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G20 Summit, New Delhi

Navigating Geopolitics with Geoeconomics



भारत 2023 INDIA

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Executive Summary

The G20 Summit hosted by India between 09-10 Sep 2023 marked a pivotal moment in the nation's foreign policy, displaying an adroit balancing act among key global players including the United States, Russia, and China. The summit not only bolstered India's role on the world stage but also highlighted its strategic priorities, including its quest to voice the concerns of the Global South and revive reformed multilateralism.

Economic Developments

Economic highlights from the summit include commitments to a mix of renewable energy, low carbon, and clean tech to achieve carbon neutrality. The inclusion of the African Union and concerns of the Global South, such as food security and sustainable development goals, were also high on the agenda. India emphasized the need to reform multilateral development banks and mobilize finances to combat climate change without compromising the fight against extreme poverty.

Bilateral and Plurilateral Relations

- **US:** The relationship between India and the US saw a deepening of trust, with advancements in various sectors like defense, technology, and climate. All trade disputes between the two at the WTO, as per latest communications, have been resolved.
- **Russia:** India managed to reassure Russia of its commitment to the bilateral relationship while also managing to insert criticisms of Russia's recent actions.
- **China:** The relationship remains fragile, but India successfully managed China's obstructive behavior in summit negotiations.

Regional and Global Implications

- **India-Middle East-Europe Corridor:** The announcement of this corridor presents a concrete alternative to the predatory model of Chinese infrastructure financing and offers commercial opportunities for India.
- **Global South:** India successfully put forth the concerns of the Global South, including the inclusion of the African Union in G20, food security, and financial inclusion. This effort marks a departure from an anti-West rhetoric to a more balanced approach, aligning the interests of the Global South with those of the West.

Future Outlook

The summit reinforced India's foreign policy aims to "engage America, manage China, cultivate Europe, and reassure Russia," as mentioned by India's External Affairs minister, Dr S. Jaishankar. Additionally, India took significant strides towards global issues like climate change, food security, and financial inclusion. Despite this success, policymakers remain conscious of the geopolitical challenges that lie ahead. However, the summit has added a layer of confidence to India's capabilities to navigate complex international dynamics.

