

Opportunities and Challenges of Mexico's Participation in the G20

Oportunidades y desafíos de la participación de México en el G20

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Abstract

The G20 is a space representative of the balance of international power that has managed to reach agreements to collectively confront pressing global challenges, and today, faced with challenges such as the consequences of a global pandemic, the economic recession or the war between Russia and Ukraine, its validity and effectiveness can be demonstrated. In this article, the author describes some of the most significant agreements reached by this forum since 2008, a decisive year for the global governance system.



Resumen

El G20 es un espacio representativo del equilibrio del poder internacional que ha logrado alcanzar acuerdos para enfrentar de manera colectiva desafíos globales apremiantes y hoy ante desafíos como las consecuencias de una pandemia mundial, la recesión económica o la guerra entre Rusia y Ucrania puede demostrar su vigencia y efectividad. En este artículo, el autor describe algunos de los acuerdos más significativos que ha alcanzado este foro desde 2008, que fue un año decisivo para el sistema de gobernanza global.



Keywords

G20, governance, G7, Mexico, IMF, COVID-19, Russia-Ukraine war



Palabras clave

G20, gobernanza, G7, México, FMI, covid-19, guerra Rusia-Ucrania

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Mexico's participation in the Group of Twenty (G20) at the presidential level is a foreign policy decision worth considering. The G20 is an informal group that brings together the leaders of the world's largest economies. Both developed and developing countries participate. In 2008, it emerged as the main forum for dealing with the international economic crisis of that year. In my opinion, this mechanism continues to be relevant for achieving collective action by the major powers on the international stage, especially in the face of pressing global challenges such as the response to the pandemic, the economic instability prevailing in the world or the ongoing armed conflict in Ukraine. Evidence of this is, for example, the creation of the Access to COVID-19 Tools (ACT) Accelerator in April 2020 to bring an end to the acute phase of the pandemic through the deployment of tests, treatments and vaccines and in response to the call of the G20 leaders.

Our country's participation in the G20 leaders' summits can offer considerable benefits. First, because the magnitude of global problems demands a coordinated response at the highest level. Direct diplomacy matters. The interpersonal relationship with the leaders of countries such as the United States, Germany, China, Russia, Brazil and India offers a valuable opportunity to influence efforts in confronting the international health crisis and its root causes, as well as to alleviate the adverse economic effects of the pandemic and the war in Ukraine.

In the same way, direct interaction with world leaders opens doors to diversify foreign policy, unlock issues on the bilateral agenda, and strengthen relations with the forum's member countries, including the possibility of expanding economic ties and cooperation projects. The forum also allows countries to share public policies they consider successful and can be a showcase for domestic efforts in combating corruption, fiscal responsibility and the struggle against inequality. This, in turn, can help shore up Mexico's international image and regional leadership.

Refraining from participating in the group's summits can have the adverse effect of damaging the bilateral relationship with the host country. Each year, a member country chairs the group, coordinates its agenda and organises the leaders' summit. This is an event that countries prize, because the spotlight is on them, on their leadership capacity and their role as hosts to the major players who make the big global decisions. Failure to attend may cause unnecessary upset.

It is worth asking about the role of ideology, both within the G20 and in the decision to attend or not to attend its summits. While it is true that this group includes the G7 countries, the developed powers that generally share an economic agenda that can be considered neoliberal, it is also true that the BRICS countries (Brazil, Russia, India, China and South Africa), developing countries that in many respects have diverging views from those of the G7, are present at the forum. Leaders with left-wing economic and political agendas, such as Brazilian President Lula da Silva, have been active and enthusiastic participants in this forum. While the priorities of the BRICS may not necessarily align with those of the superpowers, the plurality of perspectives that characterises the G20 is positive in itself as it reflects changes in the international power structure.

