

The background of the cover is a dark blue map of the Americas. The landmasses are highlighted in red (North America), yellow (Central America), and green (South America). Several red pushpins are pinned to the map, with their shadows cast onto the surface. The text is overlaid on this map.

JORGE ARGÜELLO  
(COMPILER)

THE CHALLENGE  
OF THE AMERICAN  
COUNTRIES  
AT THE G20  
Buenos Aires, 2024



**THE CHALLENGE OF THE  
AMERICAN COUNTRIES  
AT THE G20**



JORGE ARGÜELLO  
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# THE CHALLENGE OF THE AMERICAN COUNTRIES AT THE G20

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## **Prologue**

### **The Americas in a G-Zero World**

Jorge Argüello

If an international analyst would have been sent to sleep at the end of the Cold War, and awakened in 2024, his vocation would have been put to a matchless test: he would either be fascinated by the amount and quality of the changes experienced by the world in these three decades, or he would stand motionless, discouraged at such complexity.

Our newcomer-to-2024 analyst could sum up the world before his eyes with a few words: disorder, insecurity, uncertainty. If in the toughies the fashionable term was “globalization”, today the terms that prevail are “decoupling”, “geoeconomic fragmentation”, or, directly, “postglobalization”.

Promising disarmament treaties have given place to tensions all over the world with a variety of new actors in an open global competition. Even classical conflicts

resurface where frontiers and territories, ethnicity and religion are at stake, from Ukraine to Gaza, from the Sahel to the Caucasus.

This insecurity has multiple causes, also fed by commercial and technological disputes that seemed contained and now fragment the economy, which since the Covid-19 pandemic have turned into a priority of national security.

A scandalous concentration of wealth, besides, increases the unease of vast social sectors deprived of welfare, awakening an antiglobalization wave, shaking the foundations of liberal democracy, and forcing massive and traumatic migrations that generate xenophobia.

To crown it all, we experience the human frailty exposed by the pandemic (in the middle of the AI age), and witness a planet deaf to the alarm cries of scientists about climate change.

## Norths and Souths

We left the past century with a world divided by an equator: the North above, developed, and wealthy, and pacific, the South below, developing and/or poor, and conflictive.

In the 1960s, the Argentine economist Raul Prebisch considered the planet to be ordered around a Center

(North) of economic, military, and technological leadership, and a vast Periphery (South), that while providing its resources searched fruitlessly to climb that same development ladder and gain autonomy.

The first version of the G20 at the end of the nineties was a defensive attempt of that Center, accepting the rise of the first emergent countries, to contain the contagion of jolts in the Periphery under an economic and financial globalization.

In the toughies, the price prosperity of commodities, the increase in the world demand, and the fluidity offered by globalization promoted South-South economic and diplomatic exchanges. Gradually, however, the Periphery started to express interests that no longer agreed, and even were counter to each other.

Cooperation lost momentum when emergent powers that had proved their systemic capacity in the financial crisis of 2008 (under the G20) soon aspired to a greater role and projected their interests decisively.

The North-South line lost definition, and other, more diffuse dividing lines, appeared. A decade later, the pandemic and its “every one for himself” cry, not only wiped out the North-South duality but added lines, some stable, others in the air.

We reach thus this multipolar world, of blocs and groups, of regional initiatives, and collective security al-

liances, a world that some define as “G-Zero”<sup>1</sup>. A world without indisputable leaderships, which more than ever has a cataract of crossed, opposite, superimposed, and dynamic interests. There is neither a single North nor a single South. And the secondary actors, in search of a difficult alchemy of influence and autonomy, also know this.

In the face of it, we ask ourselves: Which are the roles and possibilities of the Americas in this geopolitical scene? Can their countries restructure old regional logics and hegemonies into a new formula which empowers all? What agreements and agendas should take over?

## The Challenge of the American Countries in the G20

Maybe the vertiginous, convulse, and competitive 21st century is offering us an opportunity to reconfigure inter-American relations on the basis of basic but solid continental consensuses, which later, in forums as the G20, will contribute to project goodwill, stability, and models of development to the rest of the planet.

**1** This concept was coined by U.S. international analyst Ian Bremmer, president of the Eurasia Group, in reference to the emergence of a geopolitical recession whose consequences are still unknown, but they are translating into a world of uncertainty and a lack of leadership.



The debate remains open, and we hope it will be enriched by the contributions in this book, which constitutes an attempt to search for transversal coincidences in the vast geography of the Americas. But when we ask ourselves which roads to take to recover the health and the richness of inter-American relations, we know first that an evil to avoid is that of pendular oscillations (of ideology, economy, or security, whether national or regional) which are the antithesis of any search for consensuses.

And in favor? To recover and elevate to the highest possible level the quality of our democracies. Nobody can throw the first stone these days. A solid democracy is not only a *sine qua non* condition for fulfillment in the challenging dynamic of the current global economy, but an unavailable part of our American identity that can be traced back to our national heroes and founding fathers.

Once the existing subregional treaties, agreements and pacts in matters of economy and commerce are assumed, even those of frontier and collective security, there is still a wide fertile ground to cultivate: the protection of natural resources, health prevention policies in the face of future pandemics, cybersecurity, among other issues, that as the G20 has proved, deserve to be the object of consensuses.

There is the example of the Artemis Accords about outer space exploration, a treaty promoted by United States and signed, among many other countries, by Ar-

gentine, Canada, Brazil and Mexico, all of them American members of the G20.

The fragmentation that extends its cracks throughout the planet has also reasonably reached the logics of leaderships and influences that dominated during the Cold War, and the optimist phase of globalization that came afterwards. Everything is much more complex and unstable now in inter-American and subregional relations. Election cycles, generally of a short-term nature, tinge diplomatic relations.

The multipolar context demands, more strongly than ever, a coordination of inter-American interests capable of providing a coherent view in the long-term. This publication takes a step in that direction, with the conviction that it is possible.

## **Prologue**

### **A Key Forum for International Cooperation**

Héctor Masoero

*The Challenge of the American Countries at the G20* constitutes an essential document for the identification of coincidences and shared interests among the five american countries that compose the Group of Twenty (G20): Argentina, Brazil, Canada, United States, and Mexico. It is the manifesto of the efforts made throughout twenty-five years at a key forum for international cooperation in various fields, from economy to health and education. Within this framework, it is an honor for me that Jorge Argüello, editor of this book, has entrusted me with writing the prologue for this valuable joint initiative of Embajada Abierta Foundation, CAF - development bank of Latin America and the Caribbean and UADE.

This work has been possible thanks to Jorge's passion, who in these pages shares with us an invaluable compilation of contributions from the Sherpas of the five American

presidents members of the G20, as well as of prominent scholars appointed by each nation. A tight bond joins me with Jorge, specially consolidated when he, in parallel to his distinguished diplomatic career, chose to accompany us as the main academic referent for the Bachelor's Degree in Government and International Relations of our University.

I do not doubt that *The Challenge of the American Countries at the G20* will become an essential tool for the understanding and promotion of synergies between these countries. The contents of this book reflect the richness of the discussions and agreements reached within the framework of the G20. I refer, with a particular emphasis, to the educational problems that, as the argentine statesman and educator Domingo Faustino Sarmiento once said, are at the roots of all problems.

Among some of the proposals related with education in the G20 agenda we can mention: the necessary and required appraisal of the professionals in this field, the promotion of the exchange of digital pedagogical materials, and the launching of the G20 Community Commitment Prize at schools. These initiatives aim at establishing education as a main pillar for sustainable development and international cooperation.

Countries from all over the world, but particularly emergent nations of the G20, confront common challenges such as, among the most relevant, the promotion of strategies related with digital education, the ethical

use of artificial intelligence, and the security of the data of students and educators. A common understanding by the Group is that cooperation in these areas will not only strengthen our educational policies, it will also foster a more profound and significant exchange in the region.

Throughout the short but intense trajectory of the G20, our countries have debated extensively about the education and appraisal of teaching professionals, recognizing the necessity of an adequate financing for the development of educational institutions, and the importance of the education on climate. These debates reflect a shared commitment to improve the quality of education and prepare our citizens for a hyper-connected world.

Another important value in education that the G20 recognizes and promotes is that of internationalization as a resource to improve educational quality and promote global citizens. Information and Communication Technologies (ICTs) have an important role in this process: they contribute to the reduction of the digital divide and promote the access to education of people with less possibilities.

As a conclusion for this opening statement, I want to celebrate that this work puts forward with seriousness and profundity the necessary convenience of articulating policies and coordinating actions between the five American states that compose the G20. The shared consensus of the member countries and the leaders that in this twenty-five years have worked in the Group is that only through a

close and continuous collaboration we can face the global challenges and make use of the opportunities present in the road towards a sustainable and equitable development. I hope this book will be a big step in the consistent advance through that road.

## **Prologue**

### **America, a “Solution Region” that Builds the Future**

Christian Asinelli

As a collaborative effort spanning the fields of action of Embajada Abierta Foundation, Universidad Argentina de la Empresa (UADE), and CAF - development bank of Latin America and the Caribbean, this publication constitutes a tool of great value for regional cooperation and integration. First, due to its contribution to an increasingly multipolar and interdependent international context, that is also fragmented and in constant dispute. Since the beginning of globalization processes of the 19th century to the current global dynamics -defined by armed conflicts, trade protectionism, and the reconfiguration of global geopolitical relations- the American continent has witnessed a constant reordering of its multilateral alliances and its interregional coordination schemes and projects. Cases such as the recent Brasilia Consensus -as a mechanism for coordination among south American countries-, the Union

of South American Nations (UNASUR), the Community of Latin American and Caribbean States (CELAC), and the Organization of American States (OAS) are examples of the efforts for dialogue, intergovernmental cooperation and consensus that the region promotes both internally and externally. The creation of the G20 itself -as an expression and pursuit of a collective solution to the global financial crisis triggered by the collapse of Lehman Brothers in 2008- represents the epitome of these efforts. This publication establishes itself in that line of work.

Second, due to its prioritization and emphasis on fundamental concepts for regional development such as leadership, governance, and the fight against hunger, poverty and inequality. Here, I want to highlight the invaluable contribution of the region -which includes the work, resources, and commitment of the five American countries that are part of the G20- to solving global problems. America is what we call a “solution region”. Water, natural resources, ecosystem solutions, clean energy matrices, food production, and top-level human capital. The continent is vast, rich, and has real opportunities to improve the quality of life for global societies. This book is aware of that and seeks to make it visible in a deeply interconnected global context.

And third, due to the need to extend these synergies to a higher level of multilateral cooperation and global financial systems. The work ahead in this field is enormous and



includes everything from evaluating the role and tasks of multilateral credit organizations, discussing sovereign debt issues of countries, to remodeling the global financial order for a 21st-century architecture. This includes, of course, the need to generate better tools to assist countries, the constant evaluation of the impact of initiatives and operations, and the establishment of clear and shared roadmaps to avoid duplicating efforts among organizations.

Pope Francis invites us, in his 2023 Exhortation *Laudate Deum*, to think about “more effective global organizations, endowed with authority to ensure the global common good, the eradication of hunger and misery, and the certain defense of basic Human Rights.” This bottom-up multilateralism is nothing other than that new 21st-century global financial architecture. A just, integrated and resilient order for everyone.



# ARGENTINA

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## A New Multilateralism



**Federico Pinedo** is the Argentine Sherpa at the G20. He was a legislator of the City of Buenos Aires and a national Telecommunications Regulator. He also served as one of the opposition leaders in the Chamber of Deputies and was President of the Senate. In addition, is a lawyer and a post-graduate professor at several universities.

Along with Embajada Abierta Foundation, the G20 Sherpas of the Americas and scholars of our countries have taken the initiative to discuss the possibility of a new multilateralism. Not only the subject is of interest, but also the fact that members of the Americas in the group gather to analyze it. Many times in our continent, there have been rivalries and confrontations; many times, we have looked at other regions instead of our own; now, we are sitting together, northern and southern countries, developed and emergent nations, from the G7, from the BRICS, and independents, trying to look at the same object from different perspectives, in order to reason with the others (which is, precisely, the etymological definition of the word dialogue). Dialogue, the tool of cooperation, needs two elements: a common object upon which to reason, and good faith; it demands,

besides, a requirement: trust, for without trust, there is no cooperation possible.

Here we are in order to try it with the human attitudes that make it possible: humility and the ability to listen.

## The Commitment of Agreement

It is countries more than people which, when comfortable in a situation of relative power, try to avoid change. Something important has to happen, a commotion, for them to think in changing a situation. Talks about modifying multilateral organizations are not new, it has been argued that they were developed after the Second World War, when power relationships were different from the current ones. But it is still unclear if we have reached the point where words turn into actions.

If we think in terms of traditional foreign policy, in terms of the search of nation-states of not being imposed the will of others of greater power, the trap of immobility could be insurmountable, except in the case of the threat of a planetary hecatomb. That is the danger: for one or more to feel that they must utter that threat, in order to achieve a change.

Someone, of course, may argue that multilateralism is an abstract concept, and that it will not move powers towards mutual threats of global destruction. It is not sympa-

thy for multilateralism what will lead the world to a change, its cause must be something more concrete and conclusive.

This discussion seems to be divided between the need to satisfy individual wishes, or the duty of solving the problems for all. Wishes are important (conquering a territory or a vital space, the worldview, authoritarianism, delusions of grandeur), but finding solutions to the great problems is important too. Every war ends with a peace treaty. Multilateralism is the mechanism humanity has turned to, after producing millions and millions of deaths, after facing the abyss of the Holocaust, and nuclear annihilation.

Multilateralism is the option we have chosen when we realized that the balance of power system could not guarantee the survival of the planet. The balance of power is based on the fact that certain alliances generate so much power on one side as on the other, allowing the maintenance of stability among two or more groups. Multilateralism, besides, is a commitment, entailing that if one member threatens to break the stability, the others, acting together, will prevent it. Furthermore, they will not act arbitrarily, but based on certain rules agreed by all. It is a rational and intelligent power balance, which replicates what happens within many nations and their systems of control of arbitrary power through the rule of law, and the checks and balances of public power.

Multilateralism means that the polyhedron of the system of world power does not have one member at the cen-

ter, but that it has many sides. The system has rules that all the sides must abide. What sticks together the sides, the center, are the rules.

A constant criticism of international law has been the lack of an authority binding the parties to comply with the law. The iconography of Lady Justice is that of a woman who is blindfolded (impartial), holds a scale (equity), and a sword (force, without which the Law does not exist). In the current multilateral system, there is no judge or police authority indicating what the law states and enforcing it, it is a hybrid of that model and the maintenance of national powers (the sides of the figure), which simultaneously must comply with and enforce the rules, something that in many occasions has not occurred.

## The Objectives

Multilateralism has many hierarchically differentiated objectives; some are above or below others. Its main purpose is the survival of the game field (the globe) and the players (humanity). Its secondary objective is peace, which is very relevant, but not more than the possibility of total destruction. Its tertiary objective is development, which we will deal with later on. Without peace there is no development, except in the case anyone believes destruction to be a form of construction.



In my perspective, we face a dangerous dilemma: between those who want multilateralism, and those who want multipolarism, i.e., not a unipolar system with a single hegemonic power imposing its will, but the coexistence of several great powers. I believe this would be dangerous, since it could lead us rapidly into the system of balance of power of the 19<sup>th</sup> century, a system that ended in the two World Wars of the 20<sup>th</sup> century. It should be clear that this hypothesis, in the nuclear world, is not available.

The confrontation of multilateralism and multipolarism, as everything, has many possible way outs. One, for instance, could be a political agreement between the handful of powers with the capacity to wage great scale wars, or possibly of nuclear powers, of sustaining a rule-based multilateral decision system entailing its observance. What we denominate rules are the institutions that build trust for cooperation and guarantee the long term.

Undoubtedly, a discussion of this kind will imply another one, which is who dictates the rules, and under which parameters. If the only thing valued, or the most valued, is the will to power, the decision to be obeyed, or the availability of the arbitrary faculty to control one or more nations, then the institutional, the rule-based, and cooperation variables are no longer available, and what rests is the confrontation variable, with its consequences.

The institutional variable (implying that institutions are above the mere will of the parties), also called rule

of law, or international law, consists in making a new bet on behalf of multilateralism. Possibly it may require solving other issues, such as who dictates the rules, and particularly under which conceptual bases. That is the third topic of Brazil's G20: the reform of global governance. Until now, even countries who broke the rules of current multilateralism assert that they want to live according to rules, to discuss who makes them, and how. If this were true, the real conflict would not be between multilateralism and multipolarism, but about the contents of a multipolar multilateralism.