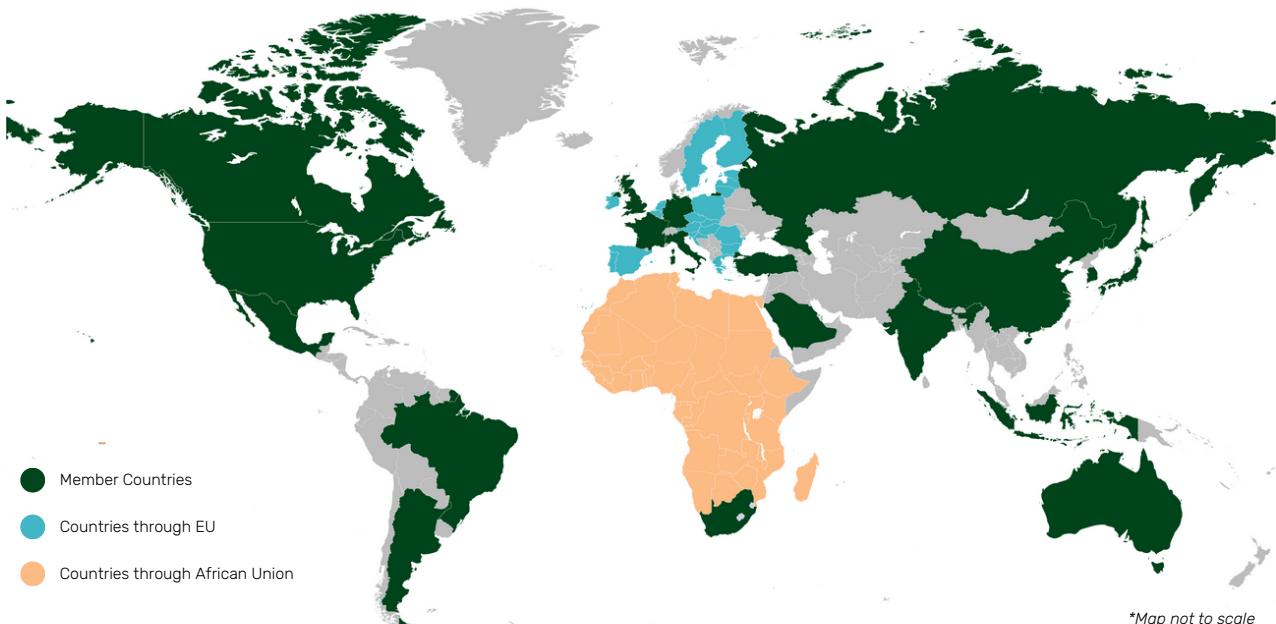
Role of the G20

Origin and Evolution of the G20

The Group of Twenty (G20) was conceived in 1999 as a stabilizing forum in the wake of the Asian financial crisis. Initially a gathering of finance ministers and central bankers, the G20 has metamorphosed into a formidable assembly that includes heads of state and a multitude of global agendas. This transformation indicates a diversification of its modus operandi, making it a pivotal entity in global governance.

Members of the G20

New Members following G20 Summit 2023



Key Geopolitical Agendas

Major Themes of the G20

Climate Change: While climate policies have been inconsistently framed, the G20's discussions still serve as a barometer for global political will.

Global Security: Despite the forum's aspirations to address issues like the Syrian conflict and the Ukraine crisis, a lack of unanimity often hampers decisive actions.

Economic Development: Frameworks like the 2020 Common Framework for debt treatment have been met with lukewarm success, posing questions about the efficacy of the G20 in executing its policies.

Previous Impacts of G20

2008 Financial Crisis: The G20's mobilization of a staggering USD 4 trillion fiscal stimulus in 2008 was a watershed moment, underscoring its capabilities as a global crisis manager.

Iranian Nuclear Program: By wading into the turbulent waters of Iran's nuclear ambitions in 2009, the G20 signalled its readiness to extend its mandate into complex security domains.

Syrian Civil War: The partial ceasefire in Syria, brokered during the 2017 summit, illuminated the G20's evolving role in conflict resolution and security dynamics.

G20 Strategies

Country-wise Interests



United States of America

Transitioning from unilateral measures to a multilateral approach, the US uses the G20 as a platform to renegotiate its global role.



China

While pushing for broader representation via the African Union, China navigates the G20 cautiously, opposing clauses that restrict its energy and geopolitical strategies.



India

As the host, India sought to elevate issues endemic to the Global South, leveraging its position to emerge as a geopolitical and economic fulcrum.



Russia

In light of recent aggressions, Russia's G20 membership is increasingly contentious, creating a schism among members.



European Union

Struggling with intra-European dynamics, especially regarding Russia, the EU seeks to harmonize its G20 stance with its geopolitical exigencies.

Outcomes of G20 Delhi Summit, 2023

Delicate Diplomacy on Ukraine: The restrained language used regarding the Ukraine conflict signals a precarious balancing act.

African Union's Ascendancy: The inclusion of the African Union as a permanent member marks a significant milestone in G20's representation.

Infrastructure Pledges: While the announcement of rail and port links between the US, India, and Saudi Arabia is promising, the lack of granularity raises questions on feasibility.

