European Commission

ISSN 2443-8030 (online)

The G20@15: Can It Still Deliver?

Moreno Bertoldi, Heinz Scherrer
and Guergana Stanoeva

ECONOMIC BRIEF 076 | NOVEMBER 2023

EUROPEAN ECONOMY

Economic and Financial Affairs

European Economy Economic Briefs are written by the staff of the European Commission's Directorate-General for Economic and Financial Affairs to inform discussion on economic policy and to stimulate debate.

DISCLAIMER

Authorised for publication by Elena Flores, Deputy Director-General for Economic and Financial Affairs.

LEGAL NOTICE

This paper exists in English only and can be downloaded from
https://economy-finance.ec.europa.eu/ecfin-publications_en.

Luxembourg: Publications Office of the European Union, 2023

PDF ISBN 978-92-76-29631-7 ISSN 2443-8030 doi:10.2765/653583 KC-BE-21-013-EN-N

European Commission
Directorate-General for Economic and Financial Affairs

The G20@15: Can It Still Deliver?

By Moreno Bertoldi, Heinz Scherrer and Guergana Stanoeva

Abstract

The current brief revisits G20 developments in the last ten years. A particular focus is put on the G20 response to the pandemic, which for a short period relaunched the centrality of the G20 on the global scene. We then analyse the consequences of growing geopolitical tensions and the Russian war of aggression against Ukraine on the effectiveness of the G20, both in terms of messaging and deliverables. Finally, we discuss possible ways forward that would allow the forum to still play an important role at global level and continue to deliver much needed global public goods.

Our analysis shows that the G20 has continued to deliver, especially in periods of global crises. However, currently the G20 is at a crossroads. In an adverse scenario, where a bloc logic between different parts of the global economy would prevail and economic decoupling and fragmentation would spread, the role of the G20 on the international scene could rapidly decline. There would still be the hope that in such an unfavourable environment, G20 economies would be able to insulate global challenges and be able to deliver remedies to them. In a gradually improving, more positive scenario where Advanced and Emerging Market Economies try to find new common grounds on crucial challenges, and essential global public goods, the G20 could continue to play a central role in global economic governance. Known unknowns that will materialise in the middle of this decade will determine which path it will take and define if and what it can still deliver.

Acknowledgements: The views expressed in this brief are those of the authors and do not necessarily reflect those of the European Commission. We are grateful to Elena Flores, Annika Eriksgaard, Reinhard Felke, Joost Kuhlmann, Luis Fau Sebastian, colleagues from ECFIN D3 and DGs TAXUD, FISMA, SANTE and HERA for the constructive comments and suggestions. The brief was finalised with a cut-off date of 29 September 2023, before the retirement from the European Commission of one of its authors (Moreno Bertoldi).

Contact: Guergana Stanoeva, European Commission, Directorate-General for Economic and Financial Affairs, Global Economic Governance: IMF and G-Groups, guergana.stanoeva@ec.europa.eu.

1. Introduction

Ten years ago, we published an ECFIN Economic Brief (Bertoldi, Scherrer and Stanoeva (2013)) where we discussed whether the G20 was still delivering during the first five years since its mandate was upgraded from Finance Ministers' to Leaders' level. In 2013, the global economy was still recovering from the Global Financial Crisis, while the euro area was gradually overcoming the sovereign debt crisis. The worst was over and there were legitimate concerns that, as the global economy was entering more normal times, the G20 could become a mere talking shop, as countries would give priority to more narrow national interests and turn inward as systemic risks were abating. Even in this case, the G20 would have kept some usefulness, for instance in helping to ensure some minimum level of dialogue, avoid misunderstandings and thereby help to prevent and manage international economic tensions and conflicts. In addition, the G20 would still have had the potential to deliver on some public goods related to cross-border, regional or global challenges, such as international taxation or climate change. However, the clear and present danger that the G20 would have lost its relevance was there. One of the conclusions of our brief at the time was that "if in the future vetoes, resistance to peer review and disagreements take the upper hand, macroeconomic coordination might move to other -more homogeneous- fora, like the G7 or the BRICS Summits. In such a scenario, the G20 would end up as a forum registering rather than determining key decisions for the global economy. While it would preserve its function of a forum where international economic issues are discussed (neither the G7 nor the BRICS Summits can claim such a role), its political relevance would decline" (Bertoldi, Scherrer and Stanoeva (2013)).

Fast forward to the present day, where at the 15th anniversary of the G20 as a Leaders' forum, the question has changed from what the G20 would be able to deliver in more "normal" times to whether the G20 can still deliver at all in times that are far from normal. Since the second half of the past decade, growing geopolitical tensions as well as the Emerging Market Economies' (EMEs) view that Advanced Economies (AEs) are not sufficiently responsive to their concerns and the challenges they are facing have undermined the climate of trust that was created at the moment of the Global Financial Crisis, making international economic cooperation much more difficult. Moreover, the Russian war of aggression in Ukraine has not only put one of the G20 members (Russia) at its margins but has also exacerbated some of the fault lines among its members. That being said the emergency created by the global pandemic led to some important cooperation and deliverables that indicate that international economic cooperation on some crucial issues is still possible. Moreover, the G20 has been able to produce some significant outcomes also after the pandemic (e.g., on international taxation, debt treatment, and more recently, on Multilateral Development Banks' (MDBs) reform and the project for regulation of crypto-assets). Against this background, this brief revisits G20 developments in the last ten years. A particular focus is put on the G20 response to the pandemic, which for a short period relaunched the centrality of the G20 on the global scene. We then analyse the consequences of growing geopolitical tensions and the Russian war of aggression against Ukraine on the effectiveness of the G20, both in terms of messaging and deliverables. Finally, we discuss possible ways forward that would allow the forum to still play an important role at global level and continue to deliver much needed global public goods.

2. From Brisbane to Osaka: the G20 before the pandemic

With hindsight we can qualify the economic times between 2014 and 2019 as relatively ordinary, as the global economy was not subjected to major global economic shocks[1]. The key issue for the G20 then became whether it could evolve from a short-term crisis response forum to one able to address medium to long-term challenges and in this way "to win the peace" after having won the war against the Global Financial Crisis (Buti and Bohn-Jespersen (2016)).

One of the most salient G20 initiatives of this period was the five-year Brisbane Action Plan adopted at

1 The following Summits took place during this period: Brisbane (2014); Antalya (2015); Hangzhou (2016); Hamburg (2017); Buenos Aires (2018); and Osaka (2019). In this section our analysis focuses on the main deliverables over the period from an economic point of view, not necessarily a chronological Summit-by-Summit review of all agreements achieved.

the G20 Summit in Australia in 2014 (also known as "2-in-5 initiative" as its goal was to lift the G20 collective GDP by 2.1 per cent in five years). Such a goal would be achieved through a number of commitments in terms of public investment and structural reforms by G20 members aimed at achieving strong, sustainable, balanced and inclusive[2] growth. In this respect, the five-year Brisbane Action Plan was an ambitious attempt "to win the peace" in making the G20 the premium forum for international economic cooperation in more normal times and keeping in this way its political relevance.

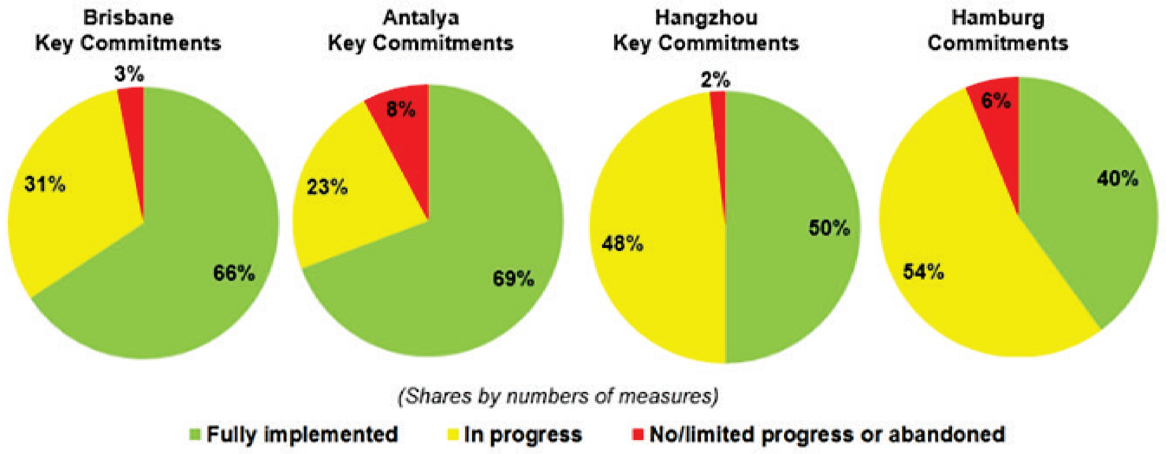
The IMF and the OECD jointly estimated that if the G20 members fully implemented the commitments contained in the Brisbane Action Plan, growth in the G20 would be higher by 2.1 percentage points in five years (hence the "2-in-5 initiative"). The "Brisbane Action Plan" would be implemented through annual growth strategies, which would be peer reviewed, as well as assessed by International Organisations (IOs). The growth strategies implied only a very loose degree of economic coordination and the peer review was much less stringent than that taking place in the EU. The hope was nevertheless that, as G20 members shared the objective of a strong, sustainable, balanced and inclusive growth, they would all move in the same direction (even if at different speeds). By sticking to the commitments taken in Brisbane, they would create synergies that would benefit all G20 Members as well as the global economy.