Another way of abandoning the multipolar dichotomy, as we have seen, is that of the balance of power, following Metternich or Kissinger. In this case, the nations and the populations would invest an enormous amount of resources in military materials, distracting themselves from their own social progress. They would do it up to a point, not too distant in time, where they realize that the general capacity of total destruction is guaranteed, reaching a paralysis as that of the Cold War. Even considering this road, which the Russian president Vladimir Putin says to believe in (which I truly doubt), at certain stage the negotiations based on the question of the power of some, and the respect towards others, will turn into another, more urgent one: what are we to do not to disappear completely? This is the reason why I would ask those that believe that balance of power is the only realistic option to consider the fol-

lowing. If we think about conflicts imagining a way out of those conflicts, conceiving a viable peace treaty that would mean an end to the war, we sometimes find that certain idealism is realistic, or that there exists an idealistic realism.

Since I can be accused of the sin of naiveté by positing a possible way out through multipolar multilateralism, I will continue with another naiveté: that of thinking that it is possible for middle powers to have a role in the definition of this game. We have already seen that the imposition of a pure multipolarism would have the natural consequence of a new division of the world in spheres of regional influence, and in spaces to be conquered by one or the others. This is not convenient for the middle powers which, if they do not want this scenery, should act autonomously to prevent it.

Middle powers should have the necessary character to think big and reason together about a common objective. If they don't, they may have a conversation, but not a real dialogue. The common purpose of middle powers is obvious: not to be subjected or invaded by other powers, and to devote all their available energy and resources to the sustainable development of their people. It is not mere words, but a true need based on the crudest reality. This requires mental freedom, certain constructive values, and the conviction that to be smaller than others is not being less. There will always be a power greater than any earthly power.

Each one acts according to what one is. Argentina, in this complex world, should act as a member of the West for its values, and as a member of the South for its geography. This location may allow the country to serve as a bridge for dialogue, if it chooses that path.

## The Reforms

The reforms to face in the reformulation of multilateralism so as to guarantee first survival, and then peace, are difficult, since no one wishes to abandon positions of power previously conquered, even if that may seem just to all and sundry. No one with the power of veto would wish to abandon that power or faculty, but the truth is that if the right of veto can be used by the accused, doesn't this indicate that the central objective of multilateralism, which is to enforce the law upon those who disregard it, has disappeared?

The doctrine of balance of power is the basis of the realistic position in foreign policy: those with the force to impose their will must be considerate. That is reasonable, but can they use their force against all the others without any consequence? If that were the case, the sword that constitutes the Law would have vanished, and as Radbruch taught, without a sword there is no Law.

This is not the place, and I am not the person, to establish international positions, not even in my own coun-

try. Thus I am not going to talk about the reform of the Security Council, which must be dealt within the United Nations. But I do think necessary and useful that we could make clear which are the objectives of multilateralism to which we have a duty, and whose fulfillment we must strive for, in order to act starting from there in good faith.

We have already said that the first objective was to prevent the destruction of the planet; the second one, peace; and the third one, development. In the discussion of development it is necessary too to make plain the objectives of multilateralism. It seems true that, with the creation of regional development banks, the representation of countries in those banks must be balanced. But that is not the single truth. There exists another one, and it is that countries that aspire to have funds for their development must implement policies oriented towards this goal. It is absurd to state that richer countries must put money with the goal of development, for other countries to spend it in demagogical ends, contrary to its intended purpose.

G20 statements usually express that member countries must have a macroeconomic balance, and this includes several aspects: fiscal solvency in the long term; a monetary policy linked to the necessity of allowing exchanges between people and institutions; not to irresponsibly finance political adventures of the people in power, but a financing oriented to obtain and maintain stability in the

general price level; an exchange policy that is not destined to obtain short-term advantages by means of practices that, if made within the private economy, would be considered predatory. These policies are the rules that generate foreseeability and allow investment and development. So, in redefining multilateralism, let's put on the table also the national policies oriented towards the development of the countries that take funds from the group.

If most developed countries really consider that world order should be rule-based, then they must comply with regulations, for instance in the World Trade Organization (WTO), since an essential part of the development possible for a country is to be allowed to sell what it produces in better quality and price conditions, and not the subjection of poorer countries to decades of unacceptable discriminations from the beginning.

My proposal, then, is that, when thinking or designing a new multilateralism, to do it truthfully. If we have to contemplate certain situations, which may go from the need to attend vulnerable national populations to recognize the necessity to look after sectors of strategic importance for eventual challenges of national security or defense, let's say it. And let's establish which are those discretionary spaces outside of the general law, at which point they reach the size or volume to fulfill their legitimate end, and when are they mere deceptions or makeup to hide predatory practices of fair and effective competition.

A last topic to deal with, at least in which I consider the relevant aspects, is the temptation of certain groups to use multilateral organizations to impose their own ideological agenda, alien to the others, or once again, to create new protectionist barriers or unfair competition. There are certain things that multilateral organizations can do, according to their ends, and other which is illegitimate for them to perform. The word illegitimate, taught Guglielmo Ferrero in his book about power, refers to the conscience of the majority regarding the appropriateness of who holds power. There are certain pretensions in multilateral organizations which are alien to their ends and are, therefore, illegitimate.

We all must respect Human Rights, defined in the conventions that, in the case of Argentina, make up part of our National Constitution. But that does not mean we should all be thinking in the same way regarding the breakup of essential rules of coexistence (which is the subject of Criminal Law), or regarding the cancellation by act of state of the different opinions of the dissidents, or regarding scientific theories, or regarding the prohibition of productions of any kind, preventing development without a serious and legitimate scientific basis.

My country has values to uphold, and shall defend them if other powers try to take them away. They are not values that belong to one government or another. They are the values of our Constitution which, when any gov-

ernment employee takes office, makes an oath to defend. The values of Argentina are the respect for Human Rights, the Rule of Law, democracy in our region, the essential equality of the people but not of outcome, equal opportunity, specially in education matters, and towards vulnerable sectors, like many women, children or elderly people, personal freedom to educate and learn, of industry and production, freedom of expression and of the press, the safeguard of life, freedom, and property.

In Argentina, under its Constitution, the private actions of men and women are exempt from the authority of magistrates or government officials. Argentina does not consider these principles as contrary to the law of nations, or international law, and we consider we must defend them against those that appear to wish for the existence of a single way of thinking to be imposed upon by a state or international power, and we also believe this view we have deserves to be respected, as we consider it the most progressive one in the history of mankind.



## Towards Global and Transparent Governance<sup>1</sup>



**Silvina Vatnick** is a managing partner of Global Outcomes LLC, an independent member of the Board of Bancolombia and Financial Stability advisor at the U.S. Treasury Department's. She actively participates in international forums such as the G20 and United Nations institutions. She studied Economics at UBA and CEMA, and did her

Ph. D. in Macroeconomics and International Finance at Columbia University. She also obtained an advanced degree in Finance and Management of Financial Institutions at the Stern School of New York University.

The purpose of this policy note is to put forward specific suggestions to assist the G20 countries in the process of (1) strengthening the Global Governance structure and practices to enhance the role of the International Financial Institutions (IFIs) as well as domestic institutions in helping to provide a more resilient financial stability framework in the context of stronger democracies; and of

<sup>1</sup> This paper has been prepared with the contribution of Michael Matera (senior fellow at the Inter-American Dialogue and partner at Global Outcomes LLC) and Michael Matera (senior fellow of the Inter-American Dialogue and partner of Global Outcomes LLC) and Pablo Souto (senior analyst at Global Outcomes LLC). The full version can be found at: <https://drive.google.com/file/d/1xE8PnO-a4qx4oC7460FL4kkbBp4WDmOH/view?usp=sharing>

(2) prioritizing particular actions that would improve the likelihood of increasing productivity and therefore help achieve more sustainable and inclusive economic growth.

The following four cross-cutting strategic issues that would require direct and explicit G20 involvement have been identified as key pillars for revisiting important aspects of the Global Governance structure and for increasing productivity of those economies. For each issue, we have articulated key aspects and have put forward stylized proposals.

(1) Countries should take responsibility for their own domestic policies and IFIs should help address weak risk management and mitigation policies. IFIs should focus on improving how and what they finance; they should not necessarily lend more. Incorporating and enforcing standards of rule of law and transparency in their lending would improve their credit allocation and have a direct and positive impact on countries. The focus of Middle Income Countries (MICs) and Less Developed Countries (LDCs) would be redirected from simply attempting to change the Governance of IFIs through changes in the quotas of access to financing criteria where there hasn't been relevant progress so far, to proposing and promoting the incorporation of risk assessments and risk mitigation tools in the surveillance and financing program cycles

to minimize the probability and/or to prevent future financial crises. This shift would entail carrying out detailed analysis and mapping of the existing global risks and respective systemic and idiosyncratic country specific risks, existing instruments to mitigate them and existing gaps. Risks to be considered are security, cybersecurity, digital, climate, social, governance, legal (including resolution of cross-border, sovereign debt), and financial related to bank and non-bank financial intermediaries, among others.

(2) Strengthening the eligibility criteria and sharpening the monitoring of Rule of Law and Transparency in every aspect of international access to market and IFI financing. Too often very limited consideration is given to the strength (or weakness) of rule of law and transparency policy and practices in determining a country's eligibility for market and IFI financing despite the existence of private and public sector corporate governance standards. However, these factors have a strong impact on a country's economic growth prospects, not to speak of issues of political stability and social equality.

(3) Broadening and deepening global access to digitalization. In addition, assessing and raising awareness about the actual and potential impact of Artificial Intelligence (AI) in different aspects of economic activity for a variety of actors, i.e. producers, consumers, and

governments including policies and conditions to consider in determining the extent of AI driven transformation, its positive effects as well as means to mitigate its downside impact.

(4) Promoting stronger democracy and rule of Law through innovative citizenship and public ethics education, in part relying more on high technology solutions. Political polarization and violence are dominating our national public spaces, with the social media playing an increasingly strong role in exacerbating these tendencies. Education systems must equip students, teachers, and all citizens with knowledge and skills on basic principles of democracy, rule of law, public ethics, conflict resolution, and pluralistic dialogue.

## Domestic Policies, Risks and Financing

The management of risks in a country is a key determinant of the ability of governments, bank and non-bank financial institutions, as well as companies to create value for stakeholders in a sound and sustainable way. In addition, systemic risks that arise from common external factors as well as idiosyncratic risks and the interconnection across government, financial institutions and markets is the transmission mechanism that could turn a stress event at one institution or a particular sector into a financial sta-

bility crisis, and therefore they need to be properly managed as well through an appropriate policy response.

IFIs would benefit from redefining the scope of their analyses on the client countries' economies and sharpening the focus of the Risk Assessments and Management to include identification, measurement, and mitigation of existing and potential risks.

Macroeconomic volatility and mismanagement and a weak institutional framework have played a significant role in provoking balance of payments and debt crises and limiting the development of domestic financing and capital markets. However, the development of a formal, consistent and comprehensive national risk management framework that makes countries more resilient to unexpected events is still at a very early stage of development.

A consistent and comprehensive risk mapping and a set of required risk management practices do not yet exist. It is important to ensure that the countries' contribution to the IFIs Risk Assessment Matrix on Financial Stability effectively identifies and measures accurately systemic risks and their transmission mechanisms to ensure that IFIs surveillance and lending respond to these information and analyses.

In the case of the International Monetary Fund (IMF), risk is addressed at a more aggregate level through the introduction of the Risk Assessment Matrix (RAM) as part of the due diligence process conducted by the IMF staff. Nev-

ertheless, these risk management tools and capabilities are not made available by client countries for policy making. Moreover, in countries that have not recently borrowed from the IMF, there is no RAM or similar tool available.

The IMF RAM could serve as a benchmark that might need to be adapted to the country-specific characteristics. This process would also help to promote ownership by borrowing countries given that country authorities would be accountable for the design, implementation and evaluation of the country's risk management framework.

The risk management framework should identify, analyze and address macro and systemic risks that could have an impact on countries' ability to advance their budgetary frameworks and policy objectives. Financial risks associated with the functioning of capital markets and bank and non-banking financial intermediaries, sovereign risks (including sub-national governments) related to sudden-stops, increased risk aversion by external lenders and resolution of cross-border sovereign debt litigation, external risks such as shocks to international interest rates, global growth and the terms of trade, political and reputational risks related to social unrest and political tensions, security and geopolitical risks (including cybersecurity) such as external conflicts and trade disruptions, demographic risks, and systemic and catastrophic risks such as natural disasters and pandemics, are some of the most relevant risks to be considered.

## Financing and Rule of Law

Strong rule of law and high standards of transparency, supported by solid institutions, are critical foundations for political stability, economic growth and social development. Weak rule of law, on the contrary, perpetuates corruption, violence, organized crime, and impunity, as well as undermining public confidence in the ability of democratic leaders to provide effective answers to their needs.

There is ample evidence of the positive correlation between the quality of institutions and economic development. Sound institutions provide for a favorable environment for investment, entrepreneurship and innovation that drive economic development. Moreover, effective use of domestic and foreign savings for productive investment is based on the existence of reliable financial markets that can only be developed with a solid institutional framework. Capital markets are also affected when institutions are weak reflecting a higher country risk premium and more stringent conditions to access financing, i.e. higher interest rates, limited borrowing facilities, need for collateral.

In the lending practices both of IFIs like the World Bank, IMF and IDB, as well as of leading international banks, limited consideration is given to effective implementation of rule of law and transparency standards when determining a country's eligibility for sovereign and commercial financing.

IFIs could play a much more significant role in improving the quality of the institutional framework in their client countries by creating incentives for countries to promote strong rule of law as a pre-condition to access funds under more favorable terms than those offered by capital markets. The adoption of sound governance practices does not require significant funding but rather strong political will and broad social consensus.

It is proposed that the eligibility criteria for multilateral financing be revisited to incorporate a specific measure of the quality of a country's institutions and risk-based principles. Implementation of such a redefined IFI financing framework could rely on using proxy indicators for the quality and functioning of institutions that already exist. With the proven link between strong rule of law and transparency and higher rates of growth and development, an agreed set of such standards could be established as eligibility criteria thereby serving as a concrete incentive for countries to strengthen rule of law and transparency to be eligible for any lending from the IFI's.

There is a wide array of measures of the quality of rule of law and related institutions that have been developed and which might be used in any effort to establish these factors and could be agreed as a way to establish direct incentives for countries to promote stronger rule of law and transparency. These different measures include:



- The World Justice Project and its annual Rule of Law Index (ROLI) and Transparency International's Corruption Perception Index (CPI) are two well-respected measures of every country's global ranking in terms of strong rule of law and transparency.
- The Worldwide Governance Indicators (WGI) are aggregate estimators of the perception of the level of good governance. The WGI have been prepared by the World Bank since 1996 and currently cover more than 200 countries and territories. These indicators are already being used to assess the riskiness of a sovereign by the Organization for Economic Cooperation and Development (OECD).
- The World Bank, the IMF, the European Commission and six national governments have developed the Public Expenditure and Financial Accountability (PEFA) program, a methodology for assessing public financial management performance over time using more than 80 quantitative indicators.
- As a measure of best practices regarding a country's conduct and governance of monetary policy, the IMF developed the Code of Good Practices on Transparency in Monetary and Financial Policies (MFP).
- The soundness of the financial system is being assessed by the Financial Stability Board (FSB), based on 16 standards that have been designated by the FSB as key for sound financial systems and deserving of

priority implementation depending on country circumstances.

## Digitization and Artificial Intelligence

Rapid progress on the development of digital devices and digital infrastructure has greatly facilitated global connectivity. It has been estimated that by 2025 approximately 74% of the population in Latin America will have a mobile device subscription while 67% will have access to mobile internet. According to a recent IADB study, smartphone adoption in Latin America drives connectivity, education, financial inclusion, health and transportation, fostering overall development. Moreover, there is a strong correlation between internet connectivity and gains in productivity and job creation, directly influencing economic growth. However, affordability and limited digital literacy skills remain obstacles. Despite advancements in bridging the digital divide, the region still suffers from a serious quality gap in terms of access to digital infrastructure, usage, and internet.

The transformative potential of Artificial Intelligence (AI) is another significant development that is increasingly shaping a new economic and market narrative. AI can increase productivity, boost economic growth, and lift incomes. However, it could also wipe out millions of jobs

and widen inequality according to the IMF. The relevant questions for G20 countries, in particular the middle-income economies that have the possibility of leveraging their development prospects through greater reliance on AI, is to what extent AI is truly a revolution that will change the development paradigm and whether its use will affect most of the key sectors of the economy or whether there will be significant differences across its applications.

For middle income and developing countries, it would be very relevant to assess the actual potential effects of AI, as well as strategies for taking advantage of AI both to promote new sectors that could generate employment, growth and investments.

The broader economic, social and legal environment also needs to shift to allow economies to harness the technology's benefits and minimize its harms. A few factors that will determine both the pace and level of AI transformation are:

1. Energy. The AI industry could consume a significant amount of energy. With net zero targets, that energy must also be clean. Grids need to be rapidly connected, and permitting needs to be swift to get the infrastructure up alongside the AI capex;
2. Regulation and governance. AI's potential productivity impacts do not matter if the enabling economic and legal environment cannot be put in place to take advan-

tage of it. The G20 forums including the B20 could provide a useful and relevant platform to share case studies and to organize and carry out analyses and applications that could accelerate the process of understanding the actual potential of AI transformation across different sectors of the economy as well as to identify complementarities across countries. A concrete G20 initiative to address this full horizon of critical issues with great potential impact that could go in either a positive or negative direction should be discussed and considered seriously at the earliest possible date.