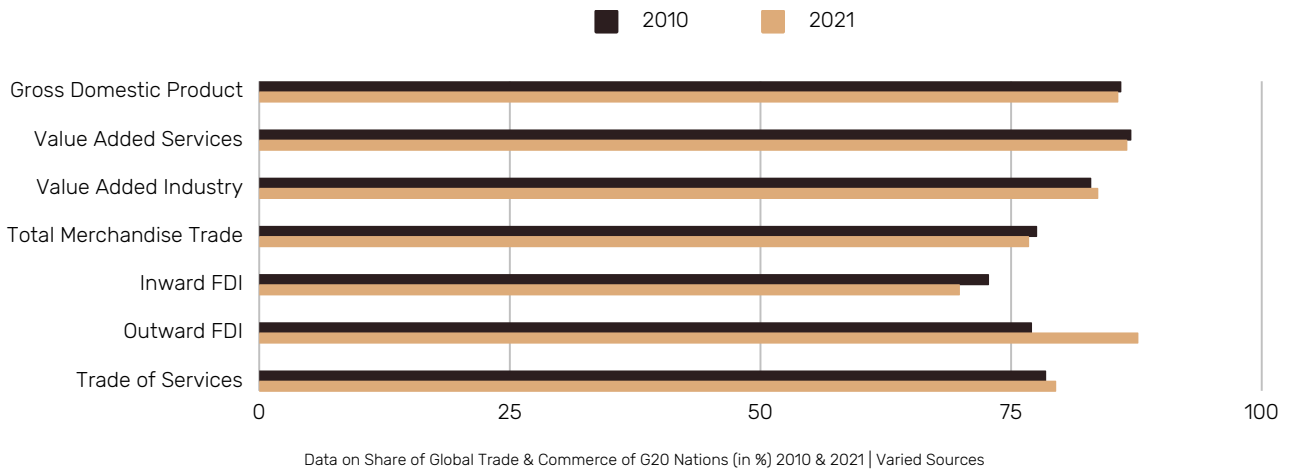
Climate Ambiguity: Despite the pledge to triple renewable energy capacities by 2030, the absence of an action plan casts a shadow on its commitment.

IBSA Agreement: India, Brazil, and South Africa agreed to work with the US on the reform of multilateral development banks.

Timeline

G20 Summits Through the Years





India's Role and Perspective in the G20 Summit

India's participation in the G20 Summit transcends conventional diplomacy, serving as a manifestation of the country's evolving geopolitical and economic ambitions. This section will deconstruct India's complex engagement within the summit, explore its strategic interests, and delineate the domestic and international ramifications of its policies, particularly in relation to the realm of Digital Public Infrastructure (DPI).

India's Strategic Interests

Geopolitical Fulcrum: India has artfully established itself as a geopolitical mediator, bridging the Western democracies and emerging economies. By engaging in multilateral dialogues, particularly with nations like Brazil, South Africa, and Indonesia, India has operationalized its historical role as a mediator and created a tangible influence among the Global South.

Soft Power and Diplomacy: The multiple dimensions of India's soft power—from cultural exports like Bollywood and Yoga to technological innovations like DPI—serve as a tool for diplomatic maneuvering. This symbiosis between traditional soft power elements and contemporary technological innovations showcases India's capability to adopt a balanced diplomatic strategy.

Legacy of G20 Presidency: The inclusion of DPI in the G20 Financial Inclusion Action Plan highlights India's increasingly sophisticated soft power dynamics. This achievement serves as a legacy marker and hints at India's potential role in shaping future global financial governance systems.

Navigating the Labyrinth from Hours to Outcomes

Diplomatic Prowess: The complexity and the effort involved in achieving consensus—indicated by 200 hours of negotiations, 300 bilateral meetings, and 15 drafts—should not be underestimated. This feat is a testament not just to India's diplomatic skills but also to the willingness of major powers like the US, EU, Russia, and China to converge towards a unified outcome.