In the end, the Brisbane Action Plan only partly achieved its objectives. According to the final joint assessment by the IMF, OECD and WBG as of October 2018, the fully implemented policy commitments in members' Growth Strategies submitted through the period 2014-2017 were estimated to increase G20 GDP by around 1.3 percent by the end of 2018 (above a baseline scenario without such policy reforms), and by around 2 percent by 2021 (i.e. three years later than the initial projection) (see Figure 1). The positive impact was expected to further increase over time. The delays were in part explained by the fact there was a lag between implementing a commitment and its full impact on GDP, but also by a pace of implementation that was slower than initially expected.

The key commitments (which were used to estimate progress with the G20 growth ambition) from Brisbane, Antalya, Hangzhou and Hamburg covered over 900 structural policy actions in the areas of product market reforms, including trade related measures; labour market reforms; expenditures on research and development; tax reforms; and expenditures on public infrastructure.

[2] "Inclusive" was added in 2017, during the German G20 Presidency, when it became clear that in the aftermath of the Global Financial Crisis growing inequalities needed to be tackled, not least because of their significant political spillovers. Already during the Turkish Presidency in 2015 persistent and rising inequalities took centre stage in G20 discussions. Member-specific measures to promote inclusive growth and raise the living standards of citizens were listed in the Antalya (2015), Hangzhou (2016) and especially Hamburg (2017) and Buenos Aires (2018) Action Plans.

Figure 1: **Implementation of the Brisbane five-year Action Plan**



G20 Real GDP *(percent deviation from baseline)*	2018	2019	2020	2021	2022	2023
Total implemented	1.28	1.61	1.91	2.18	2.47	2.76

Source: IMF-OECD-WBG, October 2018.

In 2018, at the Buenos Aires Summit, i.e., at the conclusion of the five years, G20 Leaders considered that the Brisbane Action Plan "has allowed us to go one step further in terms of the coordination effort initiated in 2009 with the Mutual Assessment Process following the Global Financial Crisis. It also showcased the spillovers from structural reforms, highlighting the benefits from coordinated action. Our efforts have so far led us to achieve more than half of our collective growth ambition. Slower-than-expected implementation means that we will achieve our collective growth ambition later than originally anticipated. Importantly, however, we expect the longer-term impact of the measures members will have implemented as part of the growth strategy exercise will exceed 2 per cent of G20 collective GDP." (Buenos Aires Action Plan, November 2018, paragraph 41).

Despite the overall positive assessment by G20 Leaders, it was clear that the Leaders' Brisbane Action Plan had not worked fully as hoped. During the five years of implementation, the growth strategies exercise stirred a lot of debate. The IMF-OECD put in place a methodology to quantify the impact of the policy measures, accounting for productivity and labour supply effects, as well as demand and supply responses and international spillovers (IMF-OECD (2017))[3]. The exercise turned out to be too broad and encompassing to engage in a focused exchange among members. Instead of having broad key commitments, each G20 member's growth strategy should have been focused on a few measurable, specific and high impact headline policy measures. However, the numerical ambition, although it was not a target, overshadowed the exchanges between G20 members that were meant to stimulate reform progress and provide peer support for difficult reforms. Moreover, setting a numerical goal without having a mechanism other than (loose) peer pressure to achieve it was an endeavour that in the end did not pay off in proportion to the objectives set. It was true that a

[3] This implied that IMF-OECD-WBG jointly assessed if "key'' commitments had been fully implemented, if implementation was in progress, if there was no or only limited progress on implementation, or if implementation had been abandoned. Implementation was measured in terms of the necessary legislation or administrative measures that were needed for carrying out the commitments. This self-reporting, which was supposed to increase ownership among G20 members at some point started being considered as a very heavy and bureaucratic process that got lost in the details, and where instead of IOs providing input to the G20, G20 members had to provide detailed information to IOs so that they can do their assessment.

numerical target would keep participants focused on the objective (Callaghan (2015)), but it was also true that, once it became clear that the target could not be reached, there was little possibility to push G20 Members to redouble their efforts. As a result, and despite the Brisbane Action Plan having rightly focused on two key issues essential to relaunch growth such as public investment and structural reforms, in the end G20 members, in closed door meetings, became very critical of it and decided that it was time to ditch it. Five years on, there has been no further attempt to launch, mutatis mutandis, a similar collective exercise.

Not only did the Brisbane flagship initiative end with mixed results, but in 2017 the G20 risked losing its global relevance with the advent of the Trump Presidency, as he had a very different take on the usefulness of multilateral fora than his predecessors. These developments limited somewhat the ambitions of the Japanese G20 Presidency, which was nevertheless able to reintroduce in the discussions the issue of global imbalances, with a succinct analysis of the drivers of imbalances and the scope for joint action.

Table 1: **Overview of joint G20 policy actions to mitigate risks arising from excessive imbalances**

	Excess surplus	*Excess deficit*
Macro Mix	• Use available fiscal space and reorient spending to boost potential. • Avoid overreliance on monetary accommodation.	• Growth-friendly fiscal consolidation. • Tighter macroprudential, where credit excessive.
Structural Policies	**Discourage excess saving** • Expand social safety nets. • Encourage elderly labor participation. **Encourage investment** • Remove entry barriers, especially in services. • Address drivers of high corporate saving.	**Encourage saving** • Reduce pension generosity. • Financial deepening. **Strengthen competitiveness** • Labor market flexibility. • Improve skill base of workers.

Source: G20 FWG Summary Document on Global Imbalances (2019).

One of the main conclusions of this analysis was the need to investigate further the reasons why corporate savings were very high in some countries and whether they could be reduced to decrease current account imbalances. Another issue that Japan put at the centre of the economic discussions was the macroeconomic implications of population ageing. The work on ageing, however, was not taken up by the Presidencies that followed, reflecting the much younger populations of countries like Indonesia and India and also superseded by more pressing events like the pandemic or universal challenges like climate change.

In terms of concrete deliverables, in the period 2014-2019, important progress was made as regards the international tax agenda. This was in part accelerated by the Panama paper leaks in 2016[4], which emphasised the urgent need to strengthen international cooperation in this area, and the G20 was well placed to take up the challenge. Already in 2015, G20 Leaders in Antalya endorsed a package of

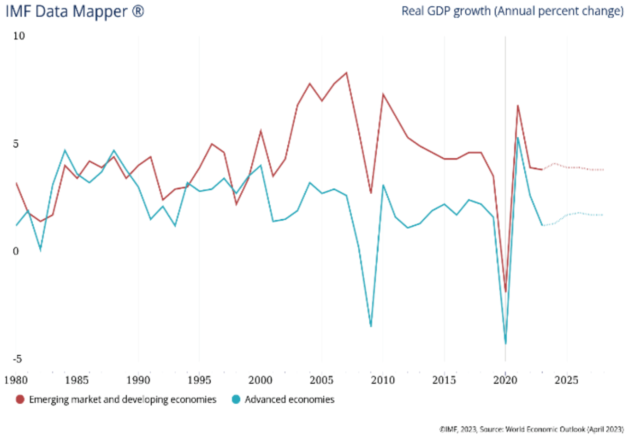
[4] The Panama Papers were an unprecedented leak of 11.5 million files from the database of the world's fourth biggest offshore law firm. The files exposed a network of 214,000 tax havens involving wealthy people, public officials, and entities from 200 nations. The leakage showed the myriad ways in which secretive offshore tax regimes were exploited for fraud, tax evasion, or avoiding international sanctions.

measures developed under the ambitious G20/OECD Base Erosion and Profit Shifting (BEPS) project[5]. Moreover, they insisted on its widespread and consistent implementation, in particular as regards the exchange of information on cross-border tax rulings. To monitor the implementation of the BEPS project globally, the OECD was tasked to develop an Inclusive Framework by early 2016 allowing for the involvement of interested non-G20 countries and jurisdictions, which would commit to implement the BEPS project on an equal footing. In 2016, at the Hangzhou Summit, G20 Leaders strengthened their commitment to tax transparency by endorsing the OECD proposals on the objective criteria to identify non-cooperative jurisdictions in this respect. G20 Leaders in Hamburg (July 2017) agreed to further advance the effective implementation of the international standards on transparency and beneficial ownership of legal persons and legal arrangements by asking the Financial Action Task Force (FATF) and the OECD to report on further progress by early 2018. Finally, the G20 Hamburg Summit in 2017 for the first time mentioned that the G20 was working with the OECD on the tax challenges raised by digitalisation of the economy. Such work would be brought to fruition in 2021, (see next section). Overall, the G20/BEPS agreement has been an important deliverable of the G20 in more normal times. Moreover, it laid the ground for the two-pillar agreement on international taxation, which represents a major milestone in increasing the fairness of the taxation systems around the world.

