

G20 Talks on Economic Crisis: RSTV- Big Picture

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Guests:

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What's in the news?

- The third G20 Finance Ministers and Central Bank Governors (FMCBG) meeting was held under the presidency of Saudi Arabia.
- G20 finance ministers and central bankers held talks for promoting global economic recovery from a coronavirus-triggered recession.
- There has been a growing demand to widen debt relief for crisis-hit poor countries.
- The dignitaries have pledged to “use all available policy tools to safeguard people’s lives, jobs and incomes” as the coronavirus pandemic continues to weaken the global economy.
- The grouping however failed to reach an agreement on the possibility of allocating fresh Special Drawing Rights (SDR) to member countries or reallocating SDRs from rich members to countries facing a liquidity crisis because of the COVID-19 pandemic.

Background

- Founded in 1999, the **G20 (Group of Twenty)** is an international forum for the governments and central bank governors of 19 countries plus the European Union (EU).
- Work of G20 is divided into two tracks:
 - The Finance track - It includes meetings of G20 Finance Ministers and Central Bank Governors, as well as their Deputies, which focus on fiscal and monetary policy issues such as the global economy, infrastructure, financial regulation, financial inclusion, international financial architecture and international taxation.
 - The Sherpa track- It includes meetings of Ministers and relevant senior officials, which focus on socioeconomic issues such as agriculture, anti-corruption, climate, digital economy, education, employment, energy, environment, health, tourism, trade and investment.

Key Facts

- G20 members account for 85 percent of the world economy, 75 percent of global trade, and two-thirds of the world's population, including more than half of the world's poor.
- The G20 does not have a permanent secretariat and its agreements are not formally enforced on the members.
- The presidency of the G20 rotates between member countries every year.

Key takeaways from G20 finance ministers meet-

- The G20 Finance Ministers reiterated their commitment to the Action Plan they had endorsed on 15 April 2020. They reviewed and tracked the implementation of the Action Plan.
- Substantive progress has been made on the following areas of the Action Plan, which will be further reviewed in the October 2020 meeting of G20:
 - Economic recovery
 - Health response

- Sustainability of the recovery process
- Coordinated response among all the G20 partners
- Critical issues which were endorsed under the Action Plan:
 - Enhancing access to opportunities for Women, Youth
 - Financial assistance to MSMEs
- The [Financial Action Task Force \(FATE\)](#) which monitors terrorist financing, and its clampdown, was also reinforced.
- Debt Service and Suspension Initiative (DSSI) - the debt of poor countries of about 5.3 billion dollars has been deferred as they were unable to pay it. The World Bank, [IMF](#) and other international financial institutions are looking forward to joining hands with a few private lenders to take an active part in debt suspension for poor nations.
- The Indian Finance Minister discussed the actions taken by India on various points of the action plan:
 - India's comprehensive economic package worth \$295 billion (nearly 10% of India's GDP) includes-
 - Food, cash and other relief to the rural poor and migrant workers
 - Direct benefit transfers
 - Additional liquidity facility to Non-Banking Financial Companies (NBFCs)/HFCs to boost their lending potential
 - Support to MSMEs in terms of liquidity and working capital
 - Raising foreign direct investment ([FDI](#)) limit in the insurance sector

What is the G20 Action Plan?

- Set of actions/initiatives planned by the G20 countries as part of their collective commitment to fight the COVID-19 pandemic.
- It includes several public health and financial measures aiming at a robust global economic recovery.

Are there any limitations on how much the G20 can actually do?

- G-20's rich nations have agreed on a one-year debt standstill for the world's poorest nations by agreeing to suspend repayment of official bilateral credit by them. This is insufficient help to the poor countries as against an earlier 2 year suspension period mentioned by the IMF & Oxfam.
- Despite vulnerable countries paying a huge amount daily for their debts, only about 12% of the debt suspension has been promised to them so far.

The immediate future of multilateral organizations and how much can they contribute?

- The IMF Catastrophe Containment and Relief (CCR) Trust
 - IMF has fast-paced the request of more than 80 **countries** for financial **assistance** to combat the coronavirus pandemic.
 - The IMF has received 107 requests for financing, of which 77 have been approved worth SDR 60.4 billion and 30 worth SDR 37.2 billion are pending.
 - SDR is an international reserve asset created by the International Monetary Fund (IMF) comprising the dollar, euro, yen, sterling and yuan, allocated to its members in proportion to their quota.
 - India has 13,114 million SDRs on account of its 2.76% quota while the US has 82,994 million SDRs due to its 17.45% quota.
 - China with 6.41% quota has 30,483 million SDRs at the IMF.
 - One SDR is currently (July 2020) valued at \$1.38.
- Multinational organizations are quickly adapting to the new virtual platform of interacting online and announcing new economic reconstruction plans too.
- Virtual diplomacy is a huge opportunity for India as:
 - For India, official communication in the English language is not a challenge.

- India is savvy in accessing IT platforms.
- Being a democracy India can handle divergent perspectives on various issues.
- Indians hold important positions in multilateral organizations.
 - External Auditor of the [World Health Organization](#): Rajiv Mehrishi
 - Chief Economist of the International Monetary Fund: Gita Gopinath

The G 20 countries individually are in a massive economic crisis, how can they help other countries?

Most countries are taking monetary initiatives to improve their economies:

- Britain unveiled a £30 billion coronavirus stimulus package including tax breaks, restaurant discounts and jobs programs for promoting employment.
- The US provided the largest emergency aid package in its history worth \$2 trillion to assist individuals, businesses and health care facilities grappling with the COVID-19 pandemic.

Immediate Challenge:

- China, despite being the second-largest global economic giant, has not extended international cooperation during the COVID-19 crisis.
 - China is trying to leverage the current global pandemic crisis to push its national and expansionist interests.
 - It has been exerting dominance over the South China Sea, Hong Kong, Senkaku islands, Ladakh and has implemented trade sanctions against Australia. China's bilateral relations with the US have been strained too.
- The statesmanship displayed by Saudi Arabia in heading the G20 forum and designing strategies to combat the current global pandemic has been acknowledged by other member countries.

Best way forward

- Greater multilateral cooperation between countries is needed to ensure a balanced economic growth between the western nations and developing countries.
- Forums like the G20 are useful as they prevent unilateral action by western countries.
- Given China's economic and strategic global importance and its membership in G20, it has to be pushed for a constructive dialogue.
- An alert and proactive national development action has to be taken to help people and the economy. Just like the digital transfers in India have been a huge success, more welfare initiatives have to be implemented.

