The 2023 G20 Summit
A deepening rift heralding an uncertain future

SUMMARY
The 2023 G20 Summit will take place in New Delhi, India, on 9 and 10 September. In preparation for the summit, the G20 Presidency has focused on six priorities consistent with those of the G7, namely green development, inclusive growth, progress on the United Nations sustainable development goals (SDGs), technological transformation, multilateral institutions for the 21st century, and women-led development.

The G20’s informal nature makes it a vital global platform, gathering the leaders of all major developed and emerging economies, regardless of their political systems. For the EU, the summit is traditionally an opportunity to reaffirm its strong support for multilateralism and call for action to resolve important and/or urgent issues. A recent example is the letter sent by the EU’s High Representative for Foreign Affairs and Security Policy (HR/VP), Josep Borrell, following Russia’s withdrawal from the Black Sea Grain Deal, asking his counterparts to join in placing pressure on Russia to return to the deal, given its importance for many developing countries.

While the outcomes of recent summits have not been as clear-cut and unanimous as in previous crises (e.g. 2008), experts maintain that the G20 can still serve as a forum to manage strategic rivalries and global challenges. In this context, major (Brazil and India) and rising middle powers (Argentina, Indonesia, Mexico, Saudi Arabia, South Africa and Turkey) in the group play an increasingly important role. Their contribution to the final declaration condemning the war in Ukraine underlined this in 2022, as well as the inclusion of several topics which are important to emerging economies, such as the need to address food insecurity, reinforce pandemic prevention, preparedness, and response, increase access to education, and strengthen the development agenda. At the same time, this should be considered in the light of China and Russia’s leaders’ decision not to attend the 2023 summit, which, coupled with the envisioned expansion of the BRICS group, can be seen as a desire from part of the China/Russia axis to dilute the G20’s importance.

This briefing draws on a previous edition, on the 2022 G20 summit, by Angelos Delivorias.
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). Launched in 1999, at finance minister and central bank governor level after the Asian financial crisis, it was subsequently upgraded following the 2007-2008 global financial crisis to include a summit of the leaders of member countries. The G20 response to the financial crisis, which included financial supervisory and prudential rules, as well as a massive stimulus, was hailed as highly effective in averting global depression. Since then, the G20 agenda has expanded beyond macro-financial matters to include issues such as refugee movements, terrorism, climate, health and development.

Figure 1 – G20 and G7 member states

Source: EPRS.

The G20 (see Figure 1) is an inclusive group designed to represent both advanced and emerging economies from all regions of the world through its membership, irrespective of their political regime. Most of the members feature among the largest 20 economies in the world – but not all (e.g. the only African member, South Africa – is not). The G20 members account for more than 85% of world gross domestic product (GDP), over 75% of global trade and 60% of the world’s population (see Figure 2). In comparison, the G7 countries, an alliance of the largest liberal democratic economies, account for slightly over half of nominal world GDP. This percentage has declined steadily in recent decades. Major disparities exist between G20 members in terms of GDP, population and wealth (see Figure 3). For example, the four largest members in economic terms – China, the 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.
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 meeting agendas. These 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). Ministers from several sectors, and various stakeholders (referred to as engagement groups), such as business groups, labour unions, women's groups and civil society organisations, also hold meetings.

Civil society involvement in G20 summits has broadened over the years. **G20 engagement groups** gather relevant stakeholders to discuss topics and draft recommendations. Under the 2023 Indian presidency, a new engagement group (Startups) was created. The following engagement groups have also met: Parliamentary Speakers, Business, Supreme Audit Institutions (SAI), 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 (G20 members' science academies). The G20 presidency passes to Brazil in 2024, and South Africa in 2025.

### Challenges and outlook for the G20

In May 2021, slightly over two decades after the G20's creation, 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 main issue at the time, i.e. the COVID-19 pandemic, as well as to ensure a sustainable economic recovery. At the same time, as an informal group seeking commonly agreed solutions to worldwide problems, the group is inevitably affected by geopolitical tensions between major powers and different political regimes. Following the challenges posed by the pandemic, and in a global geopolitical environment widely considered to be the start of a possible new cold war between the US and the EU, on the one hand, and their main geostrategic rivals, Russia and China, on the other, there are hopes that the G20 could emerge as the best forum to ease tensions and build trust between advanced and developing economies, as well as between more and less-democratic regimes.

