G20 Finance Meet

February 26, 2023 • vajiramandravi.com

What's in today's article?

- **Why in news?**
- **News Summary: G20 Finance Meet**
- **Key highlights of the Chair's Summary and Outcome Document**

Why in news?

- The two-day G20 Finance Ministers and Central Bank Governors (FMCBG) meeting, being held in Bengaluru, ended on without a joint communique.
- A joint communique could not be issued as differences prevailed among member nations over how to describe Russia`s invasion of Ukraine.
  - Russia and China opposed the paragraphs condemning Russia's war on Ukraine.
  - These countries took the position that finance ministers and central bank governors should not get into geopolitical issues and that the mandate of FMCBG nations was to discuss economic issues.

News Summary: G20 Finance Meet

- The first meeting of G20 Finance Ministers and Central Bank Governors (FMCBG) in Bengaluru under India's presidency stopped short of issuing a Communique of its resolutions.
- In place of a joint communique, a G20 Chair`s Summary and Outcome Document was released after the meeting.

Key highlights of the Chair's Summary and Outcome Document

- **Retained the words of the G20 Bali Leaders' Declaration**
  - The document retained the words of the G20 Bali Leaders' Declaration (November 15-16, 2022) regarding the Russia-Ukraine war.
    - Bali declaration proclaimed "today's era must not be of war", echoing PM Modi's remarks before President Putin on the sidelines of the SCO summit in September 2022.
    - The declaration had also endorsed PM Modi's emphasis on three key points: ***threat of use of nuclear weapons is inadmissible***, **diplomacy *and dialogue*** and ***today's era must not be of war***.

- **Enhancing international policy cooperation**
  - The summary noted that global economic outlook had "modestly improved" since the last meeting in October 2022.
  - However, it pointed out that global growth remained slow, and downside risks to the outlook persisted, including elevated inflation.
  - A resurgence of the pandemic and tighter financing conditions could worsen debt vulnerabilities in many Emerging Market and Developing Economies (EMDEs).
  - Hence, the summary document agreed to continue to enhance macro policy cooperation.
  - It reiterated the need for well-calibrated monetary, fiscal, financial, and structural policies to promote growth.

- **Urgency to address debt vulnerabilities in low and middle-income countries**
  - The Chair's summary stated that it recognises the urgency to address debt vulnerabilities in low and middle-income countries.
  - Strengthening multilateral coordination by official bilateral and private creditors is needed to address the deteriorating debt situation and facilitate coordinated debt treatment for debt-distressed countries.
  - The document tasked the International Financial Architecture Working Group to develop a G20 Note on the Global Debt Landscape in a fair and comprehensive manner.

    - Vulnerable nations are looking at G20 nations to relieve the debt stress. The four countries – Ghana, Sri Lanka, Zambia and Ethiopia, would benefit from the current discussions on debt restructuring.

- **IMF governance reform**
    - The Summary said the leaders will continue the process of IMF governance reform under the 16th General Review of Quotas, including a new quota formula as a guide, to be completed by 15 December 2023.

- **On the issue of the international coordination on tax policies**
    - The G20 ministers said they remained committed to swift implementation of the OECD/G20 two-pillar international tax package.
        - Two-pillar international tax package was finalised by OECD countries in October 2021.
        - The deal proposes two main elements –
        - **Pillar One** calls for the redistribution of profits generated by the largest companies to the domicile markets where they actually make their sales instead of simply where they are headquartered.
        - Under this pillar, a quarter of any profits they make above the 10% threshold will be reallocated to the countries where they were earned and taxed there.
        - **Pillar Two** establishes a global minimum effective tax rate of 15 percent determined on a country-by-country basis.
        - The 15% floor under the corporate tax will come in from 2023, provided all countries move such legislation.

- **Joint technical paper on crypto-assets**
    - The document also decided to ask the IMF and the Financial Stability Board (FSB) to bring out a joint technical paper on crypto-assets.
        - Originally, this was proposed by India in order to synthesise the macroeconomic and regulatory perspectives of crypto-assets.
    - These organisations are expected to present their joint paper during the 4th G20 Finance Ministers and Central Bank Governors Meet, scheduled in October 2023.
    - This would help in the formulation of a coordinated and comprehensive policy approach to crypto assets.
        - This is relevant as many countries, including India, do not have a regulatory framework for crypto assets.

Q1) What is G20?

The Group of Twenty (G20) is the premier intergovernmental forum for international economic cooperation. The forum plays an important role in shaping and strengthening global architecture and governance on all major international economic issues.

Q2) What is the OECD/G20 two-pillar international tax package?

Two-pillar international tax package was finalised by OECD countries in October 2021. Pillar One calls for the redistribution of profits generated by the largest companies to the domicile markets where they actually make their sales.Pillar Two establishes a global minimum effective tax rate of 15 percent determined on a country-by-country basis.

Source: G20 finance meet ends, no consensus on Ukraine | Indian Express |Financial Express