3. The COVID-19 pandemic and the G20 response to it

The Covid pandemic that hit the world in 2020 brought it to a standstill with a humanitarian catastrophe in its wake. It disrupted the global economy on an unprecedented scale (see Figure 2). In the first half of 2020, the pandemic, coupled with countries' lockdowns, triggered the worst downturn since the Great Depression in the 1930s.

Figure 2: **GDP growth in Advanced and Emerging Market Economies**



Source: World Economic Outlook (April 2023).

This was a crisis for which countries and global institutions and fora were not prepared. Still, they reacted quickly, providing economic support on an unprecedented scale. The G20 rose to the task and acquired again a key role at the global level (Bery and Brekelmans (2020)), which seemed to confirm that this forum is most effective in delivering global public goods in times of crisis.

At the onset of the global pandemic, an extraordinary Riyadh G20 Leaders' Summit was held in a virtual format on 26 March 2020. To address the challenges of the pandemic, G20 Leaders committed "to do whatever it takes to overcome the pandemic'' and set the following goals: (i) protect lives; (ii) safeguard people's jobs and incomes; (iii) restore confidence; (iv) preserve financial stability; (v) revive growth and recover stronger; (vi) minimise disruptions to global supply chains; (vii) provide help to all countries in need of assistance; and (viii) coordinate on public health and financial measures (Extraordinary G20 Leaders' Summit: Statement on COVID-19 (2020)). To achieve these goals, G20 Leaders announced that they were "injecting over USD 5 trillion into the global economy, as part of targeted fiscal policy, economic measures, and guarantee schemes to counteract the social, economic and financial impacts of the pandemic" (idem). The goals and commitments taken in the Riyadh virtual Summit translated into a Finance Ministerial Communique and Annex with a G20 Action Plan that was

[5] The BEPS package developed in the period 2013-2015 contains 15 actions. 14 were agreed in 2015 and further agreement on the remaining one (Action 1: tax challenges arising from digitalisation) was reached as part of the Two-Pillar Solution in October 2021 and July 2023. For more on international taxation-related developments see section 3.2 of this Brief.

endorsed by G20 Finance Ministers and Central Bank Governors (FMCBGs) on 15 April 2020 (G20 Communique with Action Plan (2020)), and that was later updated and endorsed at the Riyadh Summit in November 2020 (G20 Leaders' Declaration (2020)).

3.1. The five pillars of the April 2020 G20 Action Plan

The April 2020 Action Plan stood on five pillars and led to the provision of important deliverables. The work on some of these has expanded beyond the immediate crisis response to ensure better preparedness and prevention against similar crises in the future and to put global growth on a strong, sustainable, balanced and inclusive path.

Pillar 1: The Health Response – Saving Lives

One of the key early lessons from the pandemic was the need for closer cooperation between the health and finance authorities, including at international level, in order to strengthen the pandemic response as well as prevention and preparedness going forward.

In the very short run, the G20 provided much needed impetus to pandemic response efforts with its support to multilateral donor events and most notably the launch of the Access to COVID-19 Tools Accelerator (ACT) and its COVAX facility to accelerate the development, production, and equitable access to COVID-19 vaccines, treatments and diagnostics. The EU was at the heart of this action with a significant contribution to the global effort. From the outbreak of COVID-19 in early 2020, the EU mobilised €53.7 billion in support of more than 140 partner countries in a Team Europe approach, to address the pandemic-related needs and its consequences. This effort continued over time. As of August 2023, COVAX delivered 1.97 billion doses to 146 countries including 839.5 million through donations, out of which 823 million doses were donated by G20 members including Team Europe[6].

Pillar 2: The Economic and Financial Response – Support the vulnerable and maintain conditions for a strong recovery

G20 Members provided unprecedented fiscal support to counter the impact of the pandemic. The IMF calculated that, as of August 2021, G20 economies had announced around USD 15 trillion in fiscal support measures (roughly around 17% of 2020 G20 GDP), the largest part of which was targeted towards helping businesses, households, and workers (G20 Communique Annex I (2021)). The size and composition of fiscal support differed across countries, due to differences in fiscal space and the impact of the health crisis, as well as other factors such as the size of social protection systems (Granelli and Brunelli (2022)). Based on estimates by the International Labour Organization (ILO), G20 members' efforts to temporarily extend social protection measures had supported the livelihoods of nearly 645 million people during the pandemic (G20 Riadh's Leaders' Declaration (2020)). Employment support schemes were also put in place in many G20 members.

Alongside the fiscal policy response, monetary and financial policies were also eased considerably in response to the pandemic (Cavallino and De Fiore (2020)). As at the time inflationary pressures remained subdued, central banks could cut interest rates and commit to buy large amounts of sovereign and private assets to keep longer-term interest rates low. Major central banks activated swap lines and created new ones to reduce financial market stress. Across G20 members, numerous measures to support liquidity and to boost bank lending to businesses and households were introduced[7].

Pillar 3: Returning to strong, sustainable, balanced and inclusive growth once containment measures are lifted

This pillar focused on the need to carry out timely exit and recovery strategies that do not exacerbate

[6] As of August 2023, Team Europe has shared more than 530 million doses of which 444 million were donated via COVAX and 86 million were donated bilaterally. Team Europe is the single largest donor of COVID-19 vaccine doses through the COVAX mechanism.

[7] In this brief we focus mostly on the Finance Ministerial track. It is nevertheless worth mentioning that the G20 Trade and Investment Ministers, conscious of the possible impact of major supply chains disruptions, in May 2020 endorsed the "G20 Actions to Support World Trade and Investment in Response to COVID-19", which included short-term collective actions on trade regulation; trade facilitation; transparency; operation of logistics networks and support for micro, small and medium-sized enterprises.

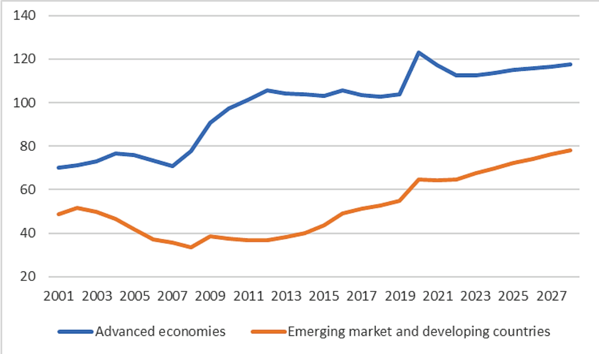
imbalances and minimise negative spillovers from domestic policies. It was a way to demonstrate the importance of longer-term policies on fiscal sustainability, structural reforms, employment policies and infrastructure investment. Importantly, the G20 committed to support an environmentally sustainable and inclusive recovery. Although the reference was to environment (not climate), it was clear that the climate angle to discuss growth strategies had been opened.

Pillar 4: International Support to countries in need

The G20 injected strong impetus to international financial institutions (notably IMF and WB) to combat the health and economic impacts of the pandemic. From March to October 2020, the IMF provided roughly USD 118 billion in emergency financial assistance to 87 countries. In addition, the Fund extended USD 727 million in debt service relief through the Catastrophe Containment and Recovery Trust to 29 among its poorest members over the same period. Multilateral Development Banks (MDBs) committed collectively approximately USD 230 billion for EMEs and Low Income Countries (LICs) as a response to COVID-19 which was tailored to the health, economic and social shocks countries were trying to contain, including USD 150 billion over the course of 2020.

The G20/Paris Club agreement on Debt Service Suspension Initiative (DSSI) (2020) of April 2020 was a most significant decision. The DSSI was a time-bound suspension of debt service payments for the poorest countries that request forbearance. The initial time frame for the DSSI was 1 May – 31 December 2020, but it was subsequently extended until December 2021. Access to the initiative was limited to countries which: (i) had made a formal request for debt service suspension from creditors; and (ii) were benefiting from, or had made a request to IMF Management for, IMF financing including emergency facilities (IMF Rapid Financing Instrument and IMF Rapid Credit Facility). According to information from the World Bank, as of February 2022, 48 out of 73 eligible countries participated in the initiative. It delivered an estimated USD 12.9 billion in debt-service suspension from May 2020 to December 2021.

Figure 3: **General government gross debt (% of GDP)**



Source: European Commission based on the IMF Data Mapper, including projected data, 2023.