Diplomatic Nuances in the New Delhi Declaration

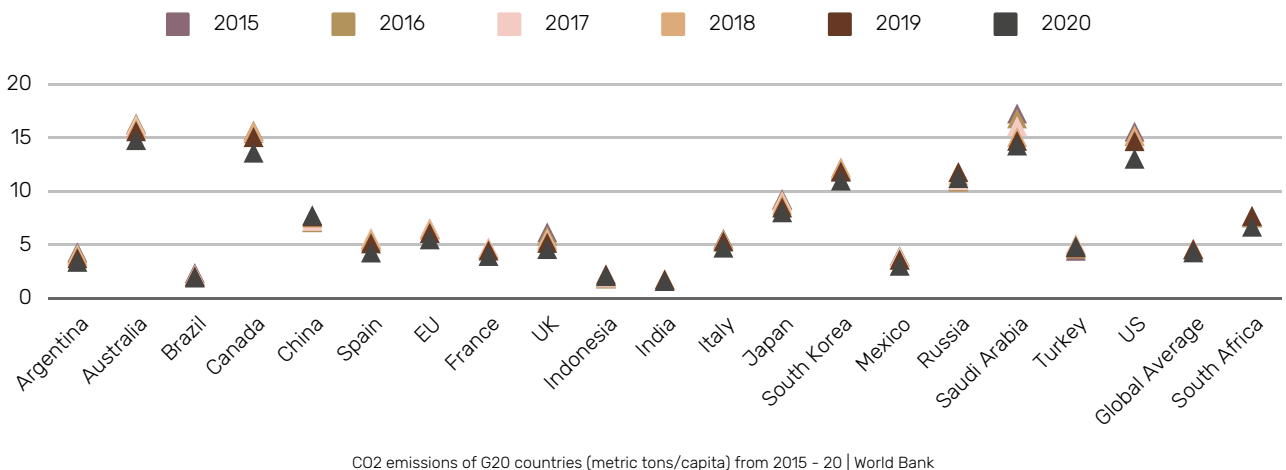
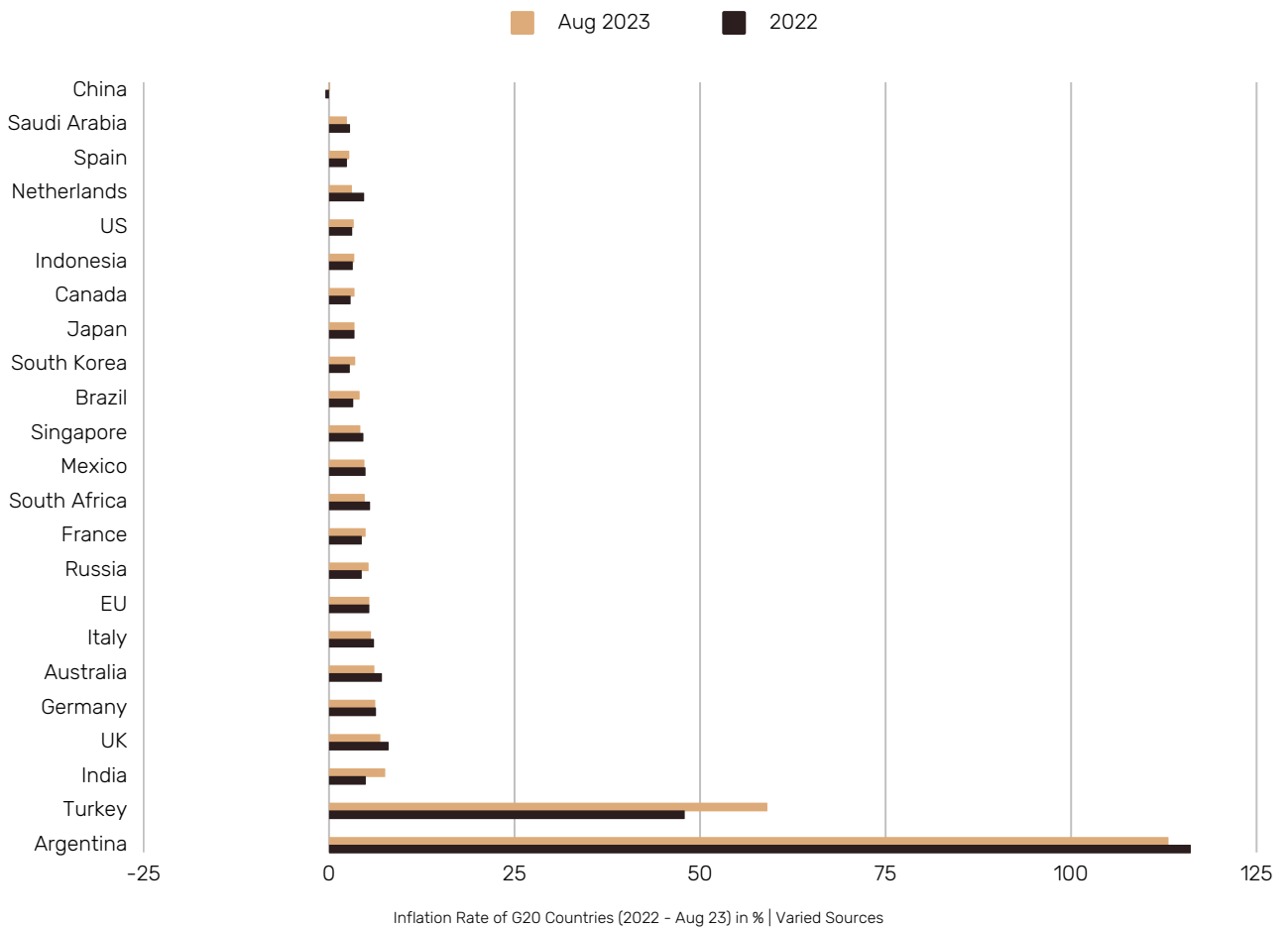
Geopolitical Balancing Act: In contrast to last year's G20 declaration in Bali that explicitly criticized Russia, this year's language was meticulously crafted to avoid assigning blame while acknowledging the human cost and global impact of the conflict. This demonstrates a shift towards prioritizing common development and business goals over geopolitical flashpoints.

