The 2022 G20 Summit
Another step towards recovery or a growing rift?

SUMMARY
The 2022 G20 Summit, to be held in Bali, Indonesia, on 15 and 16 November, will bring together the major economies' leaders in a physical meeting for the first time since the pandemic began, providing opportunities to hold informal bilateral meetings in the margins of the summit (last year, the leaders of Russia, Japan, Mexico and China chose not to attend in person). In preparation for the summit, the Indonesian Presidency has focused on three interconnected pillars, namely the global health architecture, the sustainable energy transition, and digital transformation, to secure a sustainable future while driving digital innovation. To achieve this aim, it has highlighted the need for further reforms in global taxation, stronger cooperation on fighting corruption, deeper infrastructure financing, and more democratic and representative international cooperation.

Its informal nature makes the G20 a vital global platform, as it brings together the leaders of all the major developed and emerging economies, regardless of their political systems. In a global context characterised by growing rifts between the major geopolitical powers, the 2022 summit could present an opportunity to show how committed countries still are to multilateral rules and cooperation, but also how much trust remains to sustain the G20's customary voluntary commitments. This, however, will be difficult to achieve this year in particular. As a sign of the growing rift between the US and EU on one hand and Russia and China on the other, most of the ministerial meetings in the run-up to the summit failed to issue communiqués, despite most members agreeing broadly on what needs to be done.

For the EU, the summit is traditionally an opportunity to reaffirm the EU's unabatedly strong support for multilateralism, which has been put to the test by the Russian invasion of Ukraine.

This briefing draws on a previous one, on the 2021 G20 summit, by Ionel Zamfir.

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Background

The G20 is an international forum for economic cooperation on key issues on the global economic and financial agenda. Its members are Argentina (AR), Australia (AU), Brazil (BR), Canada (CA), China (CN), France (FR), Germany (DE), India (IN), Indonesia (ID), Italy (IT), Japan (JP), South Korea (KR), Mexico (MX), Russia (RU), Saudi Arabia (SA), South Africa (ZA), Turkey (TR), the United Kingdom (UK), the United States (US) and the European Union (EU). It was launched in 1999 at the level of finance ministers and central bank governors and then upgraded to include a summit of the leaders of member countries in 2008, in the wake of the financial crisis. The G20 response to the financial crisis, which included financial supervisory and prudential rules, as well as a massive stimulus, was hailed as having been highly effective in averting a global depression. Since then, the G20 agenda has expanded beyond macro-financial issues to include issues such as refugees, terrorism, climate, health and development.

The G20 (see Figure 1) is an inclusive group designed to represent through its membership both advanced and emerging economies from all regions of the world, irrespective of their political regime. Most of the members are among the largest 20 economies in the world, but not all (e.g. South Africa – the only African member – is not). The G20 members account for more than 80% of world gross domestic product (GDP), 75% of global trade and 60% of the world’s population. By comparison, the G7 countries, an alliance of the largest liberal democratic economies, account for slightly over half of nominal world GDP and this percentage has been steadily declining over recent decades. There are major disparities between G20 members in terms of GDP, population and wealth (see Figure 2). For example, the four largest members in economic terms – China, US, the EU, and Japan – alone represent two thirds of global GDP. In demographic terms, India and China alone make up more than half of the group’s population.

Figure 1 – G20 and G7 member states

Source: EPRS.

The G20 remains an informal forum, without international legal representation. Its presidency rotates every year between the member states. The state holding the presidency establishes its priorities and the agendas for the various meetings. G20 activities include the annual meetings of
heads of state or government (the ‘summits’), and regular meetings of finance ministers, central bank governors and sherpas (personal representatives of countries’ leaders). There are also meetings of ministers from various sectors, and of various stakeholders (referred to as engagement groups), such as business groups, labour unions, women’s groups and civil society organisations.

The involvement of civil society in the G20 summits has broadened over the years. G20 engagement groups bring together relevant stakeholders to discuss topics and draft recommendations relating to various issues. Under the 2022 Indonesian Presidency, a new engagement group (‘Supreme Audit Institutions’) was created and the following engagement groups have also met: ‘Parliamentary Speakers’, ‘Business’, ‘Think’ (leading think-tanks and research centres), ‘Women’, ‘Youth’, ‘Labour’ (trade union leaders), ‘Urban’ (made up of 25 cities from within the G20 countries), ‘Civil’ (open civil society community), and ‘Science’ (academies of science of the G20).

