforms. The developing world, in contrast, requires a model which fosters inclusion, competition and innovation. The "open system" model proposed here will allow the developing world to catch up with the extant models of the developed world and work harmoniously with them.

Proposal

RECOMMENDATION 1: THE G20 ENDORSES OPEN PUBLIC DIGITAL INFRASTRUCTURE TO COORDINATE PUBLIC-PRIVATE COOPERATION IN THE DIGITAL ECONOMY.

Defining an inclusive digital economy model for all
A G20 endorsed inclusive digital economy model will bring developing countries into a formal digital governance structure at low cost with easier access. This model adopts eight principles:

- An open system: A system in which no single country, vendor or technology provider lays claim to both hard and soft digital infrastructure,
- Accessibility for all: Access that allows all countries/individuals/entities to use, consume, transact, share the digital infrastrucure within applicable laws and regulatory frameworks.
- Affordability: No one should be excluded for financial reasons

  The Right to Use: Everyone should have the right to use, consume, transact and share the infrastructure.
- Trustworthy: Trust in the infrastructure must be ensured through institutional, legal and regulatory mechanisms
- Security: Must ensure the prevention of cyber-crimes and protection of data
- Auditable: The system can be independently evaluated against a set of regulations for financial and performance purposes.
- Privacy by design: The design of the system must ensure privacy within the regulatory framework.

  Scalable, extensible, modular: The system must be scalable to handle growth and be extended to include new functions. Its modular design must be flexible enough for use in different environments.

India offers a model to encompass these principles and reconcile existing differences in the developed and developing world's digital economy model. The Indian model treats digital inclusion as a public good through which governments and the private sector can collaborate, and enterprise and innovation and competition can thrive.

India Stack is, as the Internet Stack, a set of open, modular, interoperable software protocols. It provides the building blocks that allow "governments, businesses, startups and developers to utilise a unique digital infrastructure to solve India's hard problems towards a presence-less, paperless, and cashless service delivery" (What is India Stack?, n.d.). Its base is a digital biometric identity that allows citizens to access connected e-government services from anywhere in the country. It is connected to a digital bank account, through which citizens receive services and subsidies, from taxes to licences to food rations. The identity stores the digital records – including birth and education certificates, land records and most recently, of the Covid-19 cases and vaccines provided – and consent of sharing data lies with the individual.

Since 2009 when India first launched a national identity card, this system has been built on, tested across India's vast, diverse population, and scaled up. It is now among the world's most robust, affordable, accessible digital systems.. In December 2019, the Bank of International Settlements, which reports to the G20 on financial implementation monitoring (Reports to the G20 on implementation monitoring, n.d.), stated that India Stack "offers an important case study where the results are relevant and applicable for all economies, irrespective of their stage of development" (D'Silva et al., 2019).

The India Stack is now recognised as "one of the most advanced systems in the world"(Fintechnews Singapore, 2021). It is non-proprietary - without Intellectual Property Rights, patents or royalties – and although it is supported and used by the government, it is freely accessible to private enterprise, big or small. Efforts are underway globally to adopt all or part of the India Stack model. Countries like the Philippines are keen to develop a similar "Philippines Stack" (Schellhase, 2019 p. 11).

The formation of the Modular Open Source Identity Platform (MOSIP) in India, inspired by the India Stack experience, is aimed at setting up a "digital foundational identity system at low cost"(MOSIP.io, n.d.). Several countries have signed on to this, including Morroco, Philipines, Guinea and Ethiopia.

Funding for this system can come from multilateral agencies, bilateral grants or projects, philanthropic grants, entrepreneurial investment – and should be prioritised by the G20. Reconciling existing piece-meal digital infrastructure and services is necessary so as not to waste existing investment.

Coordination between multilateral institutions is also necessary. For the African continent, a basic all-of–Africa approach will need coordination between the various institutions such as AUC, Smart-Africa, AUDA-NEPAD, ATU, and UNECA, to direct resources needed for digital transformation optimally (African Union, 2020).

Opportunities for open public digital infrastructure in Africa – lessons from India

India's public digital platform is centred on the open system principle. It encourages innovation, allowing regulated public and private service providers to use the infrastructure, supporting multiple business models (such as business-to-business, business to govt, govt to citizen, consumer-to-consumer and consumer-to-business) (D'Silva et al., 2019 pp. 1, 17). The soft infrastructure is developed upon a robust hard infrastructure layer, which has allowed increased internet access and mobile phone ownership (Raghavan, Jain, and Varma, 2019). In India, mobile data plans are among the cheapest in the world, which has allowed India to address the access oriented challenges and leverage the gains made in the soft public digital infrastructure layer.

India's public soft infrastructure provides an interface for service providers to offer identity, payments, secure data exchanges and data registration services to consumers (Omidyar Network India, 2020). These systems, when made available through MOSIP, allow any country adopting the model to build their digital identification or local interbank payment system, following the structure defined within the Indian model, benefiting from the freely available open-source packages (Raghavan, Jain, and Varma, 2019). In India, the Reserve Bank regulates the digital platform, only allowing regulated service providers to transact. By defining data sharing rules among all providers linked into the system, transaction costs are cheaper as the system fosters greater competition. Open access to data lowers costs in switching across providers (Silva et al., 2019 p.2).The reduced costs have helped onboard consumers allowing a high volume of low value transactions. Through Aadhaar, between 2011 and 2017, 470 million Indians opened a bank account, reaching 80% of the population (D'Silva et al., 2019 pp.5, 6, 12). By defining the interface for all service providers, the platform provides a seamless user experience, simplifying financial literacy campaigns (Omidyar Network India 2020).

The success of the Indian model is driven by a series of different development teams who produced a variety of open-source packages. Their commitment to the open-source model has allowed India to make available a robust set of packages available to the world. These packages were developed in response to social problems widespread among the developing world, such as providing welfare payments to people in need and promoting efficiency in the disbursement of public funds (Raghavan, Jain, and Varma, 2019).

India's open system model provides an opportunity for the developing world to leapfrog the developmental phase required for producing the soft infrastructure layer. By developing a public interface at the early implementation stage, these countries can promote fair competition, allowing all service providers an equal opportunity to transact. The modular design allows interconnected but independent single-purpose technologies to work together. Flexibility is built into the system's design to ensure it can be adapted to meet the users' evolving needs (D'Silva et al., 2019 p. 23). This modular design allows African countries to select the systems most appropriate for their purposes.

Several African countries could benefit from an integrated identity system, with some countries still using paper-based registries. Most have moved to smart cards, although a few allow other service providers to authenticate credentials. Countries such as Botswana, Kenya, Morocco, Namibia, and Rwanda have relatively advanced Identity ecosystems. Database coverage of birth registers in these countries ranges between 63% to 95% (World Bank Group, 2017 pp. 11-21). While the coverage and robustness of these systems may be strong, interoperability and interconnectivity could be improved. In this light, the identification packages of MOSIP would offer an immediate value add in such countries, exposing the identity data and providing a foundation for secure digital financial transactions. In this light, the World Bank supports African countries investing in identity authentication systems that offers linkages to external service providers (World Bank Group, 2017 p. 61).

Within Africa's financial sector, Kenya has been recognised as a world-leading early adopter of mobile money with the MPESA system. However, as the Kenyan mobile money market is highly concentrated, the FinTech sector's growth has slowed. This concentration limits interoperability for consumers as the dominant provider has no incentive to reduce their market share. Thus despite Kenya's National Payment System Act articulating the value of interoperability, few alternate service providers can enter the market and compete with Safaricom's coverage (Mazer and Rowan, 2016). By introducing an underlying public payments platform that integrates mobile wallets, Kenya could further grow the financial sector.

In South Africa (SA), the payments industry is replacing its real-time-clearing (RTC) interbank system due to the high fees in the business-to-business sector. 90% of South Africa's payments are cash-based, with small, medium and micro enterprises (SMMEs) not accepting expensive card payments. By developing an overlay to the RTC system, inspired by India's Unified Payment's Interface (UPI), the Payment Association and BankserAfrica hope to improve inclusion among SMMEs, releasing a new interface in 2021. The SA Reserve Bank seeks a flexible architecture that will meet low-income consumers' demands, particularly (Arnfield, 2019).

MOSIP offers developing countries an opportunity to leapfrog the development of costly soft infrastructure platforms. Some African countries have begun adopting aspects of the package appropriate to their needs. The G20's support of public soft digital infrastructure and the principles of an inclusive digital economy model will help accelerate the adoption of these packages, promoting greater competition, innovation and inclusion.

RECOMMENDATION 2: THE G20 ENDORSES ALTERNATE INNOVATIVE FINANCING MECHANISM FOR DIGITAL INCLUSION PROJECTS

The following section outlines a suite of financing models to coordinate public-private funding and direct international investment promoting digital inclusion.

Endorsing Digital inclusion Social Impact bonds

Innovative financing solutions are required to address the significant funding deficits impeding digital inclusion progress in the developing world. A specialised Social Impact Bond can coalesce private sector or donor funding promoting digital inclusion goals. The impact bond blends public-private partnerships, impact investing and results-based financing, where investors, in effect, pay to achieve a desired social impact (Gustafsson-Wright et al., 2017).

These financing vehicles are more applicable when measurable outcomes are attributed to a project; the service provider has a strategy to achieve the outcomes, and the proposed intervention is innovative in design (Gustafsson-Wright et al., 2017). With clear digital inclusion principles, as described earlier in this text, digital inclusion projects promote local innovations and intend to solve low-income households' problems.

The Social Impact Bond is based on an agreement between the investors, service providers, beneficiaries, and an outcomes-funder by forming an outcomes-based contract. The agreement mitigates the risk carried by the public sector to finance such interventions. Such initiatives are relatively new within the development finance arena but enable socially responsible financing (Sera, 2020).

At present, the rollout of these bonds has been slow due to the mechanism's novelty and public finance management legislation's rigidity. Such legislation often mandates the state to commit funds to a project during the period of activity. Governments must introduce legislative provisions to unbind long-term financial commitments and permit greater flexibility in such funding arrangements (Center for Global Development, n.d.). The G20's endorsement of these bonds and legislative changes, which offer greater flexibility, will help generate awareness about such opportunities, educate potential funders, and accelerate such projects' rollout in developing countries.

G20 coordinated multilateral collaborative funding

As an alternative organisation model, the multilateral collaborative model could distribute public digital infrastructure development responsibilities based on expertise, resources and activities, among stakeholder groups tethered to the G20. The model emphasises collaboration in the innovation process, centring knowledge sharing and allowing each actor to concentrate on their unique strengths. The model's macro organisation also contributes to value creation at the micro-level, enabling dynamic relationships, collaborations, and synergies (Hasche, Höglund, and Linton, 2020).

Framing the collaborative model within the multilateral context requires distributing responsibilities among nations best suited to a particular role. The model is applied to promote innovations, and it distributes responsibilities such as funding, implementation, innovation and oversight. In response to the pandemic, a similar organisational model was adopted by the United States, Japan, Australia and India to mass-produce vaccines for the Indo-Pacific region. The model leverages the Indian manufacturing capacity, the Australian logistics capacity and funding from the United States and Japan. By distributing responsibilities based on individual national strengths, the group could accelerate vaccine production while lowering production costs (Quad Summit Fact Sheet, 2021). Similar collaboration may be encouraged by members of the BRICS group of countries.

In the multilateral context, the G20 provides the connective tissues between nations, with well-resourced developed nations taking responsibility for funding these projects. Countries that adopted innovative public digital infrastructures share their frameworks and solutions with developing nations, which act as implementers of the innovation. Structures such as the T20, W20, Youth20, etc., help provide oversight, producing research and insights that may streamline this initiative's implementation.

The collaborative model promotes leapfrogging by centralising learning and knowledge sharing in its design. The model succeeds by leveraging the organisational capacity of the G20 and the group's shared appreciation to promote digital inclusion. As developing nations begin to adopt and implement the innovation (public digital infrastructure in this instance), the nation further develops their knowledge and capacities that they share with their regional peers.

Promoting multilateral financial mechanisms

Beyond stimulating local financing mechanisms, there is a need to accelerate the multilateral financing of digital inclusion to increase funding substantially and accelerate change in developing countries. Multilateral development banks generally recognise the value of digital access but commit approximately 1% of funds to ICT projects. This slow pace of investment is premised on a belief that the private sector takes responsibility for digital infrastructure investments (Alliance for Affordable Internet, 2018). However, as detailed in this brief, the public sector is encouraged to play a more central role in providing hard and soft digital infrastructure, requiring external support from multilateral development banks and other financing institutions. The G20 can leverage its IMF and World Bank relationships to coordinate increased funding of digital inclusion projects.

Recognising the importance of global digital inclusion, the United Nation's Roadmap for Digital Cooperation has called for accelerating transformative funding models such as the ITU's GIGA Initiative (United Nations, 2020). The GIGA model identifies the ITU as a controlling agency that coordinates the sourcing of international funds directed to projects that meet its programme's conditions. GIGA can coalesce long-term financial pledges from public and private sector sponsors interested in connecting schools to the internet. GIGA provides a range of financial vehicles, such as bond investment opportunities which translate long term pledges into short-term cash flows to GIGA sponsored projects. GIGA is further supported by multilateral development banks which act as the treasurer behind these bonds (ITU, 2020). To adapt the GIGA model, the G20 is in a position to recommend forming a global programme earmarked to address digital inclusion challenges, understanding the contribution of these projects in meeting the SDGs.

Research

G20 Rome summit, marching ahead

By Rajiv Bhatia
November 4, 2021

The Oct 30-31 G20 Leaders' Summit in Rome took several important steps to accelerate economic recovery and health security. In the absence of several Eurasian leaders, India played a significant role especially on climate and energy. The G20 will now acquire greater salience in India's foreign policy, as it readies to lead the grouping in 2023.

Just as Rome was not built in a day, so a holistic vision of the G20, comprising the world's major economies, needs sustained endeavours. At its 30-31 October Leaders' Summit in Rome, the grouping took several important steps to accelerate economic recovery, enhance health security and strengthen multilateralism. Leaders' working sessions held at La Nuvola, a new congress centre designed by the Italian artist Massimiliano Fuksas, saw the G20 in full play as the world's premier forum for international economic cooperation.

This has not been easy to pull off. There were constraints under which the Rome summit functioned. The leaders of China, Russia, Mexico and Japan did not show up in person. Had they attended physically, particularly the first two, it would have probably contributed to a dilution of the tensions that mark global geopolitics today. Moreover, as the G20 summit was held back-to-back with the high-profile COP26 climate summit at Glasgow, the former had to strive hard to draw the international media's optimal attention to itself. In fact, the G20's measured decisions on climate change heralded the contours of likely solutions at Glasgow.

The Rome Declaration issued at the G20 consists of 51 meaty paragraphs. It is anchored on 20 Ministerial declarations and 29 Working Groups' documents. One has to be content by highlighting five major outcomes here.
One, the G20 noted that economic recovery was moving at "a solid pace" but it was "highly divergent across and within countries." To consolidate it, the adverse effects of COVID-19 will be addressed through an updated version of the June 2021 Action Plan, designed to support the stability of the global economy.

Two, top priority on the health front is assigned to ensuring "timely, equitable and universal access" to vaccines, therapeutics and diagnostics. The G20 accepted the WHO recommendation to arrange the vaccination of 40% of the global population by end-2021 and 70% by mid-2022. This necessitates considerable expansion in production, supply chain resilience and financial resources. It is an uphill task, considering the present reality. As Antonio Guterres, UN Secretary-General pointed out, "While wealthy countries are rolling out third doses of the COVID-19 vaccine, only about 5% of people in Africa are fully vaccinated. This is a global shame."

Three, health security in the future being a significant concern, stress was laid on "PPR" – pandemic preparedness and response – so the world can handle future pandemics better than it did COVID-19. Two specific measures agreed for this purpose are the formation of a joint task force of finance and health ministers, and the establishment of "a financial facility" in coordination with WHO.

Four, on the inter-linked themes of energy and climate, the leaders resolved to work for the success of the Glasgow conference by reaffirming their commitment to the full implementation of UNFCC and the Paris Agreement. The notable forward step was "to pursue efforts" to limit the global average temperature to 1.5°C above pre-industrial levels, as part of moving towards the global net-zero goal. But sufficient balancing was done to accommodate the developing countries' perspective that "different approaches" and "clear national pathways" should be taken into account. Importantly, developed countries have been reminded of their obligations regarding more outflow of finance and technology as well as to adopt "sustainable and responsible consumption and production" patterns, in harmony with the 2030 Sustainable Development Agenda.

Five, on the financing needs of developing countries, the IMF will establish a new Resilience and Sustainability Trust (RST) which will provide affordable long-term assistance to low-income countries. This will build on the G20 Debt Service Suspension Initiative (DSSI), created under the Saudi G20 presidency in 2020. So far, a total debt of $12.7 billion has been deferred, bringing considerable relief to developing countries. Measures beyond DSSI are also under consideration. Reform in international taxation and endorsement of a 15% minimum tax rate for corporations is true "a historic achievement", indicating that the G20 persuaded profit-makers to accept this in self-interest.

The Indian delegation led by Prime Minister Narendra Modi played a significant, probably defining, role, especially in the absence of top Eurasian leaders. The imprint of India's contribution was visible in formulations relating to climate change, energy, agriculture, international taxation, anti-corruption and counter-terrorism measures – all issues persistently pursued by India at G20 discussions. Modi's pull-asides and bilateral meetings with key participants kept the limelight on India's purposeful pro-activism. Even as India announced its goal to reach net-zero emissions by 2070, Piyush Goyal, India's G20 Sherpa, reminded the media that technologies needed to transition to clean energy and innovation still did not exist. With India's start-up sector blooming, such innovations could well come from India before they are readied by the West.

The next three nations to hold the G20 presidency are Indonesia in 2022, India in 2023 and Brazil in 2024 – all three developing countries. From 1 December 2021, the new G20 troika will comprise Italy, Indonesia and India. The G20 will now acquire greater salience in India's foreign policy. It is a natural transition to India sharpening its economic diplomacy, and showcasing its leadership role in world affairs.

Amb. Rajiv Bhatia is Distinguished Fellow for Foreign Policy Studies, Gateway House.

Saudi Arabia’s G20 Presidency in 2020

On 22nd October 2020, Gateway House hosted H.E. Dr. Saud bin Mohammed Al Sati, Ambassador of Kingdom of Saudi Arabia to India along with Dr. Abdulla al-Hassan, Saudi Arabia’s Deputy Sherpa, G20 Secreteriat.

Key topics discussed included G20 from an Indian angle, energy, space, cybersecurity, digital tax & digital governance.

Research

India, the G20 and an African agenda

By Rajiv Bhatia
September 17, 2020

The G20's agenda has expanded over the past decade to include Africa. India should use the opportunity of its upcoming presidency of the G20 in 2022 to further cement its relationship with Africa and pursue a multilateral agenda from within the G20 for a more equal partnership with Africa.

Africa has been finding a foothold on the G20 agenda over the previous decade. This should be firmed up further in the decade of the 2020s, and it is India that can make the difference.

India's leadership reiterates regularly that Africa figures among its top foreign policy priorities. Beyond the bilateral track, however, the multilateral domain is also consequential. It is now time to match words with action. India is set to join the G20 Troika in January 2022, on the way to assuming the G20 presidency in January 2023, and will be part of the Troika (of G20 immediate future, present and past Presidents) till December 2024, a year after its presidency ends. It therefore has three years in which to include the African Continent into its G20 priorities.

African issues began to seep into the G20's consciousness after 2010 when under the Korean presidency, the Seoul Development Consensus on Shared Growth was crafted, with its emphasis on "economic growth based on private-sector development and equal partnership between low-income countries and donors."[1] The spread of the Ebola pandemic in 2014 elicited financial contributions from a few G20 countries to counter it effectively in Africa. The 2016 summit at Hangzhou under the Chinese presidency resulted in an articulation of strong support for the industrialisation in Africa – but no concrete action followed. It was Germany which, under its presidency in 2017, took cooperation with Africa to a new level, with a structured approach to drive the agenda anchored on the Compact with Africa (CwA). The immediate propellant for this was the refugee crisis in Europe, the result of the wars in Syria and Libya, with whom also flowed in vast numbers of African refugees. China's dominating presence in Africa was the other consideration.

At the G20 summit in Hamburg 2017, this initiative was launched to persuade African countries to improve their macro-economic, business and financial environment for greater induction of foreign investments, especially in infrastructure. Only 12 African countries[2] joined this project. Three years later, the initiative has been judged to be a mixed success and "a long game."[3]

Saudi Arabia, the present G20 chair, commenced its innings, determined to address suitably "an ever-changing global landscape that is being transformed by technological, economic, demographic and environmental changes." Convinced that "an increasingly interconnected world" needed international collaboration more than ever before, the Saudi King observed, "The Kingdom strongly believes in the power of global cooperation to forge beneficial solutions, face challenges and create opportunities for all of humanity."[4] This well-crafted message released on 1 December 2019 carried no direct reference either to Africa[5] or (understandably) to the COVID-19 pandemic that was to become the overarching theme during the year 2020.

Creditably, under the circumstances, Saudi Arabia has steered G20 with grit, hosting a long list of high-level meetings since the virtual summit of G20 leaders in March. There have been clear outcomes such as a detailed, multi-sectoral plan to fight against the Coronavirus-19 as well as to stabilise the global economy.

The forthcoming November summit in Riyadh will deliberate further both on the next phase of the war against Covid – and, hopefully, Africa-related subjects. For example, G20 finance ministers and central bank governors have been closely monitoring progress of the Debt Service Suspension Initiative (DSSI) for burdened developing countries, and have promised to consider "possible extension" at their next meeting in October.[6] Indeed, this initiative is designed to benefit a sizeable number of African states.

What Africa needs is fairly well-known. Its vision of the future was delineated in the African Union's Agenda 2063 and the UN's 2030 Agenda for Sustainable Development. In the Covid era, although Africa has been less impacted, largely due to the Ebola protocols put in place in many countries like Liberia, Ivory Coast and Nigeria, the continent requires more assistance to deal with the pandemic's adverse impact on the health sector and the economy. African countries clamor for effective relief from the escalating debt and interest burden, both multilateral and bilateral.[7] Beyond this, there is persistent need for global cooperation with Africa in a host of sectors: infrastructure, education and capacity building, agriculture and food security, strengthening the mechanisms of regional and continental trade, local manufacturing and employment creation, safeguards against climate change, digitisation and economic rejuvenation in general.

These are all areas that fall within the purview of G20. Clearly Africa needs greater attention from the world's premier multilateral forum at this critical juncture.
Within G20, Africa's representation has been rather ineffective. Only one African country – South Africa – is its member. The AU and the New Partnership for Africa's Development (NEPAD) enjoy observer status, disappointingly more symbolic than substantive. Hence, G20's Africa linkage must be strengthened. The AU deserves to be admitted as a full member of G20, much as the EU is. A good case can be built for the entry of at least two more African states into the G20, but this could open the Pandora's box; hence the AU will decidedly be a more suitable entrant.

Immediate steps can be taken by the 2022 G20 Troika to establish an institutional mechanism for consultations with the AU. The AU presidency can be urged to set up a group of senior officials representing select African countries (i.e. Africa's own G10 or even G20). The G20 Troika delegation can then launch a series of discussions with this representative group on a regular basis to ensure that Africa's feedback is brought into the G20's mainstream policy-making.[8]

This apart, India can specifically take a leadership role, as suggested below:
i) With (a) no new funding under Lines of Credit (LOCs) or grants announced for Africa since 2015, (b) the fourth India-Africa Forum Summit (IAFS) postponed indefinitely and (c) and its attention focused on the war against Covid and the conflict with China, India seriously risks losing momentum in its recent drive to strengthen ties with Africa. Hence, a decision to hold the India-Africa summit in the first half of 2021, can be announced as soon as possible. This will receive a boost from India's flagship annual business conference with Africa, the Conclave on Project Partnership, jointly hosted by CII and Exim Bank, which is being held virtually from 22-24 September 2020.[9]

ii) At the fourth IAFS, with the up-coming G20 presidency, India can announce a joint and comprehensive approach on G20-Africa cooperation, based on the Troika-led consultations referred above.

iii) In the planning and preparations for the G20 summit in 2023, which have already begun in Delhi, a strong niche should be carved for Africa-centric themes. To make this a reality, the secretary in-charge of Africa in the Ministry of External Affairs, can be tasked to gather an inclusive, compact and committed group of officials, scholars and representatives of business and other engagement groups. This can serve as India's brains-trust on the G20's emerging cooperation with Africa. It can start work right away, with a medium-term view on the full range of development issues.

This is the time for India to step up its game in Africa as a dynamic actor and lead from within the G20 to pursue a multilateral agenda that contributes to peace and prosperity on the African continent.

