



Task Force 06

STRENGTHENING MULTILATERALISM AND GLOBAL GOVERNANCE

Potential Modalities of a G20 Platform for Regional Integration Arrangements

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Abstract

With the entry of the African Union into the G20 in 2023 the momentum is rising for other regional blocs and countries to participate in the G20 development initiatives. Given these trends, the policy brief proposes to create a G20 platform for regional integration blocs and their development institutions (regional 20 (R20)). The proposal enables regional blocs and their small economies to participate in the discussions in the regional engagement group of the G20 forum and dovetails Brazil's G20 priorities directed at bringing greater inclusivity into the operation of the G20. Among the possible benefits of such a platform are the widening of the scope of resources employed by the G20 in launching anti-crisis stimuli via encompassing the resources of regional development banks and regional financing arrangements. Through pooling the resources of the regional development institutions and global organizations the "regional 20" engagement group could allow for a coordinated approach to financing projects in the sphere of digital economy development and environmental projects. In the trade sphere, the R20 platform could serve to coordinate regional trade liberalization in close cooperation with the WTO. The R20 platform could also generate new lines of communication and economic diplomacy between the Global South and advanced economies via creating scope for dialogue among such leading regional blocs as MERCOSUR, ASEAN and the EU. Overall, the creation of a platform for regional integration blocs and their development institutions would notably increase the inclusivity of G20 and the scale of its outreach to the global community becoming thus an important track for "re-thinking the world".

Key words: Regional 20, R20, RTAs, EU, African Union, MERCOSUR, AfCFTA, IMF, World Bank, WTO, DEAs, regional financing arrangements (RFAs), regional development banks (RDBs).



Diagnosis of the issue

After the accession of the African Union (AU) into the G20, there may be further scope for regional integration blocs to be represented in the G20 platform. Brazil has opted to invite MERCOSUR as its key regional integration project to participate in the G20 meetings. Brazil's President Lula has been active in advancing the partnerships of MERCOSUR with other regional blocs, including within the framework of a MERCOSUR-EU trade agreement. While the detailed modalities of MERCOSUR participation in the G20 this year are yet to be unveiled, at the very least the momentum for greater involvement of regional integration blocs in the G20 is sustained. Next year with the South Africa G20 presidency it is expected a greater scope for the African Union in building cooperative networks with other regional blocs and organizations within the G20. It could be argued that the case for regional integration arrangements to play a greater role in global fora such as the G20 has arguably strengthened appreciably in the past 5-6 years. One of the reasons is that a growing number of economies in the world are starting to conduct their trade policy on the basis of their respective trade blocs (Brazil via MERCOSUR), while a growing share of trade liberalization (especially in the Global South) has been originating from the emergence of such blocs as the Regional Comprehensive Economic Partnership (RCEP) or the African Continental Free Trade Area (AfCFTA). Further contribution to trade liberalization coming from the regional integration blocs may be coming on the back of free trade accords between several regional blocs (the EU-MERCOSUR FTA is still in the negotiation stage) as well as between individual economies and regional trade blocs – one of the recent cases in point is the economic accord between India and the European Free Trade Association (EFTA).

Apart from the greater representation of Africa and the Global South in the G20 forum,



another significance of AU's admission to the Group of 20 is that it creates greater scope for synergies and closer cooperation between globalism (global institutions and platforms such as the IMF, World Bank, WTO, G20) and regionalism (regional integration blocs, regional development banks and regional financing arrangements). If other regional blocs do become part of the G20 platform, there will then be scope for these blocs to work more closely with the WTO, while regional development institutions could coordinate their operations with the IMF and the World bank.

Perhaps most importantly, a greater role for regional integration arrangements within the G20 would overcome one of the most glaring shortcomings of the current version of the G20 platform, namely its lack of legitimacy in representing the largest economies of the globe as the embodiment of the entire global community. The inclusion of the African Union as a full-fledged member of the G20 does address this "deficit of legitimacy", but only to a degree. The key shortcoming of the G20 as a global platform to deal with the key challenges for the world economy continues to be the lack of inclusivity and the lack of mechanisms for engaging other regional blocs and economies that are outside of the G20 core. Engaging more regional integration blocs and their development institutions within the framework of the G20 forum would notably increase the inclusivity of G20 and the scale of its outreach to the global community.

