

Key Thrusts of India's G20 Presidency: Climate Finance and Digital Payments

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Summary

India assumes the G20 presidency at an exceptionally challenging time. Nonetheless, it is expected to uphold concerns of the 'Global South'. Ensuring access to finance to fight climate change and enhance cross-border digital payments can be its major policy thrusts.

India assumed the presidency of the G20 with effect from 1 December 2022. It takes over the mantle from Indonesia. The 18th Heads of Summit of the G20 member countries will take place in India next year.

The G20 was formed in 1999 to strengthen global financial coordination in the wake of the Asian financial crisis. For a decade thereafter, it functioned as an international economic policy coordination and management forum. After the global financial crisis of 2008, it was elevated to include annual meetings of its heads of states under a rotating presidency system.

Since 2009, the G20 has had annual summits involving the heads of states. It is now the world's most significant and influential economic group. [Its members](#) account for more than four-fifth of the world economy, three-fourth of global trade and two-third of the global population.

India assumes presidency of the group at an exceptionally challenging time. The global geopolitical environment is highly fragile. Sharp escalation in United States (US)-China tensions has set in motion growth of country coalitions around the US-China division. Members within the G20 have been experiencing the tensions and have exercised their preferences in picking coalitions. These coalitions make the G20's decision-making process tenuous and contestable. Current geopolitical complexities accentuate from the prolongation of the conflict between Russia and Ukraine. This, again, is a further point of contention among the G20 members.

The last [Bali summit](#) of the G20 was able to reach a summary set of policy agenda conclusions despite the ongoing Ukraine-Russia conflict. The G20 community's diplomatic dexterity will be tested again in the upcoming summit at India if the conflict persists.

Beyond geopolitics, there is impending gloom over global macroeconomic conditions. A combination of irreversible pressures attributable to the historically high prices, arising from broken supply chains and the inflationary impact of the Ukraine crisis, coupled with stagnant incomes and shrinking jobs, raise the prospect of [large parts of the world economy contracting](#) in 2023. Weak global macroeconomic conditions can come in the way of the G20 fulfilling its existing commitments and announcing new ones.

Notwithstanding the challenges, the G20 presidency offers India the opportunity to make its own impact on global policy and rulemaking. In this regard, India is expected to implant a distinct '[Global South](#)' character to the decisions to be taken by the G20.

Developing countries, typically referred to as members of the 'Global South', are relatively limited in the G20. Only some of those developing countries that are large and influential emerging market economies are represented in the group. These include China, India, Indonesia, Brazil, Mexico, Saudi Arabia, Argentina and Turkey.

Developing country members of the G20 assume the group's presidency for three successive years. India succeeded Indonesia as the president and will, in turn, be succeeded by Brazil in 2024.

India will be focusing hard on getting the G20 to act and deliver on issues that are not just global concerns but proportionally greater concerns for the 'Global South'. The emphasis on managing the adverse outcomes of climate change is going to be significant in this regard.

India has been a persistent demander of greater 'burden sharing' by the developed countries, specifically in terms of financial support, to countries that are economically constrained to fight climate change and transition to sustainable standards of living.

The recently concluded [COP27 announced a 'loss and damage fund'](#) specifically to support vulnerable countries with limited resources to fight climate change. Carrying this forward, under India's presidency, the emphasis on more effective targetting of financials to support clean economy is expected to be reaffirmed at the G20.

It is interesting to note that India's assumption of the presidency was followed by the Reserve Bank of India's announcement of plans to pilot test the retail use of the [sovereign digital rupee](#). With the digitalisation of global cross-border payments picking up speed, India's efforts to expand the use of the digital rupee should be accompanied by its initiative to encourage similar efforts within the G20 for seamless cross-border digital payments within the group.

Securing enabling conditions for sustaining a stable and resilient global environment and expediting speedier adoption of interoperable cross-border sovereign digital currencies are expected to be two of India's major thrusts during its G20 presidency. Both are significant priorities of the 'Global South' – a theme expected to resonate strongly during India's presidency.

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