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G20's role in the COVID-era

By Rajiv Bhatia
May 21, 2020

The G20 will prove vital in maintaining economic balance in the post-COVID world. The strains are many, but like the financial crisis of 2008, this could be a defining moment for its members to exercise delicate diplomacy to combat the challenges of COVID-19.

On 26 March 2020, at its first-ever virtual summit, G20 resolved "to do whatever it takes to overcome the pandemic" – the Coronavirus dashboard showed a global total of 935,817 confirmed cases and 47,208 deaths. Seven weeks later, as of 20 May 2020, the figures have increased dramatically to 4.89 million cases and 323,221 deaths worldwide.[1] Has G20 failed to deliver?

Undoubtedly, G20 began on a slow note.[2] Policy analysts gave the joint statement issued after the initial summit "barely passing grade."[3] Escalating U.S.-China tensions and a striking lack of U.S. and European leadership were the key factors responsible for this. But at least the summit did take place, and it was thanks to middle players such as India, Russia and Australia that asserted themselves and coaxed G20 chair, Saudi Arabia, to convene the virtual summit.

Following that initiative all G20 member states including U.S. and China have labored and persevered in crafting a substantive 'G20 Action Plan' to tackle this world catastrophe. Importantly, 'a-whole-of-the-government' strategy involving several national ministries has been agreed upon and adopted. This has helped secure agreement on desired actions in several crucial areas.

Ministerial collaboration: Since the summit there have been eleven virtual meetings of ministers of member states across integral departments to plan and endorse collaborative efforts in their respective areas.

a) Two meetings of trade and investment ministers led to the outlining of 'G20 Actions to Support World Trade and Investment Response to COVID-19', which detail both short-term and long-term collective actions.[4] The former ensure that emergency trade measures do not create disruptions to global supply chains, whereas the latter promote necessary reforms to the WTO.
b) Energy ministers have agreed that the sector will continue to make a "fully effective contribution to overcoming COVID19 and powering subsequent global recovery." They aim to develop "collaborative policy responses" to ensure market stability across energy resources as well as to maintain the balance of interests between producers and consumers that will safeguard an uninterrupted flow of energy.[5]
c) Health ministers have crafted an agreement on the steps necessary to address systemic weaknesses in health systems, improve pandemic preparedness, utilize digital solutions and improve patient safety.
d) An interesting development was the meeting of digital economy ministers, which stressed "the promising role of digital technologies and relevant digital policies" in strengthening their individual country's responses to the pandemic. Their plan covers aspects such as augmenting communication infrastructure and network connectivity, and R&D of digital technologies for health.[6]
e) Agriculture, labour and employment, and tourism ministers have also had discussions to develop a cooperative framework for their respective areas.

An economic support-system: Finance ministers and central bank governors occupy a special position in G20's architecture. Their collaboration is integral to the forum's effectiveness as an influential multilateral body. Two important meetings on economic concerns were held before and after the 26 March leadership summit. These meetings were instrumental in drawing up the 'G20 Action Plan – Supporting the Global Economy Through the COVID19 Pandemic."[7] The comprehensive plan covers crucial facets of health infrastructure; economy and finance; stimulating sustainable, balanced and inclusive growth; and providing international support for countries in need.

One important measure finalized as part of this plan is support for the World Bank and IMF to use their instruments "as part of a coordinated global response", including "a time-bound suspension" of debt service payments for the poorest countries.[8] As a result of this decision the debts of nations to the World Bank and the IMF, as well as debts between individual countries will now be assessed on a case-by-case basis. Payment arrangements will be negotiated through bilateral discussions between member countries.

It is easy to be skeptical about the efficacy of the spectrum of G20's efforts in mitigating COVID19. But no one should forget the role G20 played in successfully resolving the global financial crisis of 2008-09 when the U.S., Europe, China, India and others worked in tandem. Many of these important relationships are fractured today as a result of the pandemic, making it even more imperative for the forum to deliver results through implementation.

The inescapable fact is that G20 is the only multilateral body collaborating and attempting to tackle the crises currently. Especially since institutions such as the UN Security Council have been completely ineffective in their approach; first, by delaying any discussion on the matter and then by convening an unproductive meeting that did not yield any results.

The G20 is the leading forum for deliberation and coordination of policy on global issues. With the world's 19 largest economies and the European Union as its members, it represents over 66% of world population, 75% of global trade and 80% of world GDP.[9] At a time of global crisis when relations between China and the world, especially the U.S, are strained, it is important that India and like-minded G20 member nations step up and build the momentum for economic collaboration toward crisis mitigation.

Despite speculations from scholars to the contrary, the understanding among insiders and practitioners of 21st century diplomacy is that every G20 member, including the U.S. and China, is equally invested in the forum's success and wants to contribute collectively and constructively towards positive results.

In 2022, India will chair the G20. It has the unique responsibility to prepare for the challenges this will entail as the world economy may still be reeling from the after-effects of the current crisis. India must keep an optimistic mindset and a keen eye on the changing power dynamics of the post-covid political landscape.

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The action imperative for G20

By Rajiv Bhatia
April 2, 2020

COVID-19 unified G20 leaders at an extraordinary summit last week. An idea given a nudge by Prime Minister Narendra Modi, here was an opportunity for all participants to put together a plan and make a pledge for international cooperation, focusing on four main themes. Next, will they be able to turn words into action?

The extraordinary summit of G20 leaders, held on 26 March 2020 by video conference, was an innovative, even historic, step. In reaffirming its commitment to present "a united front" against the virus that "respects no borders" and "to do whatever it takes to overcome the pandemic", G20 strove to send out a clear message to an anxious world. Nevertheless, as the summit ended, the question was: will lofty words result in quick and effective action?

At the time of writing, the Johns Hopkins University of Medicine world tracker on COVID-19 showed the following numbers: total confirmed cases –935,817; total deaths – 47,208. These alarming figures are set to increase further in the days to come.[1]

This devastating disease struck the world when the G20 nations' instinct for multilateralism and global cooperation had weakened; U.S.-China recriminations were running high on a range of issues, including the name and origin of the disease and ascribing responsibility for its spread; and the World Health Organization (WHO) was under fire for its inordinately slow response and unjustifiably delayed declaration of the Coronavirus Disease (COVID-19) as a pandemic.The controversy over the name, with the U.S.keen to term it the 'Chinese virus', led to the G7's failure to issue a joint statement. It therefore came as some consolation when the main actors finally behaved better, agreed to call it 'COVID-19' and concentrated on craftingthe way to fight it.

The virtual summit was prepared carefully. Separate meetings of G20 finance ministers and central bank governors, and of the Sherpas took place in the preceding days. The leaders' summit took place because Prime Minister Narendra Modi pushed for it, talking beforehand with the Russian president, the Australian prime minister and the president of the EU Commission, while nudging Saudi Arabia to lead the way. King Salman bin Abdulaziz Al Saud, Prime Minister of Saudi Arabia, chaired the summit graciously and effectively.

The summit's outcome
As the summit's outcome was shaped by participants' positions, a quick look at a few of them would be instructive. First, President Xi Jinping presented his four-point formula: resoluteness to wage an all-out war; a collective response for control and treatment; active role by relevant international organisations; and enhancing international micro-economic policy coordination.[2] Those looking for signs of admission of responsibility and expression of regret were in for a disappointment.

Second, PM Modi stressed "the need to put human beings at the centre of our vision of global prosperity and coordination", while championing the cause of "a new globalisation" as well as the reform of WHO.[3] New Delhi was clear that the world, facing an unprecedented crisis, had no choice but to be united and positive. It should avoid polemics, fixing its sights on a blueprint for decisive action.

Third, Dr. Tedros Adhanom Ghebreyesus, the beleaguered director general of WHO,relied on brevity to convey his message. He urged the world leaders to fight "like your lives depend on it – because they do."; to unite because no country "can solve this crisis alone"; and to ignite "global production for the tools we need to save lives now."[4] He said nothing in defence of his organisation facing rising worldwide criticism over initially denying human-to-human transmission in face of evidence to the contrary and failing to advise imposition of restrictions on trade- and tourism-related traffic with China – until it was too late.

The summit's statement[5] dealt with four key themes:

a) G20 governments agreed to commit "taking all necessary health measures" for containing the pandemic and protecting people. These range from research and development (R&D) to increasing medical supplies and strengthening WHO. Health ministers have been asked to meet and develop "a set of G20 urgent actions" for this purpose.

b) Anxious about prospects for the global economy, participants resolved to deploy "all available policy tools" to minimise the economic and social dimensions and restore global growth.

c) Worried about disruptions to the global supply chains, they agreed to cooperate in ensuring the flow of vital medical supplies as well as agricultural and other products.

d) Enhancing global cooperation was identified as another goal. A short formulation was added to highlight the special needs of "developing and least developed countries, and notably in Africa and small island states".

Immediate prospects

The statement consists essentially of goals and aspirations at a time when the world expects and needs a solid plan of action. At least on the health-related cooperation front, there is clarity of purpose and mention of the 'COVID-19 Solidarity Response Fund', but it is voluntary in nature and contributions have been solicited from governments, international organisations, and the private sector. Measures to protect the global economy are far too general and vague. The announcement of a $5-trillion injection into the world economy masks the fact that it will be nothing but a sum total of disparate national financial packages, to be devised and executed by G20 governments as they deem fit. The reference to developing countries and Africa, lacking substance and specifics, is a mere exhortation.

These perceptions compel long-time observers of G20 to maintain that the spirit and strategy that helped vanquish the 2008-2009 financial crisis are not in evidence today; not yet, at least. The G20 statement failed "to convey a spirit of robust internationalism and multilateral cooperation", asserted a group of three eminent scholars at the Centre for Strategic International Studies (CSIS).[6]

The virtual summit has been followed by a meeting of trade ministers on 30 March. Another meeting of finance ministers is likely to take place shortly. The health ministers, currently preoccupied with battling the pandemic at home, will meet later in April. But by the time they meet, the situation may turn grimmer. Hence, international cooperation has to be stepped up dramatically, keeping in view the fact that the post-war world has not faced a challenge and tragedy as grave as this one.

Another G20 virtual summit, in a few weeks, seems inevitable. With nearly 90% of COVID-19 confirmed cases and deaths occurring in G20 countries, its leaders stand accountable in the court of history.

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Japan’s G20 Presidency in 2019

On January 28, 2019, Gateway House hosted the fifth Think20 meeting in India. This was the ONLY meeting held outside of Japan

- Title: Think20 meeting on Global Economic Governance
- Japanese co-hosts: Asian Development Bank Institute (ADBI), Institute for International Monetary Affairs (IIMA) and Japan Institute for International Affairs (JIIA)
- Topics: Sustainable finance, fintech, SMEs and the geopolitical challenges to globalization

Agenda

REGISTRATION
Time: 8:00 am to 8.30 am

MORNING KEYNOTE SESSION: JAPAN, INDIA AND THE G20
Time: 8:30 am to 9:30 am

Objective: This opening session will be dedicated to understanding Japan's priorities for the G20 and the expectations and commitments from India and other G20 countries for 2019 and beyond.
Participants: Keynotes by government officials from Japan, India and other G20 countries, representatives of multilateral institutions, and Japan Think20 secretariat

ROUNDTABLE 1: ALIGNING THE GLOBAL FINANCIAL SYSTEM WITH SUSTAINABLE GOALS
Time: 9:45 am – 11:00 am

Objective: To develop recommendations for global guidelines on sustainable finance
Sustainable goals related to achieving a green economy and financial inclusion are important for every nation. Aligning the global financial system towards achieving those sustainable goals therefore must become a priority. Efforts by global bodies such as the UN, IMF, BIS and FSB are already underway, examining the regulations, instruments and products that will be required for this exercise. It includes evaluating efforts for mobilizing private capital for green investments and sustainable infrastructure, establish methods for climate risk, pricing externalities, monitoring progress and enabling credit for small and medium enterprises.
This roundtable will examine the regulations and products currently under experimentation and make recommendations on how the global financial system can better service sustainable needs.

Participants: Think tank experts from G20 countries, select senior corporate executives, officials from multilateral institutions.

ROUNDTABLE 2: DESIGNING A GLOBAL GOVERNANCE FRAMEWORK FOR FINTECH
Time: 11:10 am – 12:30 pm

Objective: To develop recommendations for global regulations on Fintech
Fintech has already established itself as an integral part of the global financial system for delivering public goods. It has unleashed the launch of new financial products, financial services delivery, credit assessment methodologies, direct benefits transfer, payment systems, verification and compliance. Fintech has also become central to efforts to reduce the cost of finance. It is vulnerable to data heists and black market activities.
This roundtable will evaluate the operational, financial and cyber issues linked with the increase in Fintech activitiesand make recommendations on how the global financial system can use Fintech for public goods.

Participants: Think tank experts from G20 countries, select senior corporate executives, officials from multilateral institutions and security agencies.

GROUP PHOTO AND LUNCH: 12:30PM- 1:30PM

ROUNDTABLE 3: RECONFIGURING THE GLOBAL FINANCIAL SYSTEM FOR SMES
Time: 1:45pm – 3:00pm

Objective: To develop recommendations for addressing the financial needs of SMEs

Small and medium enterprises undergird the economies of most developed and developing countries. The global financial system must be reconfigured and reoriented to meet the needs of these enterprises. This will help with economic growth, employment generation as well as financial inclusion. In particular, there is a need to redesign the credit assessment techniques, introduce capital market instruments for fundraising, design global regulations for enabling cross-border investments, create new methods for delivering and recovering credit and establish means for monitoring, governance and reporting.

This roundtable will examine the financial market infrastructure, products and services available for SMEs and make recommendations for reconfiguring the global financial system towards SMEs.

Participants: Think tank experts from G20 countries, select senior corporate executives, officials from multilateral institutions.

ROUNDTABLE 4: EXAMINING THE GEOPOLITICAL CHALLENGES TO GLOBALISATION

Time: 3:15pm – 4:30pm

Objective: To examine how the domestic political economy of nations and geopolitical developments are challenging globalisation

Politics is challenging economic progress in areas where globalisation has become increasingly decoupled from societal needs. This has forced nations to reconfigure their approach towards global economic governance and globalisation. Security and strategic issues are also forcing a review of bilateral, plurilateral and multilateral economic arrangements. This session will examine how political, security and strategic issues are reconfiguring economic arrangements, and make recommendations for aligning geoeconomics with geopolitics.

Participants: Think tank experts from G20 countries, select senior corporate executives, officials from multilateral institutions.

CLOSING SESSION

Time: 4:30 pm – 4:50 pm

Objective: This evening session will be dedicated to discussing global affairs.

Participants: Keynotes by government officials from Japan, India and other G20 countries or representatives of multilateral institutions

PANEL DISCUSSION AND COCKTAIL RECEPTION

Time: 7:00pm – 8:30pm

Objective: This evening session will be dedicated to discussing global affairs.

Participants: Keynotes by government officials from Japan, India and other G20 countries or representatives of multilateral institutions

Summary

PARTICIPANTS

- Experts from G20 countries: Japan, China, Argentina, U.S., Germany, Canada, Turkey.
- Experts from Indian think tanks with expertise in foreign relations from Mumbai and Delhi.
- Senior officials from the Ministry of External Affairs, Government of India – Secretary (West) and Joint Secretary (Multilateral Economic Relations).
- Officials from Mumbai-based financial institutions, such as the Reserve Bank of India (RBI), Bombay Stock Exchange (BSE) and Export and Import Bank of India (EXIM).
- Corporate executives from companies like Mahindra and Mahindra, Alibaba, MUFG Bank, Credit Suisse and consultancies like AZB & Partners and PricewaterhouseCoopers (PwC).
- Diplomats and consular corps representing the current and past G20 president countries: Germany, Argentina and Japan.
- Representatives from multilateral organisations such as the OECD.

KEYNOTE SESSION HIGHLIGHTS

- **A. Gitesh Sarma, Secretary (West), Ministry of External Affairs, Government of India,** in his keynote address, gave an overview of the current global economic scenario. He welcomed Japan's focus as chair of the G20 on infrastructure, ageing population and skilling. He listed India's priorities: ensuring price stability in energy markets, climate change, countering terrorism and the development of the healthcare sector.
- **Hideki Asari, Chargés D'Affaires Ad Interim, Embassy of Japan, New Delhi,** explained the evolution of the G20 since 1999. He spoke about Japan's challenges: an ageing population, growing energy needs and environmental concerns, all of which were highlighted by Prime Minister Shinzo Abe in his speech at Davos.

ROUNDTABLE HIGHLIGHTS

Session on 'Aligning the global financial system with sustainable goals'

Main takeaways:

1. The cost of finance is very high. It is not possible to invest in sustainable infrastructure. This makes it difficult to channelise existing funds into viable sustainable investments and ensure the productivity of such investments. We need to develop the insurance industry so that it can underwrite consumer risk and venture capital funds/ impact funds to encourage start-ups.
2. New research has shown that listed companies, focused on Environmental, Social and Governance (ESG) criteria, are generating higher rates of return. Therefore, integration of ESG parameters into the financial system and aligning pricing appropriately should be the main goal. ESG guidelines must be standardised and ESG exchanges must be encouraged in the G20 countries.
3. Renewable energy projects are developing faster in India than those based on fossil fuel. A bottoms-up, consumer-driven approach for renewable energy will work better than a top-down one.

Session on 'Designing a global governance framework for fintech'

Main takeaways:
- The definition of 'fintech' is unclear and varies from country to country. There is a distinction between Fintech and TechFin. There is also a distinction between Fintech and BigTech.
- Regulating fintech has become difficult. Regulators and governments are not prepared for disruptive innovations

and technologies. Regulations governing fintech must factor in the interests of consumers. Regulatory sandboxes must be created to further innovation in the fintech sector. The technology of blockchain must be treated differently from the financial product based on it.
- Regulation of data requires a new framework altogether. The devising of data regulations calls for its own global discussions on data privacy, data repositories and data exchanges. There is an argument to share data across borders freely (to enable outsourcing) and store it locally (for privacy).

Session on 'Reconfiguring the global financial system for SMEs'

Main takeaways:
- It is difficult to scale SME financing. Since SMEs are fragile, the cost of debt is often high because the cost of assessing credit-worthiness is also higher. Large companies can afford this cost, but SMEs cannot. Since they must provide for this, the cost of borrowing also rises for SMEs. Lack of equity is a constraint for SMEs since no project can sustain itself solely on debt.
- Collaterals must be redefined, financial records must be recreated and better credit rating methods must be developed and implemented for SMEs. Intangible assets can be used as collateral while pension funds can be a source of long-term capital for SMEs. Data and fintech provide new opportunities by assessing credit-worthiness based on cash flows.

Session on 'Examining the geopolitical challenges to globalisation'

Main takeaways:

- The global liberal order is being reconfigured. The global north is becoming increasingly protectionist and the global south is advocating openness. The rise of China and its role in the international system is integral to this process of reconfiguration. However, China's economic stability is being questioned. President Trump's administration and his aggressive policies are also perceived as a threat.
- The role and mandate of international institutions, such as the WTO and IMF, and also multilateral banks, must be reworked. This is important since technology and jobs are beset by uncertainty and there is intense pressure on the global commons.

CLOSING SESSION HIGHLIGHTS

- **Suresh Reddy, Joint Secretary (Multilateral Economic Relations),** Ministry of External Affairs, Government of India, called on the T20 to develop principles for regulating fintech and to mainstream SDG financing.
- **Peter Rimmele, Resident Representative to India, Konrad-Adenauer-Stiftung (KAS), Germany,** stressed on the importance of economic partnerships, political dialogue and exchanges within multilateral frameworks, especially at a time when nations are increasingly promoting unilateralism to protect their own interests.

INDIA'S FEEDBACK INTO THE THINK20 PROCESS AND SUMMIT – TOKYO, MAY 2019

- Gateway House submitted a summary of the meeting to the Japanese T20 coordinators with recommendations that emerged from the discussions. As the Co-chair of the Think20 International Financial Architecture Taskforce 2019, Gateway House has written up a policy brief, titled 'Mainstreaming Natural Capital Valuation',for the Japanese T20 coordinators. (https://www.gatewayhouse.in/wp-content/uploads/2019/04/t20-japan-tf2-14-mainstreaming-natural-capital-valuation.pdf)
- Gateway House participated in the T20 Summit in Tokyo in May 2019.

WEBSITE
- http://www.gatewayhouse.in/t20mumbai/

Gateway House Participation at other G20 Meetings and Initiatives

On December 4-5, 2018, Akshay Mathur, Director, Research and Analysis, Gateway House, and Purvaja Modak, Researcher, Geoeconomic Studies and Assistant Manager, Research Office, participated in the Think20 Japan 2019 Inception Conference in Tokyo, Japan, as a part of Japan's G20 presidency process for 2019.

A working session of the Think20 taskforce on 'An International Financial Architecture for Stability and Development', held on December 5, 2018 in Tokyo, Japan. Akshay Mathur is a co-chair of the taskforce in 2019.

Gateway House team at the evening reception hosted by His Excellency, Taro Kono, Foreign Minister of Japan

Gateway House Contributions to the G20 In 2019

In 2019, a Gateway House policy brief, titled 'Mainstreaming Natural Capital Valuation', was published by Think20 Japan. It was discussed with the leading G20 think tanks at the Think20 Summit in Tokyo, Japan and was presented for the consideration of the G20 Sherpas that lead this process.

G20 2019 JAPAN

THINK 20 JAPAN 2019

INTERNATIONAL FINANCIAL ARCHITECTURE FOR STABILITY AND DEVELOPMENT/ CRYPTO-ASSETS AND FINTECH

Mainstreaming Natural Capital Valuation

Purvaja Modak (Gateway House: Indian Council on Global Relations)

Akshay Mathur (Gateway House: Indian Council on Global Relations)

K N Vaidyanathan (Gateway House: Indian Council on Global Relations)

Submitted on March 15, 2019
Revised on March 31, 2019

Policy Brief: Mainstreaming Natural Capital Valuation

Written for the T20 taskforce on 'An International Financial Architecture for Stability and Development'

Abstract

There is a critical need to reconfigure the international financial architecture to meet sustainable goals. For making informed decisions on allocating resources for sustainable business and economic development, it will be essential to value the cost of natural capital. This practice is difficult since assigning a monetary value for quantifying natural inputs such as water, air, trees and climate is context-specific and requires data. Natural capital valuations can help in calculating the true cost of capital and thus differentiate sustainable projects from unsustainable ones. The G20 should encourage the development and adoption of processes, instruments and regulations needed for valuing natural capital.

Challenge

Problem definition

The lack of appropriate valuation of the cost incurred by nature for a specific project makes it difficult for companies to effectively price environmental externalities and integrate these natural costs into their calculation of the true cost of capital and the true cost of the product.

Today:

- There is no simple and transparent quantitative methodology that businesses can use to gauge the impact of their value chains on climate or for governments to gauge the impact of public projects on nature.
- There is no regulation requiring companies to disclose natural capital assessments in financial statements to regulators or investors.
- There is a lack of consistent data on natural inputs which can be used for developing replicable assessment frameworks.

As a result, there are limited concrete assessments available for policy-makers to make decisions in favor of sustainability.

Proposal

Proposal 1: Create and adopt tools and instruments that can mainstream and simplify the methodology used to compute Natural Capital Valuations

Natural capital can be defined as "those elements of the natural environment which provide valuable goods and services to people, such as the stock of forests, water, land, minerals and oceans". This was formulated by the Natural Capital Committee, an independent advisory committee of the UK government.

Methods for valuing natural capital

A key determinant of computing the accurate valuation of natural capital is the pricing of natural resources such as water, air pollution and food. The prices of such resources vary by region depending on the level of scarcity and this must be factored in by the proposed tools and instruments.

- Existing evaluations like Environmental Impact Assessments (EIA) and Environmental Statements do not add a monetary value to natural capital.

- The most commonly-used method to value natural capital globally is by its market price (determined by multiplying the quantity of the natural resource used with its market price). Other methods to value nature include the Cost-based Method, the Revealed Preference Method and the Stated Preference method. (P.A. Champ, K.J. Boyle, and T.C. Brown, 2003)

- A study of FTSE 100 companies by Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE), a web-based tool launched by the United Nations Environment Programme's Finance Initiative (UNEPFI) in November 2018, found that 13 of the 18 sectors, representing a total of $1.6 trillion in net market capitalisation, are made up of companies whose production processes have a high dependence on nature. What makes this tool particularly interesting is that it is managed by Natural Capital Finance Alliance (NCFA), a collaboration between UNEPFI, Global Canopy and UN Environment World Conservation Monitoring Centre, along with support from financial institutions from around the world, such as Yes Bank, First Rand, VicSuper, National Australia Bank, UBS, Citi, UniCredit etc.

Attempts to value natural capital

There have been some attempts to compute the natural cost of capital, most notably by a private company called Trucost (a part of S&P Global) that specialises in natural capital valuations.

- The Industrial and Commercial Bank of China (ICBC), with the help of Trucost, developed a tool for investors to assess the natural costs and possible environmental risks from their investments in the aluminum sector in China.