To accommodate the interests of the BRICS with those of the superpowers within the G20, it is important to recognise and respect the diversity of perspectives and priorities among member countries. One way to do this is to ensure that the voices of all G20 countries are heard and taken into account during discussions and decision-making processes. In addition, promoting transparency, inclusiveness and participation of all G20 countries in reaching agreements is another way to foster cooperation and collaboration among member countries. Likewise, negotiation and compromise are indispensable in order to reconcile different interests

and find solutions that satisfy the needs of all parties involved. Fostering this culture of dialogue and mutual understanding among G20 countries can also help build trust and promote cooperation. Ultimately, it is most significant that within this heterogeneity, the Group has managed to reach agreements to collectively address pressing global challenges, and can continue to do so.

An example of successful reconciliation of interests is the G20 agreement in 2009 to recapitalise the International Monetary Fund (IMF) and the World Bank (WB) for more than USD 1 trillion, in a context of strong macroeconomic instability. This agreement was made possible thanks to the support of two sub-groups within the G20 that have gained increasing weight and visibility: the then G8 (now G7) and the BRICS. Another important recapitalisation of the IMF by agreement of the G20 member countries occurred in 2012 and led to a doubling of the IMF's lending capacity. Some of the most significant agreements reached by this forum are described below.

A brief history of the G20

The G20 began meeting at the leaders' level in 2008 at the initiative of the United States, acting as a rapid-fire squad to confront the global economic crisis that erupted that year. As will be recalled, the global economic contraction of that time, the disruption of international trade flows and the collapse of financial markets threatened to present a scenario similar to that of the great crisis of 1929, one of the worst human tragedies of the 20th century. The risk of a global economic collapse was clear and its consequences could have been catastrophic.

The G20 adopted an agenda of economic stimulation, financial regulation and combating protectionism, which allowed the global crisis to be alleviated and reversed in the medium term. One of the historical lessons of the 1929 crisis is the importance of public spending as a response to economic contraction. The coordinated adoption of expansionary policies in the world's major economies made it possible to weather the crisis, which was beginning to have disastrous social effects in terms of unemployment, inflation and rising inequality. In this context, the strengthening

of the Bretton Woods institutions played a central role in international stabilisation.¹

One of the main causes of the crisis was the poor regulation of novel financial instruments such as hedge funds, which had gained prominence but were opaque, misleading and contributed to a speculative bubble that eventually burst. The G20 developed a financial regulation agenda that addressed the root of this problem. At the same time, the countries of the group committed themselves to not imposing trade protectionist measures. At the time of the crisis there was a temptation to close domestic markets, in an effort to protect national economies, but which in the aggregate had a detrimental effect on the global economy. The commitment to maintaining open trade flows was a sign of collective effort that made it possible to better navigate the effects of the crisis.

Bringing together the world's 20 largest economies in the wake of global economic turbulence had an important effect on international politics. Traditionally, economic stability was the exclusive concern of the developed powers, which had met since the 1970s in the framework of what is now the G7: the United States, Canada, Japan, Germany, France, Italy and the United Kingdom. With the exception of Canada, which was included for considerations of regional balance, these countries were the main imperialist powers of the 19th century that shaped the global capitalist system of the 20th century. Throughout its history, the G7 has been influential in advancing its interests through shaping international economic guidelines, including issues such as intellectual property protection and some of the outcomes of the Uruguay Round. However, the greater economic and political weight of emerging countries such as China and India made it inevitable that, by 2008, the G7 framework would become too narrow. The first G20 leaders' summit established that the international structure had changed and that developing countries with large economies deserved a full seat at the negotiating table of major international decisions.

Despite its short life, the G20 has had significant ups and downs. After an initial enthusiasm in which the group was seen as "the premier forum

¹ This theme is developed in my article "La Presidencia mexicana del G20 en una nuez", in *Revista Mexicana de Política Exterior*, no. 105, September-December 2015, pp. 61-90.

for international cooperation” and perhaps the central decision-making mechanism for the global agenda in a broad sense (generally excluding security and geopolitical issues), there has been a degree of disappointment with the group in recent years. In my view, this is due to three main factors: the dissolution of the sense of urgency imposed by the 2008 crisis, the broadening of the group’s agenda without a strategic vision and, fundamentally, the disruptive effect, on a global scale, of Donald Trump’s rise to power in the United States.