The Bali Summit is the first in a series of Global South G20 presidencies: in 2023, the G20 presidency will pass to India, then Brazil in 2024, and finally to South Africa in 2025.

Figure 2 – G20 countries: Total GDP, GDP per capita and population in 2022

Data source: International Monetary Fund, World Economic Outlook Database: October 2022.

Challenges and outlook for the G20

As an informal group seeking commonly agreed solutions to worldwide problems, solutions that are implemented through voluntary commitments, the G20 requires mutual trust between its members. The group is thus inevitably affected by current geopolitical tensions between major powers and between different political regimes. In a global geopolitical environment that many experts, and also ordinary citizens in Europe, believe may be the start of a possible new cold war between the US and EU on one hand and their main geostrategic rivals Russia and China on the other, there were hopes that the G20 could emerge as the forum best suited to easing tensions and
building trust between advanced and developing economies, as well as between more and less
democratic regimes. The group is already playing a key role in boosting coordination between the
major powers on global public health, climate change and developing country debt, beyond the
areas where it has already proved its worth, such as finance and concerted macroeconomic action.

The need to mount a response to the pandemic similar to that proposed by the G20 during the 2008
financial crisis has been highlighted repeatedly. In May 2021, the *Financial Times* editorial board
considered the group 'the closest we have to a world government', and the forum best placed to
address the immediate challenges of the pandemic, but also to ensure a sustainable economic
recovery. Following its performance in 2020, however, the group was criticised for not mounting an
effective enough response to the pandemic and its economic impact. Both the *International
Monetary Fund* (IMF) and the *Elders*, an informal independent group of former global leaders, called
on the G20 to use the opportunity for its members to revitalise the multilateral system, demonstrate
shared responsibility and address the suffering and hardship faced by millions of people.

To rise to this challenge, experts point to different potential ways to improve the way the G20 works.
One idea raised in the past is the creation of a permanent secretariat. Another relates to the fact that,
despite their political weight, it is still too early to consider G20 commitment implementation as
legally binding international custom. This could change in the coming years. Another point is that,
given that the group includes all the major trading nations, it could increase multilateral trade
cooperation and support the World Trade Organization. More recently, Colin I. Bradford from the
Brookings Institution argued that to equip it to deal better with geopolitical tensions, the G20
summit should broaden its agenda and also address 'selective strategic and political security issues
and … include foreign and defence ministers and officials in some G-20 processes'.

**European Union in the G20**

The EU is a full member of the G20 alongside three of its Member States: France, Germany and Italy,
while Spain is a permanent guest at G20 meetings (observer). The EU-27 has the third largest
population among the G20 members, and the second largest share of nominal world GDP – 18.6 %
(in 2018, with the UK) after the US, although this has declined significantly from 25.6 % in 2008. EU
Commissioners participate directly in meetings of the various configurations during the year. The
EU is represented jointly at summits by the presidents of the European Commission and the
European Council. Unlike other members, however, the EU does not hold the rotating presidency
and does not host summits. Nevertheless, EU Member States increasingly coordinate before G20
summits, and political positions to be taken are usually presented at a pre-summit press conference.

The EU remains strongly committed to multilateralism. Intensifying cooperation with the G20 was
among the priorities established by the 2019 Council conclusions on *EU action to strengthen rules-
based multilateralism*. The February 2021 joint communication by the Commission and the High
Representative on strengthening the EU's contribution to rules-based multilateralism underlined
that 'the EU will further strengthen its role and influence in informal multilateral fora such as the G20
and the G7' and that it is committed to the work under G20-OECD framework on finding a global
solution to digital taxation. The communication stated that the immediate priority for these two
forums should be to ensure 'strong global economic and health policy coordination' to drive a
sustainable recovery. Nevertheless, the EU position is not set in stone. Indeed, following the Russian
invasion of Ukraine and the annexation of Crimea in 2014, Russia was suspended from the G8 forum.