- Puma (with the help of Trucost and PricewaterhouseCoopers) created the world's first Environmental Profit and Loss Account in 2011. The exercise revealed that the total monetary impact of PUMA's direct and supply chain operations on nature was $163.5 million. The highest costs, worth $53 million each, were incurred for water and greenhouse gases (GHG). Puma's parent company, Kering, contributed to the development of the Natural Capital Protocol.

- The Government of India is examining the feasibility of quantifying natural capital. The Economics of Ecosystems and Biodiversity – India Initiative (TII) was launched in 2011 by the Ministry of Environment, Forest and Climate Change, Government of India and The Economics of Ecosystems and Biodiversity (TEEB) with support from the German Federal Ministry. The initiative conducted a qualitative assessment of the natural capital of India's wetlands, covering issues like land-basinmanagement, ecological restoration, water-regime management, etc.

Improving valuation methods

A key requirement for the accurate assessment of natural capital is data on the natural resources being used. This is hard to collect, aggregate and analyse. The Natural Capital Coalition and the UN Environment World Conservation Monitoring Centre (WCMC) have launched efforts to address this gap with its 'Data Information Flow Project'. The project is focusing on the high-frequency quantitative data required on biodiversity, water use, freshwater ecosystem use, greenhouse gas (GHG) emissions and terrestrial ecosystems, and calls for the development of new web-based tools for verifying large datasets and design of taxonomies to organize data, and suggests the use of proxies where data is unavailable.

What can the G20 do?

The G20 Green Finance Synthesis Report 2017 examined the maturity of Environmental Risk Analysis (ERA) processes as well as the need for Publicly Available Environmental Data (PAED). This exercise helped to identify a range of ERA tools and methodologies that are being used around the world to integrate environmental risk into a company's risk management process and for allocating capital to green opportunities.

The G20 can support the design of valuation methodologies by:

- Identifying select heavy polluting industries such as thermal power, oil refineries, chemicals, automobiles, cement and construction. The exercise can be expanded to cover other industries over time depending on the pilots.
- Encouraging the development of instrumentation and satellite imagery which enables the real time usage of natural resources.
- Establishing industry-specific coalitions to develop natural capital valuation methodologies. These coalitions should include officials, business representatives and scientists from the G20 countries to ensure that concerns on data, processes and methodology can be addressed jointly.

A uniform standard globally for valuing natural capital will not be appropriate for countries/societies at varying levels of development and with different challenges. A top-down solution, coming from an organization such as the G20, is likely to face resistance from smaller countries which feel that the standard is being imposed on them and that it does not take into account their challenges. Second, trust in global rating agencies and institutions has also fallen due to multiple factors – the sub-prime crisis showed that ratings were flawed and there have been allegations that Libor and Brent have both been manipulated.

A sustainable and acceptable solution must be developed, taking into account local factors and challenges, and one which can be implemented by local agencies/organizations. In this, the G20 can act by helping to create capacities for countries to carry out natural capital valuations on their own. It can organize seminars and events in each country where general practices are highlighted and local stakeholders can weigh in on how country-specific concerns can be factored in to create a robust model.

Proposal 2: Encourage the inclusion of Natural Capital Valuation assessments in financial sector reporting

Since natural capital valuation includes the costs incurred by nature to produce a commercial good or service, this information must be transparent and easily available to all its stakeholders – regulators, investors and the general public. Companies must be encouraged to file the information on their natural capital valuation assessment with the regulators. This can be the securities regulator for publicly listed companies or departments in charge of corporate affairs for non-listed companies. They must disclose these valuations in their annual reports for the benefit of their investors as well. The information disclosed will also help the securities regulators select the companies to be listed on their sustainability indices.

Existing initiatives

Since valuing natural capital is difficult, no regulator across the world has made natural capital valuations mandatory. However, there is an increasing demand by regulators for companies to disclose sustainability and environment assessments.
Official multilateral initiatives:

- An industry-led Taskforce on Climate-related Financial Disclosures (TCFD), convened by the Financial Stability Board (FSB), has developed voluntary climate-related financial disclosures across four aspects of an organization's operations:'Governance', 'Strategy', 'Risk Management' and 'Metrics and Targets'. These disclosures are designed to help investors, lenders and the insurance industry price climate-related risks and opportunities. Here is a synthesis of the recommendations:

- Governance: The report suggests that companies should disclose how their board of directors and senior management assess and manage climate-related risks and opportunities.
- Strategy: The report recommends that companies should identify and describe climate- related risks and opportunities to the organisation and evaluate their impact on business strategy and financial planning.
- Risk Management: The report recommends the disclosure of the process used by companies to identify, assess and manage climate-related risks.
- Metrics and Targets: The report recommends the disclosure of the metrics used by companies to assess climate-related risks and opportunities and a company's performance against the established goals.

- United Nations System of Environmental Economic Accounting (UN SEEA)has developed a framework to capture economic and environmental data in national and cross-country databases.
- United Nations Principles for Responsible Investment (UN PRI) has developed six voluntary principles with the help of an international group of investors to integrate ESG parameters into their investment decisions.
- The World Bank-led 'Wealth Accounting and Ecosystem Partnership Services' (WAVES) launched a global partnership in 2010 to integrate natural resources into development planning processes through natural capital assessments. Countries like Botswana, Colombia, Costa Rica, Madagascar, the Philippines, Guatemala, Indonesia and Rwanda have adopted this methodology so far.

Independent initiatives:

- The Global Reporting Initiative (GRI), an independent international organization, has created the first and most widely adopted standards for global sustainability reporting.
- The CDP Disclosure Insight Action (formerly the Carbon Disclosure Project), a UK-based initiative, runs a global disclosure system that enables companies and countries to measure and manage their environmental impact. It maintains a database of self-reported disclosures made by its members.

Country-specific, region-specific initiatives:

- India: The Securities and Exchange Board of India (SEBI) has demanded that the top 500 listed companies on Indian stock exchanges disclose Business Responsibility Reporting (BRR) information in their annual reports.
- EU: The European Union Directive 2014/95/EU has mandated companies across the EU with an average of 500 employees to disclose a consolidated non-financial statement in their annual reports on environmental impact.

Private initiatives:

- Wipro (with the help of Trucost) has been disclosing its natural capital valuations since 2013-14. Wipro's total environmental costs were equal to $166.7 million for 2016-17, of which 46% came from GHG emissions, 19% from air pollution and 25% from water consumption.

What can the G20 do?

The G20 can encourage the regulators in its member countries to make the disclosure of their natural capital valuation assessments more mainstream.

In November 2018, a consortium of business leaders and impact investors submitted an open letter to the G20 leaders, recommending the formulation of a commission which will support the development of accounting standards to help businesses measure their environmental impact. The letter suggested the application of impact-weighted methods of financial analysis and evaluation to the valuation of natural capital.

Proposal 3: Encourage Natural Capital Valuation assessments for public projects

Since natural capital valuation includes the costs incurred by nature to produce a public good, these costs must be added to the total costs estimated for executing public infrastructure projects.

This will:

- change the cost-benefit analysis of each public project during the feasibility stage, thereby enabling governments to make decisions based on "true cost";
- force the contracting companies to reduce their ecological footprint and push them towards building sustainable infrastructure;
- encourage public understanding of the true price of externalities, cost of capital and net present value of each project.

The Natural Capital Coalition's Protocol provides generalized guidelines that can help organizations identify their direct and indirect impact on the environment and gauge their dependencies on natural capital. The protocol is currently the most widely used framework, but its adoption is voluntary and it does not explicitly recommend a formula or a tool to value natural capital. It provides the framework for a company to conceptualise, measure, integrate natural capital assessments into its investment decisions. It has formulated sector-specific guidelines for apparel, food and beverages, forest products and financial services.

For instance, Yes Bank, an Indian private sector bank, has applied the Natural Capital Coalition's Protocol to evaluate the natural capital impact of its renewable and clean energy projects (including wind and solar power generation), funded by the proceeds of its green bonds issuances of 2015 and 2016.The study was helpful in quantifying the positive impact of its investments on the environment, including saving CO_2 and SO_2 emissions.

What can the G20 do?

The G20 can encourage the inclusion of natural capital valuations in the feasibility studies for public infrastructure projects. This will be in addition to the environment impact assessments (EIA) currently required, which only evaluate the possibility of the damage done to nature in physical quantities (e.g. destroying forests) – not the use of natural capital in monetary terms (e.g. use of water, air).

Proposal 4: Leverage natural capital valuations for determining the true cost of capital for public projects

In finance, the cost of capital is the return required to make a project feasible. It is calculated based on the debt and equity used to finance the project. At the moment, it includes the physical costs incurred to execute the project. These can be easily calculated. Once natural capital valuations are included in the calculation, the true cost of capital will increase for unsustainable projects.

This approach can be used to make comparisons between two alternative project options where the physical cost of one project is higher than that of the other. With the inclusion of natural capital costs, the true cost of the project with a greater impact on the environment will be higher in comparison. This will make the project unsustainable and less viable, influencing the investor's decision about whether or not to support the project.

For instance, the Dow Chemical Company has undertaken an initiative to identify and implement sustainable projects worth $1 billion in net present value, according to its 2025 Sustainability Goals. It has already identified projects worth $160 million. The company has conducted freshwater analysis studies to review its internal water usage. Using the Natural Capital Protocol, it has assessed whether it is possible to price and reduce their future use of water.

What can the G20 do?

The G20 must encourage the inclusion of natural capital valuations in the calculations of the cost of capital for sustainable projects, especially related to infrastructure. This approach can be used to test the viability of projects. Funding agencies will be able to pick out the sustainable projects, thereby eliminating the others. The implementation of this recommendation will take time, but this will be a revolutionary step towards the mainstreaming of sustainable finance.

This policy brief was written for the International Financial Architecture for Stability and Development Taskforce' of Think20 Japan, under Japan's G20 presidency of 2019. It was submitted for the consideration of the G20 leaders at the T20 Summit, held in Tokyo, Japan on May 26-27 2019.

Pricing nature: India's opportunity

By Purvaja Modak
24 May 2019

The re-election of the Bharatiya Janata Party to Parliament means that India's infrastructure buildout will continue apace. This will be a heavy load on the environment. It will also have to abide by Prime Minister Modi's commitment to the successful implementation of the Sustainable Development Goals (SDGs) by 2030. This offers an opportunity for the government to think innovatively about measures for sustainable development, particularly in pricing nature

Prime Minister Narendra Modi has already pledged his commitment to the successful implementation of the Sustainable Development Goals (SDGs) by 2030. He also has an ambitious infrastructure buildout for India, slated to cost $778 billion[1] over the next three years. The environmental degradation is inevitable, and not much creative thought has gone into balancing nature with progress.

But good news is at hand. Global efforts at pricing nature have begun, largely in developed countries. The time is right for the Modi government to rethink seriously the true pricing of nature, using innovative and enlarged metrics, which can be a model for other developing countries as well.

Some governments, like Germany, Norway, the Netherlands and the UK, have actively been working on developing these metrics over the last decade. They have successfully deployed capital towards sustainable projects. However, they have been unable to persuade the private sector to increase their contribution to the sustainability of projects they fund.

Clearly, there is now a critical need to realign the global financial system to provide for these sustainable objectives and metrics.

An important step in this process is to calculate the 'cost of natural capital' or the 'price' incurred by nature for the services it provides. Those services include the use of water, forest or soil plus the damage caused by emissions or waste.

The lack of simple, transparent valuation methodologies and data inconsistencies makes it difficult for companies to price environmental externalities and measure the impact of their operations on nature and for governments to gauge the impact of their public projects. There is no global, national or even local law that requires companies to disclose natural capital assessments to their regulators or to investors.

Only a few concrete assessments exist today. For example, Environmental Impact Assessments and Environmental Statements are part of feasibility studies, but do not include a monetary value of that natural capital to the project. They simply measure impact in physical quantities.

In fact, there are three ways of actual measurement:

- develop and use instrumentation and satellite-imagery to analyse the real time usage of natural resources;
identify heavy-polluting industries such as thermal power, oil refineries, chemicals, automobiles, cement and construction, and measure their extractions from nature, and their polluting emissions; and
establish industry-specific coalitions, comprising of officials, business representatives and scientists, to jointly develop natural capital valuation methodologies.

- Once a price is attached to these public goods, the cost must be included in the feasibility studies for public projects, especially infrastructure. This will change the cost-benefit analysis of each public project, in turn:

- helping governments make decisions based on "true cost";

forcing contracting companies to initiate sustainable projects and reduce their ecological footprint;
improving public awareness through public service messaging, of the true price of externalities, the cost of capital and the net present value of each project;

- helping investors gauge project sustainability and viability, and make informed decisions in favour of or against.

Key to the success of this effort are transparency and accessibility to all stakeholders – regulators, investors and the general public. Therefore, these assessments must be included in all financial reporting and disclosures.

Some initiatives to voluntarily calculate the value of natural capital are already underway, officially with multilateral institutions like the G20, the UN and World Bank; with independent international institutions; regionally with the EU; and privately with companies like India's Wipro and Germany's Puma.

Initiative	More information
Multilateral initiatives	
G20's Green Finance Study Group (GFSG)	In 2017, the group examined the maturity of Environmental Risk Analysis (ERA) processes and the need for Publicly Available Environmental Data (PAED). This exercise identified a range of ERA tools and methodologies being used to integrate environmental risk into a company's risk management for allocating capital towards green opportunities.
An industry-led task force on 'Climate- related Financial Disclosures' (TCFD)	Convened by the Financial Stability Board (FSB), it has developed voluntary climate-related financial disclosures across four aspects of an organisation's operations – governance, strategy, risk management, metrics and targets. These disclosures can help investors, lenders and the insurance industry price climate-related risks and opportunities.
The United Nations System of Environmental Economic Accounting (UN SEEA)[ii]	It has developed a framework to capture economic and environmental data in national and cross-country databases.
The United Nations Principles for Responsible Investment (UN PRI)[iii]	It has developed six voluntary principles with an international group of investors to integrate ESG parameters into their investment decisions.
ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure)	Launched by the Natural Capital Finance Alliance (NCFA), it is the world's first comprehensive tool, linking environmental change to its consequences for the economy. The web-based tool will help global banks, investors and insurance firms assess the risks that financial institutions face from environmental degradation, such as the pollution of oceans or destruction of forests.
The World Bank-led 'Wealth Accounting and Ecosystem Partnership Services' (WAVES)[iv]	It was launched in 2010 to integrate natural resources into development planning processes through natural capital assessments. Countries like Botswana, Colombia, Costa Rica, Madagascar, the Philippines, Guatemala, Indonesia and Rwanda, have adopted this methodology.
Data Information Flow project [viii]	Launched by the Natural Capital Coalition and the UN Environment World Conservation Monitoring Centre (WCMC), it focuses on the high-frequency quantitative data required on biodiversity, water use, freshwater ecosystem use, greenhouse gas emissions (GHGs) and terrestrial ecosystem. It calls for the development of new web-based tools for verifying large datasets, design of taxonomies to organise data, and suggests the use of proxies where data is unavailable.

Independent Initiatives	
Global Reporting Initiative (GRI)[v]	It has created the first and most widely adopted standards for global sustainability reporting.
CDP[vi] Disclosure Insight Action (formerly the Carbon Disclosure Project)	It runs a global disclosure system that enables companies and countries to measure and manage their environmental impact. It maintains a database of self-reported disclosures made by its members.
The Natural Capital Protocol of the Natural Capital Coalition	It provides generalised guidelines that can help organisations identify their direct and indirect impact on the environment and gauge their dependencies on natural capital. It provides the framework for a company to conceptualise, measure, integrate natural capital assessments into its investment decisions. It has formulated sector specific guidelines for apparel, food and beverages, forest products, agriculture and financial services. It is currently the most widely used framework, but its adoption is voluntary and it does not explicitly recommend a formula or tool to value natural capital.
Some country-specific, region-specific initiatives	
The Securities and Exchange Board of India (SEBI)	It has mandated the top 500 listed companies on Indian stock exchanges to include 'Business Responsibility Reporting' in their annual reports.
European Union Directive 2014/95/EU	It has mandated companies across the EU with an average of 500 employees to disclose a consolidated non-financial statement on environmental impact.
Private Initiatives	
Wipro	With the help of Trucost[viii], it has been disclosing its natural capital valuations since 2013-14. Wipro's total environmental costs were equal to $166.7 million[ix] for 2016- 17 of which 46% came from GHG emissions, 19% from air pollution and 25% from water consumption.
Puma	With the help of Trucost and PricewaterhouseCoopers, it created the world's first Environmental Profit and Loss Account in 2011. Its parent company, Kering, contributed to the Natural Capital Protocol.

** Collated and analysed by Gateway House*

In a welcome move, in November 2018, private corsortia, comprising global business leaders and impact investors submitted an open letter[10] to the G20 leaders, recommending the formulation of a special commission to develop accounting standards to measure environmental impact – through impact-weighted financial analysis.

However, all these initiatives have limitations: they are specific to a particular natural resource, sector or industry and cannot be easily replicated or customised.

A better format may be a uniform framework within which sustainable and acceptable solutions can be developed by individual countries, keeping domestic factors in mind. Multilateral forums like the G20 and UN can play an important role by creating capacities for countries for this. Seminars and workshops can be organised with local stakeholders who can weigh in on country-specific concerns, thereby creating a robust model.

The development and full implementation of these valuation methodologies will take time. But it will be a revolutionary step towards the mainstreaming of sustainable finance.

Purvaja Modak is Researcher, Geoeconomic Studies, and Manager, Research Office, Gateway House

Gateway House has put forth this idea in a policy brief titled, 'Mainstreaming Natural Capital valuation', written by Purvaja Modak, Akshay Mathur and K.N. Vaidyanathan, for the 'International Financial Architecture for Stability and Development Taskforce' of Think20 Japan, under Japan's G20 presidency of 2019. It was submitted for the consideration of the G20 leaders at the T20 Summit, held in Tokyo, Japan on May 26-27 2019.

Reflections from T20 Tokyo

By Purvaja Modak
20 December 2018

Japan assumed the presidency of the G20 for 2019 on 1 December 2018, taking over from Argentina. The Think20 (T20), a sub-forum of think tanks from G20 countries, began its activities for the year right away with the Inception Conference, held in Tokyo on December 4-5

Japan is leading the T20 in its own unique, systematic style that is admired worldwide. It has launched ten taskforces to execute its research agenda for 2019. While Japan has inherited topics such as sustainable development, international financial architecture, climate change and future of work, from past presidencies, new issues like the economic effects of infrastructure financing and an ageing population, have been introduced.

To lead the Think20 process, the Japanese government has established a secretariat, chaired by Dr. Naoyuki Yoshino, Dean, Asian Development Bank Institute (ADBI). In this role, ADBI is ably aided by the Institute for International Monetary Affairs (IIMA), a renowned Japanese think tank established by MUFG Bank with expertise in international finance, and Japan Institute for International Affairs (JIIA), another highly-regarded think tank with expertise in foreign policy.

What makes Japan's T20 process truly unique is that it has partnered with many other Japanese think tanks and universities to co-manage the taskforces. For instance, Mitsubishi Research Institute (MRI) is leading the climate change taskforce, the Research Institute of Economy, Trade and Industry (RIETI) is leading the trade and SME taskforces, the Japan International Cooperation Agency (JICA) Research Institute is leading the sustainable development taskforce, and senior academics from Kyoto University, University of Tokyo, Hitotsubashi University and Keio University are co-chairing the taskforces.

Participation in the conference was by invitation only. A thoughtfully curated list of around 200 participants from leading think tanks and multilateral institutions contributed to the intellectual discourse.

Kenji Yamada, Parliamentary Vice-Minister for Foreign Affairs of Japan, set the tone in his opening keynote by highlighting that Japan will focus on trade, Sustainable Development Goals (SDGs) and healthcare solutions required for an ageing population. He called on the G20 countries to work towards the implementation of the Paris Climate Agreement. The other keynote speakers included the heads of the three institutions leading the Think20 process – Takehiko Nakao, President, Asian Development Bank (ADB), Kenichiro Sasae, President, JIIA, and Hiroshi Watanabe, President, IIMA— all welcomed the experts and called on them to contribute with policy ideas for the G20.

The plenary session titled, 'T20: the role of think tanks in the G20', was particularly appropriate given that the effectiveness of the G20 is being questioned for its lack of concrete outcomes. The experts called for a directional shift in the approach and role of the T20. So far, it has given technical inputs to the G20 leaders but it must reinvent its role now as the 'ideas bank' of the G20 by formulating an agenda of overarching global governance issues for the G20 to discuss. This approach will generate consensus within member countries and will maintain topical continuity across presidencies. Else, the T20 may soon become irrelevant.

The day ended with a reception hosted by Taro Kono, the Foreign Minister of Japan. In his keynote, he welcomed the participating experts and reiterated Japan's focus on SDGs, climate policy and the need to address inequalities caused by globalisation.

The taskforces met on the sidelines of the conference on the first day and at the task force working sessions on the second, to chalk out a work plan for the year. In the working session for the International Financial Architecture task force, the chair and co-chairs prioritised and selected the issues on the agenda for the year from a range that included topics on fintech, capital flow management, sustainable finance, IMF reforms and macro-prudential regulations. It was understood that there was as much need to discuss forward-looking issues like sustainable finance and fintech as more immediate and pending concerns, such as IMF reforms and global safety nets. The session concluded with the unanimous decision to work towards writing briefs for policy-makers for all ideas discussed.

Japan has kicked off the T20 with vigour and there is excitement among the global think tanks which now have their work cut out for them for the next six months. Their efforts will culminate in the T20 Japan 2019 Summit in May 2019.

Gateway House has been an active member of the T20 since 2014 and is preparing to host an official T20 meeting in Mumbai, India on 28 January 2019 in collaboration with the designated Japanese think tanks, the fifth meeting of its kind. Gateway House has hosted a meeting of the T20 under the Turkish presidency of 2015, the Chinese presidency of 2016, the German presidency of 2017 and the Argentine presidency of 2018. The meeting will focus on examining how the global financial system can be aligned with the sustainable goals, rise of fintech, needs of the SMEs and geopolitical challenges to globalisation. These issues are at the core of the G20 and are important to both Japan and India. Experts from leading think tanks from the G20 countries, officials from India's Ministry of External Affairs and Ministry of Finance, representatives of Mumbai-based financial institutions and business leaders will participate.

Ideas germinating from these discussions will be developed into policy briefs under the taskforce on 'An International Financial Architecture for Stability and Development' of which Gateway House is a co-chair and will be submitted to the Japanese and Indian governments. This meeting, as those held in past years, will be significant for India as it prepares to take up the presidency of the G20 in 2022 and is working towards formulating its own agenda. Gateway House is enthused to host this meeting and to contribute to Japan's research agenda for 2019.

Purvaja Modak is Researcher, Geoeconomic Studies, and Assistant Manager, Research Office, Gateway House.

Argentina's G20 Presidency in 2018

In March 2018, Gateway House hosted the fourth T20 meeting in Mumbai. Over 60 experts participated, including experts from think tanks, business and government.

- Title: Think20 Mumbai
- Keynote Address: Mr. Shaktikanta Das, India's G20 Sherpa, and Ambassador Pedro Delgado, Argentine G20 Sherpa.
- Argentine co-host: Center for the Implementation of Public Policies for Equity and Growth (CIPPEC) and the Argentine Council of International Relations (CARI).
- Indian co-host: Ministry of External Affairs, Government of India. Business Partners: UPL Limited ('Food Security and Agribusiness' session) and the Godrej Industries.
- Topics: Food Security and Agribusiness, The Future of Work, Trade in Services, Financial Market Regulations

Shaktikanta Das, India's G20 Sherpa

Rita Teaotia, Commerce Secretary, Ministry of Commerce and Industry, Government of India

Agenda

OPENING SESSION: ARGENTINA, INDIA AND THE G20
Time: 8:30am-9:30am

Objective: Discuss Argentina's priorities for G20 and T20 in 2017 and India's contributions to the process.

