Indonesia Leadership and the Effort to Familiarize G20

THIS is, above all, a human crisis that calls for solidarity…. that demands coordinated, decisive, and innovative policy action from the world’s leading economies. This is an excerpt from Antonio Guterres’ statement on March 19, 2020, in which the Secretary-General of the United Nations called for innovative, appropriate and coordinated action from all world leaders. However, after more than a year and a half later, one of the things that is still lacking in handling this multidimensional crisis is international coordination and cooperation.

G-20, international cooperation and crises

At this time of crisis, international cooperation is very much needed. Experience from previous crises shows that international cooperation is needed not only to increase available resources for better handling of crises but also to coordinate actions taken by various countries so as not to harm other countries.

In times of crisis, temptations like this are felt. As seen in the early days of the pandemic, many countries imposed a ban on the export of personal protective equipment and medical equipment, which consequently made the pandemic situation worse.

This is where international cooperation forums play an important role, especially forums involving various influential countries in the world economy and governance. The G-20, which is a forum for dialogue between nineteen countries with the largest economies plus the European Union, has very high political support, to carry out various agendas of cooperation needed in times of crisis and accelerate recovery. This was seen during the world financial crisis in 2007/2008.

The first G20 Summit in Washington DC in 2008 resulted in a commitment to maintain financial sector stability, improve coordination of fiscal stimulus carried out by various countries, and refrain from increasing trade barriers and protectionism. This was all needed to maintain the world economic situation at that time, not to get worse and speed up recovery (Baldwin and Evenett, 2009).

In general, the various commitments issued by the G-20 countries in 2008-2009, have contributed to halting the worsening of the situation. The Compliance Report issued by the G-20 Research Group (2011) assigns a score of 0.75 (with a range of -1 to 1) for the implementation of various macroeconomic-related measures.

Although there is a tendency to increase protectionism in times of crisis, many steps have also been taken to encourage open trade and support economic recovery (Evenett, 2010). The success of the G-20 countries in responding to the crisis is inseparable from the characteristics of this group.

The G-20 is a flexible forum, without being burdened with a lot of legacies as happened at the G-8 (Stewart 2016). This group is also directly under the direction of the leaders of the major powers and is less tied to the bureaucratic process, with discussions centered on a few priority areas.
With the passage of time, the G-20 began to participate in discussing various broader agendas beyond crisis management and economic recovery. During the French leadership in 2011, the discussion has expanded to issues of employment, food security, socio-economics, and climate change. The agenda for discussion at the Summit and subsequent G-20 meetings will increasingly include other agendas related to economic and social development. This is of course necessary to keep this group relevant when the crisis period begins to pass.

In addition, agenda discussion is increasingly dominated by bureaucratic discussion processes at a more technical level. Various working groups and task forces were formed to discuss issues at a more detailed level. This of course can be understood to compensate for the wider area of discussion.

The G-20 has changed from a forum to respond to crises to a forum that determines the global development agenda. The impetus of the twenty largest economies can of course be a lever for the success of the various agendas to be achieved. However, this also makes the G-20 turn into a 'fat' forum and is burdened with many discussions. Many criticisms have been made, namely that the G-20 is considered not to provide concrete solutions to various global problems that occur, loses focus and is heavily influenced by geopolitical situations. This forum is considered no longer a forum that can provide quick and precise recommendations with high commitment from its members. When the possibility of a trade war seems to increase in the 2017-2018 period, the G-20 leaders prefer not to discuss the issue too deeply even though its impact is very significant on the global economy.

The G-20 and the pandemic

The health and economic crisis, which followed the covid19 pandemic, was a wake-up call for the G-20 countries to put more focus on international cooperation in overcoming the crisis. In March 2020, the leaders of these countries met and issued a call for handling the pandemic and crisis more seriously. This was followed by several policies outlined in the G-20 Action Plan in Supporting the Global Economy Through the Covid-19 Pandemic, as well as economic support measures such as the Debt Service Suspension Initiative which helps low-income countries deal with their debt burden. Several other action plans also followed. The group's trade ministers, for example, called for easing many of the 'emergency trade policies' that were widely adopted, such as export and import restrictions on medical and personal protective equipment, although it was a bit late after the effects of the pandemic were already being felt.

