




G20 summit and the global political economy

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(Mains GS 2 : Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests.)

Context:

Recently G20 leaders met for a two-day summit hosted by the Italian G20 presidency in Rome.

Addressing the challenges:

- Leaders met to address today's most pressing global challenges and to converge upon common efforts to recover better from the COVID-19 crisis and enable sustainable and inclusive growth across the world.
- Leaders were re-engaging with the biggest issues facing the global community like the **COVID-19 pandemic**, climate change, a major tax agreement, and steps to address concerns regarding global economic growth and stability.

Mitigate the pandemic:

To address persisting vaccination gaps, the **G20** leaders committed to substantially increasing the provision of and access to vaccines, therapeutics and diagnostics, with particular regard to the needs of low- and middle-income countries.

- Leaders also provided assurances of support to WHO's target of inoculating 40% or more of the global population against COVID-19 by 2021, and at least 70% by mid-2022.
- This assurance will boost the supply of vaccines in developing countries and provide cooperation which will help the world overcome supply and financing constraints.
- The G20 leaders also reaffirmed their commitment to the Rome Declaration, adopted at the Global Health Summit in May, as a "compass for collective action".

Climate change:

- The G20 leaders pledged to work collectively to ensure a successful UN climate conference (COP26) and reaffirmed their commitment to the full and effective implementation of the United Nations climate convention (UNFCCC) and the Paris Agreement.
- The G20 leaders noted that keeping the goal of limiting global warming to 1.5 degrees compared to pre-industrial levels within reach will require meaningful and effective action and commitment by all countries, taking into account differing approaches.
- The G20 will accelerate their actions in the areas of mitigation, adaptation and finance, acknowledging the key relevance of achieving global net zero greenhouse gas emissions or carbon neutrality by or around mid-century.
- The leaders also committed to taking further action this decade and to formulating, implementing, updating and, where necessary, enhancing their 2030 nationally determined contributions (NDCs).
- The leaders recalled and reaffirmed the climate finance commitment made by developed countries to jointly mobilise \$100 billion per year by 2020 and through 2025 to support developing countries in their efforts to reduce their greenhouse gas emissions and mitigate and adapt to the adverse impacts of climate change.

Sustainable development:

- The G20 leaders expressed their deep concern about the impact of the COVID-19 crisis, especially in developing countries.
- They reaffirmed their commitment to a global response to accelerate progress towards the Sustainable Development Goals and to support a sustainable, inclusive and resilient recovery across the world.
- The leaders pledged to strengthen their actions to implement the G20 Action Plan on the 2030 Agenda and the G20 Support to COVID-19 Response and Recovery in developing countries.
- They also reaffirmed their continued support for African countries through a range of initiatives, such as the G20 Compact with Africa.

Economic recovery:

- The world community is on shakier footing regarding the fragile post-COVID economic recovery underway after paralysing lockdowns.
- G20 leaders affirm that national stimulus policies would not be removed prematurely as the inflation is rising, energy prices are spiking, supply chain bottlenecks are prevalent.
- However, it would remain a challenge for the leaders to walk the tightrope between preserving financial stability and fiscal sustainability.

Minimum tax:

- In a bid to avoid potentially debilitating wobbles in global finance, the G20 leadership agreed to slap multinationals with a minimum 15% tax to create “a more stable and fairer international tax system”.
- This would impact the tech titans of Silicon Valley, as this initiative would make it harder for such companies to benefit from locating themselves in relatively lower-tax jurisdictions.
- This OECD-led reform enjoys the support of 136 countries, which account for more than 90% of global GDP, and is likely to enter into force in 2023 or after.

Conclusion:

- The G20 meeting has come at a critical moment for the global political economy.
- If it results in timely, effective, coordinated action across major nations, hope for recovery will remain afloat.