Special Address by Ambassador Pedro Villagra Delgado, G20 Sherpa, Government of Argentina

Keynote Address by Shaktikanta Das, G20 Sherpa and Member 15th Finance Commission, Government of India

ROUNDTABLE 1: FOOD SECURITY AND AGRI-BUSINESS
Time:9:45 am – 11:00 am:

Objective: To develop recommendations for promoting agri-business that can ensure food security and higher agricultural incomes for farmers

ROUNDTABLE 2: THE FUTURE OF WORK
Time: 11:15 am – 12:30 pm

Objective: To develop recommendations for designing social security products and employment contracts for the informal and gig economy

LUNCH BREAK
Time: 12:30 pm – 1:30 pm

ROUNDTABLE 3: TRADE IN SERVICES
Time: 1:30 pm – 2:45 pm

Objective: To develop recommendations for designing a new multilateral agreement for trade in services

ROUNDTABLE 4: FINANCIAL MARKET REGULATIONS
Time: 3:00 pm – 4:15 pm

Objective: To develop recommendations for establishing a transparent, equitable and resilient financial market infrastructure

CLOSING SESSION
Time: 4:15 pm – 4:35 pm

Summary

PARTICIPANTS

- Experts from G20 countries: China, Argentina, U.S., Germany, Canada, Indonesia, Japan, Mexico, Turkey
- Experts from Indian think tanks with expertise in foreign relations from Mumbai, Delhi, Bangalore, etc.
- Senior government officials – G20 Sherpa, Ministry of Commerce, Ministry of Skill Development
- Officials from Mumbai-based financial institutions such as Reserve Bank of India (RBI) and EXIM Bank
- Corporate executives from Indian business groups such as Tata Sons, Mahindra
- Diplomats and consular corps representing the G20 troika countries – Germany, Argentina and Japan

KEYNOTE SESSION HIGHLIGHTS

- Mr. Shaktikanta Das, India's G20 Sherpa,defended the value of the G20 against critics who challenged the value of the forum in global governance. If it wasn't for the G20, the global financial crisis that began in 2008 could not have been controlled. The G20 is also the right forum to continue the momentum on climate commitments, trade liberalization, recapitalization of the World Bank, reform of the IMF and food security.
- Ambassador Pedro Delgado, Argentina's G20 Sherpa reasserted that political and social stability is as important to G20 leaders as financial and economic stability. Each G20 country has influence in their own respective regions and can, therefore, reflect the needs of the region at the meetings. The "future of work", especially the areas related to education, digitization and food security, focusing on production value chains, are important priorities for Argentina in 2018.

ROUNDTABLE HIGHLIGHTS

Session on 'Food Security and Agri-business'

- We need to shift from a government-backed approach to scientific research for increasing food production to government-private efforts. Also, needed is the ability to connect farmers to markets.
- We need to support small-holder private farmers, who invest more than the government and large companies, but lack adequate voice in global rule-making. Hence, policies for connecting farmers to markets don't work.
- The Gene Revolution will be the future of food production just as the Green Revolution was in the 20th century.
- The farming population is aging in most countries, especially India. Because the new generation is educated, they lack farming skills or the motivation to return to farms due to low incomes.
- Investor-State Dispute Resolution laws are a cause for concern as they give private companies the ability to sue governments on contracts related to public natural resources, such as water management.
- The challenge by members at the WTO against food production is against the UN SDG goals of removing hunger. The G20 needs to decide whether it wants to end hunger or support fair market rules. The world food market is dominated by a few large players. It is not a perfect market from which farmers can take price signals. Session on 'Future of Work'Industry 4.0 may reduce jobs, but new jobs will emerge and there will be winners and losers from this shift. What should be of concern to policy-makers is the distributional effect of this transformation.
- Humans are "cognitive creatures" and therefore will need to redefine their role once the jobs are gone.
- The guiding principle for policy-makers should be protecting workers not protecting jobs. That will require an effective retraining system and a portable social security system.
- Human skills grow at 2% per year but AI learning doubles every two years. Humans cannot match AI.
- Technology is not complementary or additive to human labour productivity now. It is becoming a substitute.

Session on 'Trade in Services'

- Goods and services are bundled. It is critical to disaggregate the value added by services in manufacturing.
- The digital economy is expediting the "servicification" of goods. This may be considered as Mode 5.
- Over 50% of FDI into India is in services, but only restricted narrowly to IT and ITeS sectors.
- Service-related commitments in FTAs are being renounced because they impinge on domestic regulation.
- Regulatory cooperation between countries is going to be key for enabling cross-border trade in services.
- Cooperation on measuring trade in services and exchanging data between countries should be the first step.

Session on 'Financial Market Regulation'

- It is important to monitor too-many-to-fail and not just too-big-to-fail institutions. Also, it's important to monitor financial activities and not just financial institutions.
- Regulating crypto-currencies should be analogous to regulating commodities and not currencies.
- Identifying remitters and ultimate beneficiaries of financial transactions is crucial to assessing systemic risks. We need to build on the concept of the FSB-promoted Legal Entity Identifier and create a global registry.
- The problem of debt-driven growth and falling productivity has shifted from developed to developing countries now, making the latter a potential source of the next financial crisis.
- Regulations may hurt long-term economic growth if not designed properly, especially in infrastructure finance.
- Regulators may have conflict of interest in objectively assessing risks of assets owned by the state.
- Big data can assess credit-worthiness and help with regulation, but custody of this data will be a challenge

CASE STUDY ON FOOD SECURITY: AKSHAYA PATRA

February 28, 2022

On Feb 26, the Akshaya Patra Foundation was conferred the prestigious Gandhi Peace Prize by the President of India. It began as a charitable venture in 2000, serving a nutritious lunch to 1,500 children in five Bangalore schools. The meal was so well received that a year later the Indian government mandated a nutritious lunch meal to be served in every government school. Akshaya Patra, a partner with the central and state government in this effort, is now the world's largest mid-day meal programme, and served its 3 billionth meal this month. This successful public-private partnership uses high technology, engineering, world-class logistics and management to achieve its goals. But it also ensures India's food security by sourcing grains and vegetables from local farmers, which in turn preserves the diversity of regional food habits and nutrition. Akshay Patra's case study on food security was written especially for, and presented at, the ThinkTank20 (T20) meeting hosted by Gateway House in Mumbai in February 2018. The T20 is an official sub-forum of the G20, and the 2018 meeting was held under the G20 presidency of Argentina, one of the world's largest producers and exporters of agricultural products. Food security and sustainable agriculture was one of the three key issues for Argentina's G20 Presidency – a focus which India also shares.

INTRODUCTION

The need:

Power of one hot meal is only realised by the truly famished. In a nation which ranks 103rd of 119 in Global Hunger Index 2018, it is imperative that attempts are made to eradicate hunger, and where children are involved, the need is even higher.

"OUR FOOD SECURITY IS SERIOUSLY THREATENED BY ECONOMIC, ECOLOGICAL, AND SOCIAL FACTORS. ETERNAL VIGILANCE IS ESSENTIAL FOR SAFEGUARDING OUR FOOD SECURITY." – M. S. Swaminathan (Indian Geneticist)

Whether food insecurity leads to poverty by waning the cognitive power of a child or poverty primes to food insecurity by decreasing the retention in the education system; the link is very difficult to establish. This vicious circle is shaped and twisted in a developing country because of various developmental factors.

Two Articles of the Indian Constitution are fundamental to the healthy growth of a society: Article 21 which guarantees every Indian citizen the "right to life" and Article 47 which explicitly states that "The State shall regard the raising of the level of nutrition and the standard of living of its people and the improvement of public health as among its primary duties…" Till the end of the 4th Five Year Plan (1969-74), India's main emphasis was on the aggregate growth of the economy and reliance was placed on the percolation effects of its growth. An alternative strategy of development, comprising an anterior attack on poverty, unemployment and malnutrition in the face of continuing poverty and undernourishment; malnutrition became a national priority from the 5th Five Year Plan (1974-78) onwards. This shift in strategy gave rise to a number of interventions to increase the purchasing power of the poor, to improve the provision of basic services to them and to devise a security system through which, the most vulnerable sections (viz. women and children) could be protected. Nutrition came to the forefront of policy making in India in the mid-1990s, with the 1993 National Nutrition Policy (NNP) and the 1995 National Plan of Action on Nutrition (NPAN).

The Policies:

National Nutrition Policy (NNP)
Under this landmark policy, the Government of India adopted an all-inclusive and wide-ranging approach towards the colossal problem of malnutrition and undernutrition, by implementing various policies and nutrition schemes.

The policies under the NNP, aimed at

- Increasing the production of food grains
- Better utilisation of food resources by applying better technology
- Educating the common man about the benefits of the food that already existed
- Protecting the vulnerable groups by protecting them against certain nutritional deficiencies and diseases
- Supplementary feeding of the most vulnerable groups

One of the key interventions conceptualised to address food insecurity under the NNP was the Mid-Day Meal Scheme. The programme was designed and launched to improve the nutritional status of school-age children nationwide by serving them free lunches on school days.

Since its launch, the programme has undergone several changes. With an aim to enhance enrolment, retention and attendance, and simultaneously improve nutritional levels among children, the National Programme of Nutritional Support to Primary Education (NP-NSPSE) was launched as a centrally Sponsored Scheme on 15 August, 1995.

In 2001, the programme became a cooked Mid-Day Meal Scheme under which every child in Government and Government-aided primary schools were to be served a prepared mid-day meal with a minimum content of 300 calories of energy and 8-12-gram protein per day for a minimum of 200 days. The Scheme was further extended in 2002 to cover not only children studying in Government, Government-aided and local body schools, but also to children studying in Education Guarantee Scheme (EGS) and Alternative & Innovative Education (AIE) centres.

The Scheme went through another revision in April 2008, post which the MDM programme extended to both recognised and unrecognised Madrasas/Maqtabs supported under SARVA SIKSHA ABHIYAN. Presently it serves 94 million children in over 11 lakh schools and Education Guarantee Scheme centres, as the largest feeding programme in the world.

Over the years, the Mid-Day Meal Scheme has done much to eradicate hunger and promote education, but these are not the only two areas where the scheme has helped. There also exist other areas where the indirect impacts of the same have been felt massively. For instance, in realising the goals set by countries to attain the resolutions of the Sustainable Development Goals:

- To eradicate extreme poverty and hunger
- To achieve universal primary education
- To promote gender equality and empower women
- To reduce child mortality

Objective of the study:
The objective of this case study is to understand Akshaya Patra's contribution to food security and process involved to make it a successful initiative.

Click here to view the entire Case Study.

The Akshaya Patra Foundation is a not-for-profit organisation headquartered in Bengaluru, India. Our organisation strives to eliminate classroom hunger by implementing the Mid-Day Meal Scheme in the government schools and government-aided schools. Alongside, Akshaya Patra also aims at countering malnutrition and supporting the right to education of socio-economically disadvantaged children.

Gateway House Participation at other Argentine G20 Meetings & Initiatives

Group photograph with President Mauricio Macri
T20 summit: Argentina 2018

On September 16-18, 2018, Akshay Mathur, Director, Research and Analysis, and Fellow, Geoeconomic Studies, Gateway House, participated in the Think20 Summit 2018 held in Buenos Aires, Argentina. At the summit he moderated a panel discussion on 'Finance & development'. He also discussed a Gateway House policy brief that proposes a global framework for tracing beneficial ownership across multi-country, multi-channel financial transactions, examining them accurately from the source to the destination.

The Global Solutions Summit, Germany 2018

From May 28-29 2018, K. N. Vaidyanathan, Distinguished Fellow, Geoeconomics Studies, Gateway House attended the Global Solutions Summit in Berlin, wherein he was a panelist at the session, 'Finishing the Global Prudential Regulation Agenda'.

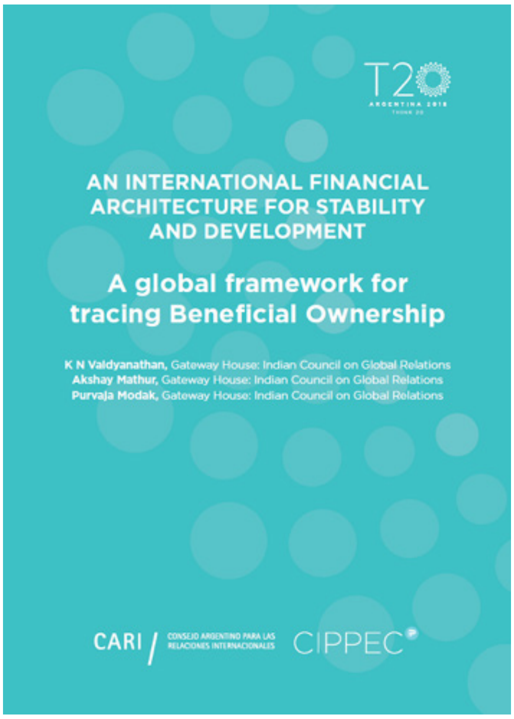
On February 1 2018, Akshay Mathur, Director of Research & Analysis, at Gateway House attended the T20 Inception Workshop in Buenos Aires, Argentina.

Formal Dinner with India's G20 Sherpa

Gateway House hosted a formal dinner with India's G20 Sherpa, Mr. Shaktikanta Das, on March 11, 2018. Experts from leading think tanks from the G20 countries, and other countries like Indonesia and Switzerland, attended this dinner meeting.

Gateway House Contributions to the G20 In 2018

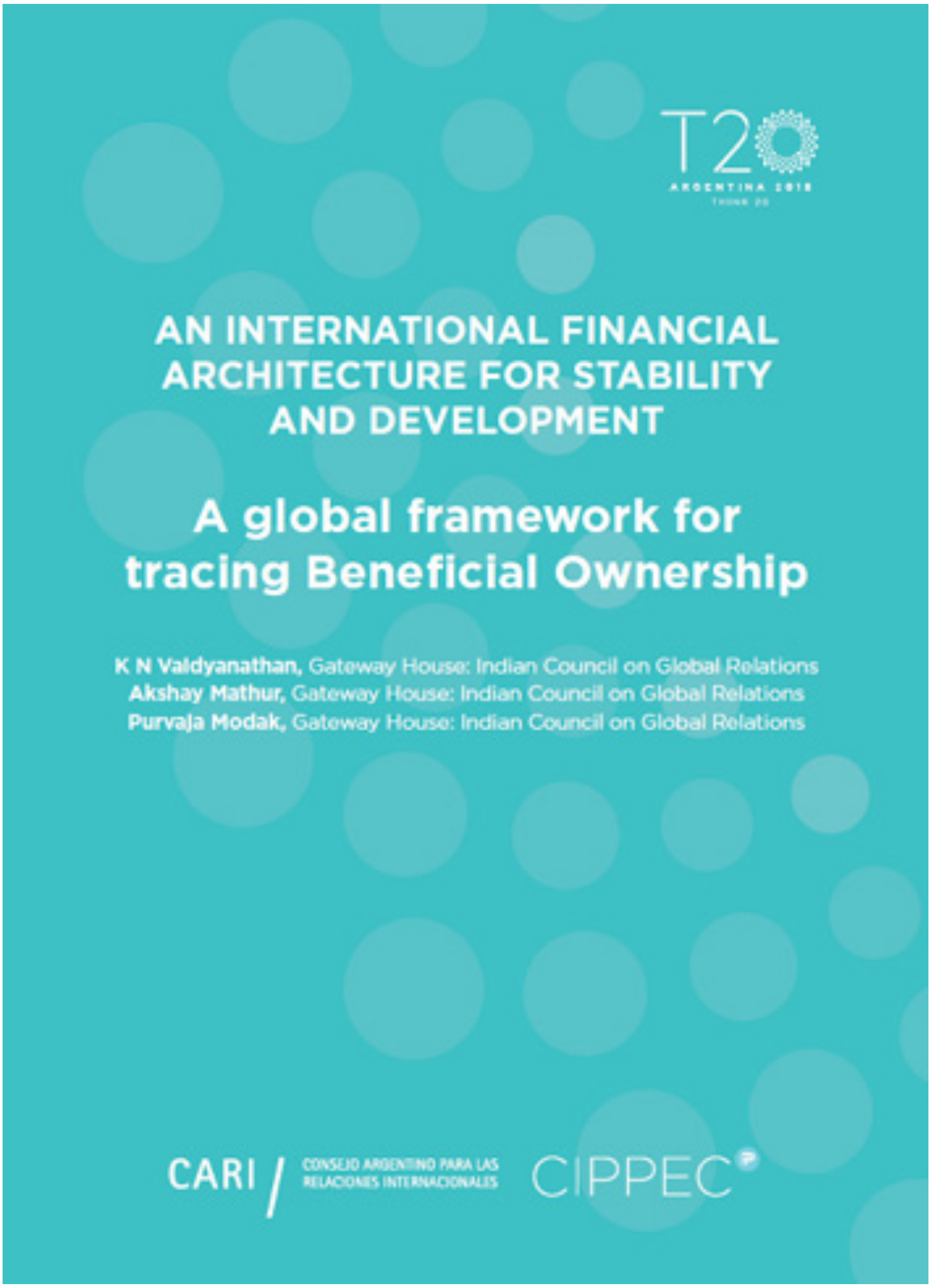
In 2018, a Gateway House policy brief proposing 'A global framework for tracing beneficial ownership' was published by Think20 Argentina. It was discussed with the leading G20 think tanks at the Think20 Summit in Buenos Aires, Argentina and was presented for the consideration of the G20 Sherpas



Presenting the Gateway House policy brief to Laura Jaitman, the G20 Finance Deputy at the Argentine Ministry of Treasury

Policy Brief: A Global Framework for Tracing Beneficial Ownership

Written for the T20 taskforce on 'An International Financial Architecture for Stability and Development'



Abstract

The cross-border flow of payments, remittances, aid and investments is integral toglobalisation. Ensuring transparency in such cross-border financial transactions is critical to the stability of the global financial system. A key goal for policy-makers has been the necessity to identify beneficial ownership in multi-country financial transactions to protect against money laundering, terrorist financing and tax evasion, which have besieged developed and developing countries alike. Existing global efforts in tracing Beneficial Ownership are insufficient since verification is limited to self-disclosures and by national regulations. What is needed is a global framework to enable data exchange, cross-referencing, tracing and analysis of data on cross-border financial transactions.

Challenge

Existing efforts

The lack of information on cross-border capital flows during the trans-Atlantic financial crisis of 2008-2012 was a major limitation for policy-makers, restricting them from making an accurate and comprehensive assessment of the vulnerabilities in the global financial system.

To overcome this, the G20 requested institutions and standard-setting bodies such as the IMF, BIS, OECD, FSB, FATF, UN and others to publish guidelines for compiling and validating data on flows that included payments and investments. Their efforts have made it clear that identifying Beneficial Ownership of entities participating in a financial transaction is a priority.

For India, the drive to seek transparency in cross-border capital flows comes from the need to curb the flow of black money across borders. India is a net receiver of capital from the world, and therefore needs micro-prudential regulations as much as it does macro-prudential regulations for ensuring the stability and sanctity of the country's financial system.

The FATF defines Beneficial Ownership as follows: Beneficial Owner refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement.

Here are some existing global data-collection initiatives worth recapping:

1. G20 published High-Level Principles on Beneficial Ownership calling for timely exchange of data with international counterparts.

2. The IMF-led Inter-Agency Group (BIS, ECB, OECD, UN, WB) began the Data Gaps Initiative (DGI) to aggregate data for assessing systemic risk in the global financial system. It identified 20 categories, including securities statistics, international banking and public sector debt across which countries are required to collect data, inter alia, to reveal the "from-whom-to-whom" information. A key goal was to identify data that exposes the linkages between global financial entities, cross-border banking flows and investment positions.

3. The OECD developed the Common Reporting Standard (CRS) to curb cross-border tax evasion and avoidance. It provides a framework for disclosing tax details through the Automatic Exchange Of Information initiative (AEOI) between countries.

4. FATF regulations on beneficial ownership were initiated to collect data to curb money laundering and terrorist financing. It requires Beneficial Ownership information to be stored and updated by the relevant national authorities to be made available to other countries upon request. This database may be maintained as a national registry or by individual companies.

5. FSB has guidelines to identify "who is who" and "who owns whom" in the financial system, for which all financial entities must have a Legal Entity Identifier (LEI) – a 20-digit, alpha-numeric code based on the ISO 17442 standard for legal entities. It was originally conceived to identify the total exposure of one company to another (e.g. cross-company investments), but has since found relevance for monitoring suspicious cross-border financial activity. In addition to bringing transparency on entities and their transactions, LEI is being recommended for conducting diligence on borrowers, on-boarding clients in securities and fixed-income markets and for verifying buyers and sellers in a cross-border trade. As of June 2017, a total of 30 LEI-issuing organizations had issued 520,000 LEIs in 200 countries. In India, 5873 new LEIs had been issued May 12, 2018, and another 2905 were pending review.

6. The UN-led consortium (Eurostat, UNCTAD, WTO, IMF, OECD) Manual of Statistics of International Trade in Services (MSITS) Initiative to accurately capture data on trade in services.

7. Private consortia, like SWIFT, which have initiated the Business Identifier Code (BIC), are worth mentioning here. BIC is an international standard, used by financial and non-financial entities, to address messages and routing transactions. This identifier is separate from the LEI (which SWIFT also supports). One legal entity can technically hold multiple BICs. According to SWIFT, in 2017, there were 120,000 BICs in its directory, of which 41,000 were financial entities which qualified as legal entities for LEI registration. SWIFT has launched a feature, called the Unique End-to-end Tracking Number (UETR), to provide "parcel delivery"-type tracking for multi-country, multi-entity financial transactions between 160 banks in over 200 countries. SWIFT has also launched a global KYC registry with data on 2500 institutions which use their network in over 200 countries.

Shortcomings of existing efforts

A serious limitation in the current status is the ability to exchange, cross-reference, trace and analyse the Beneficial Owner data on cross-border financial transactions. Existing efforts are insufficient in ensuring transparency since verification is limited to self-disclosures and national boundaries. Another limitation is lazy implementation of existing guidelines. An effective system requires that all countries play their part in constructing a global framework.

• A 2018 survey by FATF revealed that 40 of 44 jurisdictions evaluated still required major work on the FATF requirements.

• A similar effort in 2016 by FATF to evaluate progress showed that only two of nine G20 countries had succeeded in preventing the misuse of legal persons and legal arrangements. Substantial improvements were required in the other seven countries assessed.

• An independent study by Transparency International in 2015 found that the UK and India were the only countries with regulations requiring legal entities to keep records of Beneficial Owners. The U.S. had not enacted any of the G20 recommendations, and countries such as Australia, Canada, China, Japan, Russia, South Africa and South Korea had allowed transactions to proceed without collecting the Beneficial Ownership information.

Proposals

Proposal: A global framework for enabling data exchange, cross-referencing, tracing and analysing Beneficial Owner data on cross-border financial transactions must be established.

Two developments make this proposal feasible now. One, other G20 efforts such as those initiated by FSB, FATF, OECD and IMF have demonstrated that there is a common global acceptance of the need for accurate data aggregation and exchange. Two, technologies such as Digital Ledger Technology and Big Data algorithms now enable access, compilation, sharing and analysis of data at marginal cost across the globe without the need for invasive surveillance across jurisdictions.

Elements of the global framework for tracing Beneficial Ownership

1. Exchange of Beneficial Ownership data: The global framework must establish an automated system of exchanging Beneficial Owner data across jurisdictions. It is a logical next step once data has been aggregated in national registries. This system can be similar to (i) the G20 arrangement on tax matters which uses a Common Reporting Standard under an agreement on Automatic Exchange Of Information, or (ii) the Statistical Data and Metadata Exchange (SDMX), established by ECB, Eurostat, IMF, OECD, UNSD and World Bank, to standardise the exchange of data among international organisations and their member countries. The use of national registries must be encouraged to investigate intra-country transactions. This will ensure that data is continuously updated.

2. Cross-referencing Beneficial Ownership to validate cross-border links: The global framework must establish a system to cross-reference the Beneficial Owner from one jurisdiction to another in order to expose linkages between the Beneficial Owners of remitting and receiving accounts. Currently, international registries, such as the Bankers Almanac and SWIFT KYC Registry, only provide KYC details of the remitting and receiving financial institutions, but not the Beneficial Ownership details of the account holders therein. This missing feature can be plugged by LEI registries which have begun to hold ownership details. In 2016, LEI ROC announced that all LEI registries will require applicants to provide "Direct Parent" and "Ultimate Parent" relationships as defined by the immediate and final holding entities declared in audited consolidated accounting statements (usually > 50% stake). Inclusion of parent relationships that show controlling interests (e.g. 20%) has been deferred due to the complexity of implementation. However, for effectively mapping "who owns who", it is important that the LEI registries hold data on all parents, grandparents and other entities in between that hold controlling interests, of at least more than 25%, leading up to the ultimate parent. Also, LEI's 20-character alpha-numeric code must include a flag for indicating that a parent relationship exists. These modifications can then enable LEI to be used for cross-referencing of Beneficial Ownership data across borders.

3. Tracing Beneficial Owner in case of multi-country cross-border transactions: The global framework must establish a system to trace the Beneficial Owner by travelling up and down a series of multi-country cross-border transactions. Currently, the ability to see the full journey of a cross-border financial transaction is limited to tracking the movement of a single payment or remittance sent across borders (as is offered by SWIFT today). However, it is not possible to identify the Beneficial Owners for cross-border direct and portfolio investments where capital may be pooled (e.g. fund) before being forwarded or re-invested in a third country or if a single underlying transaction is split deliberately between intermediary banks to hide the link between receiving and onward Beneficial Owners. This limits the ability to accurately track "from whom to whom" by receiving or transmitting institutions. Once Beneficial Ownership data is available in the LEI registries and the LEI code includes a flag for indicating existence of a relationship, any transaction can be examined accurately from source to destination.