Climate Conundrum: The New Delhi Declaration succeeded in walking a fine line between the aggressive climate goals pushed by the West and the development-focused stances of countries like China and India.

Evolving Power Dynamics

The Undercurrents of BRICS and China's Rise: The recent BRICS expansion implicitly underscores the tectonic shifts in global power dynamics. While not a direct factor at the G20, the BRICS development indicated growing Western apprehension about China's rising influence.

Tactful Omissions: The summit's final document carefully avoided contentious topics like China's predatory lending practices and specific emission targets, putting the emphasis instead on consensus-building over confrontation.



Digital Public Infrastructure

New Dimension of Soft Power

Defining DPI: DPI has rapidly ascended as a new frontier for delivering public services. India's experience in implementing foundational layers like Aadhaar and UPI exemplifies its leading role in this nascent domain. This experience serves as a prototype for other nations exploring digital governance models.

Global Recognition and Contributions: India's advocacy led to the unprecedented recognition of DPI at the G20 Summit, resulting in the Global Digital Public Infrastructure Repository (GDPIR) and the One Future Alliance (OFA). These frameworks aim to democratize DPI benefits, especially for Low- and Middle-Income Countries (LMICs), thus expanding India's soft power influence beyond traditional domains.

Pandemic Response and Crisis Management: The pandemic underscored DPI's relevance in swift, scalable responses to crises. India's digital infrastructure was pivotally deployed in contact tracing and vaccine delivery mechanisms, highlighting DPI's broader applications in public health.

Cost Efficiency for Business: DPI's impact also extends to the private sector. Its implementation has drastically reduced operational costs for businesses, serving as an enabling environment for startups and SMEs to thrive.

Potential for Global Economic Growth: UNDP estimates suggest that investments in DPI can grow LMIC economies by 1-2% of GDP. India's success offers a blueprint for other nations to achieve similar benefits, including improving financial inclusion and boosting economic activity.

Global Payments Integration: The potential for UPI to connect with international payment systems, like those in Singapore and UAE, hints at a future where DPI could standardize and streamline international transactions, further reinforcing India's role in global financial governance.

B20 Perspective

The Business 20 (B20) is a key engagement group within the G20 framework, aimed at providing a business perspective to G20 deliberations. Hosted by the Confederation of Indian Industry (CII), the B20 convened a diverse cadre of 1,500 global stakeholders. Its theme of RAISE—Responsible, Accelerated, Innovative, Sustainable and Equitable Businesses—serves as a blueprint for industry engagement with the G20.

B20: Geopolitical Agendas

B20 submissions dovetail with the G20 Leaders' Declaration, emphasizing public-private partnerships as key enablers for geopolitical stability. These submissions translate into actionable recommendations, converging on a total of 54 primary recommendations and 172 policy actions.