Indeed, there are signals that the group could potentially serve as a forum to manage strategic rivalries and global challenges. Last year's Bali Summit provided a platform for US President Biden and China's President Xi to hold a bilateral meeting. Even more importantly, despite Russian and Chinese resistance, participants agreed on a leaders' statement which deplored Russia's invasion of Ukraine and demanded its withdrawal from Ukrainian territory. Experts stressed the role of the major and rising middle powers was decisive in adopting that final declaration. While China has since backtracked on the Bali consensus, and increasingly underlines the endurance of its strategic partnership with Russia, the major and other middle powers' more active and self-confident posture could turn out to be a lasting development. Similarly, the declaration included several important topics for emerging economies, such as the need to address food insecurity, strengthen pandemic prevention, preparedness, and response, increase access to education, and strengthen the tax and development agenda. However, the Russian and Chinese leaders' decision to shun the 2023 summit suggests less space for even limited progress.

This year, India's six G20 priorities are consistent with those of the G7. They focus on green development, inclusive growth, progress on the UN SDGs, technological transformation, multilateral institutions for the 21st century, and women-led development. At the same time, this balance could be short-lived, as the expansion of BRICS announced in July 2023 could tilt the balance within the G20 (see textbox). A possible future scenario could be that those countries form a counterpart to the G7 within the G20. In another scenario, the BRICS, underpinned by a strong China-Russia-Iran axis, could end up pushing anti-

### BRICS 2023 expansion

The **BRICS group** of major emerging economies (Brazil, Russia, India, China, and South Africa) is home to 40% of the world's population which generates 26% of global GDP. In its 2023 annual leader's summit in Johannesburg, South Africa on 22-24 August, the group agreed to admit six new member countries: Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates, which will officially join the group in January 2024. The 'BRICS+6' now represents 30% of global GDP, 46% of the world population and make up one third of G20 members. In comparison: The **G7 countries** (Canada, France, Germany, Italy, Japan, the United Kingdom and the United States), account for 27% of global GDP and are home to around 10% of the world's population.
Western positions, making compromises in the G20 more difficult to reach. Following the Russian and Chinese Presidents’ decision not to attend the 2023 summit in person, there is also the possibility that some BRICS members choose to downplay the importance of the G20 and shift their focus to other groups. It is also unclear how the African Union will operate within the group, following the possible expansion of the G20 proposed by India (see below).

**Tensions expected at the 2023 G20 summit**

Tensions arising following the Russian invasion of Ukraine are hampering the smooth functioning of the group. As in 2022, given current geopolitical and economic tensions between the US and China, and between the US and EU and Russia, by mid-August 2023, a month before the leader’s summit, many preparatory ministerial meetings had not led to communiqués, (with the exception of Think, Urban, Start-up and SAI), mirroring a growing divide between G20 members. Similarly, Russia’s July 2023 withdrawal from the UN-brokered deal to export Ukrainian grain across the Black Sea was promptly condemned by several members during the G20 meeting of finance ministers and central bank governors. The main issue arises from Chinese and Russian leaders refusal to attend the New Delhi summit, seen by some as reflecting strained China-India relations. However, if the situation continues, it could downplay the role of the forum, given China’s geopolitical and geo-economic importance.

**India’s 2023 presidency and the New Delhi Summit**

Under the motto 'One Earth, One Family, One Future', the Indian G20 presidency has focused on green development, climate finance, women-led development, lifestyles for environment (LiFE), data for development, digital transformations, and reform of multilateral institutions. In the run-up to the 2023 summit, the Indian presidency has organised high-level meetings on finance, audit, digital economy, environment and climate, education, energy transition, trade, investment and industry, and agriculture and held a conference on female empowerment. In June 2023, India proposed to include the African Union (representing 55 African states) in the G20, an initiative supported both by the EU and the US, as well as by academia and think-tanks. This follows India’s organisation of a 'Voice of the Global South' summit in January 2023, attended by leaders and ministers from 47 African countries, out of a total of 125 participating countries, and the February 2023 adoption of a formal AU Summit decision to join the G20. Experts maintain that African leaders will be able to provide a greater contribution to finding multilateral solutions to global issues as G20 members, including working towards a more inclusive global financial system.

**Priorities and issues to be discussed at the 2023 summit**

**Economic context**

As last year, the G20 surveillance note from the International Monetary Fund (IMF) focuses on the importance of reducing inflation with the right monetary policy, sustained where necessary by fiscal policy. While the IMF concedes that fiscal support may be needed to protect the vulnerable from rising food prices, it specifies that such support should be targeted and temporary. Following high-profile financial institution collapses early in 2023 (SVB, Credit Suisse), the IMF also stresses the importance of monitoring and addressing risks such as interest rates. In the context of deteriorating US-China relations, as well as the necessary steps towards a green transition, the IMF is of the view that industrial policies should be carefully designed to limit distortions and adverse spillovers.