## Democracy, Rule of Law and Citizenship, and Public Ethics

Political polarization and violence are increasingly dominating the public space in countries around the world. There is increasingly less of a sense of belonging to a particular nation or state, and more a sense of belonging to smaller “tribes” with competing ideologies and competing interests. Political, economic and social divides within nations are often stronger than the international divisions among nations. At a time when democracy is under threat from populists both on the left and on the right of the political spectrum, essential components of rule of law such as judicial independence are being undermined by

narrow political and economic interests, while corruption at all levels of government and society in many countries is also growing.

The concept of citizenship and the special rights, privileges and responsibilities that come along with belonging to a particular nation gradually is being lost. If the concept of national citizenship is poorly developed in many countries, the idea that beyond the nation we are all global citizens with corresponding responsibilities for contributing to solutions to global challenges like climate change and health crises has been developed to an even lesser degree. These realities reflect an urgent need for a much stronger commitment worldwide to both national and global citizenship, as well as to a basic understanding of public ethics which underpin all citizenship responsibilities. These essential objectives of citizenship and public ethics ultimately can only be developed and strengthened with a long-term and consistent multi-generational effort to educate and promote within the population a deeper understanding of the meaning of citizenship, public ethics, rule of law, and good governance. This effort must span all levels of formal education and extend into lifetime training of all citizens.

As an international grouping that includes nations from across the globe and across ideological divides, the G20 offers an important platform for a serious discussion of the importance of national and global citizenship and

public ethics as well as possible public policy initiatives to promote stronger citizenship and public ethics. Such public policy initiatives could cover an extremely broad range of activities. With the objective of illustrating such possibilities, it is worthwhile to mention a few ideas for which resources and expertise already exist, but which have not been taken advantage of in recent years by most countries.

First, new educational and training methods and materials on citizenship/civic responsibilities and public ethics must be developed that can be widely disseminated and integrated into national curricula. Several specialized United Nations agencies, including UNESCO and UNODC, have developed impressive curricula and training resources on national and global citizenship and on public ethics and anti-corruption. These curricula and training materials could be integrated into existing education systems, as well as being disseminated through new communication technologies including social media. Social media arguably have in recent years under generally unregulated conditions in most of the world contributed to the polarization and “tribalization” described in paragraphs above. Well-conceived and well-designed content to address this negative impact of the social media, to be shared through multiple means, including through social media platforms themselves, could play an important role in strengthening public understanding of the concepts of national and global citizenship, public ethics and rule of law. Second, inno-

vative projects for national civic service programs aimed at youth and young adults could combine both national and global citizenship and public ethics education with job training components as has been experimented with in different ways, including as examples in Kenya (National Youth Service), the Philippines (National Youth Commission), and the United States (Americorps). An agreed G20 initiative to develop a model program of national youth civic service could be a significant deliverable.





**BRAZIL**





## Brazil at the G20 Presidency



**Mauricio Carvalho Lyrio** is the secretary for Economic and Financial Affairs of the Ministry of Foreign Affairs of Brazil and Brazil's Sherpa at the G20. Responsible for overseeing negotiations in multilateral economic organizations such as the WTO and the OECD, as well as Mercosur's negotiations. He was the ambassador of Brazil to Australia (2021-2023) and Mexico (2018- 2021). He also served as chief of staff of the Ministry of Foreign Affairs (2016-2017), secretary of Diplomatic Planning (2013-2016), and minister counselor at the Brazilian mission to the UN in New York (2011-2013), and spokesperson of the Ministry of Foreign Relations of the Republic of Brazil (2008-2010).



**Felipe Hees** is the Brazil's sub-Sherpa at the G20. He has served as a panelist in WTO dispute settlement cases. He was the former director of the Brazilian Trade Remedies Authority between 2011 and 2014 and the former director of the U.S. Department at the Ministry of Foreign Affairs of Brazil and the chief of staff to the Secretary General of Foreign Relations. He worked twice at the Brazilian Mission to the WTO in Geneva and at the Embassies in Australia and China. He also served in the Cabinet of Special Advisors on International Affairs and he was a Special Secretary for Foreign Affairs in the Civilian Cabinet of the Presidency of the Republic of Brazil.

Founded in 1999 in the wake of the Asian financial crisis –as a mechanism for deliberation between Finance Ministers and Central Bank Governors– the so-called “Financial G20” was elevated to the level of Heads of State and Government in 2008, following the severe international crisis. Since then, the G20 became the main forum for international economic cooperation. Its role was also progressively broadened, as planetary challenges became more complex and multifaceted. The G20 started dealing with issues such as public health, international governance and environment, to name but a few examples. The ineffectiveness of results and the outdated representation of the main multilateral organizations and institutions, such as the United Nations, the World Bank and the International Monetary Fund, also contributed to the G20 taking on an increasingly relevant role in many topics on the international agenda.

The creation of the G20 in its current format was above all a recognition of the need for developing countries to have a greater voice in major international issues. It also meant that exclusive configurations such as the G7 could no longer, as in the past, deal with the multiple challenges that humankind faces today.

An example of this growing weight of developing countries was the strengthening of the G20’s ability to face these multiple crises with the recent entry of the African Union as the group’s twenty-first permanent member. If, until the Brazilian presidency, the G20 was

primarily composed of G7 countries, 12 OECD members, and an overrepresentation of European countries (including the participation of the European Union as an independent member, together with some of its member States), the inclusion of the African Union gives the group a more diverse and balanced profile. As a result, the G20 expanded its representation from 43 to 97 countries and increased its GDP by approximately 3%, totaling 88,6 trillion dollars, while strengthening the participation of the “Global South”.

## Keys to Face Global Challenges

Faced with the multiplicity of contemporary global challenges –hunger, extreme poverty, as well as various and growing inequalities; armed conflicts with devastating humanitarian consequences; price volatility and inflation; high interest rates for prolonged periods; inefficient international governance and a multilateralism crisis; increased public debt, especially from developing and least developed countries; climate crisis; external debt; among others–, this renewed composition of the G20 represents a fundamental evolution for the group to keep its relevance on the international arena.

It should be noted, moreover, that old and new geopolitical tensions permeate the above scenario, making the

contemporary global landscape particularly challenging. While these crises affect everyone, they do not affect us equally. Developing and least developed countries are the ones that suffer the most, and within them, the poorest segments of society bear the heaviest burden.

The result is a widespread increase in inequalities, in all its forms. As president Lula stated, “if the G20 wants to make a difference, it must place the reduction of inequalities at the center of its own work and of the international agenda”. Reducing inequalities is one of the main keys to facing other global challenges, as it can contribute to reducing conflicts, stimulating the international economy, expanding women’s economic empowerment, reducing environmental degradation and providing greater digital inclusion, to give just some examples.

The 2024 United Nations Report on the Sustainable Development Goals (SDGs) underscores this assessment:

- Only 17% of the SDGs are being implemented according to the established deadline; nearly half have progressed minimally or moderately, while more than a third have stalled or relapsed;
- For the first time this century, per capita GDP growth in half of the world’s most vulnerable nations fell short of that of advanced economies;
- Global advances in health have significantly diminished over the past 19 years, and many countries have

seen declines in student proficiency in math and reading;

- Nearly 60% of countries faced moderately to abnormally high food prices in 2022;
- The number of forcibly displaced persons due to armed conflict reached 120 million in 2024, with civilian casualties increasing by 72% between 2022 and 2023.

Mindful of these enormous challenges, Brazil has put the issue of inequality, in all its dimensions –of income, of access to health, education and food, of gender and race, and among countries– at the very center of the G20 agenda.

Under the motto “Building a Just World and a Sustainable Planet”, Brazil defined the following general priorities for its G20 presidency:

1. Social inclusion and the fight against hunger and poverty;
2. Energy transitions and sustainable development in their economic, social and environmental dimensions; and
3. The reform of global governance institutions.

Regarding the first priority, the Food and Agriculture Organization of the United Nations (FAO) estimated that about 735 million people were experiencing hunger in

2022, while 2.4 billion were suffering from moderate or severe food insecurity. An additional 23 million individuals fell into extreme poverty, and more than 100 million faced hunger in 2022, compared to 2019. It is unacceptable for Brazil that hunger continues to be a global challenge in the 21st century. The G20 cannot refrain from drawing attention and proposing solutions to this serious problem.

Progress towards achieving the Sustainable Development Goals (SDGs) 1 and 2 of the 2030 Agenda (reducing poverty and eradicating hunger) has not only stagnated but has severely regressed since the onset of the Covid-19 pandemic. Currently, approximately 150 million children under the age of 5 suffer from hunger worldwide, compromising their physical and cognitive development, increasing their vulnerability to disease and, in extreme cases, leading to their death. Data from the Organization for Economic Cooperation and Development (OECD) indicate that official development assistance intended exclusively for these SDGs is still very limited.

In this context, Brazil created a Task Force aimed at establishing the Global Alliance against Hunger and Poverty. This is a combined effort between the Sherpa track –focused, among other topics, on discussions related to public policies– and the Finance track which addresses issues related to financing.

The Alliance is the clearest example of the effort promoted by Brazil to align the work of these two G20 tracks.



The political objectives outlined by the Sherpas –who are the representatives of the Heads of State and Government– must find on the finance track, whenever necessary, the adequate means for their effective implementation.

The Alliance, whose creation was unanimously endorsed at a G20 ministerial meeting in July 2024, when the Brazilian presidency managed to reestablish the G20 tradition of issuing consensual ministerial declarations among its 21 members. Since the end of 2021, the G20 has been unable to issue ministerial statements due to geopolitical differences among its members, in particular regarding the conflict in Ukraine. The agreement allowed the G20 to approve the Alliance’s four basic documents at ministerial level. The Alliance will be open to all countries, not just G20 members. Countries that join the Alliance will commit to mobilizing resources and knowledge in favor of the large-scale implementation of public policies that have already proven successful, including conditional cash transfers, school feeding programs, support for family farming, single registration for low-income people and families, and social protection mechanisms.

South-South and Trilateral cooperation will play an important role in the Global Alliance. For the first time in history, we will have the opportunity to universalize social programs that have allowed developing countries, such as Brazil and others, to significantly increase the number of people with regular access to food and basic means of subsistence.

The second priority defined by President Lula is the need to adopt measures to promote sustainable development in its three dimensions –social, economic and environmental–, in order to encourage energy transitions and fight climate change.

The G20 has a unique role to play in shaping the global agenda for a more equitable and sustainable future, as well as in mobilizing resources and knowledge to effectively address global sustainability challenges.

From the Brazilian perspective, sustainable economic policies should prioritize job creation, value addition, innovation and investment in sectors that promote long-term prosperity, reducing inequalities and protecting the environment. In this context, it is essential to reaffirm the three pillars of sustainable development –social, economic and environmental– as originally defined at the United Nations Conference on Environment and Development (“Rio-92”) and reiterated at the United Nations Conference on Sustainable Development (“Rio+20”).

In summary, the vision of the Brazilian presidency is that social, economic and environmental challenges must be faced together, avoiding that just one or the other dimension is prioritized: without poverty reduction, for example, it is not possible to achieve sustainable economic growth.

## A Necessary Transition

Another crucial challenge is the state of climate emergency the world faces today. Humanity has only until the end of this decade to prevent global temperatures from exceeding 1,5°C above pre-industrial levels, an outcome that carries unacceptable risks for future generations, ecosystems and infrastructure. Unless there are profound and extensive transformations in how economies are organized and financial resources are mobilized, distributed and managed, humanity will fail to respond to the dangerous threat of climate change. Several countries, including Brazil, are already suffering the devastating consequences of climate change, as observed in the recent and tragic floods in the State of Rio Grande do Sul.

By bringing together the world's largest economies, accounting for approximately 3/4 of global greenhouse gas emissions, the G20 can play a key role as a catalyst for partnerships, high-level coordination and the establishment of new political consensus. This has the potential to spur government action and transform financial markets and capital flows, thus contributing to the implementation of the UNFCCC and its Paris Agreement.

In pursuit of this goal, Brazil has established in the G20 a Task Force for Global Mobilization against Climate Change, in a new joint effort between the Sherpa and Finance tracks. The Task Force aims to strengthen the G20's

coordinated response to climate change and will explore: (i) the role of national transition plans; and (ii) a renewed agenda for mobilizing financial flows to combat climate change.

To this end, adequate, timely, and accessible financial resources are crucial. It is essential to promote an unprecedented increase in investments to meet transition demands, especially in developing countries. This transition requires a significant overhaul of the financial system and its structures and processes. It is essential to mobilize governments, central banks, financial regulators, commercial and development banks, international financial institutions, institutional investors, and other financial actors. Reinvigorating multilateralism and promoting the reform of global governance institutions is the third priority of the Brazilian G20 presidency.

## Rethinking the Structures of Global Governance

Many of the existing international organizations were established in the 1940s, reflecting a global reality that no longer exists. To illustrate how the world has changed, only four African countries were present at the San Francisco Conference, which created the United Nations. International organizations need to adapt to the reality of the current world and deal more effectively with the challenges of the 21st century, especially when it comes to war,

poverty and hunger. There is a virtual consensus regarding the urgent need of reforming the main international organizations, such as the “Bretton Woods” institutions –the International Monetary Fund (IMF) and the World Bank–, the World Trade Organization (WTO) and the United Nations.

In the current scenario of polarization and distrust, aggravated by a variety of geopolitical issues, the very institutions designed to safeguard international peace and security and foster global prosperity have been weakened. The lack of representativeness further undermines their effectiveness and the legitimacy of their decisions.

The Brazilian presidency of the G20 considers that only with a reinvigorated multilateral system will it be possible to achieve peace, stability and sustainable development.

In the international financial arena –the G20’s original focus area– it is necessary to promote a more inclusive and representative governance structure in institutions such as the World Bank and the IMF. We must simplify procedures, reduce conditionalities and ensure space for development policies, including those aimed at combating hunger and poverty. We must also pay attention to the growing debt of the least developed countries, having in mind that changes in interest rates in central economies negatively affects their ability to pay the debt, promote economic growth and reduce inequalities.

In the same vein, Multilateral Development Banks (MDBs) are inadequately equipped to address the major social and environmental challenges of our time. MDBs need to be more attentive to the needs of developing countries, simplifying the access to resources and functioning as a system, where appropriate, leveraging their knowledge and catalytic functions.

The world needs bigger, better, more effective and more representative banks, with resources that reach those most in need of effective support to promote development.

International trade can be an important driver for inclusive economic growth, combating poverty and hunger, and promoting sustainable development and the SDGs. The WTO is the only multilateral system to manage disputes and coordinate positions in global trade. Strengthening the Multilateral Trading System means advancing the WTO reform process, reinforcing the centrality of the development dimension in the organization and focusing on reforming the dispute settlement pillar. The task of overcoming the current blockage to the functioning of the WTO Appellate Body becomes even more pressing at a time when waves of protectionism resurface, norms established at great cost are violated and unjustified trade barriers are created.

For trade to adequately fulfill its potential and serve as a driver of global growth and prosperity, a rules-based, non-discriminatory, fair, open, inclusive, equitable, sus-

tainable and transparent multilateral trading system is indispensable. Ensuring a level playing field that discourages protectionism and market-distorting practices is key for promoting a favorable trade and investment environment for all. And, for developing countries, it is essential to move forward with the great pending issue inherited since the days of GATT and unresolved since the creation of the WTO: greater liberalization of agricultural trade, with measures to ensure more open markets and less distortive practices, such as subsidies and domestic support still in place in developed countries.

At the opening of the United Nations General Assembly in 2023, Secretary-General António Guterres called for the renewal of multilateral institutions based on the economic and political realities of the 21st century. In his words, “the alternative to the reform is not the ‘status quo’. The alternative to the reform is greater fragmentation. It is reform or rupture”. The Secretary-General urged the G20 to help forge a global commitment to building a future of peace and prosperity.

To this effect, Brazil will hold a second Foreign Ministers meeting in the annual G20 calendar. For the first time, the meeting will take place at the United Nations Headquarters in New York, with the participation of all UN member states. The occasion will enable the G20 to align with other United Nations members on behalf of a “call to action” in favor of reforming global

governance institutions, with the United Nations as the central point.

In addition to the three general priorities outlined above and the efforts to integrate the work of the Sherpa and Finance tracks, the Brazilian presidency of the G20 has endeavored to strengthen contact with civil society.

Although not exactly a “track”, several social movements have organized themselves over the years in the form of “engagement groups”, such as labor unions (L20), civil society (C20), youth (Y20), women (W20) and businesspeople (B20).