B20: Goeconomic Agendas

B20's goeconomic recommendations span sectors from trade and finance to environmental sustainability. For instance:

- **Financing Economic Recovery:** The B20 called for broadening MSMEs' access to finance, thereby aligning with the G20 trade ministers' plans.
- **Global Value Chains:** Recommendations for leveraging technology and early risk detection mechanisms were mirrored in the G20 declaration.
- **Financial Inclusion:** Utilization of Digital Public Infrastructure (DPI) for financial inclusivity found mention in the G20 document, with India's experience as a case study.
- **Skills Development:** Proposals for skill training in environmental sustainability and migration pathways saw reflection in the G20 outcomes.
- **Climate Goals:** The B20 outlined industry-specific alliances for net-zero emissions, harmonizing with G20's emphasis on multilateral development banks.

- **Digital Transformation:** The forum emphasized high-quality internet access and cybersecurity standards as essential components of a digital future.
- **Innovation and R&D:** Suggestions for a common patent protection mechanism and technology collaboration platforms were particularly noteworthy.
- **ESG Reporting:** A standardized framework for ESG metrics was put forth for universal implementation.
- **African Union Inclusion:** The landmark incorporation of the African Union into the G20 framework was strongly supported by the B20, underlining its commitment to inclusive global growth.

Business Actions Beyond B20 Recommendations

- **Global Institute:** B20 India proposed an institute to ensure continuity in tracking and implementing recommendations.
- **Decarbonization Pathways:** Sector-specific guidelines to achieve decarbonization were outlined.
- **SDG Acceleration Fund:** A fund aimed at drawing private capital for sustainable development goals.
- **Innovation Compendium:** A portfolio of best practices on innovative use-cases was compiled for ongoing sharing and learning.

Business Opportunities

Sectors Likely to Benefit

- **Renewable Energy:** Given the New Delhi Declaration's monumental commitment of USD 5.9 trillion for climate financing, the renewable energy sector is poised for exponential growth. Investments are expected to pour into solar, wind, and other sustainable energy technologies, particularly in developing nations.
- **Technology and Digital Infrastructure:** The focus on international taxation, financial inclusion, and multilateral banking reforms opens a plethora of opportunities for tech companies specializing in FinTech and blockchain technologies. The commitment to using digital public infrastructure also implies growth for software and cybersecurity firms.

Market Analysis and Growth Areas

- **Emerging Markets:** The inclusion of the African Union and the focus on developing nations signify that emerging markets are growth hotspots. Companies should consider first-mover advantages in these markets, especially in renewable energy and tech infrastructure.
- **Climate Finance:** With trillions earmarked for climate financing, organizations dealing in carbon credits, sustainable agriculture, and green technologies have a unique growth opportunity.
- **Crypto Regulation:** The G20's forward-looking approach to regulating cryptocurrencies suggests a maturing market with more stable investment opportunities in the near future.

Policy Changes Affecting Industry Dynamics

- **International Taxation:** The unanimous agreement on international tax reforms will compel multinational corporations to adapt their business models and tax strategies.
- **Sustainable Development:** Industries related to natural resources, agriculture, and manufacturing will undergo a paradigm shift to align with global sustainability standards set by the G20.
- **Financial Reforms:** The declaration's impact will also be felt on global banking and finance regulations. Industries will need to adapt to more stringent compliance and disclosure requirements.