Moreover, given the scale of the COVID-19 crisis, and the significant debt vulnerabilities and deteriorating outlook in many LICs, the G20 recognised there was a need for a more structural approach to debt treatment than the temporary relief provided by the DSSI. Together with the Paris Club, in 2020 it set up a “Common Framework for Debt Treatment beyond the DSSI” (2020). The Common Framework was intended to deal, on a case-by-case basis, with insolvency and protracted liquidity problems during the implementation of an IMF-supported reform programme. This was an important innovation and represented a breakthrough as for the first time it brought together traditional “Paris Club” creditors with the important new creditors from EMEs, such as China and India, which overtook Paris Club members as lenders in the last decade (Garcia-Herrero, Bery and Weil (2021)). As a result, G20 members agreed to coordinate to provide debt treatment consistent with the debtor’s capacity to pay and maintain essential spending needs. The Common Framework required private creditors to participate on comparable terms to overcome collective action challenges and ensure a fair burden sharing. This work continues very much today, in the post-pandemic world. As of September 2023, there are four ongoing country cases under the Common Framework. Importantly, China has been involved as creditor in all the country cases so far. On Zambia, the Creditor Committee agreed on a debt treatment on 22 June 2023 and on 12 July the IMF Executive Board approved the first review of the IMF programme for the country allowing for the disbursement of about USD 188 million for the country. Ghana was the most recent country to request debt treatment under the Common Framework; the members of the Creditor Committee provided financing assurances on 12 May 2023, which allowed Ghana to unlock an IMF programme on 17 May 2023. The case of Chad has been finalised with a historical agreement with the Paris Club, China and India providing coordinated debt treatment. On Ethiopia, the process was stalled by the civil war in the country, but technical work is ongoing in the Creditor Committee.

Another major G20 decision at the time of the pandemic was the agreement to make a new general allocation of Special Drawing Rights (SDRs) equivalent to USD 650 billion to boost global liquidity. This is to date the largest SDR allocation in the history of the IMF. According to the IMF Articles of Agreement, the newly created SDRs were credited to IMF member countries in proportion to their existing quotas in the Fund. This meant that about USD 275 billion of the new allocation would go to EMEs and developing countries, including LICs, which needed this financing to address the external financial consequences of the coronavirus pandemic and, indirectly to relax their external constraint on policies aimed at accelerating the recovery (Obstfeld and Truman (2021)). In October 2021, G20 Finance Ministers and Central Bank Governors supported to use parts of the new allocation of IMF SDRs to scale up the IMF Poverty Reduction and Growth Trust (PRGT). There was also a political agreement to establish a new Resilience and Sustainability Trust (RST) in the IMF to support long-term climate and health investments. G20 Leaders in 2021 agreed to significantly magnify the impact of the SDR allocation through the voluntary channelling of part of the allocated SDRs to help vulnerable countries. They agreed on a total global ambition of USD 100 billion of voluntary contributions for countries most in need (SDRs or equivalent contributions). This ambition was fulfilled in June 2023.

Finally, the G20 provided strong impetus to reform Multilateral Development Banks[8]. In April 2021, the G20 concluded that in 2020 developing countries had lost almost 5% of their Gross Domestic Product as a result of the COVID-19 crisis. External financing needs for these countries were expected to have increased by up to USD 700 billion a year because of the pandemic, with LICs needing around USD 450 billion over the period 2021-2025. At the Bali Summit in 2022, G20 Leaders agreed to "unlock further investments for low- and middle income and other developing countries, through a greater variety of innovative financing sources and instruments to catalyse private investment, to support the achievement of the SDGs'' and asked the MDBs to "bring forward actions and provide additional financing within their mandates''. They agreed to "explore ways, including through balance sheet optimisation measures, and other potential avenues, to maximise MDBs' development impact" (G20 Bali Leaders' Declaration (2022)). MDBs' scope to leverage shareholders' capital contributions to provide affordable financing to support the recovery is determined by their capital adequacy frameworks (CAFs). The crisis has demonstrated the importance of scaling up MDBs financing, but also highlighted the constraint imposed by their CAFs in permitting them to go further in supporting their clients' recovery. In this respect, in 2021 the G20 decided to commission an independent review of MDB CAFs, which was finalised in July 2022. This work has been stepped up significantly after the pandemic years. At their meeting on 17-18 July 2023, G20 Finance Ministers and Central Bank Governors adopted a G20 Roadmap for implementing the recommendations of the G20 Independent Review of MDBs Capital Adequacy Frameworks. As estimated in the Roadmap, initial CAF measures, including those under implementation and consideration, could potentially yield additional lending headroom of approximately USD 200 billion over the next decade.

Pillar 5: Lessons for the Future

G20 lessons for the future included commitments on further work on (i) health preparedness; (ii) increased resilience of infrastructure against risks; and (iii) the integration of the economic risks of the pandemics, drug resistant infectious diseases, and high-impact tail risks more systematically into the G20's global risk monitoring and preparedness. In October 2020, the G20 committed to evaluate and learn the lessons from the impact of COVID-19 on the G20 economies and the global financial system, as well as from the G20 economic, financial and health response, and consider integrating these into future policy design where appropriate. The G20 Indonesian Presidency produced a "Note on Policy Setting for Exit Strategies to Support Recovery and

[8] The G20 launched an Action Plan on Balance Sheet Optimization already in 2017, so that MDBs can explore measures to enable further leveraging. However, such measures assumed that Capital Adequacy Frameworks remain unchanged, potentially missing options to unlock additional MDB financing.

Addressing Scarring Effect to Secure Future Growth'' in 2022. By then, however, the global economy was facing a completely different challenge in the face of the Russian war of aggression on Ukraine, so actions linked to lessons learned from the pandemic were no longer sufficient to support and sustain the recovery.

How many of the measures mentioned above would have been taken even without the G20 is unknown, as we do not have a counterfactual. However, at macro level, the fact that the policy stance was synchronised among G20 members and that swap lines were opened swiftly to support the weaker countries helped to stabilise the situation and create positive spillovers, as it had happened already during the Global Financial Crisis. Moreover, the support to the COVAX initiative, although not as fast and predictable as it should have been given the challenge, helped save lives, in particular in low-resource countries. The most significant results came, however, from the economic support to the countries most in need. The Debt Service Suspension Initiative (DSSI), the "Common Framework for Debt Treatments beyond the DSSI", the USD 650 billion new general allocation of SDRs would not have been possible (or, at best, would have taken longer, while the scale would have been smaller) in the absence of the G20. In this respect, the forum played a crucial role in mitigating the economic and social effects of the pandemic in the most vulnerable countries. Overall, the G20 helped provide a coordinated response to the pandemic that otherwise might not have been possible. It also embarked on a policy agenda that goes well beyond short-term actions, to engage in work with more medium-to-long-term effects, notably in what concerns the different aspects of support to vulnerable countries.

3.2 New progress on the international taxation agenda

In addition to the above, during the pandemic years, the G20 was able to make a major breakthrough with regard to international cooperation on taxation issues. In October 2021, after many years of discussions, the G20 reached a historic agreement on a more stable and fairer international tax architecture. In particular, the G20 endorsed the "Statement on a two-pillar solution to address the tax challenges arising from the digitalisation of the economy" (OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) (2021a)) that stated the principles of the reallocation of profits of multinational enterprises (and their consequent taxation) to the country where the activity takes place (Pillar 1) and the introduction of an effective global minimum level of taxation (Pillar 2).

Pillar 1 consists of two elements. The so-called 'Amount A' will establish a taxing right for market jurisdictions with respect to a defined portion of residual profits of the largest and most profitable Multinational Enterprises (MNEs). The rules also provide tax certainty and should prevent double or multiple taxation. The Amount A rules will be implemented through a multilateral convention (MLC) to be signed and ratified. The agreement on Amount A should avoid the proliferation of unilateral digital services taxes (DSTs) and relevant similar measures, and prevent the likely retaliatory countermeasures. The reallocation of taxing rights would address the challenges arising from the digitalisation of the economy in a fair, efficient, and coordinated manner to ensure stability and certainty in the international tax framework. 'Amount B' provides a framework for the simplified and streamlined application of the arm's length principle to in-country baseline marketing and distribution activities. After the work on Amount B is completed and approved, it will be incorporated into the OECD Transfer Pricing Guidelines. The OECD issued an Outcome Statement on 11 July 2023 with the state of play of the negotiations on Pillar 1 (OECD OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) (2021b). On Amount A, the OECD issued the text of an MLC. Some jurisdictions still have issues with some parts of the MLC. The OECD plans to resolve the open issues as soon as possible to ensure the signing of the MLC at the end of 2023 at the latest. The work on Amount B should also be concluded at the end of 2023.

Pillar 2 would ensure a minimum taxation of 15% at international level and should be able to raise much needed fiscal revenues for countries implementing it. According to the OECD's estimates, a global minimum tax rate of 15% is estimated to generate around USD 200 billion in additional global tax revenues per year. The G20 committed to implement the agreement by end 2023[9].

[9] G20 Rome Leaders' Declaration (2021), paragraph 32: "The final political agreement as set out in the Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy and in the Detailed Implementation Plan, released by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) on 8 October,

Once implemented, the two pillars of the international tax agreement will represent a major public good delivered by the G20. In the last 40 years, large multinational companies (MNCs) had been able to minimise their tax burden in the countries where they were operating. This created huge problems in terms of tax collection by governments already facing important budgetary constraints and risked to lead to a proliferation of national taxes (such as digital taxes) and possible retaliatory measures from countries where MNCs are located. The G20 tax international agreement avoided such a suboptimal outcome and allowed making a first big step in the direction of making the international tax system more transparent and fair. In addition, in New Delhi, G20 Leaders recognised the need for coordinated efforts towards capacity building to implement the two-pillar international tax package effectively and, in particular, welcomed a plan for additional support and technical assistance for developing countries.