For the first time in G20 history, representatives of the engagement groups were able to participate, in July 2024, in a joint meeting with the Sherpas, interacting with government representatives and presenting concrete suggestions and recommendations. In addition to that, the Brazilian presidency will also organize, for the first time in the G20 history, the summit of the so-called “G20 Social”, which will take place in Rio de Janeiro, in the days before the Leaders’ Summit (November 18th and 19th, 2024). The G20 Social seeks to ensure that governments and societies, instead of perceiving themselves as antagonistic actors, combine efforts in favor of shared objectives.

Global challenges are interconnected and can only be addressed through a reinvigorated and reformed multilateralism and international cooperation. The international community has already proven its capacity to respond to



crises and to reform global governance structures. The G20 itself is a product of this. The time has come for the G20 to make its contribution to a serious discussion of current global governance structures, placing the fight against inequalities, the promotion of sustainable development and the strengthening of multilateralism again at the center of the global agenda.



## An Emerging Middle Power with a Plurilateral Strategy



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Lately, the world has witnessed what could be described as an abrupt movement of tectonic plates. Revisiting the twentieth century, Western historiography frequently describes the twenties as a period of profound changes in politics, the economy, culture, the arts and, particularly, international relations. A century later, we are about to live something comparable. This text considers the crucial and tumultuous events of this last five-year period (the Covid-19 pandemic, the war in Ukraine, and the Gaza conflict, among others) in order to debate how emerg-

ing middle powers, and particularly Brazil, are reshaping global geopolitics, gaining recognition, and modifying their role in the present world.

It is important to highlight that discussions about the emerging middle powers and their strategies have been frequently marginalized in academic debates of international relations. The dominant conceptual and theoretical frameworks in this field rarely deviate from this reality, favoring in their analyses countries with great resources. Kenneth Waltz argues, in his classical *Theory of International Politics*, that any formulation about the international system should be based on the dynamics of power and its main poles. In a similar way, Hedley Bull, in his masterwork *The Anarchical Society*, identified great powers as institutional forces in the construction of international order.

This approach is central to understand the mechanics of international relations, and the relative absence of discussions about the diplomatic strategies of the emerging middle powers. However, this vision is currently being challenged by the emergence of a perspective that has become growingly solid and influential, as countries with increasing material capacities begin to question the established consensus. These nations support a reformed international order, fighting for changes in international organizations, and in global governance mechanisms, frequently resorting to plurilateralism. The tangible impacts of this change are evident in the responses to the pandem-

ic, the war in Ukraine, and the Israel-Hamas conflict, just to mention a few examples.

This new perspective supported by emerging powers, like Brazil, may mean a break with postwar institutional-ity, for it would imply a change in the narratives used to deal with future global events. There are, in this sense, three main dimensions to take into account in the foreign policy plans of present emerging middle powers: geopolitics, geoeconomics, and the environment. What happens in one of them invariably ends affecting the other two. This overflowing effect can be clearly perceived in the Brazilian strategy for moving in the international arena. But before dealing with this issue it may be convenient to make clear the terms of the debate.

## Emerging Middle Power

The term emerging power should not be confused with the more common and multifaceted middle power. The world recognizes a variety of middle powers with diverse characteristics. We refer to nations like Australia, Sweden, Canada, the Netherlands, and South Korea, whose material capacities put them in the middle range in an imaginary power scale. However, these nations are also well integrated in the postwar international order. They have established roles within the global system, and show little

interest in promoting radical revisions of the international order. In contrast, emerging powers are those that seek to alter the *status quo*, united by a wish of international reform anchored in ethical imperatives. They denounce the flagrant disparities existing in the world, demand a greater justice, and a more equitable distribution of the resources in the international scene.

The changing global power arena increasingly centers its attention in the rise of emerging powers. These nations, typically located outside the Western bloc, strive to increase their influence, and secure a status of great power. The literature frequently differentiates the cases of China and Russia (both revisionist states endowed with considerable material resources, institutional authority, and diplomatic machinery) from countries like Brazil, India, South Africa and Türkiye. Emerging power suggests a state of progression, since the term emerging incorporates a reference to temporality. Meaning that some nations seek to modify their status within the global social hierarchy. Emerging middle powers, therefore, are those that aspire to enter within the high spheres of international politics, but do not possess the resources necessary to achieve it. This search of leadership and influence has been a constant ambition of Brazilian foreign policy lately.

The field of International Relations faces two significant obstacles when dealing with this issue. First, a substantial amount of research still adheres to the conven-

tional definition of middle power, despite the academic critique to its limitations. Traditionally, middle powers were seen as states devoted to the maintenance of the postwar order, and the promotion of an image of responsible global citizenship in order to obtain support for their interests. Frequently, they uphold multilateral approaches and the conformity to established rules. This view introduces a second challenge: how can emerging middle powers defend their interests within the postwar order? Dealing with this issue requires recognizing that great powers (endowed with armaments, industrial capacity, and access to advanced technologies) are the ones that control the means of access. These nations have influence as main actors in international negotiating tables.

Institutionalists argue that emerging nations have the potential to reform global governance mechanisms (international organizations, regimes, and legal regulations) through niche diplomacy. This perspective stresses the capacity of these nations to obtain reputational assets, establishing themselves as leaders contributing to global stability. On the other hand, critical theorists argue that the structure of postwar order prevents new participants from achieving the status of a great power. This happens because nations of the so-called P5 (United States, United Kingdom, France, China, and Russia), who created the 20th century global governance framework, are always seeking the alignment of institutions with their interests,

thus securing their continuous role as guardians of stability and order. This arrangement, supported by other states, preserves their unique positions and claims of responsibility. Therefore, structural mechanisms are inherently favorable to the status quo.

It is true that great powers are reluctant to give up their privileged status, but it is also true that emerging middle powers, like Brazil, have means to face the challenges presented by the order searching for status and foreign policy autonomy. However, the idea of gaining reputational assets without questioning the supremacy of the P5 or the existing rule-based order is not enough for those that aspire to have a significant role in the international sphere. The existing governance structure incorporates social and diplomatic barriers to restrict the rise of emerging middle powers, which put pressure to them to adhere to established rules and institutional frames.

Within this restricted environment, emerging middle powers need to formulate their strategies. The deterrent effect of international mechanisms upon the efforts of emerging middle powers is a fact, but it is also true that these have the potential to face and effectively navigate this challenges. The plurilateral strategy of Brazil is a good demonstration.



## Brazilian Style Plurilateralism

Although Brazil is the eighth biggest economy in the world, has the seventh greatest world population, and the fifth world territory in extension, it does not possess an abundance of military resources, or a high wealth per capita. Also for this reason, president Luiz Inácio Lula da Silva has favored three diplomatic spaces in his contemporary plurilateral practices: BRICS, the G20, and the COP30.

Since January, 2024, BRICS, in its revised, expanded and updated version, concentrates close to 30% of world GDP, and 40% of world population. Well distributed among different geographical regions (Latin America, Sub Saharan Africa, North of Africa, Middle East, Eurasia, South Asia, and East Asia), its group of ten members is a motive of envy for any good player of the Risk board game. The pieces combine in such a way that the revisionist alliance of the Global South possess almost inexhaustible energy reserves, a world food granary, and an unbeatable environmental patrimony. BRICS has thus turned into an inevitable reference.

However, Brazil will have to battle with two big issues: at an internal level, the paralyzing heterogeneity of the bloc; and on an external level, the tension with the Western partners. The first issue implies the difficulty of acting beyond the symbolic. Even if the building up of a de-dollarized financial system is frequently addressed,

the consensus on this subject seems distant. There are, besides, both open and veiled resistances to the excessive protagonism of China. The second issue, in a country with a universalist vocation like Brazil, requires certain caution, since Brasilia is not interested in blocking the possibilities of cooperation with North America and Europe.

The group of the 20 biggest economies in the world (G20), under the rotating presidency of Brazil starting in December, 2024, will try to achieve agreements which are credible and applicable to the economy. It is noteworthy that the group of members congregates, in the same measure, representatives from the new BRICS and the G7. Even among the ones that do not belong to this groups, there is a parity between the Global South (Indonesia, Mexico, Türkiye) and the Global North (Australia, South Korea, European Union). It is, in short, an instance of the fissures of world order. During the period in which it will occupy the leadership of the group, Brasilia will seek to disseminate perspectives which at the same time serve the national interest while avoiding polemics. Probably an emphasis will be made on the subject of fighting inequalities –another subject that creates lesser friction is the environment–. Similarly, Brazil and its Southern pairs will avoid (as a vampire avoids garlic) the thorny discussion about the war in Ukraine. There is not any subject, besides, more divisive in contemporary international relations.

Under the United Nations (UN), the Conference of the Parties (COP) debates and discusses the dramatic climate change in high level summits. In November, 2025, its thirtieth edition will take place in Brazil, the biggest green power of the planet, and precisely in a city, Belem, that groups the Amazon biome. It will be a unique opportunity to abandon the historical defensive position, and advance a Brazilian vision. Finally, if there is a topic in which the South American country can claim leadership, it is that of global climate governance.

As emerging middle power, Brazil plays chess at three chessboards, simultaneously and coordinately, trying to link the decisions in accord with diplomatic motivations. As a promoter of the expansion of BRICS, it tries to move forward the reform of the UN Security Council; in defense of the reform of the Council, it resorts to an environmental argument for the need to empower the countries which are “guardians” of ecological resources; when dealing with environmental protection, it associates it with financing a “green transition”. In short, Brazil (and Lula) refer to a single, indissoluble point.

## A Great Strategy for the Country?

Brazil is a country that, at least during the last decade, has wandered aimlessly the agitated seas of internation-

al relations. It seems that the time has come to unite the loose ends of its foreign policy, and give sense to strategic and tactical actions of a different nature. Evidently the world, so complex and unpredictable, does not prevent countries' long-term plans to be periodically adjusted and revised. Even so, it will be convenient to consider five propositions:

1. The rise of the Global South no longer belongs to theoretical and philosophical speculations: it has already happened. It is sufficient to see the economical, geostrategic, and political-diplomatic historical statistics.
2. China already rivals United States in different segments of international relations (fundamentally in the economic and technological spheres) and, although it may experience turbulences, it will not withdraw from the condominium of global powers in the following decades.
3. India, the third biggest economy (in parity of purchasing power) and the most populated country in the world, besides having nuclear warheads, will be the next member of the group of super powers. It seems condemned to greatness.
4. Given the political-institutional configurations of the countries that compose the BRICS, their leaderships will still be in commanding positions in the fol-

lowing years, i.e., there is time for the maturing of a revisionist project of the global order.

5. The climate crisis, which each day acquires a more somber outline, and does not admit dilatory subterfuges, allows Brazil to make use of its “arguments” (abundant hydric, energy, forest, and food resources, and biodiversity) in the global plurilateral spaces.

Another issues have still to be analyzed: the demographic pattern of African and South Asian countries, the growing force of the cognitive and axiological dimensions of international relations, the implacable automatization of the work world, and the grave threats to humanity’s survival (pandemics, natural disasters, catastrophes produced by humans or humanoids, etc.)

Nobody said it will be easy. However, after a long while, there is a comforting feeling that there is a sailor at the helm of the Brazilian ship.



**CANADA**  

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## Towards a Multilateralism that Works for All



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In an era of increased contention and divergence, both within and between countries, Canada remains firmly committed to building multilateral institutions and partnerships that benefit everyone. As a forum that brings leaders of the largest developed and emerging economies into the same room every year, the G20 fosters the kind of dialogue and collaboration needed to address the pressing global issues of our time.

With 25 years of collective experience at the G20 table, it is an opportune time to reflect on what this forum has meant for our countries, for our region, and for the world, and what its future might look like. While Canada takes pride in the role that our country played in the origins and evolution of the G20, we also recognize the need to ensure that this premier forum for international economic cooperation remains fit for purpose and can deliver positive results in the face of ever-mounting global challenges.

## A Quarter Century of the G20

Those familiar with the history of the G20 will recall that, as the threat of economic turmoil shook up the Americas region in the early 1990s, notably with the Mexican Peso crisis, it was Paul Martin, in his role as Canada's minister of Finance, together with the then US Treasury Secretary

Lawrence Summers, who began to lay the groundwork for the birth of the G20. Channeling Canada's legacy of championing multilateralism –going back to the likes of former Prime Minister Lester B. Pearson– Martin made the case for a more inclusive, representative, and collaborative response to global economic shocks. By the end of the decade, as macroeconomic crises in Asia and Russia triggered additional threats to global financial systems, the call for better cooperation between emerging economies and developed countries became difficult to ignore. It was in this context of active crisis response, coupled with Canadian advocacy to amplify the voice of developing countries in the multilateral system, that the G20 was born.

From its inception in 1999, the G20 was tasked with two very difficult, yet crucial goals. The first was to coordinate macroeconomic cooperation and crisis-response efforts between global powers with different – and at times competing– national interests. The secondary, but no less challenging, task of this forum was to ensure that the fruits of globalization and multilateral economic cooperation are enjoyed by all. With over two decades of experience observing and engaging in this important multilateral forum, we are in a good position to reflect on how the G20 has fared in advancing these objectives.

From the outset, the G20 faced a trial by fire, as it urgently needed to find solutions to the financial crises that

the world faced at the dawn of the new millennium. Canada chaired the first three G20 Finance Ministers' and Central Bank Governors' (FMCBG) meetings, hosting two of them. By enabling consistent, high-level dialogue between Finance ministers and Central Bank governors representing nearly 80% of the world's economy, the inaugural G20 FMCBG ministerial helped set a productive tone for the forum. Certain measures were quickly negotiated during the first few meetings, as G20 countries worked together to set standards aimed at improving financial supervision and regulation, increasing transparency and availability of data, and providing adequate financial support packages to countries in crisis. Together, this set of macroeconomic interventions coordinated at the G20 table helped affected countries emerge out of the crises that they faced.

The watershed moment for the G20 came in 2008, when in response to the deepening Global Financial Crisis our respective heads of state and government first sat in the same room together, elevating the forum to leaders' level. Canada played an instrumental role in the inaugural G20 leaders' summits, and we were supportive of the unprecedented crisis-management measures taken—including the hundreds of billions in financial stimulus delivered, as well as the anti-protectionist pledge on trade, and the establishment of common principles for reforming financial markets. On an institutional level, Canada pushed for the creation of a Financial Stability

Board (FSB) –initially chaired by Mark Carney, then governor of Canada’s Central Bank. Together, these efforts helped ensure that the worst economic crisis since the Great Depression did not turn into a global catastrophe. During the 2010 summit held in Toronto, we worked closely with all G20 members to move the needle on financial regulation and fiscal consolidation, thereby establishing the foundation for a more proactive response to the European debt crisis.

Over time, the G20 has remained a flexible and inclusive tool of global economic governance, which complements and supports treaty-based multilateral institutions. Canada helped push for and welcomed the elevation of the G20 to the leaders’ level. The yearly summits provide an inclusive and egalitarian space, where leaders and ministers of diverse countries –which account for the vast majority of the world’s population and GDP– can work together to establish a consensus on how to confront the world’s most pressing economic challenges.

In recent years, the collaborative work achieved through the various G20 work streams has enabled us to see steady progress in the pursuit of global development priorities. The macroeconomic policy tools and financial supervision and regulation promoted through the Finance Track have played an essential part in preventing another major economic crisis. The objective of fostering inclusive growth and making globalization work for all

has also been advanced through the leaders' table, where Canada and others have advocated for more ambition on social inclusion.

Canada has strived to build bridges and strengthen our partnerships with emerging economies at the G20 table. We have been supportive of the development-focused G20 priorities of our regional partners, including Mexico and Argentina during their respective presidencies in 2012 and 2018, and Brazil this year. Canada has also welcomed the G20's support for global development objectives, alongside broader economic issues, which has contributed to the progress of the Millennium Development Goals and now the 2030 Agenda for Sustainable Development.

Consistent with these commitments, we have worked closely with G20 partners to scale up financing for sustainable development, including by improving support for domestic resource mobilization and private capital mobilization; by making multilateral development banks (MDBs) "better, bigger, and more effective"; and by improving the effectiveness of climate and environment funds. Partnerships fostered at the G20 table have enabled important reforms to international financial institutions, such as implementation of the recommendations of the G20 Independent Review of MDBs' Capital Adequacy Frameworks. In the coming decade, these ongoing efforts, with continued political momentum from the G20, have the potential to unlock

billions of dollars in additional lending headroom to be deployed by major MDBs such as the Inter-American Development Bank and the African Development Bank, which can deliver concrete results for millions of people in our region and far beyond. This action also aligns with the objectives of the Bridgetown Initiative, led by Barbados Prime Minister Mottley, which aims to reform development financing with a focus on climate finance.

When the Covid-19 pandemic brought the world to a standstill in 2020, the G20 once again served as a crucial forum to help us channel the kind of rapid, collective response needed to address the devastating economic and social impacts of the pandemic. Various extraordinary summits were held in a timely manner and bold, collective commitments –such as the G20 Action Plan to support economic recovery through the pandemic; the Access to Covid-19 Tools (ACT) Accelerator; the World Bank and WHO-led Pandemic Fund; the G20 Debt Service Suspension Initiative; and the Action Plan on Trade and Investment– were initially discussed and negotiated at the G20 table. Such timely efforts helped alleviate the suffering of the most vulnerable, in both developed and developing countries.