Unfortunately, it is felt that the G-20 has not played a role in various aspects that have a very high international weight. Indeed, most health problems must be addressed at the national level, as do the problems of the economic crisis and declining purchasing power. However, many aspects require coordination at the global level.

In the health sector, the exchange of information, research and samples is necessary for proper policymaking. Research, production and distribution of vaccines also require international cooperation to ensure maximum availability and coverage. Unfortunately, this has not been implemented properly. Even though G-20 countries have committed to achieving vaccine coverage of 70% of the world's population by mid-2022, crippled distribution and access are still a big problem, with many developed countries hoarding, while many poor
countries find it difficult to get adequate vaccines. In the economic field, there are so many policies that require global coordination.

To date, for example, there has been no visible effort to coordinate cross-border travel procedures. This is needed to support the recovery of sectors such as tourism and business travel. The fiscal stimulus announced by the G-20 in March 2020, also tends to be data-gathering when compared to coordination as was done in 2008. In responding to this pandemic, the G-20, in fact, has done several supportive things, but it appears that these countries are less able to come out with the follow-up actions and policies needed to promote international cooperation. One of the contributing factors is that the G-20 is currently no longer focused on crisis response, but is also sharing its attention on various other development agendas.

**Indonesia's leadership in the G-20**

With this background, Indonesia’s position as the leader of the G-20 in 2022 is very important. The ongoing crisis began to look transformed. The risk of financial crises and energy crises appears to be increasing due to supply chain and production disruptions, as well as higher debt burdens. Vaccination is not evenly distributed and also causes the economic recovery to run lopsided. The latest prediction from the IMF shows that the economy of developed countries in 2024 will reach a level of 4.2% higher than the prediction without a pandemic. On the other hand, developing countries will still lose 4% of their economic potential if there is no pandemic. What is worrying is the condition of poor countries that have lost up to 10% of potential output.

The big theme of the G-20 Indonesia: Recover Together Recover Stronger inspires the creation of a strong, inclusive and sustainable economic recovery. However, for this reason, Indonesia must focus more on various priority agendas that are needed to support economic recovery and have high international leverage. Indonesia, it is better not to include too many agendas, which are more appropriate to be carried out at the domestic level. Some of the related agendas of course include international coordination for vaccine production and access and distribution, as the key to economic recovery. The G-20 can be encouraged to seek more resources for vaccine production, given that inoculations may need to be carried out regularly.

Another agenda is cooperation to revitalize global economic connectivity, both in the fields of trade, investment and human mobility. Harmonization of travel procedures and efforts to simplify it can be discussed under the leadership of Indonesia. Moreover, Indonesia has a great national interest in this matter. Another area of cooperation relates to increasing global macroeconomic resilience and readiness to deal with increasing risks in the financial sector. The G-20 must encourage better monetary policy coordination so that the excesses of each country's policies can be minimized.

It cannot be forgotten that the recovery to be achieved is a quality recovery to improve environmental conditions and being enjoyed by all parties. The current crisis conditions cannot be a reason to forget the big problems related to climate change which are increasingly being felt. Of course, the resources needed for recovery will be even greater. Once again
international economic cooperation will be able to assist in mobilizing the required resources. Indonesia's leadership in the G-20 in 2022 is also very strategic.

As the first developing country to assume leadership in the last five years, Indonesia's leadership opens up opportunities for wider participation of developing countries. The G-7 developed country group is currently also starting to carry out more intensive and substantial talks with more concrete actions. Indonesia needs to be a bridge for better cooperation between developing and developed countries. The creation of higher global harmony will support the taking of concrete actions for the creation of a stronger, inclusive and sustainable economic recovery.

———

Commentary by Yose Rizal Damuri, Head of Department of Economics CSIS dan Executive Co-chair T20 Indonesia

Originally published on Media Indonesia on 1 November 2021. Source: https://mediaindonesia.com/kolom-pakar/443676/kepemimpinan-indonesia-dan-upaya-membumikan-g-20

Translated by T20 Indonesia Secretariat