One of the possible tracks that could be pursued in this respect is the formation of a platform of regional integration arrangements that would support the initiatives launched by G20 economies. Such a platform could take the form of a G20 engagement group (a regional 20 (R20)) and include not only the regional integration arrangements, but also their regional development institutions such as regional development banks and regional financing arrangements. The following section will expound on this recommendation to create a platform for regional arrangements within the G20 from the point of view of



dealing with challenges in developing the digital economy, liberalizing trade, advancing common environmental standards and strengthening the coordinated anti-crisis stimuli launched by the G20.





Policy recommendations for the G20

There may be a number of benefits in creating a “regional 20” (R20) engagement group within G20. In particular, the R20 platform could widen the scope of resources that could be employed by the G20 in launching anti-crisis stimuli via encompassing the resources of regional development banks and regional financing arrangements. In the trade sphere, the R20 platform may serve to coordinate trade liberalization in close cooperation with the WTO. The R20 platform could also generate new lines of communication and economic diplomacy between the Global South and advanced economies via creating scope for dialogue among such leading regional blocs as MERCOSUR, ASEAN and the EU, becoming thus an important track for “re-thinking the world”.

One key area of the growing importance of regional integration blocs at the global level is the digital economy. One of the leaders in this process is ASEAN (with the key role played by Singapore) – in September 2023 ASEAN members launched negotiations on the first region-wide DEA that are to be completed by 2025. At the same time ASEAN members, such as Singapore are actively pursuing negotiations of further digital accords with regional blocs – one of the cases in point being the Singapore-EFTA DEA that has gone through 6 rounds of talks¹. The R20 engagement group may provide a platform for expanding and multilateralizing such digital economic agreements across a wider array

¹ “EFTA and Singapore Hold Sixth Round on Digital Economy Agreement

Negotiations,” *European Free Trade Association (EFTA)*, November 20, 2023,

<https://www.efta.int/Free-Trade/news/EFTA-and-Singapore-hold-sixth-round-Digital-Economy-Agreement-negotiations-538786>.

of regional blocs and countries.

Regional integration blocs can also play a crucial role in advancing environmental norms and standards in the world economy. According to the OECD, the number of regional trading arrangements (RTAs) with environmental provisions has increased from 114 in 1990 to 671 in 2021, with the share of RTAs containing environmental provisions rising from 65% in 1990 to 80% in 2000 and to 87% in 2021². The OECD further notes that “anecdotal evidence suggests that some RTAs with environmental provisions have led to positive environmental outcomes by strengthening environmental laws and regulations, introducing new institutional arrangements, promoting co-operation in improving environmental law and enforcement, and improving environmental awareness”³.

Environmental provisions are also becoming prominent in the free trade agreements negotiated between regional integration arrangement as is the case with the ongoing talks on the EU-MERCOSUR FTA. The R20 platform may provide a forum for discussing the harmonization of environmental norms and standards at the level of regional integration groups.

² Cooper, Andrew F. “The G20 and Regional Dynamics.” *Center for International Governance and Innovation*, 2010. <https://www.kdi.re.kr/upload/15230/2-2.pdf>.

³ “Environment and Regional Trade Agreements,” *Organization for Economic Cooperation and Development, OECD Work on Regional Trade Agreements and the Environment: Policy Perspectives*, 2023, <https://www.oecd.org/env/environment-and-regional-trade-agreements.htm>.

Our proposals for the G20 accordingly call for the following:

- Create a regional 20 (R20) engagement group within the G20 that is to include the key regional integration arrangements. The R20 will need to work closely with other engagements groups of the G20 such as the B20, S20 and the U20, with the possibility to engage a significantly wider array of actors from outside of the G20 core membership.
- Possible selection criteria for the regional integration blocs in the proposed R20 platform may include:
 - a) Selection of 20 largest regional integration blocs (that have a secretariat) by GDP size (broadly in line with the selection criteria for countries in the G20).
 - b) Each member of the G20 nominates their representative regional integration bloc (that has a secretariat) into the R20 platform – this would typically be (but not necessarily) regional blocs in which G20 economies are leading members.
- Within the R20 engagement group create platforms that bring together the regional development institutions, namely regional development banks (RDBs) and regional financing arrangements (RFAs) – these platforms need to work closely with the respective Bretton Woods institutions – the World Bank and the IMF respectively⁴.

⁴ Moriyama Kenji, Nathan Porter, et al, “Collaboration between Regional Financing Arrangements and the IMF,” *International Monetary Fund, IMF Background Paper*, July 31, 2017, <https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/07/31/pp073117-collaboration-between-regional-financing-arrangements-and-the-imf>.