Canada has also worked closely with other G20 members to make more room for meaningful engagement of civil society and the private sector in the G20. We advocated for the establishment of various engagement

groups during our presidency in 2010 and have championed unique G20 private sector-led initiatives such as the Alliance for the Empowerment and Progression of Women's Economic Representation (G20 EMPOWER).

At a time of increased skepticism about the value of multilateralism, it is important to recall these many achievements of the G20. They remind us that we can overcome, or set aside, our differences to achieve real outcomes for our citizens. In the face of heightened geopolitical tensions and other ongoing global challenges, we need to ensure that the G20 continues to deliver.

## Optimizing the G20 to Face 21<sup>st</sup> Century Challenges

Our world is in a state of flux. As new challenges emerge, we must continue to adapt our institutions to ensure that they are fit for purpose. Over the last 25 years, the G20 has made great strides in achieving its overarching mandate: finding collective solutions to the pressing economic challenges that the world faces. But it is undeniable that the increasing levels of polarization, geopolitical contention, and sheer number of transboundary challenges that the world faces have put a strain on this forum's ability to live up to its *raison d'être*.

Achieving continued results at the G20 table will require concerted effort, a clear vision, and shared goals.



A first step should be to identify and channel more of our efforts towards what the forum does best. Adopting a more pragmatic approach, anchored in the G20's strengths, could help mitigate the risk of spreading ourselves too thin. From Canada's perspective, the G20's biggest strength remains its ability to foster a conducive environment for economic stability and growth –particularly through the promotion of effective macroeconomic tools and policies–.

The Finance Track, which in the early days was the G20, has gathered considerable expertise throughout the past two decades and delivered significant results. Continued impact will require sharpened focus on the fundamentals, and fulfillment of commitments. As such, we appreciate Brazil's efforts this year to maintain the momentum on important Finance Track agenda items, including the impact of wars and conflicts on the food and energy security, both in the short and longer term; in addition to MDB reform, private capital mobilization, the sustainable finance roadmap, sovereign debt issues, and international taxation. The crucial crisis-prevention and resilience building work done through various Finance Track working groups must also be strengthened; we must not only be responsive but also address problems at their root, including through efforts to promote strong, sustainable, balanced, and inclusive growth, thereby helping us all escape the current state of perpetual firefighting. This work is particularly important

for accelerating economic development and poverty reduction in our region and far beyond.

A greater focus on macroeconomic policy does not necessarily imply that other important issues should take a backseat at the G20. If the past few decades of global crisis-management have taught us anything, it is that macroeconomic challenges, social, political and environmental issues are deeply interrelated. That is why Canada continues to call out Russia at the G20 table, as its aggression against Ukraine has not only negatively impacted the global economy but has also undermined our collective efforts to address issues like global food insecurity. Taking a more holistic view of global issues also leads us to advocate for both macroeconomic efficiency and equity considerations. We are, therefore, pleased to see an emphasis on social inclusion and climate action reflected in Brazil's three priorities for its G20 presidency. Going forward, it will be crucial to keep identifying areas where the G20 is best placed to help advance the objective of making globalization work for all. This will be key to achieve many of our common objectives, such as the Brisbane goal of reducing the gap in labour force participation rates between men and women across the G20 by 25 per cent by 2025. To maintain the momentum on social inclusion, Canada will continue to work closely with regional partners, through the new Empowerment of Women Working Group and beyond, to advocate for

gender mainstreaming across the G20 agenda, which should help reduce gender inequalities within and between countries.

Beyond issues of scope of work and equity concerns, achieving more optimal results through the G20, ultimately hinges on our ability to hold ourselves accountable to the commitments that we make. The G20 is most effective when members are willing to work together to build broad coalitions around issues of mutual interest for all. When basic consensus is found, we are also in a better position to pool our resources together to implement solutions. Not every issue is amenable to such broad coalitions, but successes on a few priority issues can help set the tone for greater ambition later down the road. On an individual country-level, we have learned – through our own experience of implementing G20 commitments domestically – that the advancement of Canada’s interests is often inseparably linked to the advancement of global interests. As such, we view the implementation of G20 commitments not only as a vehicle to strengthen our international partnerships, but also as an opportunity to deliver concrete benefits for all.

As we prepare for the Leaders’ Summit in Rio de Janeiro this year, Canada remains firmly committed to work with Brazil, as well as our other longstanding partners in the Americas and across the G20 table, to achieve positive outcomes for everyone. Looking ahead

towards Canada's G7 presidency in 2025, we plan to keep building bridges with emerging economies and continue advocating for a multilateral system and a global economy that, truly, works for all.

## Canada's G20 Leadership



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Canada has been a leader in G20 governance, in institutional, policy and material ways<sup>1</sup>. Canada conceived of the “finance G20” alone and created it with the United States in 1999, to govern a world where globalization had led to a new top tier of systemically significant states whose

<sup>1</sup> John Kirton, “Canada’s G20 Entrepreneurship,” *International Journal*, New York, 2018.

high capabilities and connectivity meant shocks from one brought vulnerabilities and harms to all. Canada's finance minister, Paul Martin, secured his desired G20 of Finance ministers and Central Bank governors of all such states, including five from the Americas, to promote financial stability and make globalization work for all. He chaired its first three meetings, creating an agenda embracing economic, ecological, social and security concerns. Becoming Prime Minister in 2004, he paved the way for the G20 leaders' summit when the American-turned-global financial crisis in 2008 finally led US president George Bush to agree. Prime Minister Stephen Harper, hosting the fourth G20 summit in Toronto in 2010, started members' fiscal consolidation, to prevent a new European financial crisis from going global. His successor in 2015, Justin Trudeau, led the G20 on his progressive agenda of economic equality, immigration, gender equality and artificial intelligence.

Canada's two leaders always attended G20 summits. Canada implemented summit decisions at an average of 85%, well above the G20's overall average of 71%. Canada's delivery, consistent with its priorities, ranked first among all members on macroeconomic policy, gender equality, food and agriculture, and infrastructure; second on digitalization and terrorism; and third on the environment, development, labour and employment, and health.

Canada's leadership helped the G20, as an inclusive forum, respond to shocks from many perspectives. Members have implemented their commitments on financial regulation at 76% and on macroeconomic policy at 81%. From 2012 to July 2024, the global economy had no systemic financial crises, stronger economic growth and a rapid recovery from the Covid-19-induced recession. Yet the G20 still struggles to produce ambitious action on climate change and deliver its historic 2009 commitment to end fossil fuel subsidies.

The G20 strengthened multilateralism. It added to the exclusive, northern G7 a broader G20 where members from the Global South have an equal place. It reformed the International Monetary Fund (IMF) and World Bank to give emerging economies greater voice and votes. It can now improve its effectiveness by again having two summits each year, and improve multilateralism by fostering an overarching global governance regime for the natural environment, energy and artificial intelligence.

### Canada's G20 Leadership (1999–2006)

The idea of creating a G20 came from Paul Martin. Inspired by the Mexican peso crisis in December 1994 and his participation in the Western Hemisphere finance ministerial meeting, he thought that key Latin American Fi-

nance ministers and Central Bankers should join the G7 ones to address the contagious impacts of financial crises in emerging markets. The Asian-turned-global financial crisis from 1997 to 1999 led US treasury secretary Lawrence Summers to call an *ad hoc* G22, and then G33, finance ministers meeting. But Martin argued that a permanent, more compact, institution of “systemically significant countries” would produce financial stability in a now intensely interconnected world. They thus co-created the “finance G20” on April 27th, 1999<sup>2</sup>.

The first meeting, chaired by Martin in Berlin in December 1999, featured a free, open discussion among all. Reflecting Canada’s priorities, it produced four commitments, focused on stronger financial regulation<sup>3</sup>. The second meeting, chaired by Martin in Montreal in October 2000, clearly defined the G20’s mission of promoting financial stability and making globalization work for all<sup>4</sup>. Martin said its agenda included any economically related subject. Its communiqué covered debt, development, trade, health, agriculture, the environment and social policy. Its seven commitments were on macroeconomic policy with three, development two, and inter-

**2** John Kirton, *G20 Governance for a Globalized World*, Ashgate, Farnham, 2013, pp. 62-70.

**3** *Ibid.*, pp. 74-85.

**4** *Ibid.*, pp. 95-106.



national financial institutional reform and social policy with one each.

The third meeting took place in November 2001, unexpectedly in Ottawa, with Martin as chair<sup>5</sup>. The September 11th terrorist attacks on a now militarily vulnerable US meant no one would travel to the initially intended location in India. But the US and all other members trusted Canada to hold the G20 meeting securely, and thus also IMF and G7 meetings there too. The G20 became the centre of global security governance, making most of its 24 commitments on terrorist finance. Martin and Brazil's Finance minister suggested G20 leaders should meet too.

The fourth meeting, in New Delhi in November 2002, and the fifth in Morelia, Mexico, in October 2003, moved the G20 to emerging economy hosts and a development focus. The following meetings added energy security, minerals, climate change and biofuels, and increased the momentum for adding a leaders' forum. They also agreed on the first stage of IMF voice and vote reform, which the IMF could not do on its own.

The G20's tenth meeting, in São Paulo on November 8/9th, 2008, followed an *ad hoc* one in Washington on Oc-

5 *Ibid.*, pp. 115-131.

tober 11<sup>6</sup>. Both responded to the American-turned-global financial crisis that had erupted on September 15th and paved the way for the first G20 summit.

### Canada's G20 Leadership (2008-2014)

This took place on November 14/15th, 2008, in Washington DC. The great financial shock that exposed the vulnerability of the world's greatest financial and economic power led Bush to finally recognize the need for it.

Canadian Prime Minister Stephen Harper focused there on adding exit strategies to the major fiscal stimulus needed then, better banking regulations and supervision, and an anti-protectionist pledge (APP) on trade<sup>7</sup>. The leaders' 95 commitments, reflecting Harper's priorities, included financial regulation with 57, international financial institution (IFI) reform 14, macroeconomic policy six, trade five, and development and accountability five each. They were delivered four months later at 79%. G20 leaders also created four working groups, with Canada's Tiff Macklem chosen to co-chair the critical Working

**6** John Kirton and Madeline Koch (eds.), *Growth, Innovation, Inclusion: The G20 at Ten*, Newsdesk, Londres, 2008.

**7** John Kirton, *op. cit.*

Group on Enhancing Sound Regulation and Strengthening Transparency.

The second G20 summit, in London on April 1/2th, 2009, mobilized \$1.1 trillion in new money to control the financial crisis, replaced the G7 –dominated Financial Stability Forum with the G20– wide Financial Stability Board (FSB), promised to reform the World Bank by spring 2010 and the IMF by January 2011, and acted on climate change. Its 129 commitments were delivered half a year later at a level of 60%. Harper, wanting to fix the banks first and protect open international trade, got commitments on exit strategies, bank regulation and the APP. The new US president, Barack Obama, agreed to host the third summit and suggested that Canada host the fourth.

At Pittsburgh on September 24/25th, 2009, leaders declared the G20 the permanent priority forum for their international economic policy coordination. They agreed to a Framework for Strong Sustainable and Balanced Growth, to shift 5% of the IMF quota from Europe to emerging countries, to mobilize climate finance, to phase out inefficient fossil fuel subsidies in the medium term and to broaden their social policy agenda. They made 127 commitments, and by June 2010 had delivered them at 69%. Canada promised further domestic fiscal stimulus and another \$10 billion for the IMF if needed and gave \$2.6 billion in callable capital to the African Development Bank.

Harper secured, hosted, designed and chaired the G20's fourth summit in Toronto on June 26/27th, 2010. He sought to have the advanced economy members agree to specific fiscal consolidation, to create confidence in markets now worried about the massive fiscal stimulus and deficits of the past two years. He also wanted to strengthen financial regulation, reform the World Bank, extend the APP, and stop a bank levy and European and US desire for climate change control.

Harper achieved all his goals. All advanced members except Japan agreed to halve their deficits by 2013 and stabilize or reduce their accumulated debt as a share of Gross Domestic Product (GDP) by 2016. They extended the APP by three years. They advanced the deadline for IMF reform to November. They agreed to more IMF resources, World Bank reforms, financing regional development banks and the fossil fuel phaseout, and to create the Development Working Group, Working Group on Corruption and Energy Working Group. They made 61 commitments, which were complied with five months later at 70%, including Canada's 87%. But G20 summits lost their perfect attendance record, as Brazil's President Lula stayed home to deal with flooding there.

At Seoul on November 11/12th, 2010, amid an escalating European financial crisis, leaders agreed on stronger banking standards. Harper highlighted the need for structural reform, fulfilling commitments on fiscal consol-

idation, exchange rate flexibility and financial regulatory reform, and warned against protectionism.

At Cannes on November 3/4th, 2011, Harper sought to have the Europeans control their escalating financial crisis, to stop France's proposed global financial transactions tax and to have Bank of Canada governor Mark Carney appointed the new FSB head. He secured most of these goals.

At Los Cabos on June 18-19th, 2012, Harper again wanted Europe to create a credible, medium-term plan to deal with its critical debt crisis. He helped get the G20's European members' promise to "take all necessary policy measures" to secure financial stability in the euro area and the G20 produce an action plan on growth. Canada and the US did not contribute to the new IMF firewall fund but Harper helped fund the new AgResults initiative on food security.

At subsequent summits, with financial crises controlled and global economic growth restored, G20 governance and Canada's contribution turned to other issues. At St. Petersburg on September 5/6th, 2013, leaders got chemical weapons removed from Syria without using military force. At Brisbane on November 15/16th, 2014, Harper supported and secured the key commitment to lift members' GDP growth by an additional 2% over five years.

## Canada's G20 Leadership (2015-2023)

Under Liberal Prime Minister Justin Trudeau, Canada's G20 leadership continued, now on his progressive priorities of economic equality, immigration for economic growth, gender equality, environmental protection and climate change control.

At Antalya on November 15/16th, 2015, Trudeau sought fiscal stimulus through infrastructure investment, ambitious climate change control, welcoming Syrian refugees, inclusiveness, youth employment, gender equality and immigration for economic growth. At Hangzhou on September 4/5th, 2016, a more experienced Trudeau, again pushing these priorities, had more success.

At Hamburg on July 7/8th, 2017, Trudeau now faced the populist, protectionist, US president Donald Trump, who had just withdrawn the US from the Paris Agreement. G20 leaders produced 529 commitments, with many on Trudeau's environmental and gender priorities, but did not change Trump's mind on climate change or immigration.

At Buenos Aires on November 30th/December 1th, 2018, Trudeau again promoted clean energy, infrastructure and new technologies, climate change, income equality, migration and refugees, gender equality and quality education for women and girls. He helped the summit make seven commitments on gender and eight on energy. At Osaka on June 28/29th, 2019, he had more success, as

the summit's 144 commitments included climate change with 13, gender 12, macroeconomic policy and labour and employment nine each, environment seven and digitalization five.

At the virtual Riyadh Summit on November 21/22th, 2020, all leaders focused on countering the Covid-19 pandemic. Their 107 commitments were led by those on health with 14. Trudeau's gender equality priority got eight.

At Rome on October 30/31th, 2021, Trudeau sought to generate good green middle class jobs, secure supply chains for critical minerals, foster trade, counter the Covid-19 pandemic, deal with debt distress and act on climate change. He did well, as Rome's 224 commitments, led by 35 on health, included the environment and climate change with 21 each, and gender equality 17.

At Bali on November 15/16th, 2022, Trudeau focused on the cost of living, climate change, energy and food security. He did well, as the summit's 223 commitments were led by 24 on the environment, while food and agriculture had 22, climate change and macroeconomic policy 18 each, and energy and gender 11 each. Delivery rose to a new high of 79%.

At New Delhi on September 9/10th, 2023, Trudeau's non-security priorities were addressing global warming and biodiversity loss, pandemic and economic recovery, resilient supply chains, clean energy, technology and

critical minerals, and creating good middle class jobs<sup>8</sup>. Leaders' 242 commitments correspondingly put gender and health first with 25 commitments each, giving climate and the environment 19 each, food and agriculture 14, and energy 13.

## Conclusion

Canada's G20 leadership strengthened multilateralism. It added to the exclusive, northern G7 a broader G20 where members from the Global South have an equal place. It reformed the IMF and World Bank to give them more resources and their rising southern members greater voice and votes. It supported many United Nations' multilateral organizations.