As the international economic situation improved, incentives for macro-economic coordination among the Group’s members were reduced. At the same time, the agenda of the forum was unnecessarily broadened. As an informal mechanism with an annually rotating chairmanship among member countries, each host country has room to include new items on the agenda. This has had the unintended consequence of producing a certain loss of direction, because although the central issues on the agenda have been continued, such as energy, green growth, the elimination of fossil fuel subsidies, tourism, international security, among others, more have also been added, which, although relevant, can be seen to have hypertrophied the group’s capacity for collective response and action.

In addition, unfortunately, former President Trump’s foreign policy had rather adverse consequences for the international system and for multilateral fora. The world’s leading power suddenly appeared erratic, unpredictable and uninterested in preserving global order. The emphasis on the “America first” approach, the unilateral overturning, and the cavalier, haughty and negligent attitudes towards the international community (including the United Nations, NATO and even the G7), left the international system profoundly disrupted. It is worth recalling the Trump administration’s decision to withdraw its participation, and therefore its funding, from the World Health Organisation in the midst of the pandemic. Given the structural importance of the United States in the world, no multilateral forum can function properly without the commitment and interest of the hegemonic power. Consequently, G20 summits during this period were rather lacklustre.

Now, the Trump era has, for the time being, come to an end. President Joe Biden’s administration has set out to restore ‘decorum’ to the presidential institution and restore U.S. foreign policy, including its role

as guarantor of the international governance architecture. At the same time, daunting challenges once again present themselves, giving the members of the group a renewed sense of urgency.

Pressing global challenges

In recent years, the world has had to face major challenges, some of them unprecedented in the contemporary era, such as COVID-19, the first pandemic in over 100 years, which spread at an unprecedented rate and speed. At the time of writing, according to the World Health Organisation, the COVID-19 pandemic killed more than six million people and infected 601 million worldwide.² Entire populations were subjected to isolation and quarantine policies, some of them very strict, aimed at controlling the virus and preventing health systems from overflowing. The health crisis was sudden and widespread and has had drastic economic and social consequences around the world. Not only that, but it is also a continually evolving and, even today, uncertain phenomenon.

On the economic front, according to the World Bank, the pandemic caused the worst recession since World War II with a contraction of around seven per cent among the most advanced economies. Disruption in global value chains was perhaps one of the most visible challenges arising from the pandemic. The lack of components mainly from China became a common denominator for thousands of companies in all sectors. Indeed, the paralysis of the Chinese economy had a significant impact on global and regional value chains. Today, China plays a critical role in the global economy, not only because of its status as a producer and exporter of consumer products, but also as a major supplier to industry. According to the United Nations Conference on Trade and Development (UNCTAD), 20% of global trade in intermediate inputs comes from China.³

² World Health Organisation (WHO), "WHO Coronavirus (COVID-19) Dashboard", at <https://covid19.who.int/more-resources> (date of access: February 23, 2023).

³ United Nations Conference on Trade and Development, *Global Trade Impact of the Coronavirus (COVID-19) Epidemic*, New York, United Nations, March 2020, p. [4], at <https://unctad.org/system/files/official-document/ditcinf2020d1.pdf> (date of access: February 24, 2023).

Moreover, policies of social isolation, the suspension of economic and educational activities, and difficulties in accessing primary health care continue to have a major impact on human capital and labour force development, while increasing social instability and the risk for millions of people to survive in poverty. It is imperative that the global community comes together to make the recovery as robust as possible and prevent more people from being pushed into poverty and unemployment. Another issue that is important not to lose sight of is the impact of the pandemic on the mental health of individuals. According to the Pan American Health Organization, one in five people who suffered from COVID-19 faced, for the first time, a diagnosis of anxiety, depression or insomnia.⁴

The spread of COVID-19 also highlighted the urgency of combating wildlife trafficking, one of the root problems of this pandemic. Wildlife trafficking is a potential source of dangerous zoonotic diseases, *i.e.* diseases that can be transmitted between animals and humans, as was the case with SARS-CoV-2. Unlike the smuggling of drugs, arms and people, wildlife trafficking has not been treated as a serious threat to global stability. However, it has important social and economic implications: it can pose security risks to countries because of its close links to other illegal activities, stunt the growth of local communities, weaken governments and, as we have already corroborated, threaten public health.

