

G20 Contributions to Global Economic Governance in the Post-COVID-19 Digital World¹

J. Fried

Jonathan Fried – Personal Representative of Prime Minister Justin Trudeau for the G20, and Coordinator for International Economic Relations at Global Affairs Canada (2017–2020), Senior Associate (Non-Resident) at Center for Strategic and International Studies; 1616 Rhode Island Avenue, Washington, DC, USA; E-mail: aschwartz@csis.org

Abstract

The article investigates the future role of the G20 in a post-pandemic digital world. The transformation of the world order and global governance is interconnected with three main trends: fragmentation, digitalization and socialization. The author underlines that these trends pose challenges for states both at the national and global levels. To effectively solve the accumulated problems, the joint work of international institutions and non-state actors is required.

Key words: G20; Global Economic Governance; digitalization; fragmentation; socialization

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How can the G20 best contributions to global economic governance in the post-COVID-19 digital world? An answer requires consideration of three major trends characterizing today's world: fragmentation, digitalization and socialization.

Fragmentation

We are witnessing the fragmentation of what has been, certainly in the post-war period, the increasing globalization of trade and related transactions, capital and investment movements, migration and the movement of people, and the dissemination of knowledge. This fragmentation is taking place in at least four ways.

First, China's more explicit recent choice of a state-led economy, rather than a market-led economy, is resulting in competition and tensions between these models.

Second, the pressures on supply chains resulting from the COVID-19 crisis have led to a shift from "just in time" to "just in case" approaches to production and distribution. This in turn has resulted in a growing trend to re-shore, or "near shore," production.

Third, in some sectors, especially those with cutting edge technology, the risk of decoupling should not be discounted.

Fourth, even before these recent developments, our collective failure to ensure that global rules governing the economy keep pace with the way business is done led many countries and regions to move further, and faster, with like-minded partners, particularly in the same neigh-

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bourhood. While some value chains are global, many are regional. There are now over 400 functioning free trade agreements. The advent of mega-deals from the Canada-United States-Mexico Agreement to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the deepening of continental integration of the European Union, and the conclusion of an Africa-wide free trade agreement are often at the expense of outside competitors. Such frameworks can fray at the edges, as Brexit amply demonstrates.

Digitalization

The acceleration of the pace of digitalization carries profound implications in many dimensions.

If in Western societies we have the right to be left alone, then privacy and the individual's control over his or her information is increasingly at issue. Threats to cyber security from state and non-state actors alike are growing. When these pressures are combined with the desire to promote innovation, increasingly the result is a proliferation of standards that do not match across borders or regions, or across industries, as rules governing content differ from rules governing the conduits of communication.

Socialization

Socialization refers to the reality that people matter more than ever.

For most of this century, the gap between growth in income for wage earners and executives has grown. Divisions of race, ethnicity and gender are not, in the view of many, being adequately addressed either. The rise and spread of populism and protest is an unsurprising response. More broadly, the consequences of our collective failure to address issues of the global commons, from the oceans to climate change and the use or overuse of agricultural lands, also reflects the increasingly social dimension of the challenge, and have now mainstreamed environmental, social and governance considerations. Sustainability belongs to everyone.

G20 Contributions

These forces of fragmentation, digitalization and socialization encompass challenges that are myriad and intersecting.

In this context government, and governments, seek to respond to them, both at home and in international fora. What is to be done? While it is clear that every government carries responsibility to respond at home, these challenges also require action internationally. Many look to the G20, the self-declared "premier forum for international economic cooperation," for leadership.

But many criticize the G20 for being less effective or robust in responding to today's challenges compared to action taken at the time of the global financial crisis from 2008 to 2010. This is partly true. But in part G20 actions in 2020 and 2021 reflect the nature of the challenges we face. Given the human dimension of the current crisis, the fact that our publics are so engaged and concerned, and the fact that so much is driven by domestic concerns, governments – democratic or otherwise – must be responsive to their own people. Thus, much of the action and reaction ends up being domestic in nature.

In the first weeks and months after global recognition of the COVID-19 pandemic, it was understandable and excusable that a government would say first it must protect its own citizens, so as to make sure there is enough personal protective equipment, for example, at home. We have witnessed a number of measures taken to put citizens first.

Balance that with what the G20 said early on and repeated: we recognize collectively that the imperatives of public health may require emergency measures, but they should be transparent and proportionate to immediate needs. Moreover, we still saw collective agreement, including the United States and China, and also Europe, saying we will be restrained and will aim for a cooperative environment.

Similarly, on the financial side, everybody, everywhere, has had to scrounge to find sufficient stimulus to keep people employed, to keep small businesses going and to meet immediate health needs. The G20 readily agreed on a debt moratorium through the Debt Service Suspension Initiative – temporary relief for the least developed. It was extended in October 2020.

So, notwithstanding different views about the vitality or effectiveness of the World Trade Organization or the World Health Organization, there has been some modicum of international cooperation. At worst I would give the G20 a mixed grade, rather than a failing one in responding to current crises.

The G20's Future Role

The G20 is not a governing directorate for global governance, as seen in the heterogeneity of global governance. The G20 has never been an institution of jurisdiction. It was never given a charter or mandate or constitution or formal decision-making role. It is a caucus unique among many others, because its members are not necessarily likeminded. Yet they represent 85% of the world's gross domestic product, 70% of global population and 85% of the world's greenhouse gas emissions. Members participate at a table comprising 19 countries plus the European Union. This is not an unrepresentative group to conduct a candid exchange of views.

Being elevated to the leaders' level means any issue is on the table. This allows an exchange of best practices and fiscal perspectives, to ensure some coherence. Can the G20 decide for the world? No. Can it take its views to the necessary formal decision-making and implementing institutions? Yes. Does it allow countries to take lessons learned home? Yes. That is a benefit of bringing leaders together regularly.

Yet topics such as the advent of the digital world go beyond governments. Discussions on them should be multi-stakeholder in nature. Rule making, decision making and policy making require the input and participation of actors beyond governments to be effective. The Financial Stability Board, cited as a model for a digital equivalent, brings together not only treasuries and central banks and securities regulators but also representatives from banking, insurance and accounting communities. Regulating domain names involves stakeholder voices through ICANN. The debate over content versus conduit more generally engages not just governments but also the major corporations of Facebook, Apple, Amazon, Netflix and Google, and ultimately the consumers and users as well. Thus, a "digital stability board," as some have suggested, is an interesting concept.

So many discussions on global issues require participation and input of stakeholder communities beyond government. This is not unprecedented. Past rule making, such as the creation of the Landmines Convention, had the active participation of civil society groups, to take one example beyond the economic realm. Although this is not a new idea, it is more important than ever to think about ways to tackle issues by having governments better engage with stakeholders. We traditionally have done a less good a job on trade, where governments typically hear from those who speak loudest and often have the most protectionist views. But here, too, the trend is toward more inclusive dialogue, as we grapple with the challenge of marrying trade with environmental, labour and other concerns. Underlying more meaningful multi-stakeholder dialogue, the public policy community, through research and evidence-based analysis and forward thinking, is an important contributor. Publications such as this volume play a key thought leadership role in shaping global governance for Post-COVID-19 digital world.