Canada can now improve the G20's effectiveness by having it again hold two summits a year. A second one, held at year-end as in 2023, could review and reinforce implementation of earlier commitments, or, if held at the opening of the UN General Assembly in September, could forge a supportive link with all the non-G20 leaders

**8** Justin Trudeau, "Delivering Real Results for People in Our Interconnected World", in John Kirton and Madeline Koch (eds.), *G20 India: The New Delhi Summit*, GT Media, London, 2023, <https://bit.ly/G20India>.



there. The G20 could also foster an overarching global governance regime for the natural environment, energy and artificial intelligence –subjects inherently integrated and central to the well-being of all–.



**UNITED STATES**

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## The Pathway to Growth



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He also served as an acting assistant secretary for Domestic Finance at the Treasury Department's during the Obama-Biden administration, as well as a deputy assistant secretary for International Affairs. He holds a bachelor's degree from Duke University and graduate degrees from MIT and Harvard University, with a specialization in International Economics.

In the fall of 2009, the leaders of twenty of the world's largest economies gathered in Pittsburgh, Pennsylvania, for their first regular meeting with a weighty task at hand: to solidify the rescue of the global economy amid the deepest contraction since the Second World War.

Despite competing national interests, they did just that, demonstrating the resolve of the most powerful countries to forge collective action towards a common purpose. G20 leaders pledged to cooperate on their emergency fiscal responses and establish a framework for strong, sustainable, and balanced growth. Leaders also took a historic step to address the root cause of the 2008 crisis – the fragility of

the financial sector— by committing to a sweeping regime of financial regulations to shore up capital and liquidity buffers in the banking sector and to mitigate counterparty risk across the financial system.

Former President Obama captured this spirit well at the time: “We can no longer meet the challenges of the 21<sup>st</sup> century economy with 20<sup>th</sup> century approaches... We have learned, time and again, that in the 21<sup>st</sup> century, the nations of the world share mutual interests. That’s why I’ve called for a new era of engagement that yields real results for our people—an era when nations live up to their responsibilities, and act on behalf of our shared security and prosperity— .”

Pittsburgh started a pattern. In the years since, the G20 has proven most effective in response to acute crises, when we’ve been reminded that the great challenges of our time respect no borders and require leadership from the largest countries to mount a decisive response.

I’ve seen this firsthand as the U.S. G20 Sherpa during the Biden-Harris Administration. In February 2021, the world was still reeling from the impacts of Covid, most tragically in terms of lives and livelihoods lost. Under President Biden’s direction, we mobilized the G20 to help address one of the root causes of the crisis. We launched what became the Pandemic Fund, recognizing that in an increasingly connected world, in which recurring shocks to global health security are inevitable, our multilateral funding mechanisms were too small, too fragmented, and

too uncertain to finance our collective preparedness. We also established the Joint Finance-Health Task Force to create connective tissue between finance and health officials and apply the lessons from the 2008 financial crisis to manage systemic health risks across borders.

For low-and middle-income countries (LMICs), the economic effects of Covid were catastrophic and compounding. The G20 stepped up with an initial response that included the Debt Service Suspension Initiative (DSSI), which provided \$13 billion of liquidity relief to 48 countries during the most acute phase of the pandemic. We built support through the G20 for an unprecedented allocation of Special Drawing Rights (SDRs) by the IMF, which delivered over \$200 billion of additional buffers to developing countries. In October 2021, G20 leaders followed up by pledging to contribute \$100 billion of SDRs or equivalent currencies to countries most in need. G20 pledges have now reached this goal.

Beyond their direct impact, these G20-led efforts also sent a profound and powerful signal that still reverberates: even in a far more contested geopolitical environment than existed at its creation, the G20 has an enduring capacity to harness the collective spirit of the world's largest economies. Its role cannot be replaced by any other international organization. No other grouping has its breadth of participation. No other organization has a comparable track record of springing to action when the world is seized by

crisis. The G20 remains an indispensable cornerstone of 21<sup>st</sup> century multilateralism.

To realize the promise that was on display in Pittsburgh, however, the G20 must strengthen its capacity to achieve results outside of acute crisis. Recent actions are encouraging but insufficient. The G20's leadership was essential to reaching the landmark agreement to end the race to the bottom on corporate taxation, a long-standing problem that eroded the tax base across the global economy. Similarly, the G20 kickstarted the process to boost the lending capacity of multilateral development banks (MDBs) by hundreds of billions of dollars over the next decade to address cross-border challenges related to climate change, health security, migration, and development.

Despite these successes, the real test for the G20 will be whether it can find a solution to the mounting debt burden and massive investment gap in the developing world. As we near the second cycle of rotating G20 presidencies, confronting these twin problems –among the defining economic and geopolitical challenges of our time–deserves our relentless focus and will be the single best metric of whether the G20 can meet this moment.

Our success in rebuilding the American economy after the pandemic underscores the importance of empowering countries to invest. For the past three years, the Biden-Harris Administration has centered its economic strategy on renewing our capacity to innovate and build



again; to boost our productive capacity and the size and skills of our workforce; and to invest in R&D, infrastructure, and manufacturing capacity to catalyze an even larger response from the private sector in clean energy and foundational technologies.

The strategy is working: we've helped create nearly 16 million new jobs, the largest boost to the American workforce over a single term on record. New business applications have reached record highs and investment growth in manufacturing structures is parabolic. Real wages and household median wealth are higher than before the pandemic.

We know an investment and innovation led strategy can succeed in other countries, too, and the United States is committed to helping all countries pursue this approach. But the scale of developing countries' financing needs cannot be met by one government alone. The G20 must take bold action to open up fiscal space for developing countries to invest in sustainable development and their own productive capacity and to put their economic trajectory on a pathway to higher levels of sustained growth.

External factors are making this especially difficult. Covid, Russia's war against Ukraine, and intensifying climate change have drained and continue to drain the public resources of developing countries amid increased financing costs and reduced access to funds. Debt dynamics are also playing a central role. While nominal debt

stocks of developing countries remain below all-time highs, external debt service requirements have risen to levels not seen in two decades. The median low-income country now spends 14 percent of its revenue on servicing external debt, over two and a half times higher than a decade ago and approaching 1990s levels. Governments are typically paying more in external debt service than they spend in the aggregate on health, education, and other social programs. Meanwhile, creditors are retreating. Across 2020-2022, an average of 33 LMICs experienced net outflows of external public and publicly guaranteed debt, compared to 19 a decade earlier.

In response, we have stepped up MDB and IMF support for vulnerable countries, providing a lifeline in what is otherwise a perfect storm. In addition to the new lending capacity from MDB reforms noted above, G20 leaders pledged to collectively mobilize more headroom and concessional finance to boost the World Bank's capacity to help LMICs address global challenges. To fulfill this pledge, President Biden requested approval from Congress for a portfolio guarantee to enable \$36 billion in additional lending at the World Bank, which could yield \$100 billion in new lending over a decade with ambitious contributions from other donors. At the IMF, the G20 has contributed tens of billions of dollars to the IMF's trust funds, with the United States doing our part by securing authorization to lend up to \$21 billion to the Poverty

Reduction and Growth Trust. The G20 also supported agreement on a \$320 billion quota increase to fortify the IMF's lending capacity.

But these efforts alone are not nearly enough. And that's because many countries see little choice but to use a sizable share of these funds to repay creditors, with a large amount going to non-Paris Club bilateral official creditors that are net returning money back home. The upsurge in funds from international financial institutions (IFIs), motivated by G20 leadership and ultimately backstopped by our taxpayers, should not be used to pay back free-riding creditors. Especially in this moment of need for developing countries, we cannot allow free-riding to become an entrenched feature of the global debt architecture. This is why we are proposing that G20 leaders commit in Rio de Janeiro to a game-changing plan, modeled after the vision that President Biden outlined with President Ruto of Kenya, which we call the *Pathway to Growth*<sup>1</sup>.

<sup>1</sup> <https://www.whitehouse.gov/briefing-room/statements-releases/2024/05/23/the-nairobi-washington-vision/>

## The Four Dimensions of the Plan

First, G20 leaders should call on the IFIs to help shape ambitious reform and investment plans in developing countries that would be met with ambitious financial support, making maximal use of the IFIs' increased resources. Reform plans would be underpinned by macroeconomic objectives and centered around investment plans to pursue sustainable development goals and climate targets.

These objectives, and the resources required to reach them, must be reflected in the methodology for determining debt sustainability. The IMF and World Bank should closely coordinate so that assessments of financing needs reflect the required surge of investments to meet development and climate objectives – and put recipients on a more sustainable path. Domestic resource mobilization is key to the financing equation, but the obligations on borrowers must be calibrated to avoid self-defeating measures that stifle growth or push governments into untenable political difficulties. The evidence is overwhelming: a standalone formula to cut expenditures and raise tax revenues will not resolve debt burdens or provide the space for investment-led growth and long-term debt sustainability.

Second, in their role as bilateral official creditors, G20 leaders should pledge to sustain “net positive” inflows of financing to developing countries while IFIs are stepping up their own support. The commitment to net positive

financing could take several forms that provide equivalent amounts of policy space. It might be an agreement on debt service suspension during the period of policy adjustment. It could be a debt reprofiling that lengthens the repayment period or reduces the interest rate on debt obligations. It could be new commitments of budget support that are transparent and liquid enough to cover upcoming debt service payments.

Third, the IMF should apply its policies with greater force to motivate and reinforce the net positive financing pledge by official creditors. Here's how it would work in practice: if the IMF identifies a larger financing gap for an adjustment program once it accounts for the growth-enhancing investments needed to achieve debt sustainability, the IMF should require correspondingly greater financing assurances from external creditors. Put simply, the IMF would determine the new flows needed from creditors to support critical investments by borrowers. Similarly, the IMF should more aggressively apply its amended Lending into Official Arrears (LIOA) policy to prevent recalcitrant creditors from free-riding on stepped-up support from multilateral institutions or other bilateral creditors.

Fourth, G20 leaders should strengthen incentives for private sector inflows through bilateral and multilateral tools. The absence of private sector involvement was a major shortcoming of DSSI, limiting the fiscal space created for vulnerable countries and thereby allowing some

of them to slip from illiquidity into insolvency. Going forward, we cannot let high private sector debt burdens obstruct critical investments needed by developing countries to secure their sustainability. For countries facing spikes in debt service costs, MDBs and development finance institutions should explore more effective and extensive use of guarantees for sovereign borrowing to sustain affordable, long-term inflows from the private sector. Countries should receive liberal access to credit enhancements that enable borrowing from private markets at lower rates, without losing recourse to other IFI resources. Countries that conduct liability management operations with innovative tools, such as debt swaps and debt exchanges, should not be penalized by credit rating agencies for taking aggressive action to sustain private inflows.

Across these prongs, a few general principles must apply. We must replace opaque and fickle lending practices with transparent and reliable alternatives. We must temper the cyclical nature of debt flows that amplify downturns and constrict policy space when it's needed most. And we must evolve our thinking on debt sustainability to give more credit to growth-enhancing investments and place less faith on fiscal restraint as an end to itself.

While the efforts described above aim to support countries before they fall into debt distress, there will still be countries that fall into insolvency and require outright debt relief. Under the G20's Common Framework, the debt re-

structuring process has been protracted and ineffectual. Zambia waited over two years to reach a deal with official bilateral creditors. Over the past decade, the average time between the declaration of default and subsequent debt treatment has lengthened from typically less than one year to multiple years. While creditors are largely to blame, the most vulnerable in developing countries pay the price as uncertainty inhibits investment and debt overhangs crowd out social spending. We know how to fix this. G20 leaders must commit to a quicker, more transparent, and more predictable Common Framework, and then provide the political push to follow through with timely and comparable debt relief. But until and unless creditors' incentives change, delays will continue to undermine the sovereign debt architecture and the missions of the Bretton Woods institutions. Where creditors refuse to move quickly, the IMF should forcefully apply its LIOA policy so that distressed debtors do not bear the costs of others' inaction.

As a concluding thought, I'm reminded of a saying in the United States: never let a crisis go to waste. And indeed, in the past five years, the world has endured a series of interlocking crises – economic, geopolitical, climate, and health. But instead of falling into despair, we might recognize the generational opportunity to imagine a new vision for the global financial ecosystem. This moment demands no less, and the *Pathway to Growth* represents our hope for the way forward.





## How to Strengthen the G20?



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G20 leaders first met in November of 2008 in Washington DC and then twice in 2009 in London in April and in Pittsburgh in September. These extraordinary meetings took place against the backdrop of the Global Financial Crisis (GFC) and the climb out of it. Facing a huge shock that threatened the entire globe's wellbeing, the G20 advanced multilateral cooperation, updated global governance, promoted financial stability and fostered strong, sustainable and balanced growth.

### The G20's Heyday

This was the G20's heyday – a heyday in multilateral cooperation born of necessity. The main advances of the summits will be mentioned below.

- At the **Washington Summit**, leaders endorsed an action plan to strengthen the global financial regulatory and supervisory structure – a weakness that was a prime cause of the GFC. It agreed to refrain from protectionism and to bring non-G7 members of the G20 more fully into global financial institutions.
- The **London Summit** backed a \$5 trillion coordinated fiscal support plan to offset economic collapse. It backed a \$1+ trillion IMF/World Bank support package to help alleviate the harm to emerging markets and developing countries from the crisis. The G7-oriented Financial Stability Forum was expanded into a Financial Stability Board, encompassing the G20.
- The **Pittsburgh Summit** endorsed a post-GFC vision of a global economic order based on strong, sustainable and balanced growth in which deficit countries would increase national saving while surplus nations would expand domestic demand. It supported strong steps to increase bank capitalization and overall financial sector health. It also set forth guideposts for a further modernization of IMF governance, expanding the shares of dynamic emerging markets. Pittsburgh declared that the G20 would be the premier forum for international economic cooperation.

Subsequent G20 leader Summits in 2010 in Toronto and Seoul as well as in Cannes in 2011 reinforced much of the progress.

## Historical Context

It is useful to step back to put these developments into a broader historical context. In the decades prior to the advent of G20 Leaders, the global economy was dominated by the economic weight of the G5/6/7 advanced economies. After the collapse of the Bretton Woods system and in the face of a global recession and the oil shock, G6 leaders (US, France, Germany, Italy, UK, Japan) came together for a summit at Rambouillet, France in 1975, and later with Canada, to discuss how to tackle the global economic and financial crisis. G7 Leaders have met annually since that time, but as the 1970s crises faded, the Summits over time often turned into a photo op with a sprawling unfocused agenda of albeit important economic issues, but not necessarily related to overall global economic and financial health – nor the leaders' actual discussions.

In the latter 1990s and early 2000s as emerging market economies – especially China – grew rapidly, the G7 recognized that it no longer had the heft alone to steer the global economy. The Asian and emerging market crises in 1997/98 posed systemic threats. G20 Finance Minis-

ters and Central Bank Governors meetings – and those of their Deputies – began in late 1999 in the wake of these developments, also reflecting the realization by advanced economy financial authorities that they scantily knew their emerging market colleagues and who to call in a time of crisis. In the early noughts, G7 Finance ministers and Central Bank governors often invited major emerging market representatives to their G7 Ministerials.

Finance minister and Central Bank governor work and meetings have been an essential pillar for the G7 and G20 leaders' processes. That is in large part because it is severe global economic and financial crises that brought the G7 and 20 together.

Indeed, the G20 Finance ministry process provided the architectural foundation for the Leaders' process. When president Bush decided in late 2008 that a first G20 leaders' Summit would be held in Washington three weeks later and there was no G20 Sherpa network, the president's international economics chief was overjoyed and relieved to learn Treasury staff, with a push of an email button, could summon G20 finance representatives and ask them to give the name of their countries' designated Sherpas the next day to the White House.

## The G20 Today

Just as the G7 Leaders process became highly bureaucratized, the G20 has followed a similar path. The G20 has a Sherpa Track – Sherpas are presidential representatives who oversee preparation of the Summit – and a Finance track. The Sherpa track is now made up of 15 working groups including topics such as tourism, culture, etc., two task forces and an initiative. In the Finance track, there are seven technical groups, plus three task forces. There are also meetings of G20 energy, agricultural and labor ministers, inter alia. The number of observers and country guests at G20 Leaders has also jumped.

The G20 Leaders process has also stagnated since its early days with the spirit of post-GFC cooperation severely waning. This reflects a number of subsequent geopolitical and economic tensions – Russia’s invasion of Crimea in 2014; poor economic performance and domestic troubles in many of the previously fast-growing emerging markets; China’s growth slowed, while statism rose; US/China tensions have abounded on the security and economic fronts; the Trump Administration had tense relations with the G20; Russia’s barbaric war against Ukraine further split G20 members.

Many economic statecraft issues are best not handled in the G20. One can hardly imagine the “West” wishing to discuss cooperation in fighting cyber crime in the pres-

ence of Russia and China, for example. Nor can one realistically imagine G20 members in-depth or cooperatively discussing financial sanctions, export controls, global high technology trade, etc. Instead, these topics have breathed new life into the G7.

To be sure, when the US and China account for some 40% of global GDP and have strained relations, it is hard to imagine that the G20 could revert fully to its earlier strong cooperative spirit.