**European Parliament role and positions**

In its resolution of 7 April 2022 on the conclusions of the European Council meeting of
24-25 March 2022, including the latest developments in the war against Ukraine and on EU
sanctions against Russia and their implementation, Parliament called on EU leaders and the leaders
of other states to exclude Russia from the G20 and other multilateral cooperative organisations, eg.
the UN Human Rights Council, Interpol, the World Trade Organization, UNESCO and others, to send
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a strong signal that the international community would not allow business as usual with the aggressor state.

During its 19 October 2022 plenary session, Parliament held a debate on global food security, as a follow-up to the G20 agriculture ministers’ meeting.

Lastly, in its resolution of 20 October 2022 on the 2022 UN Climate Change Conference (UNCCC) in Sharm El-Sheikh, Egypt (COP27), Parliament strongly urged all parties to the UNFCCC to increase their nationally determined contributions by COP27 in order to close the ambition gap, and to align their policies to a pathway compatible with this ambition. It called on the EU and all G20 nations to show global leadership in this regard.

In addition to adopting positions relevant to the G20 and its topics, the European Parliament participates, through its Members, in events of the forum. In this context, in October 2022, European Parliament Vice-President Nicola Beer took part in the Parliamentary Speakers’ Summit (P20), a forum attended by G20 countries’ parliament speakers that aims to bring a parliamentary dimension to global governance, raising awareness of and building political support for international commitments and helping to make sure that these are translated effectively into national realities.

Indonesia’s 2022 Presidency and the Bali Summit

The Indonesian government defined three pillars for its G20 presidency in 2022, Global Health Architecture, Sustainable Energy Transition and Digital Transformation, with a view to building a sustainable future while focusing on digital innovation. Under these three broad, interconnected pillars of action, the G20 should seek to ensure equitable access to COVID-19 vaccines, and promote sustainable and inclusive economic development through the participation of micro- and small and medium-sized enterprises and the growth of digital economy. The Indonesian presidency set as a major objective that of securing shared prosperity among nations. To achieve this, it recognised the need for further global taxation reform, stronger cooperation on fighting corruption, deeper infrastructure financing, and more democratic and representative international cooperation.

In the run-up to the summit, the Indonesian presidency has organised high-level meetings (including between ministers and central bank governors) in specific areas, including finance, audit, digital economy, environment and climate, education, energy transition, trade, investment and industry, and agriculture. There has also been a conference on female empowerment.

Priorities in 2022 and issues to be discussed at the summit

Global health architecture

In October 2021, the G20 leaders agreed that financing for pandemic preparedness, prevention, and response (PPR) had to become adequate, more sustainable, and better coordinated by exploring new financing mechanisms. In that context, the G20 Joint Finance and Health Task Force was set up to investigate possible avenues. It reported to the joint finance and health ministers’ meeting, which convened for the first time in June 2022. The G20 finance and health ministers expressed support for a standing, scalable G20 collaboration model (a finance and health coordination platform) that can be gradually and selectively broadened beyond the G20 membership. Moreover, the ministers agreed on the need for a new multilateral financing mechanism dedicated to addressing pandemic PPR financing gaps. In that context, the World Bank Board of Directors approved the establishment of a Financial Intermediary Fund (FIF) for PPR on June 30, 2022. The FIF was established by the FIF Governing Board at its inaugural meeting on 8 September 2022. In preparation for the FIF’s establishment, the EU had facilitated a hybrid donor meeting in Brussels on in July 2022.

Digital transformation

The digital economy ministers’ meeting (DEMM) took place in Bali on 1 September 2022. The ministers emphasised the importance of fostering international cooperation for a more inclusive
and sustainable digital transformation (through digital skills and digital literacy) to help to achieve post-COVID-19 recovery. In that context, they also stressed the importance of enabling the free flow of data, also across borders. In the context of the Russian invasion of Ukraine, however, no consensus was reached for the DEMM to issue a ministerial declaration (Bali package), although it was noted that ministers did reach a broad consensus on all the substantive issues tabled by the relevant working group.

