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Edited by Parthasarathi Shome  
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# The G20 Development Agenda

## An Indian Perspective

EDITED BY  
**PARTHASARATHI SHOME**



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## Preface

The Group of 20 nations (G20) continues to be the premier forum for global economic governance with its relative success in containing the deleterious aftermath of the global economic crisis of 2008–09. In 2010, there was an upturn experienced at a wider macro level if not at an individual economy level for which a more fundamental restructuring of the global economy would be required than was actually reached. The G20's achievement was, nevertheless, to bring together developed and emerging economies and initiate a series of macro-economic and financial sector reforms as the crisis originated from that sector, and be able to coordinate to an observable extent the policies that the members would take for cross-country stabilization.

As the global economy recovered in 2010, the G20 began expanding its brief to include a development agenda, in particular, achieving food security in an environment of commodity price volatility, recycling global savings to boost infrastructure investment, enhancing international burden sharing, and energy and environmental sustainability. Thus, the G20 embarked on a strategy to broaden its agenda that had included global macroeconomic coordination together with financial sector reforms and regulation and the reform of international financial institutions, to also include a list of development agenda pillars together with energy security and environmental sustainability. During the concerned period, India's position was that of a growing emerging economy of significant size that came off relatively unscathed by the crisis despite extensive opening up of its economy to international trade. It was well placed to influence the G20 in its functioning as a global steering entity.

A recent volume edited by Shome (2014)<sup>1</sup> has examined emerging economy concerns and perspectives on reforms of the financial sector and the international monetary system, with a focus on India, set in the context of G20 reform initiatives and impasses. With this backdrop, this new volume

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<sup>1</sup> Shome, Parthasarathi (edited). 2014. *The G20 Macroeconomic Agenda: India and the Emerging Economies*, Cambridge University Press, New Delhi.

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assesses the progress as well as unresolved concerns of the G20's development agenda, with a focus on India. The volume is a collection of essays covering important aspects of the G20's development agenda, with an introductory chapter that addresses the evolution of the G20 and its subsequent inclusion of a development agenda and brings together selected development concerns, touching upon component aspects.

The G20's concerns are varied and constantly changing, thus providing rich ground to present and analyse them. Section 2 addresses the issue of commodity market policy for food security and explores the role of financialization of commodities, both in the international and Indian context. The section also examines the matter of recycling global surpluses to finance infrastructure investment in emerging economies. Coexistence of a persistent gap in infrastructure investment in some countries *pari passu* with excessive savings elsewhere, represents a serious drawback in converting savings into investment at a global level. However, profitable recycling of global savings is inhibited by considerable maturity mismatch risks and several alternatives to effectively manage the mismatch risk are explored. Given the G20's development initiatives, India's role in international burden sharing is discussed. And the section also addresses the prevailing structural impediments to India's growth prospects.

This is followed by energy security and environmental sustainability that have been added to the G20's emerging agenda. Section 3 discusses global initiatives on climate change and adaptation financing in the context of equity and economic efficiency. It explores the cost and benefit of energy subsidies as the intent and impact vary substantially among G20 members. The OECD countries provide subsidies to ensure regional employment and energy-supply security, while emerging economies aim at managing the price of basic goods and services where energy is a key input, with the objective of reaching out to poor end-users. As India contemplates taking up membership in the International Energy Agency (IEA) for better energy security, this section also weighs the cost of membership and the loss of policy autonomy, against the fact that non-members, including India currently, enjoy the positive externalities of global oil stabilization measures taken by the IEA.

Undoubtedly, the G20 has proved its resilience in bringing to the table emerging issues proving to be of global concern, the most recent just having emerged being base erosion and profit shifting for tax minimization by multinational companies whose global tax contribution has fallen to negligible levels at a time when the need for funds to reduce fiscal deficits or

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fund much needed programmes is at its highest. Despite ever new challenges, the G20, somewhat surprisingly perhaps, appears to remain the most relevant international body to combat the continuing global recessionary environment while pursuing emerging development and structural challenges.

Appreciation for support received in the formulation of this volume authored by a wide array of authors is warranted. First, the Indian Ministry of Finance financed the research as a part of an overarching collaborative project on the G20 with the Indian Council for Research on International Economic Relations (ICRIER) where I was Director and Chief Executive when I headed the project. Francis Rathinam and Pooja Sharma managed the project on a day-to-day basis and Santosh Gupta provided secretarial help. It is hoped that the readership will find this work on the G20's development agenda a useful addition to the earlier work from the project on the G20's macroeconomic agenda, while the future calls for another volume on the G20's emerging concerns over depletion of tax revenues in the multinational context.

New Delhi

Parthasarathi Shome