4. The impact of the war in Ukraine on G20 governance

Russia's full-scale invasion of Ukraine in February 2022 caused not only immense destruction and suffering in Ukraine, but also knock-on effects on especially neighbouring as well as low and middle income countries, which have been particularly exposed to the price shocks and supply of energy and food. It also plunged the G20 into a major crisis, as it is very difficult to reach a consensus in a situation where one of the members started and is engaged in a war of aggression of a country that has the support of other members of the G20. This inevitably has an impact not only on deliverables, but also on the functioning of the forum.

Russia's war of aggression had a negative impact on global economic activity and undermined international economic cooperation. As pointed out by the IMF (2022): "The economic fallout from Russia's invasion of Ukraine is another massive setback to the global economy. The toll on Ukraine is immense, but the impact stretches far beyond Ukraine's borders. The severity of disruptions in commodity markets and to supply chains will weigh heavily on macro-financial stability and growth, adding to an already-complicated policy environment for countries still recovering from the COVID-19 pandemic. Inflation, which had already been rising in many countries as a result of supply–demand imbalances and policy support during the pandemic, is likely to remain higher for longer. Financial conditions have also tightened significantly, putting pressure on a wide range of emerging market and developing economies—through higher borrowing costs and the risk of capital outflows. The war in Ukraine may contribute to the dangerous divergence between advanced and emerging market and developing economies. More broadly, it risks fragmenting the global economy into geopolitical blocs with distinct technology standards, cross-border payment systems, and reserve currencies. Such a tectonic shift represents the most serious challenge to the rules-based system that has governed international and economic relations for the last 75 years, jeopardising the gains made over the past several decades".

But the Russian war of aggression against Ukraine also has major implications for G20 governance, as it is a forum that works based on consensus, not on votes, and therefore there is no legal way to evict and/or sanction a rogue country. A first, very visible consequence, is that at Ministerial level, G20 Communiques during the Indonesian and Indian Presidencies were turned into Chair Summaries and Outcome documents. In these, all G20 members agreed on most of the economic and financial text but could not reach a consensus on the paragraphs referring to the war – condemning it as a human tragedy and a territorial aggression, as well as stating the fact that it is at the origin of the increased global economic uncertainty, fragile growth prospects, food and energy price spikes and shortages, and unreliable supply chains. Unsurprisingly, Russia did not sign up to this diagnosis, pointing to the sanctions as the major driver of these economic consequences, while China held the view that references to the war have no place in G20 Communiques. The G20 had thus turned into a battle of narratives. The only time a Communique was issued since the start of the war was the Bali Leaders Declaration from November 2022, which referred to the UN process. This was a significant achievement, and probably the one that matters most, given that it is a Declaration at G20 Leaders level (and not just a Ministerial one).

is a historic achievement through which we will establish a more stable and fairer international tax system. We call on the OECD/G20 Inclusive Framework on BEPS to swiftly develop the model rules and multilateral instruments as agreed in the Detailed Implementation Plan, with a view to ensure that the new rules will come into effect at global level in 2023."

The Summit in Delhi in September 2023 was an important moment for the relaunch of the G20[10]. After a difficult negotiation the G20 Leaders agreed on a unanimous declaration, which recalled the discussion at the Bali Summit, included a reference to the two relevant UN Resolutions, called countries to respect the principles of the UN Charter, emphasised that all states must refrain from the threat or use of force to seek territorial acquisitions and need to uphold the principles of international law including territorial integrity and sovereignty, pointed to the negative impact of the war on human suffering, the economy, energy and food security, and, importantly, called for a comprehensive, just, and durable peace in Ukraine. The declaration also called for the full, timely and effective implementation of the Black Sea Grain Initiative. The New Delhi G20 Communique showed that it was possible to get around Russian obstructionism and still have a meaningful text that, on the substance, condemned the Russian war of aggression against Ukraine and supported all efforts to reach a just and durable peace based on the principles of the UN charter, respect for international law and territorial integrity and sovereignty.

The presence of Russia, with its negative implications for G20 internal governance, did not impede the forum from achieving some substantive agreements, including: agreeing on macroeconomic policy cooperation (coherence of the fiscal-monetary policy mix and importance of supply-side reforms); MDB strengthening; agreement to finalise by the end of 2023 of the IMF quota review process; implementing the G20 Common Framework for Debt Treatment; committing to the implementation of the two-pillar international taxation agreement; endorsing the Financial Stability Board's (FSB) recommendations for the regulation and supervision of crypto-assets activities and markets including for countries beyond the G20; and calling for the setting of an "ambitious, transparent and trackable" new collective quantified goal of climate finance in 2024, from a floor of USD 100 billion a year upward to support climate action in developing countries.

5. Looking forward: Can the G20 Still deliver? The work already in the pipeline

The G20 is working to produce global public goods aimed at addressing key challenges that represent an existential threat to the planet (e.g., climate change, global health risks) or that threaten the livelihood of millions of people (e.g., debt issues in EMEs and developing countries, economic development in LICs). If it manages to bring forward this work successfully it will not only reinforce its status as a premier forum for global economic cooperation but will also create a constructive dynamic between AEs and EMEs moving forward together. Not surprisingly, climate change comes on the top of the global concerns and the G20 is focusing on it from different angles.

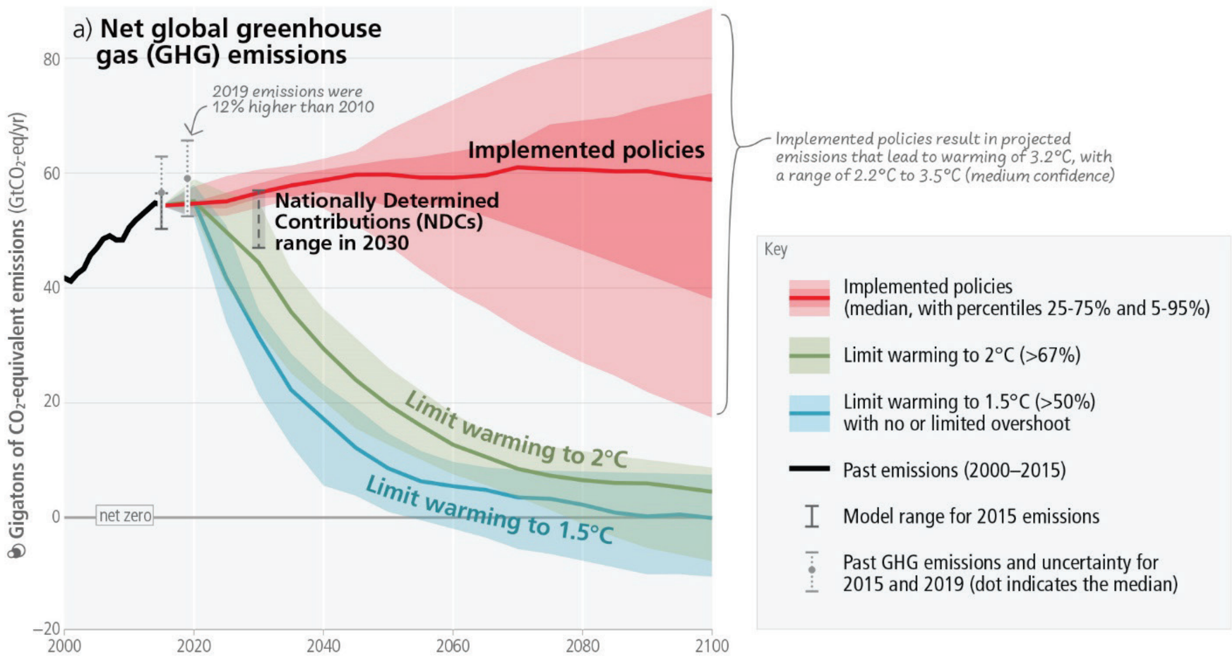
5.1. Managing the green transition

Work on climate action by G20 Finance Ministers was delayed during the US Trump Presidency, with a nadir in 2017, where Leaders took note of the decision of the USA to withdraw from the Paris Agreement (G20 Hamburg Leaders' Declaration (2017)). It was also difficult to move the agenda forward due to some countries' strong reluctance to phase out fossil fuel subsidies. However, work on climate restarted in 2021, with the change in the US Administration and the significant support from the G20 Italian Presidency at the time. G20 Leaders in Rome agreed to accelerate actions across mitigation, adaptation and finance.

(i) The macroeconomic dimension. The G20 Framework for Growth Working Group was asked to integrate climate change in its discussions on the risks to the economic outlook. The discussion slowly but steadily started moving towards the effects of climate-related policies on the economy. A lot of effort was put in organising seminars, workshops, inviting prominent academic representatives and researchers to present their main findings. By 2023, the G20 had accumulated enough shared understanding to produce a G20 Report on Macroeconomic Risks Stemming from Climate Change and Transition Pathways.

[10] To be noted that the G20 Summit in September 2023 was closely preceded by a BRICS Summit in August 2023, where important decisions were taken. For an analysis of the BRICS 2023 Summit from different perspectives see for example: Council of Councils Global Memo (2023).