## Global Commons

Yet there are still critical global issues which must be managed and on which G20 countries share common interests. There is no better body than the G20 to do so.

- G20 countries share an interest in a healthy world economy and financial stability. The US is heading toward a soft landing, but Europe and Japan face continued slow growth while China is encountering enormous headwinds. Just as in 2008-09, the G20 now faces the need for a growth pact in which deficit countries, such as the US, raise national saving and surplus nations such as Germany and China boost domestic demand. Structural reforms are also essential, including a shift in China's growth model away from its state-led

investment growth path – which is fueling global overcapacity issues and trade tensions – toward consumerism and services. Protectionism must be restrained, as it was in 2008-09. After the GFC, bank regulation was tightened, but activity migrated to other less regulated areas. The Financial Stability Board must bear down harder on ensuring that non-bank financial intermediation does not create systemic ructions.

- Climate change is the greatest challenge facing the planet. But G20 countries are falling well short in meeting the Paris Agreement’s objectives. The Biden Administration advanced powerful legislation to curb emissions, but these welcome US efforts won’t suffice in meeting net zero goals. China and India, along with the US, account for the bulk of global emissions and they too are falling short. The IMF estimates global fossil fuel subsidies are greater than 7% of worldwide GDP. The G20 collectively needs to work to accelerate progress.

- In this regard, the Multilateral Development Banks will play a pivotal role in helping emerging markets and lower income countries tackle climate change. They are finding creative ways of leveraging their balance sheets. But the amounts being generated fall well short of needs. Here too, more remains to be done.

- Alleviating low(er) income country debt distress is another critical global challenge. The IMF, alongside

the G20 Common Framework and the Fund's sovereign debt roundtable, has worked hard to make progress in more quickly securing financing assurances, enabling reforms programs to advance in debt distressed lands. The Common Framework, though, through no fault of its own, hasn't been a success story and few countries are showing an inclination to sign up. Why? Official bilateral and private creditors are loath to lose money and have dragged their feet in providing relief as envisaged by the Framework, let alone timely relief. Reflecting creditor hesitation, borrowers are often saddled with "extend and pretend" unsustainable debt overhangs that will likely consign them to a cycle of perpetual indebtedness. China remains an obstacle in this regard and must step up if it is to be a responsible global stakeholder. The IMF should be far more forceful in removing debt overhangs through its debt sustainability analysis work.

- More grant/concessional World Bank/IMF funding for the poorest lands is desperately needed.
- IMF governance is in need of continued modernization. That is essential for the IMF to retain strong support for its global reach, rather than see it eroded by countries drifting into regionalism. The latest IMF agreement to strengthen the Fund's quota-based structure should be quickly implemented. But vot-



ing shares should also be increased for a handful of dynamic emerging market economies in reflection of their much larger global relative weight. That may be a tall order because China, which is 6% of the IMF and pushing 20% of the global economy, is first and foremost among those countries, has strained relations with many “Western” countries and is behaving poorly on debt and overcapacity issues. Further, Europe is vastly overrepresented in the Fund yet averse to losing voting share.

- Other common global issues such as pandemic preparedness and food security are also critical.

As for G20 operations, it is noteworthy that as the group’s effectiveness has declined, its bureaucracy has grown by leaps and bounds. Streamlining is essential. Years ago, the Financial Stability Board launched a process by which all working groups were required to have clear terms of reference and a sunset clause. At times in the past, the IMF has undertaken comprehensive reviews of its facilities and sunsetted or abolished many. G20 Sherpas should undertake a comprehensive review, focusing more closely on those activities meriting the attention of leaders, and closing down unnecessary groupings.

## Conclusion

It is difficult to envisage the G20 recapturing the strong multilateral spirit of 2008-09 in the current global geopolitical and economic environment. But never say never! The world faces many common challenges which must be addressed through multilateralism and global cooperation. Further, history has shown that global crises can focus the minds of leaders on the necessity of working cooperatively to overcome deep-seated collective action problems.

When Leaders get together, they may be drawn to the geopolitical issue *du jour*, benefit from a high-level discussion of the key challenges facing their economies and appreciate learning from their counterparts how they are coping with problematic areas. Those discussions will not encompass the wide and enormous range of issues about which Leaders' teams interact, nor should they. The blessing by Leaders for wide-ranging work is beneficial, but has its limits and should be bounded.

The G20 and its *raison d'être* remain as strong and valid as before. The G20 has a vested interest in preserving the group's ability to tackle the most pressing global challenges and provide public goods, as well as keeping an effective machinery in place for when it's most needed. For a stronger G20 in the current global setting, keep it simple, focused, streamlined and back to basics!





# **MEXICO**

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## The Importance and the Future of G20



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### The Crisis of the Multilateral System

In 2024, the world is deeply polarized. We experience the greatest number of violent conflicts since the Second World War, and approximately 2,000 million people inhabit regions affected by these confrontations. The wars in Ukraine and the Middle East, the accelerated armaments race, and the reduction of spaces for dialogue aggravate the global tensions.

Postwar international order, created with the fundamental purpose of achieving international peace and security, seems to be completely surpassed by current circumstances. The architecture of global governance, with the United Nations (UN) at its center, faces enormous challenges that are affecting the efficacy of the multilateral system.

Since its origin, the UN has been developed as an organization dependent on the political will and the consent of its members. Due to the fact that it is not a supranational organization, faced with the erosion of the will for international cooperation, the UN lacks the necessary authority to check geopolitical rivalries, solve regional conflicts, and confront growing global challenges as climate change, the retreat in respect for Human Rights, and the increase of inequalities. This situation is even more obvious at the UN Security Council, where the power distribution at the end of the Second World War was between the five permanent members with power of veto, a fact that in many occasions has paralyzed the Council, making the UN inefficient in the maintenance of international peace and security.

Many factors have weakened the multilateral system and have undermined trust in a rule-based order: the Iraq invasion in 2003, lacking a clear UN mandate; the defiant narrative of leaders like Donald Trump; the politization in the delivery of vaccines during the Covid-19 pandemic, and the double standards in the international agenda of Human Rights have contributed, among others, to erode the leadership of the West and its defense of a liberal international order based in rules and principles. The consequences of these actions have weakened the capacity of the international community to sustain an effective, representative, and open international governance system.



Dissatisfaction has given place to anti-systemic movements and the formation of new international alliances which aim at the creation of new alternatives. Organizations like the BRICS and the Shanghai Cooperation Organization represent attempts of establishing alternatives to the structures dominated by the West, promoting a multipolar vision of international politics and economy. However, they have not established an homogenous discourse and unified goals that could go beyond their opposition to traditional leadership.

There is a global consensus on the urgent need of a profound reform in the multilateral system. However, any effort in this direction must be preceded by the rebuilding of trust among states. There are few spaces currently which allow the creation of the conditions for empathy, communication, and the capacity to discern the importance of working together to face common challenges.

G20 constitutes a collective North-South effort to answer the structural crisis that affects the economy and the development of our people. One of its main sources of legitimacy is its capacity to create consensus among Developed Countries and Emergent Nations.

The Group is positioned in this complex environment of multilateralism, and its deliberations do not escape from the resonance of geopolitical tensions. Its effectiveness also depends on the political will of its members. However, it has become relevant due to its flexible character, and the incentives it generates to keep the most relevant

actors of the global economy at the negotiating table. As long as the Group offers results, it creates the conditions to rebuild trust in the multilateral system.

## A Fairer and More Committed Space

In its 16 years of existence at the level of heads of state and government<sup>1</sup>, G20 has demonstrated to be a strategic forum with a greater degree of functionality than other more institutionalized multilateral mechanisms. Its limited structure (that does not have the weight of a bureaucratic apparatus), its temporary presidency (which allows to alternate priorities between North and South), and the transparency of its working methods facilitate more focused and effective discussions among the principal economies of the world.

This is the reason why the G20 has been able to reach consensus on critical issues, which has not been true of other traditional organizations with more complex structures. For instance: the Group has been the first one in achieving a consensus language about the war in Ukraine, managing to keep Russia and China at the negotiating table.

**1** G20 was created in 1999 at the level of Finance ministers and was raised to the level of heads of State and Government in 2008 as a response to the international financial crisis that began in the United States and caused the Great Recession.

Within the G20 different perspectives coexist, allowing a more balanced representation between emergent and developed economies, as well as among key regional organizations as the European Union and the African Union. They are fundamental actors for an eventual reform of the architecture of the global governance system.

The permanent contributions of the G20 to overcome systemic crises and the weight of its decisions, instrumented in the corresponding multilateral organizations, have created incentives for world leaders to keep it in force. Its disappearance would be more politically costly than the concessions its members must do year after year to reach a consensus under each presidency.

G20 differs from mechanisms like G7 in that it is a fairer mosaic of the realities conforming the world scenery, as it reflects:

- The international economic representativity.
- The diversity of perspectives between North and South.
- The importance of economic and financial stability of the emerging countries for global stability as a whole.

This is why the G20 represents one of the few spaces where its members can interact in fairer conditions and obtain the commitment of all the participants. This incentives aid in the creation of a space more open to coopera-

tion, as the dynamics of the Group contributes to more balanced decision-making processes between the priorities of developed and developing nations.

In 2021, under the Italian presidency of the G20, financial measures were adopted to aid countries which were more affected by the effects of the economic crisis. In the first place, the Debt Service Suspension Initiative (DSSI), which benefited 40 countries for a total of USD 10.3 billions, rescheduled debt between May, 2020 and December, 2021.

Through the International Monetary Fund (IMF), the Group managed to transfer Special Drawing Rights (SDR) for USD 650 billions in additional reserves for vulnerable countries, allocated on August, 23th, 2021.

The G20 backed in Rome an international taxation reform presented by the Organization for Economic Cooperation and Development (OECD), which plans to create a global minimum tax of 15% for multinational companies with revenues of at least 750 millions annually, with the aim of eradicating tax havens. It is expected for this regime to generate an income for governments of USD 200 billions per year. As a framework the OECD expects to begin operating in 2024, the tax would make multinational companies pay taxes where they obtained their revenue, not only where they have their tax residence.

In Bali, the Group achieved the establishment of a Financial Intermediary Fund (FIF) for pandemic prepared-

ness, prevention, and response, operated in coordination between the World Health Organization (WHO) and the World Bank (WB), which provides financing alternatives in the face of future health threats.

Since 2022, after the Russian invasion of Ukraine, it has become more complicated to reach ambitious and influential results within the Group. Attention during the presidencies of Indonesia (2022) and India (2023) were mainly focused in the survival of the G20, and in the creation of the conditions to continue providing results, in spite of the deep divergences.

Many challenges lie ahead. The global economy is being reconfigured, and this will have impacts on global governance. Based on estimates of the United Nations Conference on Trade and Development (UNCTAD), it has been reported that Mexico, Brazil, China, Japan and Russia are the countries of the G20 that will have greater economic growth. However, estimates of the WB indicate that the global Gross Domestic Product (GDP) decelerated, reaching a growth of 2.6% in 2023, compared to the 3% of 2022, while it is expected for global trade growth to evolve below the average of the last ten years.

In the immediate future, this reality, linked to a process of deglobalization, the rivalry between world powers (particularly between the United States and China), and the growing geopolitical tensions, will be the most important challenges the G20 will be facing.

These confrontations have direct repercussions on the global economy, whether for the fluctuation in oil prices, the restructuring of production chains, food scarcity, or the instability of the financial markets, requiring a greater cooperation among the members of the Group.

Another important challenge is the climate crisis, and the urgent need to adopt concrete measures for reducing the greenhouse gas emissions and mitigate its impact. Although the majority of the countries of the G20 have signed the Paris Agreement, there are significant differences in the implementation of environmental policies, which makes global coordination difficult.

## Mexico's Perspective

G20 is a very relevant forum for Mexico, and a priority for its foreign policy, as was established since the beginning of the government of president Andres Manuel Lopez Obrador. The country is currently at an inflection point with the election of Claudia Sheinbaum as the first woman president of Mexico, who has already stressed the need to increase the presence of the country in international forums, among which she expressly included the G20.

The participation of Mexico in this Group is seen as an opportunity for promoting initiatives that reflect national

priorities of social justice and the fight against inequality, as well as for creating the conditions contributing to the construction of a fairer, more inclusive and democratic world governance.

One of the main goals of Mexico at the G20 has been the promotion of financial inclusion and sustainable development. Through initiatives like the Global Partnership for Financial Inclusion (GPFI) and the Global Initiative for Financial Transparency (GIFT), Mexico has championed measures that help in reducing poverty, promote gender equality, and strengthen transparency in fiscal systems.

Under the Italian presidency of 2021, with the support of emerging economies and the opposition of several members of the G7, Mexico promoted an initiative of recognition to the vaccines certified by the World Health Organization (WHO) against COVID-19, in order to guarantee access to the more vulnerable countries, and generate conditions to foster international mobility to resume economic activities and fight against the crisis affecting specially the least developed countries.

Mexico has also aimed at the promotion of a greater synergy between the Latin American countries of the G20. An example of this is the initiative by Mexico and Argentina to include middle income countries in the international financing mechanisms when undergoing a systemic economic crisis.

The country is valued for its capacity to dialogue with all the members. Already during the very skillful presidency of Indonesia, Mexico, jointly with countries as Brazil and India, had a key role as mediator to overcome the paralysis of the G20 produced by the war in Ukraine.

From a Mexican perspective, the cycle of presidencies of developing countries, started by Indonesia in 2022 and followed by India (2023), Brazil (2024) and South Africa (2025) represent a unique opportunity for emergent economies to advance their interests and participate more actively in the global decision-making processes.

In 2024, Mexico fully supports the priorities of the Brazil presidency at the G20, due to the profound bonds and coincidences that unite them as Latin American countries. Particularly, we share its determination on the fight against poverty and inequalities, issues in which both countries have a wide national experience<sup>2</sup>.

**2** Since 2019, the government of Mexico successfully implements a group of social programs with a direct impact on the welfare of the population: (1) Welfare Pension for Elderly People; 2) Youth Building the Future Program (young people that do not study or work); 3) “Sembrando Vida” Program (rural development program against poverty), among others. As a result of these public policies, and of the recovery from the pandemic, Mexico achieved a reduction in the number of people under the poverty line in 2022. That year, the National Council for the Evaluation of Social Development Policy (CONEVAL) identified that 8.9 million people have abandoned poverty, leaving the number in 46.8 millions, approximately 16% less than the 55.7 millions registered in 2020.



Mexico has several priorities for the G20 leaders' Summit in Rio de Janeiro, to be held on November, 18/19th, 2024. These reflect the specific concerns and goals of our country regarding economic development, gender equality, migration, financing of development, environment, culture, and health, among others.

At this crucial moment, when it is imperative for the Group to have concrete deliverables that put in evidence the importance of the joint work of its members, we fully endorse the Brazilian initiative of launching the Global Alliance against Hunger and Poverty. We also see with much interest the discussion about an eventual tax to great fortunes in order to mobilize resources for countries to reach Sustainable Development Goals (SDG) 1 and 2: "End poverty" and "Zero Hunger"<sup>3</sup>.

In an attempt to create synergies between developed and emergent countries, along with Portugal as guest country this year, Mexico has proposed to break the cycle of intergenerational poverty and will aim at including its precepts in the launching of the Alliance.

**3** It is noteworthy that this proposal is very similar to the one presented by president Andres Manuel Lopez Obrador at the UN Security Council in November, 2021: with the contribution of 4% of the fortune of the richest thousand people in the planet, as well as a similar amount from the thousand most relevant corporations in the world market, and the 0.2% of the GDP of each member country of the G20, 750 million people that survive with less than two dollars per day could be taken out of poverty.

The inclusion of women and girls in all the efforts of development is crucial for Mexico, and along with Germany we are promoting a working document about the “Economy of Cares”, which addresses the unequal participation of women in domestic work and non-remunerated care work.

Mexico considers that the G20 must attend to the migratory phenomenon from an integral perspective. This includes the protection and integration of migrants in labor markets, fostering economic schemes that respond to labor supply and demand, without leaving aside the structural challenges that force irregular migration.

We also promote the full application of the 2030 Agenda and its SDGs. Accessible schemes have to be created to confront debt in low and middle income countries, and there must be an increase in the representation of developing countries in the decision-making processes in international financial institutions.

Mexico promotes the adoption of urgent and ambitious measures to confront climate change, the loss of biodiversity, and desertification. Financial commitments must be honored and developed countries must show their commitment with the mobilization of at least USD 100 billion annually for actions of mitigation of the effects of climate change in developing countries. It is also crucial to accelerate the transition towards a clean and sustainable use of energy under the frame-

work of COP29, to be held at Azerbaijan in November, 11 to 22th, 2024.

## Conclusion

The G20 is a strategic forum that is still functional for reaching consensuses, notwithstanding the growing geopolitical rivalry between the great powers. A reflection of this are the valuable agreements reached at the Leaders' Summit in Bali (2022) and New Delhi (2023).

