



3rd G20 FMCBG Meeting

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Why in News

Recently India has virtually participated in the **3rd G20 Finance Ministers and Central Bank Governors (FMCBG)** meeting under the **Presidency of Saudi Arabia**.

- It discussed the global economic outlook amid evolving **Covid-19 pandemic** crisis along with other **G20 finance track priorities** for the year 2020.
- The **First meeting was held in February 2020 at Riyadh, Saudi Arabia**.

Key Points

- **G20 Action Plan:** The importance and relevance of the G20 action plan was highlighted.
 - It was endorsed in response to Covid-19 in April 2020.
 - It has a list of collective commitments under the pillars of **Health Response, Economic Response, Strong and Sustainable Recovery and International Financial Coordination**, aimed at coordinating G20 efforts to fight the pandemic.
- **India's Response:**
 - India emphasised the need to **balance supply side and demand side measures** in response to Covid-19.
 - It also spoke about the **procyclicality of credit rating downgrades** by the rating agencies and its deterrent impact on policy options, particularly for **Emerging Market Economy (EMEs)**.

Procyclic ratings are stricter during an economic downturn than an expansion. As a result, firms receive **overly pessimistic ratings in a recession**, relative to during an expansion.
 - **International coordination required** in addressing the **spill-over effects of exit strategies** related to covid-19 lockdowns.

Spillover effect refers to the impact of unrelated events in one nation on the economies of other nations.

- **G20 Finance Track deliverables:** FMCBG discussed the developments on G20 Finance Track deliverables under the Saudi Arabian Presidency. **India** discussed **two such deliverables:**
 - First, **Enhancing access to opportunities for Women, Youth and Small Market Economies (SMEs)** and a **menu of policy options on access to opportunity.**
 - Second, **International Taxation agenda** and the **intended deliverable of formulating a solution** for addressing challenges related to **digital taxation.**
 - India said that the consensus based solution should be simple, inclusive and based on a robust economic impact assessment.
 - It is in line with the recent decision of the **United States Trade Representative (USTR)** to **initiate an investigation into taxes adopted** or under consideration by 10 nations, including India, on revenues of American digital service companies like Netflix, Airbnb etc.
 - **Digital taxation or Digital Services Taxes (DSTs)** are the adopted taxes on revenues that certain companies generate from providing certain digital services. E.g. digital multinationals like Google, Amazon and Apple etc.
 - In response to it the central government has stated that **it will not extend the deadline for payment of equalisation levy by non-resident e-commerce** players, even though a majority of them are yet to deposit the first installment of the tax.
 - The **equalization levy is aimed at taxing foreign companies** which have a significant local client base in India but are billing them through their offshore units, effectively escaping the country's tax system.

G-20

- The **G20** is an **informal group of 19 countries** and the **European Union**, with **representatives** of the **International Monetary Fund and the World Bank.**
 - The G20 membership comprises a mix of the world's largest advanced and emerging economies, representing about two-thirds of the world's population, 85% of global gross domestic product, 80% of global investment and over 75% of global trade.
- **Headquarter:** The **G20 operates as a forum** and not as an organisation. Therefore, it **does not have any permanent secretariat.**

- **Origin**

- **1997-1999 Asian Financial Crisis:** This was a ministerial-level forum which emerged after G7 invited both developed and developing economies. The finance ministers and central bank governors began meeting in 1999.
- Amid the 2008 Financial Crisis the world saw the need for a new consensus-building at the highest political level. It was decided that the G20 leaders would begin meeting once annually.

- **Members**

- The members of the G20 are **Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States, and the European Union.**
- One nation holds the chair every year, known as the 'G20 Presidency'. **Saudia Arabia** is holding the 2020 chair.
- The 2021 summit will be held in **Italy**.

Source: PIB