Today, more than three years into the pandemic, most countries in Europe, as well as the United States, have entered the endemic stage of the COVID-19 outbreak: the virus is widespread and significantly less lethal than in 2020. These endemic conditions are likely to continue in the medium term. However, as immunity wanes, the next stage is still uncertain. Precisely for this reason, multilateral fora such as the G20 can and should contribute to making the world better prepared to deal with such situations and, to the extent possible, to prevent their recurrence. Indeed, the G20 is called upon to play a decisive role in this regard, as was the case during the Riyadh Summit, held virtually in 2020, when the leaders of the world's 20 largest economies agreed to support the global mechanism to accelerate

⁴ Pan American Health Organization, "Mental Health and COVID-19", at <https://www.paho.org/en/mental-health-and-covid-19> (date of access: February 24, 2023).

the development of diagnostic tests, treatments and vaccines, and to ensure their equitable distribution. As an outcome of the Summit, support was reaffirmed for the ACT Accelerator, a partnership that brings together governments, health organisations, scientists, businesses, civil society organisations and philanthropists to accelerate the development, production and equitable access to COVID-19 tests, treatments and vaccines. It is the fastest, most coordinated and successful global effort in history to develop tools to fight a disease.

The consequences of the COVID-19 pandemic are not the only challenges facing international society today. The outbreak of war between Russia and Ukraine in March 2022 is another issue that deserves our full attention and the effects have been felt as much in Europe, especially in the countries neighbouring the conflict, as in the rest of the world. Just look at what has happened to the international oil and gas markets, as well as to the food market. On the one hand, energy prices have spiralled out of control due to the sanctions imposed on Russia, as well as importing European countries' refusal to buy Russian energy supplies. According to an article in *The Financial Times*, 70 per cent of Russian output is failing to secure a buyer in Europe,⁵ which has contributed to gas reaching record highs, as has oil, the price per barrel has risen above USD 100. The upward trend in inflation is largely due to the prices of the economy's most volatile goods and services, particularly energy.

On the other hand, the war could lead to a global food crisis, increasing hunger and poverty, as Russia and Ukraine are two of the world's leading producers of wheat and barley and the most significant exporters to countries in Africa and the Middle East. The war has caused food prices to soar and could spell tragedy for the most impoverished people, especially those living in rural areas who cannot absorb price increases for staple foods and agricultural inputs. This is an alarming situation with potential negative effects on the nutrition and food security of thousands of people. According to the executive director of the U.N. World Food Programme,

⁵ Neil Hume & Tom Wilson, "Oil Soars to \$113 as European Energy Groups shun Russian Crude", *The Financial Times*, March 2, 2022, at <https://www.ft.com/content/dc93a656-5305-4642-9bc5-6922e33faa06> (date of access: February 24, 2023).

David M. Beasley, there has been no precedent for anything approaching such a situation since World War II.⁶