4. Analysing Beneficial Owner data for assessing true country risk: The global framework must establish a system to examine cross-border capital flows in areas such as financing for development projects. This is particularly required for opaque cross-border infrastructure financing arrangements between a state-backed lender and receiver since a default or delay in payments can significantly impact the risk assessment of a country. The development of Sri Lanka's Hambantota Port is a case in point. Sri Lanka's government spent 83% of its revenues on debt repayment in 2017. Twenty-five percent of this debt was owed to foreign entities. This is expected to double by 2022. The inability to pay debt has already forced the Sri Lankan government to convert its debt to equity and relinquish the port to China Merchant Port Holdings in 2017 for a 99-year lease.

The $17 billion "Operation Car Wash" scandal that hit Brazil's petroleum giant, Petrobras, is another example proving the need for greater transparency in investments, especially those related to energy infrastructure. Petrobras employees, contractors and suppliers across Latin America manipulated several contracts for their own benefit between 2004 and 2012. The frameworks being developed for identifying, validating and tracing Beneficial Owner data can also be applied to ensure transparency in financing for development. For this, some of the existing non-G20 initiatives can be leveraged. For instance, the IMF, IDI, ATI and EITI initiatives listed below can mandate the use of FSB-supported LEI for every entity involved in cross-border infrastructure financing.

Select existing parameters can also be included when designing a new framework.

- The IMF-led Data Gaps Initiative, which has Public Sector Debt, as one of the parameters.
- GIH, EIB, LTIIA, LTIC and OECD launched the Infrastructure Data Initiative (IDI) to secure data on infrastructure investments, whose parameters include investment return metrics, cash flows, social impact and sustainability metrics
- Aid Transparency Initiative (ATI) has been working on improving the transparency of aid, development and humanitarian resources.
- The Extractive Industries Transparency Initiative (EITI) is developing public scrutiny on parameters, such as allocation and registration of licenses and contracts and identification of beneficial owners of extractive operations. Like the G20, the EITI has also recommended the establishment of a national public register of the Beneficial Ownership information of entities that explore, operate or invest in extractive assets. According to EITI's own assessment, by early February 2017, 45 member countries had published roadmaps to enact the beneficial ownership guidelines within their own national jurisdictions.

Guiding principles for governing the global framework for tracing Beneficial Ownership

1. Investigations should be conducted only for specific requests: The exchange, cross-referencing, tracing and analysis of data should only be allowed for specific official and legal requests made by Competent Authorities of each country. To ensure efficiency, investigations may be allowed (i) only for examining entities that own more than 25% (ii) and only for transactions worth more than $1 million.

2. Use "Regulatory Technology" to mitigate cross-border data sharing concerns. Innovations in regulatory technology are now making difficult solutions feasible. To avoid the obvious challenge of sharing private data or harmonising regulations across jurisdictions, the global framework should encourage the use of Distributed Ledger Technology (e.g. Blockchain) that can enable verification of data without a central administrator or the risk of data tampering.

G20 is particularly well placed to encourage Distributed Ledger Technology because the platform requires a critical mass of active participants for it to work appropriately.

It will also have two extra benefits: (i) it negates the requirement for a centralised global database that could be vulnerable to cyber threats, and (ii) the technology can easily be scaled up in size and scope at a marginal cost.

The distributed ledger technology is already being considered by financial institutions for trade digitisation, cross-border payments, remittances and even for settlement infrastructure.

A 2018 paper by the Centre for Global Development has evaluated how new technologies can help solve complex compliance issues for regulators. Suggestions include the use of software for Know-Your-Customer verifications, Big Data algorithms for analysing high volume, high-variety data, and use of distributed ledger technology for secure record-keeping. All of these regulatory technologies are important for policy-makers to explore.

T20 Task Force: Gateway House Leadership Role at the Think20

Gateway House is a co-chair of a Think20 taskforce on 'An International Financial Architecture for Sustainability and Development', in 2018 and 2019 as well. Other members of this taskforce are Jose Siaba Serrate, Chief Economist, Argentine Council on Foreign Relations (CARI); Kevin Gallagher, Professor of Global Development Policy, and Director, Global Development Policy Center, Boston University, and Franco Bruni, Vice President and Co-Head, Center on Europe and Global Governance, ISPI.

Council for Global Problem Solving (CGP)

Gateway House is a founding member of the Council for Global Problem Solving (CGP). It is a group of the leading global think tanks and research institutions that provide long-term policy advice to the G20 and associated international organizations. The CGP also supports the work of the T20. It is a platform for other G20 groups to engage in a research-based exchange of ideas on issues of global governance.

The list of CGP member institutions is as follows:

1. Asian Development Bank Institute (ADBI)
2. Blavatnik School of Government
3. The Brookings Institution
4. Bruegel
5. Central Bank of the Republic of Turkey
6. Centre for Economic and Financial Research (CEFIR)
7. Centre for International Governance Innovation
8. Centre for Strategic and International Studies (CSIS)
9. CIPPEC
10. Consejo Argentino Para Las Relaciones Internacionales (CARI)
11. G20 Research Group
12. Fundação Getulio Vargas (FGV)
13. Gateway House: Indian Council on Global Relations
14. Hertie School of Governance
15. Kiel Institute for the World Economy (IfW)
16. INET Oxford
17. Institut français des relations internationales (IFRI)
18. International Institute for Applied Systems Analysis (IIASA)
19. International Panel on Social Progress (IPSP)
20. Italian Institute for International Political Studies (ISPI)
21. The New Economic School (NES)
22. Observer Research Foundation
23. OECD Policy Studies Branch
24. Oxford Martin School
25. Renmin University of China (RDCY)
26. South African Institute of International Affairs
27. Stiftung Mercator

LEI, a gold standard for financial transparency
By Purvaja Modak
14 September 2018

Ten years after the global financial crisis, some reform has come about. To further transparency, the Legal Entity Identifier (LEI), proposed by the G20, is a code used to identify the parties that participate in financial transactions around the world. While its benefits and applications are abundant and will reduce systemic vulnerability, its global implementation is complex and slow. This primer shows why – and also why the LEI should be urgently and widely adopted

The 2008 global financial crisis, increasing instances of money laundering, terrorist financing and tax evasion revealed the lack of transparency in cross-border financial transactions. The Lehman Brothers' crisis, in particular, highlighted the importance of identifying the ownership structures of legal entities engaged in such transactions to better understand the systemic risks arising out of these linkages. In response, the G20 countries called for greater transparency in cross-border financial transactions.

At the G20 Cannes Summit of 2011, the G20-supported Financial Stability Board (FSB) was mandated by the G20 leaders with the task of delivering recommendations on the creation and implementation of a unique global code, called the Legal Entity Identifier (LEI). In 2014, the LEI came into legal effect.

What exactly is the LEI? The LEI contains within it, two parts of an entity's lineage: who is who and who owns whom. This, a 20-digit alphanumeric code, holds standardised reference information on legal entities that participate in global financial transactions, serving as a proof of identity. This is basic business card information, giving clarity on "who is who" among market participants.

Its database, the Global LEI Index, is gradually being developed to identify an entity's direct and ultimate parents, answering the question of "who owns whom". The Global Legal Entity Identifier Foundation (GLEIF) leads the implementation process. It designates local operating units (LOUs) around the world, which provide registration and renewal facilities.

An entity can register with any LOU of its choice, provided it lies in the LOU's jurisdiction. Typically, these LOUs are part of a country's official financial system. In India, for instance, the LEI is issued by the Legal Entity Identifier India Ltd. (LEIL), a wholly-owned subsidiary of the Clearing Corporation of India, and is governed by the Reserve Bank of India. In the U.S., the sponsoring authority is the U.S. Commodity Futures Trading Commission – but private financial services player, Bloomberg, is also authorised to issue LEIs. In China, it is the China Financial Standardisation Technical Committee.

The information disclosed by the registrant is stored by the LOU in its database. It is publicly available and free of charge. It is reviewed, updated and validated by the LEI holder and the LOU through an annual renewal process. Banks, credit rating agencies and other institutions can access this database to gather accurate and credible information on their clients. LEIs, in addition, can help process letters of credit quicker and help identify sellers and suppliers on e-invoicing networks worldwide.

It can reduce business losses caused when transactions are rejected due to inadequate information or delays while on-boarding clients. A 2017 McKinsey study estimates that the use of LEIs in capital markets will reduce operational costs for global investment banking by 3.5%, generating annual savings worth over $150 million.

LEI has plenty of takers. At the moment, capital markets participants who trade in over-the-counter (OTC) derivatives have been early adopters of the LEI; Canada, the EU, India, Mexico, Russia, Singapore, Switzerland

and the U.S. were the first to accept it. Gradually, all entities engaged in a wide range of cross-border transactions will have to obtain an LEI.

To enable this, the administrative capacity and infrastructure of issuing LOUs must be improved.

Each country has its own official LEI issuer, and a unique response to participate in the LEI. India's issuer is the LEIL. In 2017, the Reserve Bank of India (RBI) set phased deadlines for legal entities to obtain LEIs, failing which they would not be eligible to participate in OTC derivative markets. Companies were slow to respond, and missed the deadline of 31 March 2018. But now there is a rush to apply, and the deadline has been extended to 30 September 2018.

So far, 11,521 LEIs have been issued in India and as of 11 September 2018, 2,210 are pending acceptance. The slow pace of adoption – not just in India – is not surprising. LEI issuers and registrants have both reported that the process is complex and tiresome. Since the information is self-declared, the registrant is responsible for its accuracy. The issuers have reported that the registrants are oblivious of the requirements, and the declared information is incomplete and of poor quality. They also do not notify the issuer on new information, leading to inconsistencies, delays and data gaps – and potential loss of business for not being on board, on time. This is a particular challenge for LOUs, which have to manually validate it, using official regulatory documents and private legal records.

However, the LEI is the gold standard of identifier information. A comparative study by Gateway House with other identification numbers used in India revealed that LEI's database is the only repository in the country that captures the relationship between the legal entity and its direct and ultimate parents.

This gives India a strong rationale for extending the adoption of the LEI to any legal entity beyond those that trade in the OTC market.

The table below shows how superior the LEI's documentation is: it includes additional information like the shareholding structure, names and financial statements of the direct and ultimate parents. This database can be a one-stop destination for individuals, corporations, academics, media seeking complete reference information on an entity; and regulators and governments, who can get special access.

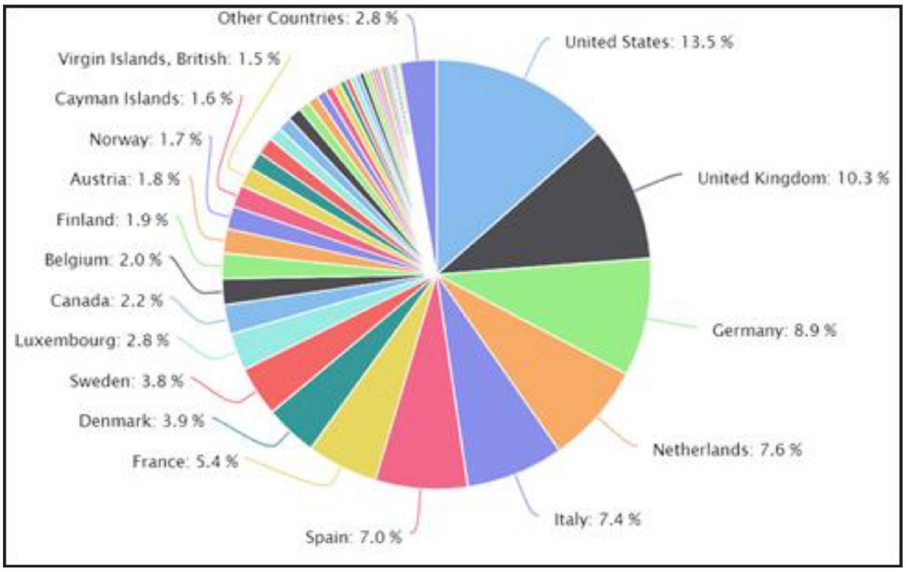
Table1: A comparison of identification numbers/codes in India

Number/ Code	Purpose	Information disclosed
Corporate Identification Number (CIN)	It is issued to every company incorporated in India when it is registered by the Registrar of Companies (ROC). It proves the existence of the company and must be disclosed along with any submission made to the ROC under the Company's Act of 2013	• Name of the company • Address of the company • Details of the registered office of the company • Director Identification number (DIN) • ROC Registration number of the company
Director Identification Number (DIN)	It is a number allotted to any individual that takes up the directorship of any company	• Name of the DIN holder • Address of the DIN holder • List of directorships held by the DIN holder
Permanent Account Number (PAN)	It is a number that reveals business card information on the holder. The holder may be an individual, a family or a corporate. All entities that file income tax returns must hold a PAN.	• Name of the holder • Date of birth/date of incorporation of the holder • Name of the holder's father in case of individual • Signature of the holder in case of individual • Photograph of the holder in case of individual
Aadhaar Number	It is a unique identification number issued by the Indian government to every individual resident of India. It captures demographic and biometric information of every resident Indian individual. The number can be used as the sole identification proof for the holder.	• Name of the holder • Photograph of the holder • Gender of the holder • Address of the holder • Name of the holder's father • Date of birth of the holder • Biometric information of the holder

SWIFT Code/ Business Identification Code (BIC)	It is an international code that is used globally to identify a bank or financial institution. The entity that receives funds in any financial transaction must share its BIC with the counterparty that transfers the funds	• 4-character bank code • 2-character country code • 2-character location code • 3-character branch code
Legal Entity Identifier (LEI)	It is a global reference number that uniquely identifies every legal entity or structure that is party to a financial transaction, in any jurisdiction. It reveals information on direct and ultimate parents of these entities.	• Legal name of the LEI holder • Registered address of the LEI holder • Address of the headquarters of the LEI holder • ROC Registration number of the LEI holder • Legal form of the LEI holder • Name of the direct parent of the LEI holder • Percentage of shares held by the direct parent • Start date of relationship with the direct parent • Name of ultimate parent • Percentage of shares held by the ultimate parent • Start date of relationship with the ultimate parent

**Collated using information from various sources*

Chart 1: LEI adoption by country



As of September 2018, 1,267,387 LEIs have been issued in 223 countries and 83,652 direct and ultimate parents have been identified. The largest number of registrations were reported in the U.S., U.K, Germany, Netherlands and Italy. Regulatory requirements in the Dodd-Frank Act of the U.S and the EU's Markets in Financial Instruments Directive (MiFID II) and Regulation (MiFIR), have made it compulsory for entities to adopt LEIs. Also, in the U.S. and the EU, many issuers have been designated to issue LEIs, encouraging a larger number of registrations.
LEI applications in India, Estonia, Portugal, Mexico and Slovenia have gradually risen compared to previous quarters. The trend in India is attributed to the RBI's phased implementation deadlines. However, countries like India, South Korea and Mexico have only one LOU that is overwhelmed by a large number of applications.

The LEI implementation process today is functioning at an optimal pace, despite its complexities. Like everything good, global practitioners and industry experts expect the system to crystallise in three years after which it will be possible to trace an entire chain of ownership structures, using the LEI, increasing transparency in cross-border financial transactions.

To enhance the efficacy of the LEI, a global framework is required. In a policy brief for the G20, Gateway House has proposed such a global framework for sharing, cross-referencing and tracing information on an entity's direct and ultimate parents – known as BENEFICIAL OWNERSHIP INFORMATION – by travelling anddown a series of multi-country cross-border transactions. The LEI can be distinctive in this framework. Using information available on the LEI database, any financial transaction can be studied accurately from one end to another and linkages to fraudulent financial practices can be uncovered. It can help identify the total exposure of one company to another, unveiling possible systemic risks arising out of such linkages.

The hope is that such rigorous and robust verifications can prevent another global financial crisis.

Purvaja Modak is Researcher, Geoeconomic Studies, and Assistant Manager, Research Office, Gateway House: Indian Council on Global Relations.

This article is an extension of a policy brief written by K.N Vaidyanathan, Akshay Mathur and Purvaja Modak for the Think20 Taskforce on 'International Financial Architecture for Stability and Development' under Argentina's G20 Presidency in 2018 on 'A global framework for tracing Beneficial Ownership'.

A Think20 rendezvous in Buenos Aires

By Akshay Mathur
15 February 2018

A new year, a new presidency and a new set of priorities. Argentina launched its presidency of the G20 for 2018 with gusto. As an emerging market and as a Latin American country, it brings a welcome first-time focus on issues, such as, the Future of Work, Food Security and Infrastructure Financing

More than 400 experts from 145 think tanks, representing 45 countries, gathered in G20's new capital, Buenos Aires, on February 1 and 2, to collectively launch the research agenda for the Think20, the official sub-forum of the G20 for think tanks. In 2018, the Think20 process is being led by two leading Argentine think tanks – the Argentine Council for International Relations (CARI) and the Centre for Implementation of Public Policies Promoting Equity and Growth (CIPPEC).

The forum launched ten taskforces, spanning the full spectrum of work under G20 – future of work, climate change, food security, gender equity, sustainable development, trade and investment, social cohesion, international financial architecture and migration.

Argentina's prioritisation of Future of Work, Food Security and Infrastructure Financing, over core finance issues, such as, financial architecture, continues with the practice of past presidencies to steer the G20 towards socio-economic issues that are indeed more urgent and widespread. India is witnessing the repercussions of jobless growth, scarcity of water and food, and crumbling infrastructure. Therefore, the focus is welcome.

Experts at the Think20 plenary sessions gave thought-provoking insights. Jikun Huang, Director of the China Centre for Agriculture Policy at Peking University (China), made a pitch for focusing on trade for solving food security woes. His research indicated how countries with better arable land and water will become large food exporters. Amar Bhattacharya, Senior Fellow with the Global Economy and Development programme at Brookings (U.S.), explained why multilateral development banks remain central to infrastructure financing, including for attracting private capital. Dennis Snower, the President of Kiel Institute for the World Economy (Germany), called for a new reciprocal contract between governments and citizens to mitigate the demands of populism.

The G20 may have changed direction and refined its priorities, but work on the unfinished agenda of financial reforms is still underway. International institutions and standard-setting bodies, such as the International Monetary Foundation, Bank for International Settlements, Financial Stability Board, and Organisation for Economic Cooperation and Development, are continuing with their mission of re-calibrating and re-engineering the global financial system. To this end, the T20 International Financial Architecture (IFA) taskforce's research on monetary policy coordination, financial disclosures, global safety nets, multilateral financing and crypto-currencies, should provide some policy ideas for the G20 leaders to explore.

Each Think20 leadership brings its own intellectual vibrancy and process refinements to this global research process. The Economic Policy Research Foundation of Turkey (TEPAV, Turkey, 2015) expanded the scale of the network to include experts from all G20 countries and beyond. The Institute of World Economics and Politics (IWEP) of the Chinese Academy of Social Sciences (CASS), the Shanghai Institute for International Studies and Renmin University of China (China, 2016) hosted theme-specific meetings – international finance, multilateral development banks, economic governance – around the world. Kiel and German Development Institute (DIE, Germany, 2017) established taskforces and introduced a formal process for aggregating research before presenting it to the G20 leaders.

This year, CIPPEC and CARI introduced a novel policy bridge between think tanks and government. It began with spirited keynotes by the minister of treasury and cabinet secretary of the government of Argentina, and followed with closed-door interactions with Argentine government officials for understanding the research needs of the G20 for the year. For instance, the IFA taskforce (of which I am co-chair), met with the officials of the ministry of finance of Argentina to identify how our research can help Argentina complete the unfinished agenda of macro- and micro-prudential reforms.

The Argentinian Think20 process was also supported by the ministry of foreign affairs and Worship of Argentina that lent its beautiful San Martin Palace for the meetings. It's a venue otherwise reserved by the Argentine government for hosting foreign leaders and delegations. The symbiotic relationship between the Argentine think tanks and their government is enviable.

Gateway House will contribute to the Argentinian Think20 process by hosting a meeting in Mumbai on 12 March 2018. This will be the fourth year in a row that we will be hosting an official meeting of the Think20 – a unique accomplishment for India. Our day-long agenda consists of a focus on future of work, food security, trade in services and financial market regulation, a heady mix of priorities that appeal to Argentina, India and many other countries in the G20, and beyond. Officials from the ministries of external affairs, finance, commerce and our Sherpa's office are expected to join the roundtable discussions. The output will be published as policy briefs, and also submitted for governments for consideration.

The Think20 prides itself as the ideas bank and the policy advice network for the G20. Its strength is in its ability to attract the best minds on global economic governance. Its work plan should not only be aligned to the G20 but should be more expansive. After all, we should be researching and advising on issues that governments have not even begun to consider. Otherwise, the perspectives will not add value to the information policy-makers already have, and the forum will lose its significance.

The inception workshop in Argentina provided just the right launch pad. The professionalism of CARI and CIPPEC were only outmatched by the warmth of their welcome. Now, it is time for the rest of the forum to deliver!

Akshay Mathur is Director, Research and Analysis & Fellow, Geoeconomic Studies, Gateway House.

Argentina: in the ascendant

By Purvaja Modak
10 August 2017

Once a laggard, Argentina is now a rising star in South America. Its economy is recovering, GDP growth is stable and financial reforms have taken hold. In 2018, it will host the presidency of the G20, its first step onto the global stage after over a decade in isolation. With Argentina's G20 agenda fully aligned with India's priorities, how can India gain?

Argentina is re-emerging onto the world stage after a 15-year hiatus. Its re-entry was marked by a successful return to the international capital markets in 2016 with the largest bond issue ever from an emerging economy. Following a domestic financial and structural reform process, many key macroeconomic indicators are turning in its favour. In June 2017, a 'century bond', a 100-year sovereign bond worth $2.75 billion attracted offers worth $9.75 billion, indicating returning investor confidence in the country's long-term prospects.

On the multilateral front, Argentina has been busy positioning itself well. In addition to taking on the presidency of G20 in 2018, Argentina is chairing the regional body, Mercosur, in 2017. It will host the 11th WTO Ministerial Conference in December 2017. Its membership of the China-led Asian Infrastructure Investment Bank (AIIB) was approved in June 2017. And most ambitious of all, like its neighbour, Chile, it seeks membership of the most elite, developed country institution, the OECD.

Many rating agencies are bullish on Argentina. Moody's Investors Service has raised the country's rating from 'stable' to 'positive'. J. P. Morgan Chase is also likely to admit Argentine peso bonds into its benchmark indices.

This turnaround has been aided by three factors that have featured high on President Macri's priority list: upgrading infrastructure, reducing corruption and furthering multilateral trade ties. These dovetail strategically with Argentina's international engagements and aspirations.

Upgrading infrastructure

Poor quality infrastructure and underinvestment under the previous Kirchner governments damaged Argentina's international competitiveness. In 2016, President Macri introduced a $33 billion national transport infrastructure plan which will double highway networks, and add road corridors, freight railway lines and better port infrastructure. New systems to improve urban transport and modernise airports are underway. In February 2017, the government approved a Public-Private Partnership (PPP) law to bolster a framework for these investments. Infrastructure bonds worth $850 million have been issued.

Macri is also urging investors – public and private – to invest in the sector. Since the local capital market is still underdeveloped, he is turning to external sources, like the World Bank, to fund long-term projects like transmission lines. An AIIB membership will give him access to more funds and will lay the groundwork for Argentina's engagements in Asia.

Expectedly, China already has large investments in Argentina's infrastructure, including $24.242 billion in energy and transport, $12.5 billion for the construction of two nuclear power plants, $1.8 billion for natural gas pipelines and $1.15 billion for photovoltaic solar projects. Appreciative of Argentina's support and participation in the Belt and Road Initiative, in May 2017, President Xi Jinping spoke about aligning the initiative with Argentina's development strategy, signing 16 infrastructure deals worth $17 billion. During Argentina's years in isolation, Chinese companies bought stakes in energy, mining and infrastructure and are deeply invested in the country. Now that Argentina is opening up to the world, any country aspiring to invest in Argentine infrastructure will have to account for a dominant Chinese presence in the nation.

Reducing corruption

Macri has also been rooting out corruption, a result of decades of state interference. Over time, it strangled the formal economy and helped informal economic activity dominate, making the judicial system vulnerable.
Macri worked to rectify both through a campaign of transparency. He restored the credibility of the state statistics agency through a 'freedom of information' bill, allowing access to official documents. This led to the arrest of several officials of the Kirchner administration on corruption charges. Encouraged, Macri is now using a tax amnesty scheme to entice Argentineans to declare their hidden income. A sum of $116.8 billion has been declared in assets. Some of the repatriated money will be channelised into the infrastructure sector.