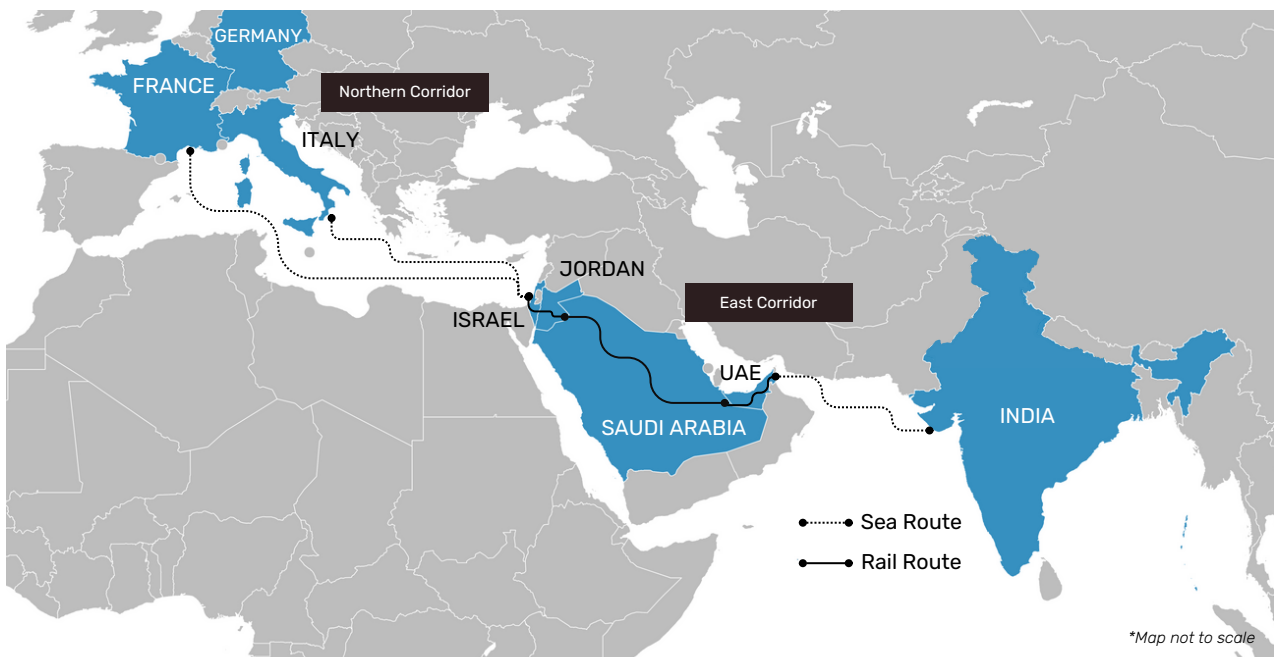
India - Middle East - Europe Economic Corridor

Geoeconomic Implications

The India-Middle East-Europe Economic Corridor (IMEC), announced during the G20 Summit is positioned as a cornerstone for global economic integration, directly involving countries like India, the UAE, Saudi Arabia, the US, and several EU nations including France, Italy, and Germany.

India - Middle East - Europe Economic Corridor

Participating Countries | Representative Map



Economic Agendas

Economic Stability: The IMEC aims to bring economic stability by diversifying trade relationships and creating new routes, thus mitigating risks associated with dependence on any single economic partner like China.

Trade Relations: This initiative is set to revolutionize trade dynamics among the participating nations, fostering economic interdependence and facilitating smoother, faster, and cheaper trade.

Digital Economy: The digital component of the corridor will boost the digital economies of all participating countries, paving the way for technology-driven growth.

Role of Multilateral Organizations: Given the project's sheer scale and complexity, international financial institutions like the IMF and World Bank are likely to be roped in, providing financial, governance, or consultative support.

Market Analysis and Growth Areas

- **Transportation & Logistics:** The corridor will induce a surge in demand for logistics solutions, offering lucrative opportunities for companies in these sectors.
- **Digital Services:** The Middle East's aspiration to become a digital hub will likely provide a market boom for tech companies.

Industry Integration

Short-Term and Long-Term Impacts

- **Short-Term:** Initial impact will likely see accelerated infrastructure development, coupled with job creation in sectors like construction, transportation, and IT.
- **Long-Term:** The project could fundamentally redefine global trade routes, affecting a broad spectrum of industries such as manufacturing, technology, and energy.

Policy Changes Affecting Industry Dynamics

Trade Policies: New collaborative arrangements might necessitate amendments in trade policies, including tariffs and custom procedures.

Environmental Regulations: As the project has a strong sustainability component, new or harmonized environmental standards are likely to be introduced.

Comparative Analysis with China's BRI

Unlike China's Belt and Road Initiative (BRI), which has been criticized for its "debt-trap" diplomacy, the IMEC is designed to be revenue-generating and bankable. It will include two distinct corridors (Northern connecting Arabian Gulf to Europe & East connecting India to the Arabian Gulf), each focusing on reducing costs and enhancing economic efficiency, aligning with the United Nations' Sustainable Development Goals (SDGs).