**Sustainable energy transition**

G20 countries are responsible for 81% of the world’s greenhouse gas emissions (as of 2018), and provide substantial support for fossil fuels (with subsidies totalling US$3.3 trillion in the 2015-2021 period, and decreasing only very slowly). According to the 2022 *Climate Transparency Report*, following a drop in subsidies in 2020, the rebound of consumption levels, combined with rising oil and gas prices resulting from the escalation in energy prices late in 2021, led to a large increase in fossil fuel subsidies in 2021 (US$190 billion), including the highest level of support to producers ever tracked by the OECD, at US$64 billion, partly reflecting the attempt to compensate for their losses due to low oil prices and levels of consumption during the pandemic. Moreover, the report notes that those historically high subsidy levels are likely to continue in 2022 due to increased support to consumers through energy price caps in Europe.

The G20 energy ministers, who met on 2 September, endorsed the Bali Compact (the G20 framework that sets out voluntary principles for energy transitions). Their discussions focused on three priority areas – securing energy accessibility, scaling-up of smart and clean technologies and advancing energy financing – where they made several important commitments, including achieving the goals of the 2030 Agenda for Sustainable Development, strengthening cooperative action on technology development and transfer and promoting clean energy investment and financial flows.

The G20 environment ministers noted in a meeting that took place on 31 August 2022, that there is broad agreement on several issues concerning the environment and climate sustainability. Moreover, they held an exchange of views on a wide range of issues related to land degradation, biodiversity conservation, integrated and sustainable water management, resource efficiency and circular economy, marine litter, ocean conservation, sustainable finance, climate mitigation and adaptation as well as means of implementation. However, they failed to agree a joint communiqué, amid objections over language used on climate targets (expressed by some countries, including China) and references to the Russian invasion of Ukraine.

**Food security**

The first Indonesian presidency meeting of G20 finance ministers and agriculture ministers was held on 11 October 2022. Members expressed concerns that, since 2020, risks to food security and nutrition around the world have risen owing to the pandemic and extreme weather events. Some also blamed Russia’s invasion of Ukraine for exacerbating global food insecurity. In this context, recent IMF research estimated that the food and fertiliser price shock would add US$9 billion in 2022 and 2023 to the import bills of the 48 worst affected countries. Moreover, the budgetary cost of protecting vulnerable households in these countries would total US$5-7 billion. Some feared that Russian President Vladimir Putin might use the secure Black Sea grain corridor deal as leverage during the summit. Russia’s decision to suspend its participation in the deal in late October, only to rejoin four days later, lends credence to this fear. Members also noted with alarm the situation of vulnerable groups across the world. Members welcomed several ongoing initiatives to address food insecurity, including the World Bank Group’s US$30 billion food security response and US$6 billion global platform for private sector intervention; the IMF’s Food Shock Window; the Asian Development Bank’s US$14 billion ambition for addressing food insecurity and the Islamic Development Bank’s US$10.5 billion food security response programme.
Inflation

In its G20 surveillance note, published in July 2022, the IMF noted that the global trend towards slower growth and elevated inflation has continued. It highlighted as key drivers of inflation high total demand, lingering supply-chain disruptions caused partly by China’s zero-COVID policy and the sustained increase in energy and food prices in the context of Russia’s invasion of Ukraine. Those challenges from inflation and weaker growth come on top of already gloomy projections and could jeopardise the recovery and further damage living standards. In that context, the IMF advocated monetary policy measures to curb inflation, accompanied by prudent fiscal measures to support the poor and vulnerable. Nonetheless, the meeting of the finance ministers and central bank governors in July 2022 again ended without the release of a joint communiqué.

Taxation

Last year’s G20 endorsed a proposal on a global corporate tax in the form of a joint initiative with the OECD. The agreement reached was structured around two pillars: the first aims to ensure fairer distribution of profits and taxing rights among countries with respect to multinational enterprises with a global turnover above €20 billion and a profitability ratio (profit before tax/revenue) of over 10%; the second seeks to introduce a global minimum corporate tax rate of 15%. In their latest (fourth) meeting, finance ministers and central bank governors welcomed the progress on both pillars, reaffirmed their commitment to strengthen the tax and development agenda and welcomed the signing of the Asia Initiative Bali Declaration as a call to enhance the use of tax transparency for sustainable domestic resource mobilisation in the region.