Declining corruption levels will offer better coupon rates for the country's bonds and will boost Argentina's trade with the world. Most importantly, it will attract foreign investment in agriculture, helping Argentine agribusinesses upgrade farm infrastructure, carry out new research and further modernise the sector.

Furthering multilateral trade ties

All these steps will put Argentina's domestic house in order. But will it be enough for the country to take on an ambitious international role with the OECD, G20 and Mercosur?

There are some hurdles. For example, Argentina's non-compliance with certain aspects of OECD's anti-bribery convention could be an impediment to its membership in the institution. As the chair of Mercosur in 2017, Argentina's goal is to revive the South American bloc by concluding an FTA with the EU, already Mercosur's biggest trading partner and foreign investor at $78 billion. This will offer EU companies privileged access to a market of over 250 million consumers. As the only partner undergoing free trade negotiations with the bloc, the EU will have comparative advantage in the Mercosur market.

But the EU will come up against China, which, as Mercosur's second largest trading partner, turns to the bloc for raw materials. Mercosur also provides markets for China's manufactured goods. China hopes to revive trade negotiations with Mercosur, which have been stalled since 2004. Recently, Mercosur's foreign ministers have agreed to resume talks as well. However, an early conclusion of the trade deal seems unlikely.

Argentina and India

An arena where Argentina will have a reasonably easy win is its biggest international role – that of G20 president in 2018. The agenda will focus on agriculture after several years. As the 2017 chair of the Agricultural Market Information System (AMIS), it will empower the body to fulfil its mandate of improving food market transparency and coordinating policy responses.

This is a fortuitous confluence of interests for India which seeks to highlight agriculture at the global level, but has been stuck on negotiations at the World Trade Organization (WTO) on issues, such as global food pricing and market access. India is in dire need of infrastructure upgradation and turns to multilateral development banks like World Bank, AIIB and New Development Bank (NDB) for funding. It has been battling corruption too, the demonetisation drive of 2016 being its first success: there are lessons it could borrow from Argentina's own anti-corruption campaign. Besides, India is working towards forging bilateral and plurilateral agreements with its trade partners.

Prime Minister Narendra Modi aspires to double farmer incomes by 2022 – a goal that will need sector reform and a tripling of agricultural exports. Here, Argentina offers a good model, and is a good partner for India. Learning from its experiences of a technologically advanced agricultural sector, India can support its partner's global quest and further its own aims too. India must back Argentina in its pursuit of harmonising global standards, crafting attractive food legislations and achieving resource efficiency.

Together, they must urge multilateral financial institutions to create incentives, encouraging farmers to adopt new technologies and adhere to climate change norms. Climate funds can be set up to finance these technologies. India must partner with globally integrated Argentine agribusinesses by acquiring stakes in them and promoting joint ventures. With both countries supporting a large services market, they must jointly push for consensus at global services trade negotiations: India has submitted a proposal to the WTO for an Agreement on Trade Facilitation in Services (TFS) and Argentina can support this initiative.

If Argentina succeeds, it will provide the world with a new model of economic and governance success. Its domestic efforts and presidency of the G20 will be closely watched – and encouraged – around the world.

Purvaja Modak is Researcher, Geoeconomic Studies, and Assistant Manager, Research Office, Gateway House: Indian Council on Global Relations.

Germany’s G20 Presidency in 2017

In February 2017, Gateway House hosted the third T20 meeting in Mumbai. Over 50 experts participated including experts from think tanks, business and government.

- Title: T20 Mumbai: Dialogue on the emerging world economy
- German Co-host: Kiel Institute for the World Economy, Germany
- Indian Co-host: Ministry of External Affairs, Government of India.
- Business Partners: Siemens India (‘Digital Economy’ session) and Deutsche Gesellschaft fürInternationaleZusammenarbeit (GIZ), Germany (‘Green Economy’ session).
- Topics: Global Financial Markets and Regulations, Digital Economy, Green Economy, Trade and Investment

Amar Bhattacharya, Senior Fellow, Brookings Institution, U.S.A

Yonov Frederick Agah, Deputy Director General, World Trade Organization (WTO)

Agenda

OPENING SESSION: GERMANY, INDIA AND THE G20
Time: 8:30 am – 9:30 am

Objective: Discuss Germany's priorities for the G20 and T20 in 2017 and India's contributions to the process.

Keynote Address by Yonov Frederick Agah, Deputy Director General, World Trade Organization.

ROUNDTABLE 1: GLOBAL FINANCIAL MARKETS AND REGULATIONS
Time: 9:45 am – 11:00 am

Objective: Develop specific policy recommendations that can help G20 design effective global financial regulations and build resilient financial markets

ROUNDTABLE 2: DIGITAL ECONOMY
Time: 11:10 am – 12:25 pm

Objective: Develop specific policy recommendations that can help the G20 design effective global policies for supporting the digital economy

Session Partner: Siemens

LUNCH BREAK
Time: 12:30 pm – 1:30 pm

ROUNDTABLE 3: GREEN ECONOMY
Time: 1:35 pm – 2:45 pm

Objective: Develop specific policy recommendations that can help the G20 design effective global policies for supporting the green economy

Session Partners:

EMSD EMERGING MARKET SUSTAINABILITY DIALOGUES | giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH | german cooperation | EPF ECONOMIC POLICY FORUM

ROUNDTABLE 4: TRADE AND INVESTMENT
Time: 2:45 pm – 4:00 pm

Objective: Develop specific policy recommendations that can help the G20 design effective global policies for supporting trade and investment

CLOSING SESSION
Time: 4:00 pm – 4:20 pm

Summary

PARTICIPANTS

- Experts from G20 countries: Turkey, China, Argentina, U.S., UK, Germany, Canada, Russia, Indonesia, South Africa
- Experts from think tanks of Bangladesh, Singapore and Nepal
- Experts from Indian think tanks with expertise in foreign relations from Mumbai, Delhi, Bangalore, etc.
- Officials from Mumbai-based financial institutions such as Reserve Bank of India (RBI), Bombay Stock Exchange (BSE) and EXIM Bank, and think tanks such as Tata Institute of Social Sciences (TISS)
- Corporate executives from Indian business groups such as Tata Sons, Mahindra, CII
- Diplomats and consular corps representing the G20 troika countries – China, Germany, Argentina

KEYNOTE SESSION HIGHLIGHTS

- **Yonov Frederick Agah, Deputy Director General, WTO** explained that developing countries have benefited from a rules-based multilateral trading architecture and that they must jointly lobby to retain the open global trading architecture. Trade and investment are now inseparable. Investment can be brought into the WTO agenda if members wish.
- **Ambassador Neelam Deo** explained that the political imperative across the world today is job creation. And that has turned the political gaze inward. She urged the think tank community to process the emerging global political realities into functional economic frameworks by making appropriate policy recommendations.
- **Dennis Snower, President of the Kiel Institute for the World Economy,** explained that Germany's G20 priorities are determined by three pillars – economic prosperity, environmental viability and social inclusiveness. Therefore, we need policies for building resilience, assuming responsibility, improving sustainability. Since we live in an inter-connected world, national identities must find a way to affiliate with a global identity.
- **Ambassador Gurjit Singh** suggested that India and Germany can help each other meet their goals for the G20. India can help with the outreach to Africa whereas Germany can help with financing through their programmes focused on Asia.
- **Consul General Morhard (Germany)** urged the think tanks to realize the spirit of the G20 by building consensus between developed and emerging markets on issues of global economic governance.

ROUNDTABLE HIGHLIGHTS

Session on 'Global Financial Markets and Regulation'

Views

- Each country must consider the cross-border implications of monetary policy and financial regulations before introducing domestic regulations.
- A legal argument for protecting the wrong-doings of ratings agencies is problematic. Few have been punished so far in the West for the trans-Atlantic financial crisis. This is unfair and dangerous.
- China's shadow banking market and Japan's debt market are likely to be the source of the next crisis.
- The inter-connectedness between financial and commodity markets is unnerving. Efforts to delink physical markets from the financial markets have not been given priority.
- Banks should be discouraged from using internal risk models to avoid regulatory arbitrage.
- The current narrative on globalization is based on politics and not on economic evidence of job losses.
- Recommendations
- Strengthen the Financial Stability Board. Empower it as a treaty-based fourth pillar of global economic governance.
- Create a smaller network of big economic powers within the G20; the U.S., EU, China and India could be made to design global rules since other countries do not have the capacity to engage.
- Ensure that the cost of compliance with global financial regulations is less than the cost of non-compliance. Financial regulations should be tailor-made depending on the potential for systemic risk.

- Restore the credibility of the globally referenced institutions and benchmarks (e.g. Libor, Brent).
- Revise the agenda of global standard-setting bodies to reflect the priorities of emerging markets.
- Ratify the long-standing IMF reforms that ensure a greater role and responsibility for the emerging markets.

Session on 'Digital Economy'

Views

- Too many cyber regulations are being crafted and imposed on businesses. Compliance with cyber regulations has become like a checklist instead of comprehensive, long-term, thoughtful planning.
- India is a net importer of technology and net exporter of data; so cyber-crime prosecution is difficult.

Recommendations

- Develop algorithms to assess the credit-worthiness of unbanked/rural clients. Fintech companies can help push financial inclusion in this way.
- Develop the framework to share cyber breaches with government and other agencies. Or else, companies will be reluctant to share the information.
- Digital infrastructure should be treated as critical infrastructure. Redundancies have to be built to protect the network and central databases against natural disasters, terrorist attacks and cyber attacks.
- Develop an agreement for protecting critical infrastructure. The credibility of the digital economy depends on the uninterrupted operation of the critical infrastructure and critical business systems.

Session on 'Green Economy'

Views

- About \$5-7 trillion is required to meet India's green energy demands. The \$100 billion multilateral banks are too small to meet this challenge. Neither can banks service this requirement due to Non-Performing Assets (NPAs).
- The government wants to depend on the private sector to fund infrastructure, but the private sector is unlikely to step in if the government is not involved in making the plan viable financially and operationally.

Recommendations

- Channel investments towards decentralized, retail green infrastructure projects (e.g. rooftop solar). That is how telecom achieved scale and financing quickly in India. Multilaterals should finance loans to consumers directly.
- Use modular manufacturing (e.g. like LEGO) to build infrastructure which allows speedy construction of LNG supply chain infrastructure.
- Develop databases to hold data on green energy to enable better assessment and planning.
- Design a 'Green Basel' standard that encourages flows towards green infrastructure. Create parameters to assess what constitutes the green economy. Social impact parameters must be included.

Session on 'Trade and Investment'

Views

- The new rules under consideration by the mega-regional trade agreements, the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP), were a real threat to the global trading architecture (e.g. use of private standards, rules against state-owned and public sector enterprises).
- Global Value Chains (GVCs) now control more than 50% of the trade. Without a good business environment, a Trade Facilitation Agreement (TFA) in Services and alignment with foreign standards, developing countries will not be able to plug into the global supply chains, especially as most GVCs are controlled by western multinationals.

- The WTO was losing relevance and credibility, but the election of Donald Trump and Brexit has renewed hope that multilateral rules for global trade will be required now more than ever.
- The net benefit of free trade agreements has been under question for a long time given its negative pressure on currencies and inequality.

Recommendations

- Focus on trade in services. Rules for effectively promoting and governing trade in services have been sidelined at the WTO and other regional arrangements for many decades. Now, both developed and emerging countries have a strong services industry, fostered by digitization, start-ups, and a renewed focus on quality jobs and local economic growth. India has already submitted a concept note for TFA in Services.
- Invest in digital infrastructure instead of the transport corridor. It is likely to create more jobs.

Gateway House Participation at other German G20 Meetings and Initiatives

T20 Summit: The Global Solutions Summit
Germany 2017

From May 29-30, Akshay Mathur, Director, Research and Analysis, and Fellow, Geoeconomics Studies, and Manjeet Kripalani, Executive Director, Gateway House attended the Think 20 Summit 2017 – Global Solutions in Berlin. Akshay Mathur moderated the panel on 'Dealing with the Threats to Financial Stability'.

T20 Inception Meeting
Germany 2016

From November 30 to December 2 2016, Akshay Mathur, Director of Research and Analysis, and Fellow, Geoeconomics Studies, attended the T20 Germany Kick-Off Conference held in Berlin, Germany. The theme for the conference was 'Cohesion in Diversity: Accompanying the German G20 Presidency'. Akshay was a speaker on a panel, titled, 'What should, what can the G20 achieve in 2017?'

T20 Meeting,
Germany 2016

Akshay Mathur, Director, Research and Analysis, and Fellow, Geoeconomic Studies, attended the Berlin T20 Conference on 'The 2030 Agenda and Pathways to Sustainable Development, International Cooperation and the G20 Presidencies of China and Germany' on May 12-13 2016

Gateway House Contributions to the G20 in 2017

Two policy briefs written by Gateway House as an outcome of the meeting in 2017 have featured on the G20 Insights platform of the German Think20 network. One of these policy briefs was selected among the 20 proposals from the Think20 engagement group for the G20 leaders.

Policy Brief 1

A decentralized, consumer-driven model for the solar eco-system

Amit Bhandari (Fellow, Energy and Environment Studies Programme, Gateway House: Indian Council on Global Relations, Mumbai, India)
Akshay Mathur (Director, Research and Analysis, and Fellow, Geoeconomic Studies Programme, Gateway House: Indian Council on Global Relations, Mumbai, India)
Purvaja Modak (Researcher, Geoeconomic Studies Programme, Gateway House: Indian Council on Global Relations, Mumbai, India)
April 07, 2017

This policy brief was one of the 20 solution proposals for the G20 from the T20 engagement group in 2017.

Abstract

The transition from fossil-fuel based energy usage towards renewable energy sources needs to be accelerated. The issue is at the developing country level, where a lack of funds and technology – both promised by international institutions but not delivered – exacerbates the problem. Where financing is available, very few "bankable" projects exist for global investment. To hasten the transition, a new decentralized, consumer-based renewable energy approach must be adopted. Solar energy technology is particularly suited for this and can see early gains for climate change. The G20 can create policies to help develop products for consumers and facilitate global private capital and multilateral finance towards this goal.

Challenges

1. The transition from fossil-fuel based energy usage towards renewable energy sources needs to be accelerated. Renewable energy comprised 2.8% of global energy consumption in 2015.

- Despite improvements in technology and natural advantages over conventional energy, their adoption is not growing fast enough to meetglobal commitments to climate change.
- The key challenges are:
  - availability of appropriate products, which can be easily and widely adopted by consumers; and
  - where products do exist, market distortions make them financially unviable.

2. Financing deficit for renewable energy infrastructure: this is particularly true for developing economies. The $100 billion per annum Green Climate Fund is grossly insufficient to meet the goals and under 10% is committed.

- Lack of specialized financing for both small and large-scale solar purchases
- Lack of a secondary market – a key enabler for consumer finance for small-scale solar products

Proposal

Recommendation: Convert solar power into a consumer product and channel global investments towards decentralized, retail solar infrastructure projects.

Part I: Encourage development of solar-based consumer products
• Encourage renewable energy companies to design standardized home products that can be easily purchased and installed by consumers. Solar panels and systems are not designed for small-scale installations. For instance, installing a home solar system requires technical expertise for gauging orientation and connecting electrical circuitry – similar to mega-solar installations. Existing models are unwieldy. Required instead are panels that are as easily installed as other consumer appliances, such as refrigerators and televisions.

• Encourage widespread use of electric vehicles. There is a distortion to overcome: in most developing countries, the electric grid carries subsidised, coal-generated power. Consumers therefore don't pay market rates for a unit of energy, making it difficult to substitute coal. Petroleum, on the other hand, is up to five times more expensive for consumers as it is often aligned to global market prices. Therefore, a better policy will incentivise consumers to substitute petroleum with solar, instead of coal for solar. A viable option is a combined SolarElectric Vehicle model that provides an immediate and greater monetary benefit to consumers. This is not the Tesla, Leaf or Bolt model, but more in line with the dominant mode of transport in the emerging world, the two-wheeler, which is suited for home-solar recharging. This encourages the use of renewable energy to mitigate the negative effects of carbon emissions from power generation and transport. Consumer financing companies will find this more attractive because vehicles (as opposed to used home solar systems) have a ready resale market, should there be loan defaults. This solution will require research and investment in higher-capacity batteries and public charging points.

Part 2: Direct long-term savings towards solar consumer finance

- Create specialized consumer financing for decentralized solar products. Specialized consumer solar finance intermediaries are needed to create markets for solar products in the image of automobile and home finance providers. These companies may require initial equity investment, as well as access to cheap, long-term debt capital to operate effectively. Such retail loans can be bundled and resold to global financial institutions and investors interested in renewable energy.
- Encourage multilateral banks and global private capital to invest in such consumer finance companies. Instead of looking for bankable renewable energy projects around the world to fund, global investors will find it easy to fund specialized consumer financing intermediaries (as described above) with experience of retail banking, which follow global accountability standards and are monitored by national regulators.

Country examples

- India has taken the lead on renewable energy, particularly solar, to meet its global and national climate change goals. However, despite solar energy being cheaper than nuclear, hydro and natural gas, and nearly on a par with that produced by coal, only 2.4% of the country's total solar energy installation is residential rooftop solar. Getting loans for such small-scale systems is difficult as is installing and implementing net metering. An experiment is already under way: multilateral support has come from the World Bank which has initiated a $1 billion distributed solar programme for India called the Grid-connected Rooftop Solar Photovoltaic (GRPV) Programme, financed via India's largest public sector bank, the State Bank of India.
- Bangladesh has the most successful large-scale adoption of small-scale products – 3.7 million solar rooftop systems – through World Bank support. However, these are extremely low-capacity, just 10-watt and 20-watt systems. While these help the marginalized get electricity, the overall impact of replacing fossil fuels is negligible.
- Germany has nearly 40 GW megawatts of installed solar capacity, of which 30 GW is on solar rooftops. Nearly 1.5 million small-scale solar systems have been installed, with subsidies from Berlin, which have created an estimated 38,000 jobs. The European Commission has pushed for a move to market-based mechanisms.
- The U.S. has an estimated 32 GW of installed solar capacity, of which 13.2 GW (41%) is small-scale. In 2014 and 2015, renewable energy (solar and wind) accounted for more than 50% of new electricity generation in the country. Net metering has been an important enabler for encouraging distributed solar and the market has been catalysed by permitting leasing.
- At 35 GW, Japan has the world's third largest installed solar generation capacity, post Fukushima. High subsidies have enabled its adoption, but it is unsustainable and creates market distortions.

Policy Brief 2

Measuring cross-border trade in services by trading partner country and company

Akshay Mathur (Director, Research and Analysis, and Fellow, Geoeconomic Studies Programme, Gateway House: Indian Council on Global Relations, Mumbai, India)
Purvaja Modak (Researcher, Geoeconomic Studies Programme, Gateway House: Indian Council on Global Relations, Mumbai, India)
April 7, 2017

Abstract

Cross-border trade in services is increasingly the pre-eminent driver of growth for developed and developing countries alike. Service-related commitments are included in most of the new trade agreements.

Effective policy design, however, is dependent on collection and presentation of accurate data. Inter-agency taskforces of multilateral organizations, such as the UN, WTO, IMF and OECD, have designed a framework to capture cross-border trade in services, but data classification by partner trading company, partner trading country and by modes-of-supply, remains a challenge. The G20 can plug this gap through comprehensive information-collection and sharing.

Challenge

Lack of data on Trade in Services by partner country or by company makes it difficult for countries to design bilateral, plurilateral or multilateral agreements. Even where data by partner country is available, it does not accurately reflect the "ultimate" source or destination country or company.

Trade in services is an integral part of the new globalization. Services accounted for 68% of global GDP in 2014 and 25% of total global exports. Yet, granular data on trade in services remains deficient, limiting the study of the globalization of services and making it difficult to design the next generation of trade agreements,which will include service-related commitments. Lacking, in particular, is data on trade in services by partner trading country and partner trading company, as also the actual "ultimate" source or destination of the service. No global database effectively captures this. Although the Manual on Statistics on International Trade in Services (MSITS) recommends detailed data collection, it still does not capture the required complexity.

- Only aggregate data on trade in services for each country (country profile) is available for all countries.

- On WTO Mode 1 (cross-border supply) and WTO Mode 2 (consumption abroad) data should be reflected from the Balance-of-Payments 6th Edition (BPM6) of the current account statistics section, monitored by central banks. However, not all countries accurately collect and share the data on partner trading country as it is difficult to collect and disseminate, and data by "ultimate" partner trading country is virtually non-existent. South-south trade is particularly difficult to get.

- On WTO Mode 3 (commercial presence) – which accounts for up to 60% of the total trade in services – data is to be collected through the Foreign Affiliate Trade Statistics (FATS), a survey of all the foreign enterprises registered in an economy. However, commercial presence data by partner trading company or country is not available, and in select cases where it is, statistics identify only the "most immediate" country where the transaction emanated or culminated. This hides the "ultimate" trading partner country and company and distorts the data analysis. For instance, the major financial centres, such as New York, London etc. usually inaccurately emerge as a country's trading partner. Here too, data on South-South trade is particularly difficult to get.

As a substitute, the statistics for FDI are used as an indicator of "commercial presence" – an inadequate proxy as not all foreign investments are leveraged for service exports. Additionally, the ultimate foreign direct investor or company is still difficult to determine.
Here is a comparison of all the databases currently gathering data on trade in services:

Publication	Country coverage	By type of service	By partner country
IMF Balance-of- Payments Statistics Database	197 countries	BPM6	Only aggregate data available for each country (national economic profile), but partner country data is not available
Eurostat Database	EU members, Euro area, ENP countries	BPM6 and FATS	Comprehensive partner country data available for EU Members. Some partner country data also available for non-EU Members to show North-South trade. Ultimate partner country data not available
OECD Statistics on International Trade in Services	OECD	EBOPS 2010	Trade in services by partner country for 31 OECD countries plus the European Union, the Euro area and the RussianFederation. This data is also available for the above countries with some non-OECD countries (e.g. India) to show North-South trade.
UNCTAD Handbook of Statistics	Over 200 economies	BPM6	Only aggregate data available for each country (national economic profile), but partner country data not available
UN CommTrade	Around 200 economies	EBOPS	Database set up for data by partner country, but data collection remains incomplete
WTO-UNCTAD-ITC annual trade in services dataset	All economies, regions, world	BPM6	Database set up for data by partner country, but data collection remains incomplete

**Collated and analysed by Gateway House experts. Source: Official websites of the mentioned databases*

Proposal

Part 1. The G20 must seek commitments from all central banks to identify the trading partner country and company for all trade-in-services transactions.

- Mandate all central banks to collect data on partner trading country and company for all the 12 service categories mentioned in BPM6 and all sub-categories in BPM6 Extension. "Mirror statistics" and gravity models can be used where data by partner trading country is still difficult to find.
- Mandate all central banks to collect FATS data on partner trading country and company and conduct FATS surveys with the same frequency as the Balance-of-Payments data.

Part 2. Direct the inter-agency taskforce (UN, UNCTAD, EU, OECD, IMF, UNWTO, WTO) to create a universal framework for identifying "ultimate" trading partner country or company.

- Mandate the taskforce with developing a framework for identifying the "ultimate" partner trading country or company for all service modes. This is key for the design and negotiation of effective bilateral, plurilateral or multilateral trade agreements.
- There is no precedence or existing initiative underway for Mode 1 and Mode 2 to build on; a new framework needs to be created.
- For Mode 3, the background work done by the OECD Benchmark for Defining Foreign Direct Investment can be used as a starting point. The framework suggests that "ultimate" trading partner be identified by cross-referencing BPM6 data either with national company registries or by seeking supplemental data during the data collection process from the financial institutions (e.g. banks) that submit the FATS data.
- Update the 2010 Manual on Statistics on International Trade in Services (MSITS) and specifically include information on trading partner country and company.
- Mandate the taskforce to merge disparate global databases — IMF BOP database, Eurostat, OECD International Trade in Services database, UNCTAD Handbook, UN ComTrade, World Bank WDI etc. – into one for global use.

Case study of India

- India's export prowess in software and business services necessitates a global framework for Trade in Services.
- India's concept note on establishing a Trade Facilitation Agreement in Services, submitted to the WTO in October 2016, is an attempt to focus the WTO on services. It builds on India's FTA in services with ASEAN and on the service commitments in bilateral economic agreements with Singapore and Japan.
- India's central bank – the Reserve Bank of India – publishes an annual survey on computer software and information technology-enabled services exports, compiled using the guidelines provided in MSITS 2010. This provides information on the value of India's IT and ITES-related trade by mode (but not by partner trading country or company, or "ultimate" partner trading country or company). According to the latest survey (2015-16), export of computer services and ITES/BPO services conducted through Mode 1, Mode 2, Mode 3 and Mode 4 was estimated at $108 billion. The U.S. and Canada accounted for 60% and 25% of total exports respectively; Mode 1 accounted for 65% of exports; the U.S. was 65% of Mode 3 exports gathered through the FATS.