Indeed, all of the above clearly reaffirms that we live in a highly interconnected and interdependent world. It is therefore necessary to respond to global challenges in a coordinated manner through international cooperative efforts. In my view, the G20 is a privileged forum for promoting collective action, especially in the face of the critical situation the contemporary world is currently experiencing. G20 member countries can seek consensus and solutions to stimulate the economy and growth and to contain the negative effects of the current crisis. In the case of the Russia-Ukraine conflict, for example, the G20 has no mandate to intervene in conflicts or make decisions on behalf of its member countries. However, it can play a role in promoting peace and stability by encouraging diplomatic efforts and supporting the work of international organisations such as the United Nations. Likewise, it can urge the international community to provide humanitarian aid to those affected by the conflict and support efforts to negotiate a peaceful solution. Similarly, in the face of volatile grain prices caused by the conflict, the G20 can take further steps to increase sustainable investment in agricultural production and develop joint strategies to enable the sustainable expansion of the food chain as part of the Global Strategic Framework for Food Security and Nutrition (GSF) and its corresponding action plan, as well as commit and allocate funds to enable the Food and Agriculture Organisation (FAO) to implement and monitor these agreements.

Direct diplomacy at the highest level

G20 meetings are an example of diplomacy at the highest level, not only strengthening countries' presence in international fora and global decision-making, but also fostering sound bilateral relations. One of the aspects

⁶ Cited in Jack Nicas, "Ukraine War Threatens to Cause a Global Food Crisis", *The New York Times*, March 23, 2022, at <https://www.nytimes.com/2022/03/20/world/americas/ukraine-war-global-food-crisis.html> (date of access: February 24, 2023).

that distinguishes the G20 from other similar international fora is the composition of its membership. It is a relatively more democratic discussion space than the pre-existing ones, as it integrates countries at different levels of development. This constitutes an excellent opportunity for countries like Mexico to strengthen the diversification of their international relations, both with the major international economic powers such as China, the United States and Japan, and with medium-sized countries such as Argentina and Brazil.

One of the most common practices at G20 summits is the arrangement of bilateral meetings between leaders, both formal and informal, as rarely do so many leaders meet in the same place each year. This is an opportunity for Mexico, as it offers a space to promote cooperation in all areas, from economics to education, science and technology exchange, with each of the G20 members. A recent example of this is the importance of cultivating relations, to cite a specific example, with the countries of the European Union, on the one hand, and with the United Kingdom, on the other, especially after its exit from the European bloc.

Mexico has a very strong trade and investment relationship with the European Union. Since the entry into force of the Global Agreement in 2000, bilateral trade has grown 243% compared to 1999. Mexican exports have increased by 286%, while imports have increased by 226%. In 2021, the European Union remained the second largest net investor in Mexico with EUR 6.9 billion (24.6% of total net foreign direct investment) only after the United States, while the flow of goods and services between the two economies amounted to almost EUR 60 billion.⁷ On the other hand, the relationship with the United Kingdom is in need of a post-Brexit reconfiguration. Today, both countries are in negotiations to sign a free trade agreement and the G20 represents a space to push for this new bilateral trade agreement.

Undoubtedly, diplomacy at the highest level, that is, between heads of state and government, is a very effective mechanism that, on occasions, allows pending issues to be unblocked or to be advanced more quickly.

⁷ According to data from the Delegation of the European Union in Mexico, "The European Union and Mexico", section "Trade Relations and Investments", at https://www.eeas.europa.eu/mexico/la-union-europea-y-mexico_es?s=248&page_lang=ent#16072 (Date of access: February 24, 2023).

Moreover, this type of diplomacy facilitates consensus-building relatively quickly and with high public visibility. This is the value of bilateral meetings in the framework of the G20 and an additional reason to evaluate Mexico's participation in this forum at the highest level.

An opportunity to share best practices and public policies

An additional advantage of G20 membership and participation in leaders' summits is that it allows for the exchange and sharing of best practice and policy examples, including efforts to combat poverty and inequality, maintain macroeconomic stability and fiscal responsibility, as well as to fight corruption.

There is also an anti-corruption group within the G20, which works with governments to design anti-corruption measures and policies. Over the years, the G20 has made more than 60 anti-corruption commitments, including in areas such as asset recovery, asset declarations, beneficial ownership, public procurement and conflicts of interest. The work of this group may well provide an effective framework for combating corruption.