Sovereign debt

Managing future sovereign debt challenges by adapting the international debt architecture is another key issue. The UN Development Programme has warned that 54 developing economies, accounting for more than half the world’s poorest people, need urgent debt relief to avert major systemic development crisis. During their October 2022 meeting, finance ministers and central bank governors expressed concern at the debt situation in several developing countries and renewed their commitment to step up efforts to implement the Common Framework agreed in 2021.

However, despite high expectations, the Common Framework has yet to deliver, as only Zambia, Chad and Ethiopia have agreed to use it and none of them has yet completed its restructuring negotiations. Among the many challenges relative to its adoption, a key factor identified that weakens the pre-existing arrangements for sovereign debt renegotiation has been the lack of transparency regarding the scale and terms of outstanding debt obligations. In that context, many point to China, who has provided considerable lending to those countries, but whose institutions do not provide consistent or complete data reporting on their lending. To overcome these challenges, the Sovereign Debt Working Group of the Bretton Woods Committee proposed to work on data transparency (including agreement on data sources), but also on procedural transparency. Nevertheless, even if the aforementioned challenges are overcome and the Common Framework is adopted more widely, it applies only to low-income countries, and does not encompass other higher-income countries, such as Sri Lanka, who have recently gone (or who may go in the future) through crises. Lastly, private creditor participation in restructuring frameworks is key, given that they hold an important share of lower income countries’ debt. However, contrary to public creditors, private creditors suspended a very small percentage of payments during the pandemic.

Tensions expected at this year’s summit

In contrast to last year, given the current geopolitical and economic tensions (US – China, US and EU – Russia), the majority of preparatory ministerial meetings did not lead to communiqués, mirroring the growing divide that separates some members of the group from the rest. Furthermore, just days before the summit, it is not clear whether some of the participants will attend in person or virtually. Russian President Vladimir Putin announced only a few days ago that he will not come in
person, but will be represented by his foreign minister, Sergei Lavrov. Neither is it clear whether the leaders will meet on the margins of the summit, although the presidents of China and the US, Xi Jinping and Joe Biden, have announced that they will hold their first in-person presidential meeting on the sidelines. Putin, Xi Jinping and Indian Prime Minister Narendra Modi did not attend the climate summit (COP27) organised earlier this month in Egypt.

These tensions reflect, in part, the personal situations of the leaders in question. Russia has been under sanctions from the Western community for invading Ukraine, and there were even calls early in the year to suspend the country’s G20 membership. Xi will be arriving at the summit having secured an unprecedented third five-year term, concentrating power to a degree not seen since the days of Mao Zedong and Deng Xiaoping. Biden will meanwhile arrive in Bali in a stronger position than most anticipated, the Democrats having outperformed expectations in this year’s mid-term elections.

Outlook

The G20 was created following the 2008-2009 global financial crisis and has gained in scope and significance over the years. However, Yose Rizal Damuri from the Center for Strategic and International Studies notes that when the time came to deal with the next global crisis (COVID-19), the Group fell short in fostering the necessary cooperation. This year, a similar lack of coordination has been observed, with the absence of communiqués from many of the G20 ministerial configurations and possibly even from the forthcoming leaders’ summit.

This trend is not isolated to the G20. A similar lack of coordination was observed in the spring 2022 World Bank–IMF meeting, and can also be seen from the absence of several leaders from the ongoing COP27 meetings in Egypt, despite the recent UN Environment Programme Emissions Gap Report noting that countries are not doing enough to limit future warming. In that context, Damuri notes that the success of Indonesia should not be measured in official documents signed, but by the group being kept together and the agenda retained, despite growing rifts. He notes that the presidency’s main objective during the meeting should be to focus on the priorities it set, to underscore the importance of cooperation and to coordinate with the incoming Indian Presidency. Carola Ramón from the Argentine Council for International Relations notes that, in the context of the upcoming Global South presidencies, it is important to shift the focus to issues that matter to developing countries, to create a more balanced G20 agenda, based on economic, social, and environmental pillars.