G20's midlife crisis

By Akshay Mathur
6 July 2017

The G20's response to the economic crisis was effective, the expansion of its scope was logical. This week's Summit in Argentina is an opportunity to build consensus and deliver on concrete economic policy design

As the G20 leaders gather on July 7-8 in Hamburg, Germany to take the temperature of the global economy, critics and supporters have amplified their concerns and hopes from the forum.

Supporters say the G20 played a critical role in responding to the trans-Atlantic financial crisis that began in 2008. They state that its role as the "world's economic steering committee" remains vital for leading the world back to economic prosperity.

The critics, on the other hand, have been harsh on the unchecked expansion of the forum's scope. It now goes much beyond its original mandate of fixing the global financial architecture to issues like climate change, sustainability, development, healthcare, migration, and even terrorism – much like the United Nations.

Both arguments have merit. As the forum enters the eighth year of its formation in a world that is in geopolitical turmoil, it is appropriate to assess what has worked, what has not, and why.

The G20 is best known for coordination of the macro-economic response to the trans-Atlantic crisis, especially the years between 2009 and 2011. The coordinated action by the 20 countries helped to inject liquidity into markets, recapitalise the IMF, and bail out Systemically-Important Financial Institutions, i.e. the major western banks. It ensured that western economies in financial crises would be carefully attended to in the operating theatre, then in the ICU, and on the way to recovery.

The coordination was also hailed as the exemplar of collaboration between developed and developing countries. This is true given that the G20 is the first global economic body since Bretton Woods in which developing countries have as equal a say in designing the rules of global economic engagement as do the developed countries. The annual rotating presidency ensured that each country could bring in its area of concern and priority. For instance, Turkey introduced a focus on Small and Medium Enterprises in 2015. China prioritised innovation in 2016. And Argentina, the president-elect of the G20 in 2018, is likely to highlight food security and employment.

The rotating presidency also forced developing countries to build capacity to contribute to the global economic governance process for the year. An internal Gateway House study revealed that Turkey had conducted over 150 high-level meetings during its G20 presidency, including ministerial, official and sub-forum meetings all combined.

For countries such as India, which, for decades, have been at the receiving end ('rule-takers') of global policies set by institutions like the IMF and the WTO, this opportunity is invaluable. India is in the running to be the G20 president in 2019, and will have a chance to be a rule-maker – a golden opportunity for it to captain the global economic governance process in the future. As Raghuram Rajan, the former governor of the Reserve Bank of India, stated at a T20 forum hosted by Gateway House in Mumbai in 2015, "He who holds the pen writes the rules."

More importantly, issues that are vital to India like trade in services, are put forth for global study and discussion and will encourage more global economic policy research in the country.

The G20 successfully controlled the damage from the 2008 crisis. And it rightly turned its attention to the chronic problems that had petrified the global financial system. Here the G20's effort in making the multilateral organisations evaluate global inter-disciplinary economic problems was successful, but less acknowledged. The joint research conducted between 2011 and 2013 by the "standard-setting bodies", such as the Bank of International Settlements (BIS), the Financial Stability Board (FSB), the IMF, Food and Agriculture Organisation (FAO), the World Bank, International Organisation of Securities Commissions (IOSCO) and the OECD, on the increasingly unreliable and muddled functioning of global credit rating agencies, energy and financial benchmarks, food price and energy price volatility, and shadow banking, is seminal to this day. It made the G20 a global star, recognised as an "agenda-setting" governing body, above and more visionary than the standard-setting bodies.

Over the years, and under pressure to diversify from the elite concerns of big financial institutions and western economies and to address the larger socio-economic needs of the masses, the forum began to include issues such as climate change, infrastructure development, economic inequality, jobless growth and development challenges – issues particularly important to the developing countries, and not an illogical evolution.

Unfortunately, during the last two Summits, the G20 focus areas of migration and terrorism became a further departure from global economic issues. Issues on the "finance track" – typically led by finance ministries and central banks – were overtaken by the prioritization of issues on the "development track", typically led by officials outside the finance ministries.
To that end, Germany's call this year for focusing on UN Sustainable Development Goals (SDGs) has come both to the forum's advantage and detriment. Surely, prioritizing SDGs is a better way to consolidate the myriad issues already on the agenda, especially given that SDGs are on the UN's agenda.

But is it really the G20's agenda?
SDGs have brought in even more issues than were previously on the table (e.g. water, education, gender, sanitation). The group's core issue i.e. the financial architecture, can now, at most, be directly attributed to only one of the 17 SDGs (#8 Decent work and economic growth).

If the G20 stands for everything, then, as Rohinton Medhora, president of Canada's Centre for International Governance & Innovation, said at the Think Tank 20 Summit in Berlin in June, it basically stands for nothing.[2]

This then, is the G20's midlife crisis. The forum lacks the sharp focus and energetic execution that once brought it recognition. The very job it was hired for, i.e., multilateral agenda-setting, is now under question by political developments in the U.S. and Europe.

The G20 should be used better. It is now a mature institution, with a depth of economic governance experience. The G20 must retain its expanded vision of addressing the large socio-economic issues. But its work agenda must revert to its laser-focus on improving global economic policy design. For instance, the world still needs holistic metrics to measure economic success because GDP captures neither social well-being nor ecological sustainability. An appropriate plumbing is required for channelling funds into infrastructure – like targeted solutions for financing a decentralised solar energy model.

The G20 Leaders' Summit, starting on July 7, is an opportunity for the G20 to do what it's good at: addressing the systemic, chronic economic issues of the world.

Akshay Mathur is Director, Research and Analysis,& Fellow, Geoeconomic Studies, Gateway House.

China's G20 Presidency in 2016

In June 2016, Gateway House hosted the second T20 meeting in Mumbai. Over 50 global think tank experts, select business leaders and "G20 Troika" government officials participated in closed-door roundtable sessions.

- Title: T20 Mumbai: Dialogue on Global Economic Governance
- Keynote Address: Dr. Arvind Panagariya, India's G20 Sherpa, delivered the keynote address
- Chinese co-hosts: Institute for World Economics and Politics (Chinese Academy of Social Sciences), Shanghai Institute for International Studies (SIIS) and Chongyang Institute for Financial Studies (Renmin University)
- Indian co-hosts: Ministry of External Affairs, Government of India
- Topics: Global Macro-Economic Governance, Global Commodity and Financial Markets, Sustainable Infrastructure Development, Trade and Investment

Arvind Panagariya, Vice Chairman, Niti Aayog and India's G20 Sherpa

Alok Dimri, Joint Secretary, Multilateral Economic Relations (MER), Ministry of External Affairs, Government of India

Agenda

MORNING KEYNOTE SESSION: CHINA, INDIA AND THE G20
Time: 8:30 am – 9:30 am

Objective: Discussing China's priorities for the G20 in 2016 and India's contributions to the G20 agenda

Keynote Address by Honourable Arvind Panagariya, Vice Chairman, National Institute for Transforming India, and G20 Sherpa, Government of India.

ROUNDTABLE : GLOBAL MACRO-ECONOMIC GOVERNANCE
Time: 9:45 am – 11:00 am

Objective: Discuss how the G20 can effectively govern the global economy and design financial regulations to manage systemic risks

ROUNDTABLE 2: GLOBAL COMMODITY AND FINANCIAL MARKETS
Time: 11:10 am – 12:25 pm

Objective: Discuss how the G20 can collaborate on building transparent and resilient financial markets

LUNCH BREAK
Time: 12:30 pm – 1:30 pm

ROUNDTABLE 3: SUSTAINABLE INFRASTRUCTURE DEVELOPMENT
Time: 1:35 pm – 2:45 pm

Objective: Discuss how G20 countries can collaboratively design, build and finance infrastructure that is aligned with the vision of fostering a green economy

ROUNDTABLE 4: TRADE AND INVESTMENT
Time: 2:45 pm – 4:00 pm
Objective: Discuss how the G20 can institute rules that ensure an equitable and fair global trading architecture

Summary

PARTICIPANTS

- Experts from G20 think tanks: China, Canada, Turkey, South Africa, Germany, U.S., South Korea and Japan
- Experts from think tanks of Bangladesh and Myanmar and multilateral organizations, such as ADB
- Experts from 15 Indian think tanks with expertise in foreign relations from Mumbai, Delhi, Bangalore, etc.
- Experts from Mumbai-based financial institutions such as Reserve Bank of India (RBI) and Securities and Exchange Board of India (SEBI) and think tanks, such as the Indira Gandhi Institute ofDevelopment Research (IGIDR) and the Tata Institute of Social Sciences (TISS)
- Officials from Multilateral Economic Relations and Policy Planning divisions of the Ministry of External Affairs, and G20 Sherpa's office, Government of India
- Corporate executives from Indian business groups, such as Tata Sons, Mahindra& Mahindra and Kotak Mahindra Bank
- Diplomats and consular corps. representing the G20 and India's neighbouringcountries
- Print and television media, representing the Economic Times, Hindustan Times, Xinhua, etc.

KEYNOTE SESSION HIGHLIGHTS

- **The Honourable Dr. Arvind Panagariya, India's G20 Sherpa,** highlighted in his keynote the importance of the G20 and the need for focusing on post-financial-crisis issues, such as economic growth and jobs. He explained the invaluable platform the G20 provides for policy discussions on issues of global economic governance and explained how India has contributed with constructive suggestions on issues of international labour mobility, fossil fuel subsidies, climate change and trade rules. He emphasized the role India has played in articulating the interests of emerging market economies in the G20 negotiations, especially the partnership with Turkey, China, Indonesia, Russia and Argentina on key issues. He ended with a call to emerging market country think tanks to provide research on issues of global economic governance as an alternative to the suggestions being designed by the OECD, multilateral organizations and other institutions, for the G20.
- **His Excellency Liu Jinsong, Charge D' Affaires, Embassy of the People's Republic of China, India,** highlighted the importance of hosting the G20 Summit in Hangzhou, both a historical city and one of contemporary significance, being the headquarters of new-age companies such as Alibaba. He stressed on the collaboration required for developing countries to raise issues of global governance, such as those on agriculture subsidies and climate commitments, at multilateral forums, and called upon think tanks in India and China to work together on providing solutions to policy-makers.

ROUNDTABLE HIGHLIGHTS

During the four closed-door roundtable sessions, the think tanks provided China with research-based recommendations to make the G20 agenda more effective and relevant.

Session on 'Global Macro-Economic Governance'

The G20 worked well during the financial crisis but ever since, the inputs of emerging markets and developing countries are not being effectively sought or incorporated into global economic policy design. The next crisis may emanate from emerging markets as they become increasingly inter-connected. There is scope for collaboration on global financial regulations, monetary policy and climate finance between G20 countries. Governments, multilateral organizations and financial institutions have failed to address economic inequality, jobless growth and development challenges. Instead of stimulating growth, policies must focus on structural reforms to ensure that the UN SDGs are integrated into the policy formulation process of every public initiative. GDP growth rate numbers should not be used as an indicator of well-being.

Session on 'Global Commodity and Financial Markets'

Accurate and reliable price-discovery in commodity and financial markets is very important, but the processes are increasingly muddled, unreliable or over-regulated. The G20's united commitment to transparency and reliability in commodity and financial markets is waning, forcing countries to ring-fence their own jurisdictions. Technology-based financial innovations are developing rapidly, many of them depending on information mediation for functioning. There is a need to collaboratively design alternative commodity markets and benchmarks that accurately reflect the real economy. Over-regulation of banking and financial markets has propelled shadow banking and locked up capital that can otherwise be used to finance projects in emerging markets and developing countries. Central banks must reconsider deploying the idle capital they have on their balance sheets.

Session on 'Trade and Investment'

Mega-regional trade agreements, like the TPP and TTIP, are geopolitical (not geoeconomic) initiatives designed to contain the rise of China. They are impinging on the spirit of bilateral and multilateral agreements. The standards and rules set by the developed countries will force developing countries to comply. G20 must put trade on its agenda and revive the WTO to introduce new rules on issues such as movement of labour and investor-state dispute resolution. Reform of multilateral institutions is important, but will not happen without recognizing that the new waves of globalization are emanating from emerging markets and developing countries. This requires a change of culture and mindset.

Session on 'Sustainable Infrastructure Development'

Global rules and processes have to be realigned with global sustainable objectives. If the valuation of smart grids and technology-enabled renewable energy assets is higher than capital-intensive fossil-fuel based assets, it will create the required technical and financing ecosystem. The link between UN SDGs and building sustainable infrastructure is missing. Also missing is a comprehensive process to determine whether a project is sustainable or not. Metrics that indicate whether infrastructure development has protected the environment or not must be widely and rigorously applied.

CLOSING SESSION HIGHLIGHTS

Alok Dimri, Joint Secretary, Multilateral Economic Relations, Ministry of External Affairs: There are blind spots when we discuss the global economy. There are competing international, national and sectoral interests which have to be reconciled. We must bring back the focus on people in every global initiative. Markets are important for public service delivery but cannot be a perfect mediator of all social good. Instead of creating a vibrant environment for entrepreneurship, innovation has been procedurised. Formal multilateral institutions such as the WTO are important, but so are informal multilateral forums such as the G20.

INDIA'S FEEDBACK INTO THE T20 AND G20 HANGZHOU SUMMIT – SEPTEMBER 2016

- The Chinese think tanks – Institute for World Economics and Politics (China Academy of Social Sciences), Shanghai Institute for International Studies and Chongyang Institute for Financial Studies (Renmin University) – incorporated the recommendations into their submissions for the think tank summit being held in Beijing (July 2016) and for the G20 Summit being held in Hangzhou (September 2016).

- Gateway House was invited to the think tank summit in Beijing, in July 2016, preceding the G20 leaders' summit to present our findings.

MEDIA COVERAGE

- Keynote sessions recorded on television by Bloomberg, CNBC, ET Now
- Information about the T20 meeting was carried by the Economic Times, Business Standard, Xinhua news agency, Press Trust of India and several other global media agencies.

Gateway House Participation at other Chinese G20 Meetings and Initiatives

T20 Qianhai International Financial Forum China 2016

Akshay Mathur, Director of Research, Gateway House, attended the T20 International Policy Forum on "Global Financial Governance and Innovation" from January 27 -28 2016 in Guangdong, China. He participated in a discussion on "Governance and Reform of Multilateral Development Banks"

G20 Think Tank Summit: Global Governance and Open Economy: China 2015

The 2015 G20 Think Tank Summit was held in Beijing, China from July 30 to August 1, 2016. Akshay Mathur, Director of Research, and geoeconomics fellow at Gateway House, attended the Summit.

T20: Thinking for G20

By Akshay Mathur
4 August 2016

The T20 Summit held in Beijing last week provided an opportunity for scholars, think tank representatives, and government officials to engage in meaningful discussion of global economic governance in preparation for the G20 summit in September. The organisers and participants are now taking greater steps to produce more tangible and relevant policy options for the consideration of states worldwide in the context of fostering global good

The T20 (Think 20) Summit in Beijing drew to a close another year of intense deliberations on global economic governance. T20 is the official sub-forum of the G20 for think tanks from G20 countries (and beyond) to discuss research-based solutions for the world economy.

What began as a simple experiment by the Mexican presidency in 2012 with a few experts has evolved into a vibrant forum for scholars globally to discuss global economic governance issues under the G20 mandate, such as reform of the global financial architecture, reformulation of international standards of trade, evolution of globalization, introduction of sustainable development goals and efficacy of global macroeconomic policies.

It was the Turkish Presidency in 2015 that expanded the institutional scope and reach of the T20. The forum was spearheaded by the Economic Policy Research Foundation of Turkey (TEPAV), a leading think tank on foreign policy issues and the official coordinator of the T20 for the year. They held close to 30 meetings with think tanks from around the world – South Korea, South Africa, China, Australia, and of course, India (with Gateway House). TEPAV's focus on small and medium enterprises was particularly energising for countries like India, where the majority of the population depends on this sector for their livelihoods and growth.

The Chinese think tanks – Institute for World Economics and Politics, Shanghai Institute for International Studies and Chongyang Institute of Financial Studies – helped evolve the forum further by giving the meetings a thematic order and sequencing which worked very well. The meeting on international finance was held in Shenzhen, multilateral financing in Shanghai, international trade in Geneva, sustainable development in Washington D.C. and global economic governance in Mumbai (again, with Gateway House).The three think tanks worked in perfect synchrony, projecting China's effectiveness as a manager of global processes.

The 2015 and the 2016 meetings in India were instrumental in providing an Indian, an emerging-market and a non-OECD perspective on the global financial architecture to the Turkish and Chinese G20 presidencies. The study of foreign economic relations has traditionally been a weak area of study in India, limited largely to the study of trade in goods. In contrast, the meetings in Mumbai discussed advanced subjects such as global financial regulations, financial market infrastructure, macroeconomic coordination and the globalization of businesses. The keynote was delivered in 2015 by India's Reserve Bank of India Governor, Raghuram Rajan, and in 2016 by India's G20 Sherpa, Arvind Panagariya. The participants included think tank experts from G20 countries, and India's neighbouring countries, business leaders and corporate executives from Mumbai, and, of course, diplomats. This experience will help India when it holds the G20 presidency in the future.

Five years on, it is clear that the forum's core strength lies in its power to convene the brightest minds on global economic governance. The assembly of a group of think tank analysts with expertise in global economic studies makes for a rich interaction in itself. Live debates, highlightingthe opposing perspectives championed by developed and emerging economies, have enriched the discourse and understanding between scholars, many of whom play important advisory roles in their countries. T20 sherpas from the host countries are especially requested by their governments during their presidency to provide research support and scholarly advice.

Also, the breadth of expertise at the T20 is naturally aligned with the G20's focus on cross-disciplinary issues – a strength that is often neither understood nor appreciated. G20 is catching up with what experts have long known – that globalisation now requires policies that reflect global inter-linkages. Trade issues cannot be left to the WTO, socio-economic development to the UN, banking regulations to the Bank for International Settlements, capital flows to IMF and development financing to the World Bank.

On the other hand, the forum is often critiqued for failing its mandate to be the "ideas bank" for the G20, most vocally by its own participants (including me). The trans-Atlantic financial crisis of 2008 confirmed that governments needed new ways to govern the global economy. Yet, no major initiative for global governance can be exclusively traced back to the T20. The discussions also often remain limited to "what" and "why" something needs to be done instead of "how", which frustrates clients – in this case, government officials.

As a result, the G20 has continued to depend on international organisations, such as the OECD, IMF, World Bank, FAO, IEA, IEF, FSB, and BIS, to provide the technical research secretariat to the G20. This is not only an opportunity loss for the T20, but also disappointing given that these were the very organisations which completely failed to see the oncoming crisis in the first place.

The T20 will now enter its adolescent years, and Germany will have to parent the evolution carefully as it takes on the presidency next.

What should T20 become when it grows up?

Two German think tanks – Kiel Institute for the World Economy and DIE (The German Development Institute) – are responsible for the forum in 2017. They have already announced plans to improve the processes so that the outputs can be fed to the G20 more effectively. This is a natural next step and welcome move.

What will be more difficult for T20 is to build an identity and purpose. Unlike advocacy platforms like the B20 – established to promote business interests – T20 is an intellectual platform established to promote global interests and therefore, by definition, works for the global good. Its goal should not be to develop common policy positions as is popularly expected, but to provide a range of policy options supported with thorough research that global policy-makers can use to weigh decisions as elected representatives.

After all, creative thinking coupled with research can provide some path-breaking ideas for global economic governance!

Akshay Mathur is the Director of Research, and Fellow, Geoeconomics Studies at Gateway House: Indian Council on Global Relations.

Turkey's G20 Presidency in 2015

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In October 2015, Gateway House hosted India's first T20 meeting. Over 30 Indian think tank experts and 65 business leaders attended the panel and roundtable discussions.

- Title: T20 Mumbai - Regional consultation meeting
- Keynote Address: Dr. Raghuram Rajan, Governor, Reserve Bank of India
- Turkish co-hosts: Economic Policy Foundation of Turkey (TEPAV)
- Topics: G20 and New Inclusive Business Models; Trade,Investment and Development; Financing Sustainable Infrastructure;and Technology, Services and Skills

Dr. Raghuram Rajan, Governor, Reserve Bank of India

Ambassador Bozkrut Aran, Center Director, Multilateral Trade Studies Center, TEPAV, Turkey

Agenda

KEYNOTE SESSION: GLOBAL ECONOMY AND CHALLENGES FOR MULTILATERAL POLICIES
Time: 9am – 10:30am
Keynote speaker: Dr. Raghuram Rajan, Governor, Reserve Bank of India.

JOINT THINK TANK AND BUSINESS SESSION: ASSESSING THE IMPACT OF GEOPOLITICS ON BUSINESS
Time: 10:30am – 12 pm
Objective: How do global developments and challenges to trade and investment – including terrorism, civil wars, economic crisis, failed governance, piracy and sanctions – impact business strategy for countries such as Turkey and India?
Chair: Mohandas Pai, Chairman, Manipal University; founder member, Gateway House; former CFO, Infosys

WORKING SESSION 1: G20 AND NEW INCLUSIVE BUSINESS MODELS
Time: 12 pm – 1:15 pm
Objective: Can the G20 promote sustainable business development models that address three key goals for inclusiveness: role of the SMEs, interaction of energy and ecology and arresting rising inequality?

LUNCH BREAK AND GROUP PHOTO
Time: 1:15 pm – 2:00 pm

WORKING SESSION 2: TRADE, INVESTMENT AND DEVELOPMENT
Time: 2:00pm – 3:15 pm
Objective: Investment flows offer new possibilities for achieving developmental targets. The session will examine policy measures (i.e. technology transfer and trade-related investment measures) to facilitate sectoral development in emerging markets through value-added manufacturing processes. How will mega-trade agreements, such as TPP, TTIP and RCEP, affect investment flows?

WORKING SESSION 3: FINANCING SUSTAINABLE INFRASTRUCTURE
Time: 3:15 pm – 4:30 pm
Objective: The global flow of capital can be used effectively to finance infrastructure needs in the developing world. Equally important are frameworks for investment schemes based on environmental and social sustainability to ensure long-term returns.

WORKING SESSION 4: TECHNOLOGY, SERVICES AND SKILLS
Time: 4:30 pm – 5:45 pm
Objective: Technology is changing business models, skills development and the movement of labour between nations and regions. How can countries with large populations or densely populated areas skill-enable their workforce and create jobs?

CLOSING SESSION
Remarks by TEPAV and Gateway House.
Time: 5:45 pm – 6:15 pm

Summary

PARTICIPANTS

There were more than 100 participants, including:

- Experts from think tanks of the G20 'troika' countries – Turkey, China and Australia
- Experts from over 20 Indian think tanks from across the country -- New Delhi, Bangalore, Hyderabad, Mumbai, Ahmedabad, Anand, Manipal – with expertise on financial regulations, economic development, technology and international relations
- 65 senior business leaders (CXO level) participating in the keynote and joint think tank-business session from manufacturing, pharmaceutical, financial services, legal services, accounting, etc.
- Diplomats from the 'troika' countries, G20 member countries and SAARC countries
- There were over 25 participants from the print and television media, including Bloomberg, *CNBC,* Zee News, PTI, *Indian Express*, Reuters, AFP, etc.

KEYNOTE AND JOINT BUSINESS-THINK TANK SESSION HIGHLIGHTS

- Dr. Raghuram Rajan's keynote on 'Global Economy and Challenges for Multilateral Policies' highlighted the trend of rolling global crises and how to tackle them through sustainable growth and structural reform, but also by writing new rules of the game and reforming the multilateral institutions that will enforce them. He emphasized India's human capital needs, especially for research and collaboration on global economic governance issues – both in government and think tanks.

- The joint business and think tank session on the 'Impact of Geopolitics on Business' was an intense debate on how the economic sanctions on Iran, conflicts in West Asia, fragile security situation in South Asia and alternative energy sources, are affecting the business environment for and in India. It also highlighted the fact that Indian business interests are not aligned with India's strategic interests.

CLOSED-DOOR THINK TANK WORKING SESSION HIGHLIGHTS

During the four closed-door, track 1.5 dialogue sessions the think tanks **provided Turkey with research-based recommendations** to make the G20 agenda more effective and relevant. Some major themes discussed:

- **G20 and Inclusive Business Models Session:** Markets should be made to work for the small sector. SMEs should be treated as a "phase" in a company's life, not as a sector. A secondary credit market is needed. Sub-regional variations must be included in policy design. The extremely backward regions within developing countries should be treated on a par with the Least Developed Countries. New holistic metrics are needed to measure economic success because GDP captures neither social well being nor ecological sustainability.

- **Trade, Investment and Development:** We need to continue research on anticipating crisis, not just preparing to react to them. An appropriate and non-discriminatory Investment State Dispute Resolution mechanism and rating agencies for long-term patient capital is a critical need. Trade agreements everywhere are underused and there is little connection between industrial growth and employment creation.