One of the successes of the G20 has been the generation of spaces for the leadership of developing countries, which has translated into an increased legitimacy of this forum. The constant negotiations and the search for balances allow the mechanism to be free from the imposition of bloc policies. The survival of the Group will depend upon its capacity to adapt its mandate to challenges that go beyond traditional economic concerns.

In opposition to the opinion that the G20 does not have to discuss security issues, Mexico considers that it must be more assertive in the pursuance of its mandate to counteract the effects of geopolitical conflicts in the world economy and in our economic development. No country or group of countries has the capacity to confront effectively the growing vulnerabilities generated by the interdependence of the global economy.

In a context where extremist movements proliferate, and national interests counter international cooperation, the results of the Rio de Janeiro Summit will be crucial to maintain the Group as one of the unique mechanisms that has achieved an effective link of the Global North and South, reducing tensions, creating trust between states, and reaching tangible benefits for the citizenry.

## Mexico, an Actor with Global Responsibility



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In the nineties, within the framework of United Nations and other organizations, the use of the term “global governance” started to become common<sup>1</sup>. The concept refers to the coordination of several public and private actors in the establishment of multilateral measures to address problems of global nature. That is to say, in the face of an increasingly globalized and highly interdependent international system, the involvement of various entities is necessary for conflict resolution, whether due to interest, or

<sup>1</sup> Zirahuén Villamar Nava, “Gobernanza Global y (su propio) desarrollo”, *Revista de Relaciones Internacionales*, UNAM, Mexico City, 2017.

because they are directly involved. Therefore, governance entails a collective response to the major challenges currently faced by the international community.

Since the twenty-first century, the concept of global governance has had a greater resonance and has extended in the field of international relations. Global governance includes the creation of institutions, and formal or informal rules and regulations for states to act within these frames<sup>2</sup>. These legal and institutional mechanisms help reduce uncertainty in international relations, mitigate anarchy, and predict the behavior of actors. Under the same concept, states, even if they still are the most important actors of global governance, do not have the capacity to find solutions on their own to global problems. This is the reason why it is necessary for other public and private actors to participate in the decision-making process of the public policies aimed at solving problems of multilateral nature.

States participate in the design of international relations through foreign policy. This is a group of actions a state takes beyond its frontiers according to its national interest. It is a decision-making process that involves a process of planification according to objectives and strategies. Its design is determined by internal and external factors,

**2** Marcela López *et al.*, *Gobernanza global en un mundo interconectado*, UABC, AMEI and UPAEP, Mexico City, 2013.

as well as by geographical, economic, political and cultural variables. In their external relations, states seek to maximize their benefits and minimize their costs.

International organizations are other relevant actors of global governance. Their aim is to establish cooperation frameworks to find solutions to shared problems.<sup>3</sup> A criticism which has been made to these multilateral instances is that they have not had the capacity to solve the problems that have a greater impact on the world. However, it must be remembered that international organizations are composed of states. They are the ones which determine if an international organization works or not. Quoting the famous statement by Alexander Wendt<sup>4</sup>, international organizations are what states want them to be.

Global companies also have a relevant role in the framework of global governance: they have a considerable weight in the promotion of economic growth and in financial and commercial stability. Likewise, some companies can participate in the design of policies to solve global problems. For instance, during the Covid-19 pandemic, pharmaceuticals had a relevant role in the development of

**3** Miguel Ruiz Cabañas *et al.*, *Introducción al estudio de los organismos internacionales: Perspectivas históricas, conceptuales y teóricas*, ITESM, CIDE, UABC, 2023.

**4** Alexander Wendt, “Anarchy Is What States Make of It: The Social Construction of Power Politics”, *MIT Press*, Cambridge, March 1992.

a vaccine. In this case, the participation of governments, international organizations, and the biological companies was key to overcome a world sanitary crisis.

The media are also important actors of global governance. Their role in society is to inform about events to shape public opinion and guide governments about their decisions. Information is fundamental for decision-making. An informed society has a greater chance of influencing decisions and to know what is happening in the world. In the case of the Covid-19 pandemic, the media were relevant to keep the population informed about the measures to be taken. Furthermore, today social networks have an important role in the world. Many high-impact events, such as the Arab Spring, have their origins in information shared with these instruments. Currently, politicians have to resort to social networks to win an election or to have influence over the masses.

Another non-statal relevant actors are political parties, non-governmental organizations, unions, research centers, and religious organizations. Their participation in decision-making processes can be key in finding solutions to global problems.



## The Issues of Global Governance

Global governance has implications on various issues<sup>5</sup>. One that has to be highlighted is security. All states are interested in having an ordered world and avoiding conflicts. International organizations accompany governments to find adequate formulas to prevent or solve problems threatening world security. A war in any part of the world affects other regions due to the high interdependence existing in the international system. The UN Security Council has a relevant role here. However, its functions have been limited by the figure of veto of the five permanent members. The UN is a viable institution to solve problems not affecting the interests of these five powers, but it is much less successful when there is a conflict involving one or more of these states. For instance, by mid-2024, the Security Council had not found a formula to stop the war between Russia and Ukraine, nor between Israel and Palestine. As United States and Russia have interests in these conflicts, the UN has not been able to solve the problem. It has to be remembered that the main purpose of the UN was, essentially, to avoid a Third World War. In these terms, the organization has been successful. However, it

**5** Roberto Domínguez y Rafael Velázquez Flores, “Global Governance”, *Oxford Research Encyclopedia of International Studies*, 30-7-18.

has had limitations to solve the conflicts that developed during the Cold War and the beginning of the twenty-first century.

Another fundamental issue of global governance is economic stability. Every government is interested in promoting economic development and avoiding financial imbalances. Also to boost free trade, attract investments, maintain the payment of the external debt, and keep a balance in the international monetary system. Only the collective participation of public and private actors is able to reach these goals. The Bretton Woods system, created after the end of the Second World War, is still currently in force. Therefore, the International Monetary Fund (IMF), the World Bank (WB), the World Trade Organization (WTO), the Organization for Economic Co-operation and Development (OECD), and other international financing organizations have an important role here. They accompany the states to achieve global economic stability.

Similarly important are Human Rights, migrations, and the protection of the environment. Global governance is fundamental to face these challenges. Governments, international organizations, non-governmental organizations, along with the society in general, must contribute to find adequate ways to promote respect towards people; see to displaced people, refugees and migrants, as well as establish formal and more efficient rules to prevent environmental decline. The international system needs better

mechanisms of multilateral governance, more effective to face these challenges, be it through treaties, conventions or formal or informal international regimes. These mechanisms will allow to reduce the uncertainty and find possible alternatives to solve these problems.

The global governance cannot overlook issues that are a priority for people's quality of life. Sometimes governments do not pay much attention to these because they are focused mainly on security and economic stability. However, coordination and cooperation among public and private actors are necessary to promote education, health, culture, food security, and to ensure the provision of basic services to the population. Governance should emphasize global development and the improvement of people's quality of life.

## The Participation of Mexico

Mexico is a relevant country for the international system. First, its economy is positioned among the fifteen more important in the world. It has a notable participation in international trade, and it receives great amounts of foreign investments. Besides, it stands out due to its demographical weight, having one of the largest populations in the world. It is not a military power, but has great cultural attributes, rich in history and traditions, and among the

most visited by foreign tourists. But its most noteworthy attribute is its geographical location: Mexico possesses a highly privileged position. It is a hinge connecting North America and South America. Similarly, it represents a bridge between Europe/Africa and Asia-Pacific. This is why the country has many memberships. Geographically and economically, it is a North American nation. Culturally, it is Latin American. The south of Mexico has features that are very close to Central American countries. But it is also Caribbean, due to its vicinity to that sea. It also has European roots, because it was a Spanish colony. Similarly, the Pacific Ocean washes a great part of the Mexican coastal region, which is the reason why the country has such strong links with the Pacific region, mainly of an economic nature. These multiple memberships and its geographical location make Mexico a country relevant for the world.

One of its main geographical advantages is to share the frontier with the most powerful nation in the world, United States. Only Canada and Mexico enjoy this privilege, allowing to enlarge its trade due to closeness. Mexico's market receives important American investments due to the phenomenon of nearshoring. Its touristic attractions make millions of Americans visit the country each year, which represent an important economic boost. It allows Mexico to increase employment, which represents a very important variable of economic growth and development.

But there are also disadvantages. Both countries have differences about migration and drug trafficking. The American government complains that the cartels introduce illegal drugs, and that Mexican police corporations are corrupt. Besides, Washington establishes restrictive measures to immigration, and Mexico City complains of Human Rights violations directed towards its fellow countrymen. However, in a global balance, the vicinity with United States allows Mexico to place itself as a responsible actor in the international system.

Due to its multiple memberships, its geographical location, its economic and demographic weight, and its cultural richness, Mexico is a relevant country that can assume the role of an actor with global responsibility. In its foreign policy, the government has tried to reflect that.

After the Second World War, Mexico showed interest in becoming part of the construction of a new world order based on peace and security, as well as economic development. Being one of the winning parties, the country had the opportunity to participate in the creation of various international organizations. For instance, it participated in the Dumbarton Oaks project, which was the preliminary of the UN Charter. Similarly, it had a significant role in the Bretton Woods conferences, which gave place to the IMF and the WB. Under this same logic, the government took part in the inter-American negotiations for the creation of the Organization of American States (OAS). The country

held in 1945 an inter-American meeting for the discussion of postwar issues<sup>6</sup>, where it showed its leadership in the region, and its interest in being part of the new international architecture, evidencing its will to become an actor with global responsibility.

Later, during the Cold War, Mexico had a significant role in international organizations, focused in the promotion of global governance. Mexico showed interest in decolonization, and promoted the principle of Non-Intervention and Peaceful Resolution of Disputes. To Mexico, these normative values are fundamental for global governance. After the Missile Crisis of 1962, Mexico turned into a fervent fighter against nuclear weapons. Its negotiations gave place to the Tlatelolco Treaty of 1967, which proscribes the development of atomic energy with war ends in Latin America.

In the sixties and seventies, Mexico deploys noteworthy activities of foreign policy. The then president Adolfo Lopez Mateos (1958-1964) made several international visits to enlarge Mexico's diplomatic links, increasing the presence of the country in the world. Similarly, president Luis Echeverría Álvarez (1970-1976) made visits to several countries and regions. Both Lopez Mateos and Luis

**6** Blanca Torres, "De la guerra al mundo bipolar.", in *México y el mundo: Historia de sus relaciones exteriores*. El Colegio de México, Mexico City, 2010.

Echeverría inaugurated the Mexican presidential diplomacy. This activity increased the participation of Mexico in governance mechanisms. For instance, Luis Echeverría's Administration proposed the Charter of Economic Rights and Duties of States. This document was an important part of economic governance at the time. president Jose Lopez Portillo (1976-1982) also promoted a Global Energy Plan, establishing foundations for governance in this matter. Mexico also proposed the enlargement of the Exclusive Maritime Zone for the better exploitation of maritime resources and the avoidance of conflicts<sup>7</sup>.

Mexico has been a tireless promoter of international cooperation. This is a principle that is part of its Constitution. In the sixties and seventies, the government offered financial and technical help mainly to Central American countries. This activity reflected its compromise with governance in the region. Lopez Portillo proposed the Agreement of San Jose in 1980, which offered oil with a preferential price to countries of the Caribbean and Central America. Later, in the eighties, Mexico had a key role in the search of a negotiated solution to the Central American crisis. In 1983, the government of Miguel de la Madrid (1982-1988) proposed the creation of the Contadora

**7** Carlos Rico, "Hacia la globalización", in *México y el mundo: Historia de sus relaciones exteriores*. El Colegio de México, Mexico City, 2010.

Group in order to achieve this goal. In that same period, the government promoted the Cartagena Consensus in order to improve the mechanisms for the payment of the external debt.

In spite of the advances of Mexico with these mechanisms of global governance, economic crisis in the beginning of the eighties had a highly significant impact on the country. The government put aside its import substitution model, and replaced it by one based on free trade. This policy had direct implications in the participation of Mexico in governance mechanisms. Since then, the government has deployed relevant actions for trade and finance governance. Mexico has signed free trade agreements with various countries and regions, it has incorporated itself to important frameworks of economic integration, and has participated actively in international finance organizations, like OECD and WTO. The cherry on the pie was the signing of the North American Free Trade Agreement (NAFTA) in 1992.

Starting in the mid-nineties, president Carlos Salinas (1988-1994) aimed at the insertion of the country in the new international dynamics. Facing a new international context as a result of the end of the Cold War, the Salinas administration began the negotiation of NAFTA, renegotiated the external debt, achieved the incorporation of Mexico to the OECD, to the APEC, and the WTO, and signed trade agreements with other countries. Since



then, Mexico adopted a stronger commitment with international trade and finance governance. However, in 1994 the country suffered one of its worst economic crisis. The government of Ernesto Zedillo (1994-2000) searched for a way to overcome the situation with drastic measures in financial terms. It asked for international loans, and made internal tax reforms to compensate the imbalance. His administration also achieved the signing of a Free Trade Agreement between Mexico and the European Union in the year 2000<sup>8</sup>. These decisions made Mexico acquire stronger commitments with the global trade and financial governance.

In the twenty-first century, the four administrations that have governed the country between 2000 and 2024 have reinforced the interest of Mexico in participating in the mechanisms of global governance. President Vicente Fox (2000-2006) took the decision of entering the country in the UN Security Council. He also proposed the country to hold various international summits. To host these encounters allowed the country to strengthen its international position and presence.

**8** Ana Covarrubias, “Cambio de siglo: la política exterior de la apertura económica y política”, in *México y el mundo: Historia de sus relaciones exteriores*, El Colegio de México, Mexico City, 2010.

President Felipe Calderon (2006-2012) gave continuity to the foreign policy of his predecessor. Mexico promoted the creation of the Community of Latin American and Caribbean States (CELAC), adhered Mexico to the Pacific Alliance, held the COP-16, and the G20 Summit. As regards the relationship with the United States, the government of Calderon promoted the Merida Initiative, which represented a bilateral cooperation framework to strengthen the capacities of the Mexican state in its fight against the drug cartels. All these activities strengthened the country as regards global governance, specially in the area of the environment.

Enrique Peña Nieto (2012-2018) also promoted the participation of Mexico in the mechanisms of global governance. In 2014, he announced that the country was participating again in the UN Peace Maintenance Missions. With the arrival of Donald Trump to the presidency of the United States, the Nieto government participated in the renegotiations of the free trade agreement. This new agreement was signed on November, 30th, 2018.

President Andres Manuel Lopez Obrador (2018-2024) also maintained the commitment of Mexico as part of the governance processes. During his period in office Covid-19 pandemic stroke, and his government assumed the role of promoter of the necessary measures to reduce contagions and to distribute vaccines in a global scale once it was available. Mexico also participated again in the UN

Security Council, where it assumed responsible positions regarding the wars between Russia and Ukraine, and the Palestinian-Israeli conflict.

## Conclusions

Throughout history, Mexico has been a country that has demonstrated to have interest in participating in the mechanisms of global governance for the solution of the shared problems of the international society. The country possesses the necessary attributes to achieve this. For instance, it has an important economic weight in the global sphere. This feature has allowed the country to become a member of G20, and to be considered an actor with influence in the international system. Its privileged geographical position also provides the country with multiple memberships, favoring its task as an actor with global responsibility. Being a neighbor of the United States offers advantages, but also certain limitations to act in a totally independent way. Historically, the Mexican government has aligned with the interests of Washington, mainly in terms of national security. During the Cold War, the country favored the defense policies of its northern neighbor. Finally, Mexico is a demographic and cultural power. This provides the moral quality to turn the nation into an actor with global responsibility.

# THE CHALLENGE OF THE AMERICAN COUNTRIES AT THE G20

A world convulsed by disorder, insecurity and uncertainty remains without clear and indisputable leadership. In addition to the classic conflicts over borders, territories, resources, religion and ethnicities, there are the most egregious inequalities, uncontrolled migrations, worsening climate change, the advance of the most extreme authoritarianism and economic fragmentation.

Faced with this geopolitical void, which institution will be able to establish itself as a key player in global governance? Will the G20 be able to establish itself as a forum capable of addressing the various issues of our time? Twenty-five years of experience are indisputable proof of the group's ability to reach consensus in the face of the most acute crises. However, the member countries emphasize the need to continue working on strengthening this space to take it one step further up the ladder in the sphere of multilateral cooperation and global financial systems.

This book offers an exciting journey through the different perspectives of the American G20 actors. Prestigious diplomats and international relations specialists from Argentina, Brazil, Canada, Mexico, the United States, the five countries of the Americas that make up the G20, discuss the most pressing challenges the forum is facing and the need to continue building consensus to face them together in the future.

*"The fast-paced, turbulent and competitive 21st century is offering us an opportunity to reconfigure inter-American relations on basic but solid continental consensuses, which then, in forums such as the G20, contribute to projecting distension, stability and development models to the rest of the planet."*

Jorge Argüello



Sherpa Federico Pinedo  
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