Figure 4: **Limiting warming to 1.5°C and 2°C involves rapid, deep and in most cases immediate greenhouse gas emission reductions**



Source: IPCC (2023) "Summary for Policymakers".

This report was endorsed by G20 FMCBGs in July and Leaders in New Delhi in September 2023, who decided to "consider further work on the macroeconomic implications, as appropriate, particularly as relevant for fiscal and monetary policies, drawing on the inputs from a diverse set of stakeholders". Looking forward, in the Finance track there will be two important work strands for the coming years, the first aimed at ensuring that the analyses on the macro impact of climate change, based on the modelling by IOs, are integrated into the global economic risk monitoring; and the second aimed at deepening the understanding of the macro impact of diverse transition pathways (both in terms of adaptation and mitigation policies). In this respect, a focused discussion on the impact of climate change on global imbalances, building on IOs' input, would be welcome.

(ii) The role of international financial institutions. International financial institutions' (notably the IMF and MDBs) policies could be expanded beyond the provision of advice/surveillance on the impact of climate change. A good example of this is the establishment by the IMF in 2022 of the Resilience and Sustainability Trust (RST), which helps LICs and vulnerable middle-income countries build resilience to external shocks and ensure sustainable growth, contributing to their longer-term balance of payments stability. It complements the IMF's existing lending toolkit by providing longer-term, affordable financing to address longer-term challenges, including climate change and pandemic preparedness.

(iii) Climate finance: Since 2021 G20 Leaders have continuously reaffirmed the commitment made by developed countries to the goal of mobilising jointly USD 100 billion climate finance per year through 2025 to address the needs of developing countries in the context of meaningful mitigation action and transparency in implementation. The encouraging news is that it should be met for the first time in 2023. Consequently, at the New Delhi Summit, G20 Leaders called for an ambitious new collective quantified goal of climate finance from a floor of USD 100 billion per year to support developing countries, which represents an important contribution to the in fulfilment of the UNFCCC climate objective and the implementation of the Paris Agreement.

(iv) Sustainable finance: Approximately USD 50 trillion in incremental investments is required by 2050 to transition the global economy to net-zero emissions and avert a climate catastrophe. The transition to a sustainable economy cannot happen without private financing. It is thus essential to facilitate and improve conditions for such financing. Work has been focused on developing a Roadmap for sustainable finance, which has become the guiding tool and the focus point of the G20 work in this area, especially on transition finance, data gaps, as well as pricing and non-pricing policy levers to unlock sustainable investment. Fully implementing the Roadmap will be of paramount importance going forward.

5.2. Health finance

In light of the devastating impact of the COVID-19 pandemic, the G20 established in 2021 a G20 Joint Finance and Health Task Force, which brought together G20 Finance and Health Ministers. It proved instrumental in launching in 2022 a new Financial Intermediary Fund for pandemic prevention, preparedness and response ('the Pandemic Fund') hosted at the World Bank with scientific and technical leadership of the WHO. The Pandemic Fund is the first multilateral financing mechanism dedicated to providing multiyear grants to help low- and middle-income countries become better prepared for future pandemics. It has already raised USD 2 billion in seed capital for pandemic prevention and preparedness actions such as reinforcing integrated surveillance and laboratory capacities, or strengthening the health workforce. In July 2023, the Fund Board approved USD 338 million of grants under its first round of funding allocations. The first call for proposals was a success having demonstrated a strong interest and demand for investments in prevention and preparedness in low resource settings and has catalysed additional contributions for a total of over USD 2 billion.

Looking forward, the G20 Task Force will work to reach a better understanding of economic risks and vulnerabilities stemming from pandemics, and how to mitigate them, with a focus on finance and health coordination in response to pandemic threats. This will imply considering how financing mechanisms can be optimised, better coordinated and, when necessary, suitably enhanced, to deploy the necessary financing quickly and efficiently. A key lesson learned from COVID is that effective pandemic response depends critically on the ability to mobilise surge financing, i.e., coordinated financing of rapid actions from the outset of a pandemic threat at national, regional and global levels. In the short term, the Task Force is working on an operational playbook on better coordination of existing financing mechanisms from day zero of a potential new pandemic.

5.3. Support for vulnerable countries

The pandemic, food, energy security and climate challenges have led to an increase in debt levels across the world. As some LICs were hit particularly hard, further work is taking place in the G20 to alleviate their economic and financial woes. In particular, there is the need to make the Common Framework work in a more predictable, timely, orderly, and coordinated manner. The more predictable timelines and processes are needed to provide clarity to debtor countries on their possible path back to market access. The majority of G20 members want to work towards a "user manual" with an indicative calendar to give more clarity to debtor countries. Some form of ad hoc coordination for debt treatment for middle-income countries, which are not eligible under the Common Framework will also be required. Further work to put an end to the undue use of confidentiality clauses, the undue use of collateralisation, and insufficient information-sharing can bring deliverables able to provide relief to vulnerable countries. Moreover, the G20 can play an important role in making progress in the implementation of the G20 Operational Guidelines on Sustainable Financing, the OECD Debt Transparency Initiative, and the IMF-World Bank Multipronged Approach to Address Debt Vulnerabilities[11].``

[11] In addition to ongoing discussions in the G20, an IMF-World Bank Global Sovereign Debt Roundtable (GSDR) was launched on 25 February 2023 to further improve multilateral cooperation in this area. The Roundtable aims at bringing together selected key actors, including the private sector, and at better engaging with Emerging Market creditors such as China. The GSDR's work plan focuses on: i) improving information-sharing among stakeholders; ii) increasing predictability and timeliness of the processes; iii) the role and contribution of MDBs to support countries undertaking a debt treatment. G20 Leaders in New Delhi specifically encouraged the efforts of the GSDR participants to strengthen communication and foster a common understanding among key stakeholders, both within and outside the Common Framework, for facilitating effective debt

Another strand of G20 work is related to the ongoing reform of the MDBs so as to better address global challenges (climate change, biodiversity loss, pandemics and conflict and fragility) in a way that reinforces efforts towards ending poverty and boosting shared prosperity. The World Bank, as the world's largest source of development funding, has been taking the lead with the launch of the Evolution Roadmap in December 2022. This focuses on: (i) evolving its mission and vision to better address global challenges; (ii) optimising its operational model; and (iii) strengthening its financial model to deliver on its evolved mission. Other MDBs with significant EU Member States' shareholdings, i.e. the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (ERBD), also embarked on reflections on how to increase available financial resources for low- and middle-income countries in the most effective and efficient manner possible. On the financial side, the G20 Independent Review of MDBs Capital Adequacy Frameworks provides important recommendations for scaling up financing to deliver on global challenges and to better mobilise private capital.

At the Summit in Delhi, G20 Leaders called to pursue reforms for better, bigger and more effective MDBs to maximise their development impact by enhancing operating models, improving responsiveness and accessibility, and substantially increasing financing capacity. Leaders agreed that this 'will be important to our efforts to mobilise financing from all sources for a quantum jump from billions to trillions of dollars for development'. G20 Leaders also endorsed the Roadmap for Implementing the Recommendations of the G20 Independent Review of MDBs Capital Adequacy Frameworks (CAFs) and pushed for continued impetus on its implementation and for a regular review of its progress.

The Indian G20 Presidency has also established a G20 expert group on MDBs (March 2023) to deliver recommendations to update the MDB ecosystem and make it ready for the 21st century. The first volume of the report was presented at the G20 Finance Ministerial meeting in July. Ministers took note of Volume 1's recommendations and noted that the MDBs may choose to discuss these recommendations as relevant and appropriate, within their governance frameworks, in due course, with a view to enhancing the effectiveness of MDBs.

6. Can the G20 overcome geopolitical instability and global economic fragmentation?

Despite recent successes and still quite a lot of work in the pipeline, the international rules-based global order, and with it the G20, is facing a major crisis. It is not by chance that it has almost disappeared in the public discourse: G20 Leaders barely mention it in their speeches, media refer to the G20 mainly to speculate about bilateral meetings at the margins of the Summits, and so on. Meetings of more homogeneous groups such as the G7 and BRICS have acquired greater visibility at its expense.

Because of the Russian war of aggression against Ukraine, but also of growing geopolitical and geoeconomic tensions, the G20 is therefore facing an existential crisis that may significantly hinder its role of premier forum for international economic cooperation (Tentori and Villafranca (2022)). Beyond the divisions regarding the Russian war against Ukraine, the ability of the G20 to reach consensus will also hang on the dynamics and the development of the relationship between US and China. How the BRICS countries forum develops in the future is also an issue to consider.

Such preoccupations are inevitable since, as we mentioned before, the forum is based on consensus and trust, and the decline of trust due to growing geopolitical tensions and a growing split on necessary actions to achieve certain priorities between AEs and EMEs among G20 Members is evident. If the latter is running low and the former is jeopardised by the non-cooperative and hostile behaviour of at least one of its members, inevitably the G20 decision-making and possible deliverables are negatively affected. It is therefore a significant achievement of India to have delivered a unanimous declaration at the G20 Summit in Delhi.