Under the priority to strengthen multilateral development banks (MDBs) to address 21st century global challenges, G20 members recognised the urgent need to strengthen and develop them. In July 2023, G20 members also endorsed a 'Roadmap for Implementation of Recommendations of the G20 Independent Review of MDBs’ Capital Adequacy Frameworks’. For the future, a report published in July 2023 by the G20 Independent Expert Group on Strengthening MDBs suggested that they: (i) adopt a triple mandate of eliminating extreme poverty, boosting shared prosperity, and
contributing to global public goods; (ii) provide an incremental US$260 billion of the additional annual official financing (including US$200 billion in non-concessional lending), and help mobilise and catalyse most of the associated private finance by 2030; and (iii) create a third funding mechanism (a 'Global Challenges Funding Mechanism'), which would permit flexible and innovative arrangements for engaging with investors willing to support elements of the MDB agenda. G20 members also proposed a general capital increase.

Data for development

 Ahead of the G20 Leaders' Summit in Bali in November 2022, India pledged that the principle of 'data for development' would be integral to its presidency. In a recent briefing, Anirban Sarma and Debosmita Sarkar of the Observer Research Foundation (ORF) note that the data landscape remains highly uneven across the G20, with some countries doing better than others in leveraging data. The experts identify three main obstacles to current efforts in the area: (i) data divides between and within countries; (ii) data privacy, security, interoperability, and sharing issues; and (iii) the need for greater technical and institutional capacity. Following working group meetings earlier in 2023, delegates adopted high-level principles on harnessing data for development to accelerate progress on the SDGs. These include enhancing high-quality data and sustainable data infrastructure, capacity building, increased financing, bridging digital divides, and increased collaboration and multi-level stakeholder partnerships.

Digital transformations

The Indian presidency has brought the Digital Public Infrastructure (DPI) agenda into the G20 discussions. Members acknowledged the transformative role of DPI in rapidly advancing financial inclusion and productivity gains. Ministers and governors have lauded India’s pioneering efforts in leveraging DPIs to accelerate financial inclusion. While noting that harnessing DPIs can help countries to leapfrog their development trajectories, G20 members unanimously endorsed policy recommendations for 'Advancing Financial Inclusion and Productivity Gains through Digital Public Infrastructure'. Another presidency priority was the macroeconomic and financial implications of crypto assets. Following IMF and Financial Stability Board (FSB) papers, G20 members welcomed the FSB high-level recommendations on crypto-asset activities and global stablecoin arrangements.

Women-led development

Gender equality is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous and sustainable world. Gender discrimination, sexual and gender-based violence, a lack of supportive policy and structural support, pre-defined harmful social biases, negative social norms, discriminatory laws or lack of law enforcement, under-representation in leadership positions, as well as lack of access to and control over resources in many countries still prevent women and girls from enjoying their human rights and reaching their full potential. The social and economic fallout from the COVID-19 pandemic exacerbates this situation. Progress in many areas, including time spent on unpaid care and domestic work, decision-making regarding sexual and reproductive health, and gender-responsive budgeting, is falling behind. In that context, participants at the G20 conference on women’s empowerment encouraged all G20 working groups dealing with gender issues to focus on: (i) education as a pathway to women’s empowerment; (ii) women’s entrepreneurship; (iii) promotion of women’s leadership at all levels; and (iv) the role of women in climate action.

Labour and employment

Technological advances, the uneven COVID-19 pandemic response and the cost-of-living crisis, as well as the effects of climate change and demographic shifts are affecting skills needs and exacerbating skill mismatches globally. The changing patterns of work (including the growth of platform and gig economy), as well as the persistence of informal and precarious work exacerbate the vulnerability of a part of the working population. This highlights the need to address significant social protection gaps (unemployment insurance and job retention schemes, sickness benefits and
The 2023 G20 Summit

health protection) for those parts of the working population. More broadly, however, while the pandemic highlighted the importance of adequately funded social protection (especially health services), there are significant differences between countries, even between G20 members: while some have achieved universal or near-universal coverage in different branches of social protection, others are lagging behind (with up to 17% of GDP in additional resources to achieve it). Following several meetings, the G20 Labour and Employment Ministers adopted three policy priority documents. With the first ('strategies to address skill gaps globally'), members commit to working towards improving data collection and assessment of skills gaps in G20 countries as well as developing an international reference classification of occupations by skill and qualification requirements. The second is a set of principles to ensure 'adequate and sustainable social protection and decent work for gig and platform workers'. With the latter document, G20 members endorse policy options (e.g. adequate budget spending, mix of contributory and non-contributory measures) to develop 'sustainable financing of social protection', according to each member's national context.