- **Financing Sustainable Infrastructure:** Existing multilateral institutions have catered to the interests of a few rich countries. Large, trophy infrastructure projects have sucked resources and bankrupted developers. Smaller projects need to be considered, those that address local needs directly (e.g. agricultural infrastructure).
- Technology, Services and Skills: Semi-skilled workers can become knowledge workers. Caution needs to be

exercised when getting trained for specific technologies as trends may change. Free public goods, such as internet, must be promoted because it enables new business models, such as Uber. Governments should act as market makers, not market administrators. We can consider using gaming technology for training vocational skills.

INDIA'S FEEDBACK FOR THE T20 AND G20 ANTALYA SUMMIT – NOVEMBER 2015

- The Turkish think tank, TEPAV, designated to coordinate the activities of all the G20 think tanks, noted the insights and recommendations and incorporated them into the "policy options" document, prepared for the final think tank summit at Antalya on 14 November 2015.
- Gateway House was invited to the think tank summit in Antalya, preceding the G20 Leaders' Summit, to present the findings.
- Gateway House was also invited by the Chinese Think Tank 20 organizers to Beijing in December 2015 for the kick-off meeting of all the G20 think tanks when China took over the presidency of G20 in 2016.

MEDIA COVERAGE

- Keynote and joint-business think tank sessions were covered live on television by Bloomberg, CNBC and ET Now.
- More than 100 representatives of the Indian and global print media covered the keynote address and news of the T20 Meeting, including the *Times of India, Indian Express, Business Standard, Economic Times, DNA, The Asian Age, Reuters and AFP.*

T20 2015 Mumbai Keynote Address by Dr. Raghuram Rajan

(Transcript)

Global Economy and Challenges for Multilateral Policies

The agenda for the T20 is a vast one, so I have to pick and choose. I am going to focus today more on economic issues and leave aside the humanitarian, political and other issues.

I'm going to argue that world growth hasn't picked up ever since the crisis. And in the G20 meetings recently as well as the IMF meetings in Lima, there's now talk of this – first the sub-prime crisis, then there was the European crisis, and now this talk of an emerging market crisis, or potential emerging market crisis.

And I'm going to argue these aren't three different crises, they are the same crisis happening in different ways. But the reason that this crisis is moving on from country to country, or region to region, is something that we have to be very worried about.

And there, there is scope for global action. It's difficult, but it may be necessary, if we have to get out of this regime of rolling crises – which I would argue didn't start with the global financial crisis; it actually started before, in the 1990s, with the emerging market crisis then.

Broadly speaking, in the economic sphere, we need broad **new rules of the game**, as well as a **reform of the multilateral institutions** to enforce them.

Is this going to happen in a hurry? No. That reflects some of the deficiencies in the multilateral discussion. But it's time to start talking and I would argue that some of the problems in global economic management are problems that you can see in the management of some of the other issues that were put on the table, and there are some similarities.

So with that as a description of what I'm going to talk about, let me jump into it. We've had fairly slow industrial country growth for the last seven years since 2008. And there are various arguments for why this is the case. Of course, the first argument is we had a very deep crisis. Typically, you emerge from crises quite fast – recoveries from recessions are typically V-shaped. But we haven't had much of a recovery, let alone a V-shaped recovery.

One argument is, this is because of the nature of the crisis. A lot of debt taken on – debt overhangs on corporations, on households, make it very hard for them to borrow. Of course, most recently, governments have taken on debt – partly shifting debt from the corporations and households to their own balance sheets. Governments are also reaching the limits of their debt. So, one argument is – it's debt.

One possible answer is, grow slower, don't grow so fast. And accept that sustainable growth – if you're not willing to do the structural reforms – is actually going to be at a lower rate.

And we need the deleveraging, and the deleveraging is taking more time, and therefore, one shouldn't be too impatient. Of course, we did try to stimulate economies – the 2008 summit and subsequent summits were well known for the G20 urging countries to spend if they could. A number of countries took up the challenge of spending and there were massive fiscal stimulus packages, including in our own country, where we had three sequential stimulus packages.

These haven't done the trick – they haven't quite restored growth, including in our own country. There are arguments resurfacing today that the specifics of stimulus matter – we should build infrastructure. And infrastructure is long-lasting, high returns, especially in times when construction material and construction costs are low, because industries are under-employed – so let's build infrastructure. This was the mantra in industrial countries.

However, infrastructure investment took off only in a few countries and where it has taken off, it hasn't had much positive effect. Japan, for example. Massive infrastructure investments over the last couple of decades, but it still is not out of the woods. And part of the problem is, in many industrial countries, finding worthwhile infrastructure to build is hard. There's a lot of infrastructure already out there. Yes, everybody can see the potholes outside their window which need fixing. Everybody can see a bridge or two that needs fixing. But beyond that, the large infrastructure projects that would really move the needle on growth, are both harder to find, harder to coordinate on and harder to execute.

And I think that the difficulties in implementation of infrastructure in industrial countries aren't realised enough. In our own country of course, we have massive infrastructure needs, and we're trying to go about them. But infrastructure in industrial countries is more difficult. So as people have found, that stimulus, whether monetary or fiscal, doesn't seem to be restoring growth.

And even deleveraging – there's been a fair amount of deleveraging in the United States, some in Europe – even deleveraging doesn't seem to have restored growth, they've turned to the next possible reason why it hasn't happened. That's because, structurally, there were problems in the industrial countries which limited growth and we need to fix those structural problems.

Now what could be the structural problems? Most recently, a number of arguments that the nature of populations in industrial countries, ageing populations, have a different set of demands, a different set of supply possibilities, and unless we cater to them specifically, we are going to see growth slow down as we have seen in Japan. That's one set of arguments.

Another set of arguments pertaining to what we heard just before I came on, was on income inequality. Perhaps the movement of incomes towards higher income people has in fact reduced overall demand. After all, poor people consume every rupee that they receive, but rich people – once you've bought your yacht and your private jet, there's not that much more you can spend on. And so the marginal propensity to consume out of incremental income is lower. That's the technical way of saying you don't have much to spend on when you're really rich. And so as a result, what you see perhaps is demand falling off.

So one argument is that we've had demand falling off for quite some time in industrial countries. It was boosted temporarily by the heavy debt that they took on pre crisis, but post crisis with the high debt, it slowed down considerably. And so, we need to find ways of boosting demand, but it may be that it takes structural change, including, some people argue, shifting incomes from the richer to the poorer people. There have been arguments made along these lines.

Another set of arguments are about supply. The real problem is not demand, it's that we haven't had productivity growth in industrial countries, of the kind that would warrant sustained growth. And the fairly low productivity growth means that there can't be enough supply even if you generate the demand. And of course these two feed on each other. If you don't have productivity growth and you're unlikely to grow at a strong pace and create jobs, then people are more circumspect about spending and demand falls off. And similarly corporations, if they don't see productivity grow, if they don't see high profitability, are not going to invest so much – demand falls off. So supply constraints, or supply worries create a demand constraint, and similarly if firms don't see enough demand, they don't actually invest. So these things are highly interrelated, you can't sort of separate one from the other.

That's what I meant by the crisis shifting from place to place. That we have in a sense, a global game of musical crisis and we have to worry about where this ends.

But the bottom line is that we need **structural reforms**. For example, if part of the problem is the elderly are going to move out of the workforce, and therefore there are going to be supply constraints in the future, we need to find a way to get people who are not ordinarily participating in the labour force to come in. Which means, that in countries like Japan, there's an argument that we should make it easier for women to come in to the labour force – which means structural reforms on making it easier for women to work. And you could argue that in Europe, the biggest constraint to growth is the low productivity in the service industry because of limited competition. The classic example is of the cartelized taxi industry and why don't we open it up. And organisations like Uber and so on are fighting to do that. But whether in fact there should be reforms which allow that to happen in a more serious way.

The problem with structural reforms as a pathway to growth is classically summarised by Jean Claude Junker who said – he was former Prime Minister of Luxembourg- "We all know what to do, we just don't know how to get reelected after we've done it." So the problem with structural reforms is, they have the wrong timing of gain and pain. Politically what you want to do is something that has a lot of gain upfront and the pain is down the line, because somebody else takes the blame for that. But what happens is, with structural reforms, the pain is upfront, because you are actually hitting the interests who benefit from the cozy system: the taxi drivers who have a cartelized system, by letting entrants in. The gain comes to the new entrants down the line, but they realize it only down the line after the reforms are done. And so the voters are going to compensate you five years from now, but then you're history by that time because the current taxi drivers have voted you out.

So the problem with structural reforms is, it's always fun to tell somebody else to do it, especially other countries, but doing it in your own country is difficult. What we have is a real difficulty in generating growth. And it's a difficulty which is not just post financial crisis, but I think pre-financial crisis, which in fact explains why we took on so much debt across the world pre-financial crisis, in an attempt to pump up growth, which just wasn't happening.

One possible answer is, grow slower – don't grow so fast, and accept that **sustainable growth**– if you're not willing to do the structural reforms – is actually going to be at a lower rate. The problem is that it's very hard for governments to accept lower growth in the industrial world because the promises they made in times of high growth are coming back to roost. Entitlements in the 1960s on healthcare, on social security – certainly in the United States at the current trajectory – are un-payable. You cannot deliver on those promises, they are too big. But even since then, you have made more and more promises, often to public sector workers.

In the state that I know well because it's been a long time teaching at Chicago – Illinois, has made enormous promises to its public sector workers, because it was always convenient. Harder to increase current wages because it will increase your budget, but convenient to increase pensions, because somebody else pays for it down the line, while you get the credit. And so enormous pension promises, which simply cannot be delivered. So you have all these entitlements coming, and then you have debt – debt taken on during the financial crisis, taken on before the financial crisis.

When you have all this, the only way to pay it is to grow. Growth is an imperative in many industrial countries. But it's not just growth for the sake of growth, it's the distribution of growth. That when you have a slowdown, the worst hit are the newcomers, the young. Because especially in societies which are more insider societies, the insiders are reasonably well protected, but it's the outsiders – the young, the immigrants who get hit. And they can start raising their voice – the high levels of youth unemployent in Europe are a serious source of concern. But now immigrant unemployment is contributing to that.

And of course, we talked about **inequality**. That's also an issue which has come to the forefront and it's not something to be dismissed lightly. It's one of the biggest forces governing political debate in industrial countries today. The fact that middle class jobs are being lost – lost to technology, lost to global competition – means that a very strong constituency for stability is getting weaker and weaker. And again for the middle class, given that good middle class jobs are fairly small in number, you need growth to even create those additional jobs. So growth is absolutely an imperative.

And perhaps last, but more to the mind of central bankers – **deflation.** There is a very strong fear, especially in the United States, given its historical experience in the 30s, that if deflation takes hold, you will have a Japan-like experience, and have to write off 15-20 years of growth. Now I think that's a misreading of what happened in Japan, but nevertheless, there is a very strong fear amongst the central banking community across the world, that deflation has to be averted at any cost. And therefore that's another reason to try and promote growth because if you have reasonable growth, you can avoid the deflation problem.

So, bottom line, to perhaps summarise quickly is – growth has been low, perhaps for decades we have masked it with a fair amount of debt and the current emerging market slowdown is just a reflection of the slowdown in industrial countries. If you think about the growth model that took off in the 1990s in the emerging markets – it was exporting to the industrial countries. And as the industrial countries slowed down, for a while the emerging markets concealed that slowdown with packages of their own – the massive debt financed growth for example in China. But once they realised that the industrial country growth was going to be slow for a much longer time, the emerging markets also stepped down.

In fact when I was co-chair of that working group we actually wrote a few and it turned out that it makes a big difference who has the pen. Because what you write is very different – and we did the first piece on spillovers.

What we need in the world is obviously all these structural reforms that we are all reluctant to do. And so we are all looking out for someone in the world to step up and grow faster and pull the world along. It used to be the United States that used to be this engine of growth, then perhaps some people look to China. But in this environment where nobody is willing to step up, there's a real question of how to give them a push. How do you push somebody to step up and pull us along?

This is where I think we enter dangerous territory, where the kind of method we give other people to push is through unconventional monetary policy. Including a shared rate intervention, which tends to push capital into other countries. As it pushes capital into other countries, it moves them a little faster for a while. But eventually this capital, where it moves the other country faster, creates difficulties for that country – we've seen this three times, and I'll come to that in a second.

That's what I meant by the crisis shifting from place to place. That we have in a sense, a global game of musical crisis and we have to worry about where this ends.

Now how do you say this – where do you say this is from? I would say go back to the 1990s. In the early 1990s, interest rates were kept very low in industrial countries as countries including the United States were trying to revive their banks post the emerging market crises of the 1980s. So interest rates were low, capital flowed to the emerging markets. As the industrial countries revived and started raising interest rates, capital started flowing out. You have the Mexican crisis, you had the Asian financial crisis, you had the Argentinian crisis and nearly a Brazilian crisis – all in the span of three or four years, as capital flowed out because monetary policy tightened in industrial countries.

So what the emerging markets said is, never again, we're not going to be subject to this kind of thing, we're going to resist capital inflows. So every time capital comes in we are going to build up reserves. We had an enormous build-up of reserves in the emerging markets in the early 2000s. And because the capital from the emerging markets was now being pushed back to the industrial countries, some of the industrial countries started running large current account deficits. The U.S. – 6% at its peak, Spain, Greece, Portugal, all these countries. So think about which countries then got affected by crises. It was now the turn of the industrial countries. The U.S., then Spain, Greece, Portugal. And remember in 2005, Chairman Bernanke made his – he was still not Chairman at that point – but he made his famous savings glut speech, where he said the problem for the industrial countries, especially for the U.S., was this flood of capital of savings coming from the emerging markets and distorting prices in industrial countries, and creating real estate booms etc, etc. So he complained about the capital flowing in and said we can't manage it.

That was a prescient speech and it preceded the U.S. financial crisis.

Now think about what happened, post-financial crisis. Post financial crisis, the industrial countries slowed down tremendously. No more borrowing from the rest of the world to finance expansion. Fiscal deficits came down. And who now started becoming the next leg of the musical crisis – it was the emerging markets. Massive spending increases, including in India, which attracted a lot of capital, including in China, including in Turkey, including in Brazil. That hasn't ended well either, that all of us have slowed down considerably, because we've had to manage the macro-economic consequences of absorbing serious amounts of capital. And now again, as the prospect of interest rates starts rising, starts taking hold, the capital is flowing out, leaving debris in its way.

There is a very strong fear, especially in the United States, given its historical experience in the 1930s, that if deflation takes hold, you will have a Japan-like experience, and have to write off 15-20 years of growth.

Can we do this better than this? Where we continuously push capital from one shore to another? Because the next leg of this is again a massive reserve build-up in the emerging markets as they try and deal with the consequences of capital flowing in. So I would argue that what we have to worry about are policies that do this. That extreme monetary policies, including both the exchange rate intervention that some of the emerging markets indulged in, in the early 2000s, as well as the unconventional monetary policies that the industrial countries have engaged in, had the primary effect of altering your exchange rate and pushing capital, and given that they are essentially creating problems for others, have large negative spillovers without the commensurate positive spillovers domestically. That if you have a policy which increases domestic growth enough, and therefore, allowed you to act as an engine of world growth, that would be reasonable – that offsets any negative spillover effects that you might have. But if the primary effect is through the exchange rate, depreciating your currency, trying to sell goods to others while pushing capital to them, then in fact you could argue, you're not playing the appropriate role as global citizen – you're having more effects outside than inside.

Unfortunately, if you look at central banking mandates across the world, no central bank has a mandate for the world. Its mandate is purely domestic – what are you going to do to elevate employment and growth? It has to worry about the world only at a second level. If I do something which creates problems for another country, and as a result, demand from that country falls off for my country's goods, I should take that into account, the feedback effects. But not the feed forward – I don't care if I destroy that other country completely, so long as it doesn't import from me. I'm okay, right? That kind of domestic mandate is actually there in every country. This is not pointing fingers at any central bank.

We haven't got mandates for the world. And as a result monetary policy even in its most aggressive kind – and I want to put an equivalence between unconventional monetary policy and direct exchange rate intervention because sometimes they have the same effect – and I want to argue that we're in a world where there's nothing that prevents these kinds of policies. There's nobody looking at them. The IMF is supposed to look at these things in a global sense. But the IMF has been sitting on the sidelines, applauding these kinds of policies right from when they were initiated, and hasn't really questioned the value of these kinds of policies. Yes, it does spillover studies. But the spillover studies invariably say this is good for their country and therefore good for their world. I think we need to examine these issues again.

So bottom line: can we do better? Yes, we can do better. Of course, the world needs more investment, and that means, in the emerging markets that have the need for infrastructure investment, such as ours, we need to do much more investment. We certainly are prepared to do it, we have large plans, we are beginning to do them – the Delhi-Mumbai Industrial Corridor, the Eastern and the Western freight corridors. Lots of plans and we are embarked on it.

But emerging markets embarking on infrastructure also need support. There is now a view that multilateral institutions don't need to provide finance, all they need to do is provide advice because the private markets can do the rest. Private markets can do a lot. But private markets are not often the best source of patient risk capital. And sometimes, patient risk capital with knowledge is what the multilateral institutions provide. At a time when the world needs infrastructure, shrinking the multilateral institutions is not a great idea. And the fact that there is space here is a reason why we have all these new institutions coming up. Ideally, India has always stood for global engagement, global multilateralism – we want the existing multilateral institutions to be strengthened, not weakened.

From the industrial country perspective, there certainly is scope for investment, but it may not be the typical infrastructure, it may be green infrastructure. We know that the world has to deal with climate change and environmental issues sooner rather than later. Perhaps the onus of the investment to deal with that has to come from the industrial countries, which have a much greater responsibility for the current levels of carbon in the atmosphere. So an emphasis on green in the industrial countries. And of course we have our part to play, the emerging markets, and we will.

But an emphasis on replacing, in the existing stock of investment which is non-green, to investment which is green, is something the industrial countries can do much more of, it's a clear need, it is something that can be revived at this point. And I think the countries that are emphasising this, such as Germany, Japan, and to some extent the United States, are going down the right path.

We need new rules of the game on policy. We always retreat as central bankers to say we have a domestic mandate. What we need is a political consensus to go beyond domestic mandates to think in this integrated world where monetary policies affect each other, what might be a sensible way of moving forward. I don't want to pose any easy solutions to this – happy to discuss it in a debate, but it is something that we need to do.

Now even while I say we need a better cohesion, better coordination on at least mandates, I would also say that we have to be very careful in this world, in avoiding financial repression. Let me explain. Even when I say impatient capital flows easily across borders, every country today needs patient capital. In the industrial countries, it's about financing the long-term pensions that are going to be due in financing the debt of governments. And similarly, in the emerging markets it's financing long-term infrastructure. One worry is that with the spate of new regulations that are coming up in the financial sector, that it tends to be biased against long-term patient flows in the emerging market because long-term flows have a much higher risk weight, and flows to emerging markets which are lower weight than industrial countries also have a very high risk rate.

So as we are getting stronger and stronger regulations in the financial sector, it may have the effect of chilling the needed flows, even while the less needed flows are encouraged relatively because they're short term, invested in government security etc. and can be put in at a moment's notice. So the worry is long-term patient capital should not be repressed by the kinds of global regulations that we're getting in so that capital which is needed in the emerging markets sit in the industrial countries and doesn't move, while the un-needed or less-needed capital flows more effectively.

Given that we have these capital flows – and certainly it's very hard to separate the good from the bad – we probably also need better global safety nets to ensure that those who accept this capital and who use it, have liquidity protection in case the capital wants to run out. Typically the IMF is supposed to do this kind of activity, but unfortunately because of past history, certainly in Asia but to some extent in Latin America, there's an enormous stigma in going to the IMF, which is why countries in the region are developing regional arrangements rather than going to the multilateral institutions. For example, we have lent a billion and a half dollars to Sri Lanka as part of a swap arrangement we have with them. But better than this would be a stronger multilateral global safety net and we need to work towards making that possible. It would be needed because going directly to the IMF carries enormous stigma and very few countries in Asia are willing to do that.

The fact that middle class jobs are being lost – lost to technology, lost to global competition – means that a very strong constituency for stability is getting weaker and weaker.

Of course, the concern amongst a number of countries that would put out the money, is moral hazard. If we make money too easy, lots of countries will do things that are not appropriate, get into trouble and then call for funding. But there has to be a way to balance these two interests and we need to find out a way to make these global safety nets up and running otherwise there will be countries that would be left out and not in any kind of succor when in fact the global financial conditions change.

One proposal that has been put out which deserves examination is central bank swap lines mediated and backed up by the Fund. There are some proposals like this floating but at this point we need political support for something like this because central banks simply don't have the capability of agreeing to this on their own.

Finally, we need better legitimacy for the global multilateral institutions. This is not just about quotas which are held up, say for the IMF. This is not just about who appoints the managing director or where the managing director comes from. This is more about having a more inclusive discussion. Which means one, the agendas that are proposed, for what we work on, have to be more inclusive and reflect the interests of the developing countries and emerging markets also. It cannot be just driven by what is important on the industrial country's plate. The staff of these institutions typically tend to have a world view which is driven by where the institution is located and where they hire from. Doesn't matter that they have citizens from all countries – if the citizens have all been to the same kinds of institutions in the industrial world and then live in Washington or Frankfurt or somewhere else, they tend to have a world view which is driven by that location. And that also makes it much harder for them to appreciate what is happening elsewhere. So we need to think about how we deal with that issue also.

But finally I think, and this is where I will come back to the T20, we need more capacity in the emerging markets. I say propose agendas – well, the industrial countries will push back and say you can propose an agenda anytime you want. We don't do it. We don't do it – often because we haven't thought enough. We haven't developed our own capacity to provide new ideas to the global financial system. So we're almost always in reactive mode – "What did they say? Do we like it or do we not?" instead of saying "Here's what we say." For the first time with the new institutions that are being proposed, largely by China, we're starting to put some new alternatives on the table. But we must, across the emerging world, realise that some of the reasons why global governance seems to be sort of against us is we're not putting enough resources into this.

Let me give you just one example. The G20 framework working group is supposed to be co-chaired by Canada and India. So it's a fair arrangement, an emerging market with an industrial country. But Canada has seven strong economists working on this group, trying to further the agenda, while India brings far fewer people to the table. Because we don't have that strength in the number of economists who can actually contribute. Yes, we go to our think tanks etc., but we don't have people working in government who have that kind of training and that kind of a capacity. And as a result, what happens is more of the pen and the writing is done by the Canadians. And they've stepped up to the plate – this is a natural consequence.

But it would be far better for us to bring more people to the working group so that we act as equal partners, rather than let them do the writing while we do the commenting. In fact, when I was co-chair of that working group, we actually wrote a few, and it turned out that it makes a big difference who has the pen. Because what you write is very different – and actually we did the first piece on spillovers. In February of 2013, before the taper tantrum, saying this is something we need to start worrying about as industrial country market policies normalise. And it was something that at least shone the spotlight on something we needed to talk about and was very important.

So bottom-line, a lot of demand for growth. The policies that add to global growth could be far better – and perhaps there's a reason to coordinate because countries are indulging more in policies that shift growth from others to themselves rather than create more growth for the global economy. So, while staying away from the protectionism. That's a benefit of the global economy today. We may have strayed into comparative easing and that's a concern. We do need to look at globallyoptimal policies, and for that, I think we need to focus on how we improve global institutions. And I think this forum is a very good start.

Thank you.

Raghuram Rajan is the former governor of the Reserve Bank of India. This speech was delivered at T20 Mumbai 2015.

Gateway House Participation at other Turkish G20 Meetings and Initiatives

B20 Turkey: Regional Consultation Forum India 2015

CII, in partnership with the Turkish Chairmanship of the Business 20 (B20), organized the B20 Turkey Regional Consultation Forum in New Delhi, on April 6 2015.
Akshay Mathur, Head of Research, Gateway House, participated in a discussion on 'Infrastructure, Investment and Energy'.

T20 Ankara Workshop Turkey 2015

The 2015 Think20 (T20) workshop was held in Ankara, Turkey on September 4 and 5 alongside the B20 Summit.
Akshay Mathur, Director of Research, and Geoeconomics Fellow, Gateway House, was one of the 25 individuals invited for the workshop.The workshop discussed global economic governance, the G20 and the role of the Think20 before the Antalya Leaders' Summit, ahead of the commencement of the Chinese G20 Presidency in 2016.

B20 Meeting, Turkey 2015

The 2015 B20 Summit was held in Ankara, Turkey on September 4-6 2015. The event occurred alongside the T20 Summit. Akshay Mathur, Director of Research, and Geoeconomics Fellow at Gateway House, attended both summits. He participated in a panel discussion on 'Global FDI, and Capital Allocation around the World'.

Previous Gateway House G20 Research

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(September 2015)

Paper 4: **India and the G20: Should India host the G20 presidency?**
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