6.1 Can the G20 still deliver?

Can the G20 still deliver? As we have argued in this brief, even in the current difficult situation the

treatments. In this respect, the Summit for a New Global Financing Pact which took place in June 2023 in Paris provided valuable momentum.

answer is still positive[12], but the risk of accelerating decreasing returns is there. However, it cannot be excluded that from now on we could witness a slow but steady improvement in international relations, which would gradually bring back the G20 to the centre of international economic cooperation. The evolution of the war in Ukraine, developments in East Asia and the Middle East and the outcome of next year's US elections will be crucial in determining the G20's fate. A positive factor has also been the greater attention paid by the G20 under the Indonesian and Indian Presidencies to development matters which has also been highlighted by the Leaders' agreement in New Delhi in 2023 to welcome the African Union as a permanent member in the G20.

It is likely that the Brazilian Presidency will be in continuity with the Indian Presidency. If this is the case, there are two possible scenarios: on the one hand, Russia might be able to avoid complete isolation and make deliverables more difficult, further undermining the credibility of the G20 process; on the other hand, the need of having deliverables on important and urgent public goods could bring G20 Members to act collectively and minimise the negative influence of Russia on the work of the forum. In this second scenario, the G20 would re-acquire credibility and reaffirm its usefulness on the global stage.

There are very large tail risks (pointing to different directions) to these two scenarios. They include a rapid end of the Russian war in Ukraine, the acceleration of China's economic woes (and it has to be expected that in such a case the Chinese authorities would become much less open than in 2015-2016 to discuss their problems in the G20 and with their G20 partners), and the destabilisation of the West African region. How these (and other) fat tail risks would impact the G20 is difficult to predict, although it is likely that most of them may prove significantly more on the downside than on the upside.

The current international equilibrium is unstable (Bertoldi et al. (2023)). On the one hand, it can rapidly deteriorate if the Russian war of aggression of Ukraine continues, if China becomes more aggressive in the Taiwan Strait and the South China Sea, possibly as a result of the worsening of its domestic economic situation, or the outcome of the US presidential elections brings to power an administration whose aim will be not the de-risking but the decoupling from China. In addition, the renewed focus on economic security could lead to extended protectionism, in particular if the concept of economic security ends in covering a large number of goods and services. If one or more of these events materialise, it will be very difficult to maintain the status of the G20 as "premier forum for international economic cooperation". Keeping the G20 effective will require disentangling global issues, such as climate change and preparedness against future pandemics, from geopolitical and geoeconomic rivalry, while agreeing to continue to maintain a cooperative spirit in the support to LICs and vulnerable countries. This is possible in theory, but it will be far from easy to implement in practice as G20 Members (and in particular the great powers among them) will always have an eye on the possible spillovers on the non-cooperative/confrontational part of the relation.

On the other hand, a new "cold war" is not necessarily a given. It is also possible that the deterioration in international relations will not continue, and that an inflexion point will be reached soon. An end to the war in Ukraine that brings comprehensive, just and lasting peace, would definitively help to ease tensions. The reopening of channels of communications between the US and China, as well as the realisation by China that de-risking really means "a small yard with a high fence" (Sullivan (2023)) and not "a large garden with an even higher fence" can create the conditions that could lead to a de-escalation of tensions in East Asia and that would open the way for a more cooperative relationship also in the G20. In such a case, the G20 could not only provide significant deliverables in terms of climate change, pandemic prevention or economic and financial relief to fragile and/or LICs, but could also bring back some macroeconomic and financial cooperation and possibly open new areas where international economic cooperation could be desirable.

Still, even in a more cooperative configuration than the current one, the G20 will have to adjust to recent international developments, in primis the request by some EMEs (India, Brazil, South Africa, etc.) to play a more important role in setting the G20 agenda and its deliverables. The rise of EMEs (in particular, the BRICS without China and Russia) became particularly evident at the G20 Summit in New Delhi, where development finance was at the centre

[12] For an assessment of the results and prospects of the G20 see Kirton J. (2023).

of discussions. Through the BRICS and other international fora, some EMEs have become able to better leverage their position, by adopting a "multi-alignment" approach that allows them to set variable geometry positioning. The US-China rivalry puts some EMEs at the centre of G20 discussions and actions as either side is ready to make concessions in order not to alienate them. Against this background, a reinvigorated G20 (should it happen) will have to adjust to a much more assertive group of EMEs, which will strongly push their interests inside the forum.

6.2. What role for the EU?

What role could the European Union play in the different scenarios just mentioned? As mentioned earlier in this brief and in our previous work, it is in the interest of the EU to have a well-functioning and effective G20, while the G20 is benefiting from the long EU experience in the field of economic cooperation and coordination (Bertoldi, Scherrer and Stanoeva (2016)). We recognise that the situation has significantly changed, for instance, with regard to the challenge of climate change, which cannot be addressed without strong cooperation between AEs and EMEs. For the EU it is crucial to advance its ambitious green strategy based on carbon pricing and given its dependence on raw materials needed for the green transition. Therefore, we maintain that the EU-G20 relationship continues to be a win-win game. As a result, the challenge for the EU becomes what it can do to preserve the role of the G20 on the international economic scene.

In the short term, it is quite clear that it should work to ensure the "condemnation of Russia and pushing for a just peace and respect of territorial integrity" scenario, where the G20 continues to work with the aim of providing important global public goods. Here the EU could play a leading role, as it has led, and continues to lead by example on issues such as adopting policies and regulations to tackle climate change, the set up COVAX or financial support and trade openness vis-à-vis fragile and LICs.

Over the medium term, also in the adverse scenario, the EU is not without leverage (Buti and Messori (2021), Felbemayr and Wolff (2023)). First and foremost, the EU should try to create a large coalition that would support the continuation of the work on global public goods, insulating them as much as possible from political and military rivalries. It can remind China of the economic costs it could incur in presence of an escalating aggressive stance in the Taiwan Straits and the South China Sea (the sanctions against Russia have shown that this is a credible threat). On the other hand, it could remind the United States that the EU and the US have an agreement on de-risking and not decoupling vis-à-vis China.

In the more positive scenario, where international relations would start to gradually improve, the EU could play an even bigger role, as it could take the lead in relaunching the G20 as premier forum for international economic cooperation on the premises of limiting the protectionist drift and promoting a more sustainable and equitable global world order. Moreover, in a less tense international environment, the EU would be able to promote more forcefully the delivery of global public goods, as they are also a top political priority inside the Union. This strategy is likely to play well also with EMEs, whose rising role will make them a key collective player in a G20 that returns to its role of premier forum for international economic cooperation.

7. Conclusions

Time answered positively to the question we asked 10 years ago: the G20 has continued to deliver. Its performance was somewhat underwhelming in more "normal" times, but it has proved again its usefulness in periods of global crises. However, this does not secure its future. Therefore, whether it can still deliver remains an open question, as there is a serious risk that a fundamental pillar of the G20 foundations, namely the degree of trust between its members, shows worrying cracks.

Potentially the G20 can still deliver and there are fundamental issues (in particular, addressing the economic actions needed to tackle climate change and mitigating its impact) where it could provide better global public goods than other smaller and less representative fora. Its ability to deliver will crucially depend on the stance that some of its key members will take on the global scene. In an adverse scenario, where a bloc logic would prevail and economic decoupling and fragmentation would spread, the role of the G20 on the international scene would rapidly decline. There would still be the hope that in such an unfavourable environment, G20 economies would be able to insulate global challenges and be able to deliver remedies to them. However, this is far from sure. In a gradually improving, more positive scenario where AEs and EMEs try to find new common ground on crucial challenges, the G20 could instead return to play a key role on the international scene, even if it is unlikely that it will be able to restore the centrality it had in the 2009-2013 period. The G20 is currently at a crossroads. Known unknowns that will materialise in the middle of this decade will determine which path it will take and define if and what it can still deliver.

Box 1: **THE G20: ITS COMPOSITION AND WORKING METHOD**

The G20 was created in 1999, in the aftermath of the Asian financial crisis and was limited to meetings of the level of Finance Ministers and Central Bank Governors until 2008, when the global economic and financial crisis hit the world and the forum was elevated to a Leaders' level and proclaimed itself "the premier forum for our international economic cooperation'' (G20 Pittsburgh Leaders' Statement (2009)).

G20 Leaders' Summits are held annually, under the leadership of a rotating Presidency. The G20 initially focused largely on broad macroeconomic issues, but it has since expanded its agenda to inter-alia include trade, sustainable development, health, agriculture, energy, environment, climate change, and anti-corruption. G20 members are: Argentina, Australia, Brazil, Canada, China, the European Union, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom and the United States. At the New Delhi Summit in 2023 Leaders welcomed the African Union as the latest permanent member. Spain is a permanent invitee to the forum. For more information on the G20 history, organisation and focus of past Summits see, for example: G20 Indian Presidency (2023).