Environment and the green transition

The G20 economies incorporate nearly two-thirds of the world's population and land area, 82% of GDP and are responsible for 80% of global CO2 emissions. In addition, they dominate the 'green race' for environmental competitiveness and innovation in key global industries (e.g. motor vehicles, engines and turbines, batteries, electricity generation and distribution). In this context, they are central to the solution to the green transition, necessary to counter climate change. Participants in the G20 energy transitions working group therefore highlighted the importance of developing and widely adopting both existing and emerging clean technologies, such as carbon capture utilisation and storage (CCUS), green and low carbon hydrogen and its derivatives, biofuels, small and modular reactors. Moreover, the participants recognised that technology cooperation and collaborative investment are vital to advancing these initiatives. At the same time, reported disagreements between Western countries on one hand and a group that included China and Saudi Arabia, among others, resulted in officials issuing an outcome statement instead of a joint communiqué.

According to the UN Environment Programme's Adaptation Gap Report, even though 84% of the parties to the UN Framework Convention on Climate Change had developed adaptation plans and policy frameworks ahead of COP26, these plans may not be effective without sufficient investment. Furthermore, investment needs and power vary significantly between states, with many of those facing the impact of climate change more acutely also being less capable of investing significant amounts for disaster prevention and the green transition. Participants in the sustainable finance working group therefore discussed developing financial instruments to support private capital for investment in green and low-carbon technologies. In addition, to finance for achieving the UN SDGs and climate change mitigation, participants focused on financial instruments for social impact investment. Lastly, the Indian presidency also focused on the importance of individual changes to consumption, following Prime Minister Narendra Modi's LiFE – Lifestyle for Environment 2021 movement, which encourages individual and collective action on environmental preservation.

Corruption

The working group on corruption adopted three sets of high-level principles: on promoting integrity and effectiveness of public bodies and authorities responsible for preventing and combating corruption, on strengthening asset recovery mechanisms for combatting corruption and on strengthening law enforcement related international cooperation and information sharing.

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 (as an observer). The EU-27 has the third largest population among the G20 members, and the third largest share of nominal world GDP after the US
and China. 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 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’. It is committed to work under the G20-OECD framework to find a global solution to digital taxation. Apart from broad communications, however, the EU has adopted several initiatives to upgrade its relations with critical G20 regions. In 2021, for example, it launched its Indo-Pacific Strategy to strengthen relations with the region. African Union and EU leaders endorsed a ‘Joint Vision for 2030’, strengthening the EU-Africa partnership. Following an eight-year hiatus, a Summit with the leaders of Latin America and the Caribbean took place in July 2023 in Brussels. Considerable EU efforts are under way to allow for the implementation of the draft trade agreement with the Mercosur countries (Argentina, Brazil, Paraguay, and Uruguay). Negotiations on the EU’s new Partnership Agreement with 79 African, Caribbean, and Pacific countries were unblocked by the Council on 20 July 2023. In July, Thierry Breton, the EU Commissioner for the Internal Market, visited Korea and Japan to further strengthen the EU’s cooperation with those G20 states in the chips, 5G, quantum and cyber sectors. Lastly, in addition to the EU-India FTA currently being negotiated, the EU and India launched a Trade and Technology Council (TTC), following on the steps of the EU-US TTC. Experts suggest that, in addition to the above, the EU should adopt an EU ‘strategy for engagement’ to contribute to the preparation of the UN Summit of the Future in 2024, which will aim to revitalise multilateralism. Such discussions could build on the set of recommendations recently presented by the High-Level Advisory Board on Effective Multilateralism, established by the UN Secretary-General to assist UN member states in preparing for the Summit of the Future.

While the EU is actively engaged in long-term initiatives to strengthen its ties with the rest of the world, it does not shy away from using multilateral platforms such as the G20 to voice its concerns and seek solutions to urgent problems. For example, after Russia’s decision to exit the Black Sea Grain Initiative in July 2023, Josep Borrell wrote to G20 ministers urging them to help the EU persuade Russia to reopen the main Ukrainian grain export route to Africa and the Middle East.

Ahead of the summit, European Council President Charles Michel stressed the position of the EU with regard to the Russian invasion of Ukraine (including Russia’s departure from the Black Sea Initiative) as well as on some of the aforementioned topics, including multilateral development bank reform, climate change, just transition and financial inclusion.

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