In the case of Mexico, the current administration can take advantage of the visibility provided by this forum to disseminate the policies promoted by the National Minimum Wage Commission (CONASAMI) to ensure that Mexicans' wages rise without affecting fundamental macroeconomic variables such as inflation and employment. Since 2018, the increase in the minimum wage has been 99%, which has represented a very important respite for the most disadvantaged sectors of the population.⁸ The same is true for social policies such as the Youth Building the Future programme, an initiative that links people aged 18-29 with the country's productive sector, while providing them with a scholarship. It is also possible to share the government's efforts to prioritise austerity, fiscal responsibility

⁸ Blanca Juárez, "Conasami va por aumento de 50% al salario mínimo al 2024, a 260 pesos diarios", *El Economista*, August 22, 2022, at <https://www.eleconomista.com.mx/capitalhumano/Conasami-va-por-aumento-de-50-al-salario-minimo-al-2024-a-260-pesos-dia-rios-20220821-0011.html> (date of access: February 24, 2023).

and economic stability. For example, in the Fourth Government Report, President López Obrador pointed out that the fight against corruption “has allowed for around 2.4 billion additional pesos”.⁹

Conclusion

Since its first summit of heads of state and government in 2008, the G20 has become the main forum for international economic cooperation. Mexico is a founding member of this group and has participated in all of its summits—albeit not always at head of state level—and, in 2012, it held the presidency of the G20. The G20 presidency helped position Mexico within the international power structure, while allowing it to strategically advance its interests within this mechanism. In the same way, it broadened its spaces for dialogue not only with member countries, but also with non-member countries and non-state actors. At the Los Cabos Summit in 2012, an important recapitalisation of the IMF was achieved, with the agreement of all the Group’s members, including developed and developing countries. This helped to alleviate the international economic instability that was triggered at the time by the eurozone crisis (doubts about Greece’s ability to service its external debt) and which threatened to spread to the whole world. These and other measures linked to the strengthening of the Bretton Woods institutions, financial regulation and the fight against protectionism have allowed the international economy to better weather the volatility of the last couple of decades.

Overall, participation in the G20 offers the following advantages for our country:

- *Economic influence:* As a member of the G20, Mexico has a voice in discussions and decision-making processes related to global economic

⁹ Presidencia de la República, “Versión estenográfica. 4º Informe de Gobierno”, September 1, 2022, at <https://www.gob.mx/presidencia/articulos/version-estenografica-4-informe-de-gobierno> (date of access: February 24, 2023).

issues and can thus influence the direction of international economic policy.

- *Access to world leaders:* Participation in the G20 provides an opportunity for Mexico to engage with leaders of other major economies and build relationships that can be beneficial for trade, investment and other economic opportunities.
- *Economic growth:* The G20 focuses on policies and initiatives that promote global economic growth, and as a member, Mexico can potentially benefit from these efforts through increased trade and investment.
- *Exposure:* The G20 is an influential platform where countries can showcase their strengths and contributions, which in turn can help Mexico increase its visibility and attract more opportunities for the country in terms of foreign investment, tourism and others.
- *Collaboration:* G20 member countries work together to find solutions to global economic challenges and Mexico can capitalise on this collaboration by learning from other member countries and sharing best practices.
- *Solutions to global challenges:* The G20 also addresses global challenges such as poverty, inequality, climate change and sustainable development, Mexico can advance issues and positions that are of interest to the country, such as the fight against poverty, government austerity and policies to ensure macroeconomic stability. Leaders' summits are still valuable spaces for dialogue, even more so in a context of instability marked by the economic and social consequences of the pandemic. As part of its agenda within the G20, Mexico can push for priority issues for the government such as inequality and equal access to vaccines against COVID-19, as well as addressing the root causes of the pandemic.

The G20 is a representative space for the balance of international power. Its emergence in 2008 was a defining moment for the global governance system. At a time like the present, when the world faces major challenges including the consequences of a global pandemic, the threat of a new global economic recession and the outbreak of war between Russia and Ukraine, it is time for the G20 to demonstrate, once again, its relevance and effectiveness.