The G20 is unique as it gathers together both AEs and EMEs which represent around 85% of the global GDP, over 75% of the global trade, and about two-thirds of the world population (G20 Indian Presidency (2023)). G20 members are also responsible for 80% of greenhouse gas emissions (UN SG Press Conference (2023)). The informal setting of the group, and the plethora of G20 experts' level meetings are conducive of frank and open exchange, improved mutual understanding, and ultimately agreed policy decisions. Agreements are reached by consensus. The EU, with its big open economy and multilateral construction at its core, has an interest in this forum bridging North-South and East-West divides, working well and delivering on global public goods and maximising positive spillovers by way of coordinating national policy actions. This is especially important now where challenges are global while at the same time geopolitical and economic fragmentation are increasing and like-minded formations like the G7 (consisting of Canada, France, Germany, Italy, Japan, UK, USA, EU) and the BRICS (consisting of Brazil, Russia, India, China, and South Africa) are consolidating (at the latest BRICS Summit in 2023, it was agreed to admit six new member countries: Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates will officially join the group in January 2024).

References

Bertoldi M., Scherrer H. and Stanoeva G. (2013), "The G20@5: Is It Still Delivering?", ECFIN Economic Brief, Issue 27, November.

Bertoldi M., Scherrer H. and Stanoeva G. (2016), "The G20 and the EU: A Win-Win Game", European Economy Economic Brief, n. 9, April.

Bertoldi M., Eriksgaard A., Orsini K., Pfeiffer Ph. (2023), "Where is the EU Economy Headed? The International Dimension", Journal of Policy Modeling, n. 4, July-August.

Bery S. and Brekelmans S. (2020), "The revived centrality of the G20", Bruegel Blog, 28 April.

Bruni F. (2022), "Towards a G20 Minus One?", ISPI Counterpoint, 11 May.

Buti M. and Bohn-Jespersen H. (2016), "Winning the peace: the challenge for the G20", Voxeu Column, 25 November.

Buti M. and Tomasi M. (2018), "Governing a Fragmented World Economy: Towards Inclusive Multilateralism", Voxeu Column, 20 July.

Buti M. and Messori M. (2021), "Towards a new international governance. The possible role of Europe", EUI School of Transnational Governance Policy Paper, n. 20.

Callaghan M. (2015), "G20 Growth Targets: Help or Hubris?", Global Summitry, Volume 1, Issue 1, Summer.

Cavallino, P. and F. De Fiore (2020), Central banks' response to Covid-19 in advanced economies, BIS Bulletin, No 21, 5 June.

Common Framework for Debt Treatments beyond the DSSI (2020), 13 November, https://clubdeparis.org/sites/default/files/annex_common_framework_for_debt_treatments_beyond_the_dssi.pdf.

Council of Councils Global Memo (2023), "The BRICS Summit 2023: Seeking an Alternate World Order?", 31 August, https://www.cfr.org/councilofcouncils/global-memos/brics-summit-2023-seeking-alternate-world-order.

Debt Service Suspension Initiative for Poorest Countries – Term Sheet (2020), Annex II of the G20 Communique of Finance Ministers and Central Bank Governors, Riyadh, April 15.

Extraordinary G20 Leaders' Summit: Statement on COVID-19 (2020), 26 March, http://www.g20.utoronto.ca/2020/2020-g20-statement-0326.html.

Felbemayr G. and Wolff G. (2023), "Hoe Europe Can Shape Changes in the World Economy", Internationale Politiek Quarterly. n.1.

Garcia-Herrero A., Bery S. and Weil P. (2021), "How is the G20 tackling debt problems of the poorest countries?", Bruegel Blog, 25 February.

Granelli L. and Brunelli M. (2022), “Comparing Macroeconomic Policy Measures across the G20. The Crisis Response is a Long-Term Marathon”, European Commission Discussion Paper, n.158.

G20 Antalya Action Plan (2015), http://www.g20.utoronto.ca/2015/Antalya-Action-Plan.pdf.

G20 Bali Leaders’ Declaration (2023), http://www.g20.utoronto.ca/2022/221116-declaration.html.

G20 Brisbane Action Plan (2014), http://www.g20.utoronto.ca/2014/brisbane_action_plan.pdf.

G20 Communique with Action Plan (2020), 15 April, http://www.g20.utoronto.ca/2020/2020-g20-finance-0415.html.

G20 Communique Annex I (2021), October, “Fourth Progress Report on the G20 Action Plan”, http://www.g20.utoronto.ca/2021/211013-finance-annex1.html.

G20 Buenos Aires Action Plan (2018), http://www.g20.utoronto.ca/2018/2018-buenos-aires-action-plan.html.

G20 FWG Summary Document on Global Imbalances (2019), adopted at the G20 Finance Ministers and Central Bank Governors Meeting in Fukuoka, 9 June 2019.

G20 Hamburg Action Plan (2017) http://www.g20.utoronto.ca/2017/2017-g20-hamburg-action-plan.html.

G20 Hamburg Leaders’ Declaration (2017), http://www.g20.utoronto.ca/2017/2017-G20-leaders-declaration.html.

G20 Hangzhou Action Plan (2016), http://www.g20.utoronto.ca/2016/160905-action.html.

G20 Indian Presidency (2023), “G20 - Background Brief”, https://www.g20.org/content/dam/gtwenty/gtwenty_new/about_g20/G20_Background_Brief.pdf.

G20 New Delhi Leaders’ Declaration (2023), http://www.g20.utoronto.ca/2023/230909-declaration.html.

G20 Pittsburgh Leaders’ Statement (2009), http://www.g20.utoronto.ca/2009/2009 communique0925.html.

G20 Riyadh Leaders’ Declaration (2020), 21 November, http://www.g20.utoronto.ca/2020/2020-g20-leaders-declaration-1121.html.

G20 Rome Leaders’ Declaration (2021), http://www.g20.utoronto.ca/2021/211031-declaration.html.

Kirton J. (2023), “The G20’s Promising Past, Present and Potential”, G20 Research Group, University of Toronto, 26 January.

IMF (2022), “Covid Crisis and the War in Ukraine”, International Monetary Fund, Washington D.C.

IMF-OECD (2017), "Quantifying the Implementation and Impact of G-20 Members' Growth Strategies",https://www.oecd.org/g20/topics/framework-strong-sustainable-balanced-growth/Quantifying -the-Implementation-of-Growth-Strategies-2017.pdf.

IPCC (2023) "Summary for Policymakers" in: Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change IPCC, Geneva, Switzerland, p. 22, https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_SPM.pdf.

Obstfeld M. and Truman E. (2021), "The new SDR allocation will benefit all countries", PIIE Realtime Economics, 25 March.

OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) (2021a), "Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy", October, https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.pdf, October.

OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) (2021b), "Outcome Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy", July, https://www.oecd.org/tax/beps/outcome-statement-on-the-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-july-2023.pdf.

OECD Secretary-General Tax Report to G20 Leaders (2019), https://www.oecd.org/tax/oecd-secretary-general-tax-report-g20-leaders-india-september-2023.pdf.

Sullivan J. (2023), "Remarks on Reviewing American Economic Leadership", The Brookings Institution, 27 April.

Tentori D. and Villafranca A. (2022), "G20: Can Leaders Still Deliver?", ISPI, 14 November.

UN SG Press Conference (2023), "Secretary-General's press conference at G20", New Delhi, India, 8 September, https://www.un.org/sg/en/content/sg/press-encounter/2023-09-08/secretary-generals-press-conference-g20#:~:text=Secretary%2DGeneral%3A%20My%20main%20 expectation,emissions%20 come%20from%20G20%20countries.

EUROPEAN ECONOMY ECONOMIC BRIEFS

European Economy Economic Briefs can be accessed and downloaded free of charge from the following address: Publications (europa.eu).

Titles published before July 2015 can be accessed and downloaded free of charge from:

- http://ec.europa.eu/economy_finance/publications/economic_briefs/index_en.htm
  (ECFIN Economic Briefs)

- http://ec.europa.eu/economy_finance/publications/country_focus/index_en.htm
  (ECFIN Country Focus)

GETTING IN TOUCH WITH THE EU

In person

All over the European Union there are hundreds of Europe Direct Information Centres. You can find the address of the centre nearest you at: http://europa.eu/contact.

On the phone or by e-mail

Europe Direct is a service that answers your questions about the European Union. You can contact this service:

- by freephone: 00 800 6 7 8 9 10 11 (certain operators may charge for these calls),
- at the following standard number: +32 22999696 or
- by electronic mail via: http://europa.eu/contact.

FINDING INFORMATION ABOUT THE EU

Online

Information about the European Union in all the official languages of the EU is available on the Europa website at: http://europa.eu.

EU Publications

You can download or order free and priced EU publications from EU Bookshop at: http://publications.europa.eu/bookshop. Multiple copies of free publications may be obtained by contacting Europe Direct or your local information centre (see http://europa.eu/contact).

EU law and related documents

For access to legal information from the EU, including all EU law since 1951 in all the official language versions, go to EUR-Lex at: http://eur-lex.europa.eu.

Open data from the EU

The EU Open Data Portal (http://data.europa.eu/euodp/en/data) provides access to datasets from the EU. Data can be downloaded and reused for free, both for commercial and non-commercial purposes.

Publications Office
of the European Union