Global Backing and Geopolitical Implications

The project enjoys robust support from both the US and the EU. President Biden has hailed it as offering "endless opportunities," while European Commission President Ursula von der Leyen emphasized its role as a "green and digital bridge across continents and civilizations."

Assessment

Failure of Diplomatic Resolutions

Probability: **HIGH** | Impact: **HIGH**

- **Recent Developments:** Rising tensions between major world powers like the US and China, Russia's increased military posturing, and escalating regional conflicts have put the G20's diplomatic capabilities to the test.
 - **Historical Context:** The G20 has often struggled to find unanimous resolutions due to conflicting national interests among its members.
 - **Major Hurdles:** Lack of a cohesive policy framework, economic disparities, and existing geopolitical alliances.
 - **Potential Outcomes:** Escalation of regional conflicts into broader confrontations, failure to address global challenges like climate change, and economic instability.
 - **India's Role:** As a neutral party with multiple alignments, India can potentially facilitate dialogue and mediations.
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Economic Disparities Within the G20

Probability: **HIGH** | Impact: **MEDIUM**

- **Recent Developments:** The COVID-19 pandemic has exacerbated economic inequalities between G20 members.
 - **Historical Context:** Despite its aim to coordinate macroeconomic policy, the G20 has seen growing economic disparities among its members.
 - **Major Hurdles:** Nationalist policies, trade wars, and different stages of economic development.
 - **Potential Outcomes:** Weakening of the G20's collective bargaining power, loss of credibility.
 - **India's Role:** Can act as a voice for developing economies within the G20, advocating for more equitable policies.
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Ineffectiveness in Climate Policy

Probability: **MEDIUM** | Impact: **HIGH**

- **Recent Developments:** Inability to agree on a universal framework for climate policy.
 - **Historical Context:** Varied national interests have made unanimous climate agreements elusive.
 - **Major Hurdles:** Conflicting national agendas, lack of binding enforcement mechanisms.
 - **Potential Outcomes:** Failure to meet global climate targets, increasing natural disasters.
 - **India's Role:** Bridge the gap between developing and developed nations in creating a balanced climate policy.
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Multi-Dimensional Challenges Facing IMEC

Probability: **HIGH** | Impact: **HIGH**

Recent Developments

- Geopolitical tensions in the Middle East jeopardize IMEC's stability.
- Environmental focus globally affects IMEC's compliance and image.
- China's Belt and Road Initiative competes for partners and markets.
- Regulatory complexities due to multi-national scope.

Historical Context

- Middle East's longstanding geopolitical instability.
- Evolving global environmental norms like the Paris Agreement.
- Economic uncertainties such as the 2008 crisis and COVID-19 impacts.
- Competitive landscape set by China's Belt and Road Initiative.
- Past challenges of multi-national projects in legal and digital realms.

Major Hurdles

- Geopolitical: Instability among key Middle Eastern countries.
- Environmental: Adherence to global and local norms.
- Economic: Global financial fluctuations affecting project funding.
- Competition: China's Belt and Road Initiative as an alternative.
- Regulatory: Compliance with varying legal systems.
- Digital Security: Cyber threats to the digital infrastructure.

India as a Potential Mediator

Probability: **HIGH** | Impact: **HIGH**

Recent Developments

- Growing polarization among global powers such as the US, China, and Russia.
- Nationalistic trends in Indian domestic politics, especially in the run-up to the 2024 general elections.
- An increase in diplomatic personnel with specialized mediation skills.

Historical Context

- India has maintained a largely non-aligned foreign policy.
- Domestic politics have historically had an influence on India's international role.
- Economic stability has been viewed as a prerequisite for international mediation.

Major Hurdles

- Striking a balance between maintaining geopolitical neutrality and effective mediation.
- Aligning India's evolving domestic political climate with its international aspirations.
- Limited economic resources to leverage in diplomatic negotiations.

Potential Outcomes

- A loss of trust among major global players could limit India's mediation effectiveness.
- Potential internal political repercussions if nationalist sentiments conflict with mediation roles.
- Limited impact in global economic mediation due to economic constraints.

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