- The platform that brings together the World Bank and the regional development banks could use the R20 framework to work on reconciling the key connectivity projects across the globe such as the Belt and Road Initiative (BRI) as well as the “Global Gateway” and the “B3W” projects.
- Leverage the R20 engagement group that brings together regional development institutions to work with the World Bank on pooling resources for financing priority projects in the sphere of digital economy and green economy.
- Use the R20 platform to promote greater cooperation between the World Trade Organization (WTO) and the leading regional integration blocs, with discussions focusing on multilateralizing regional trade liberalization across a wider array of countries and regions of the world economy.
- Use the R20 platform to bring together the IMF, the RFAs as well as the Financial Stability Board (FSB) to devise regular anti-crisis scenarios regarding the potential vulnerabilities as well as the modalities of anti-crisis response (including anti-crisis stimuli) that would include the contribution from regional development institutions.

The creation of yet another engagement group such as the R20 could raise concerns about its duplication with existing engagement groups as well as with the G20 itself. In order to avoid such risks the R20 needs to focus on complementing G20’s activities pertaining discussions on trade liberalization and economic stimulus. In particular, during crisis periods the R20 could discuss the modalities of amplifying the country-level stimuli from G20 members via additional allocations coming from regional development institutions. To further reinforce complementarity between the R20 and G20 the main contributions from the R20 could be intermediated at the G20 core membership level by



the EU (as a regional representative of advanced economies) and the African Union (as a regional representative of the Global South). This would significantly raise the utility of the participation of the EU and the African Union within the core G20 membership.

As for the positioning of R20 within the existing framework of G20 engagement groups, our view is that the new regional grouping would dovetail the activities of engagement groups such as B20 (Business 20) and U20 (Urban 20). With respect to B20 the R20 platform may become a key vehicle for expanding the outreach of G20 in the business sphere to include not only the business circles of G20 members, but also their regional partners. As regards the U20 engagement group the regional R20 may enable discussions on connectivity, digital economy and “smart city” projects/best practices between the regional and municipal representatives with the participation of such regional blocs and economies as ASEAN and Singapore that have ample experience and capabilities in digital and urban development.



Scenarios of outcomes

The theme of the possible creation of a regional R20 engagement group within G20 opens up several possible scenarios – in this section we consider the implications of the status-quo, the worst-case scenario associated with the excessive politicization of the R20 platform, as well as the best-case scenario of an R20 that is duly focused on trade liberalization and cooperation with the WTO.

In our view a status quo scenario, with no significant changes in the coordination of G20 with regional integration blocs, would deprive the world economy of new possibilities to liberalize trade. In such a scenario the global system would remain vulnerable to new bouts of protectionism, with the possibilities in building greater openness and cooperation among regional integration blocs remaining unrealized. Also, without the creation of the R20 platform within the G20, the base case scenario is for the G20 stimulus to remain ad hoc and largely limited to G20 member country contributions.

The worst-case scenario would occur if the R20 were to be created without a clear economic agenda. Such a scenario may result in a wide range of regional organizations other than regional integration blocs becoming part of the R20 – this could lead to a dilution of the economic focus of the platform and growing risks of the excessive politicization of R20 discussions. In this scenario the potential benefits from building greater economic cooperation among regional integration platforms could be undermined at an early stage by the excessive politicization of the R20 grouping.

The best-case scenario in our view would be represented by the creation of an R20 platform that is geared early on towards trade liberalization and greater coordination with the WTO. The creation of R20 with such a focus would redound to the authority of the WTO and the new vectors in trade liberalization that this organization may support.



Most importantly, the platform would allow for a more favourable international setting to forge alliances and accords across the regional integration arrangements as well as their regional development institutions. Such alliances may include not only free-trade accords, but also initiatives to liberalize investment flows as well as digital economic accords (DEAs).

Even within this best-case scenario, the operation of the R20 platform would not be entirely immune to difficulties – indeed the experience with trade talks between the EU and MERCOSUR suggests that discussions at the inter-regional level may proceed slowly with multiple stakeholders at the national level potentially raising their concerns and slowing down the pace of trade liberalization. The R20 grouping while being exposed to such risks would nevertheless provide a platform for exchanging best practices in “bloc-to bloc” cooperation, while also raising the frequency and scope for concluding “bloc-to bloc” alliances in the global economy. With no platform for regional integration arrangements currently in place within the construct of global economic architecture, the creation of R20 would open up new venues for economic diplomacy and trade liberalization in the world economy.

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