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G20 FINANCE MINISTERS AND CENTRAL BANK GOVERNORS MEETING

DPM CHOO ATTENDS THE G20 FINANCE MINISTERS AND CENTRAL BANK GOVERNORS MEETING

Deputy Prime Minister Choo Kyung-ho attended the G20 Finance Ministers and Central Bank Governors Meeting held in Bali, Indonesia on July 15 and 16. At the meeting, the leaders suggested three policy coordination directions to counter complex global economic challenges: 1) Strengthen global connectivity such as free trade, 2) Restore the balance between developed and developing countries, 3) Make structural efforts such as continued action on climate change.

The meeting consisted of 7 sessions, which are Global economy and risks, Global health issues, International financial architecture, Financial sector issues, Sustainable finance, Infrastructure development, and International taxation.

The following is a summary of DPM Choo's remarks for each session.

Session 1: Global economy and risks

As DPM Choo affirmed that the global economy is facing complex challenges such as rising prices of raw materials and crops, higher inflationary pressure, and stronger anxiety about the financial market, he highlighted three ways to address the challenges.

- Strengthen global economic interconnectivity through platforms that manage free trade and multilateral trade order
- Make subtle adjustment of monetary policies' normalization for the balanced development between developed and developing countries
- Make structural efforts to achieve sustainable growth by working to prevent climate change and seeking digital transformation

Session 2: Global health issues

DPM Choo welcomed the passage of a plan to establish the Financial Intermediary Fund (FIF) by the Boards of directors of the World Bank, and mentioned a plan to contribute 30 million dollars to the fund, urging other countries to support for it.

In addition, DPM Choo made two suggestions about the operation of the FIF.

- Ensure that beneficiary countries can participate in the decision-making process, but more importantly put donor countries at the helm
- Leverage the technical expertise of the WHO during the discussion

Session 3: International financial architecture¹

DPM Choo highlighted the need for clear communication among member countries and policy coordination to address the higher volatility of global capital flow. Moreover, he encouraged member countries to work to produce visible results such as preparation for guidelines that specify the procedures of sovereign debt restructuring for low-income countries, and support the expansion of the lending capacity of multilateral development banks (MDBs) such as capital adequacy review.

Session 5: Sustainable finance

DPM Choo said that commitment to achieving carbon neutrality should continue to be pursued for a sustainable economy even at a time when global economic recovery is losing momentum. To that end, he highlighted the need to prepare an optimal policy mix between pricing and non-pricing options for the transformation into carbon neutrality. He also welcomed the G20's framework of the transformation fund² to achieve the transformation into carbon neutrality.

Session 7: International taxation

Regarding Pillar One on digital service tax which is currently under discussion over detailed issues such as elimination of double taxation, DPM Choo highlighted the need to devise measures to minimize the burdens on businesses, especially by seeking a soft landing through the gradual introduction of the Pillar One. He also mentioned that it is necessary to establish another effective implementation framework on Pillar Two, which enters the implementation phase. Moreover, he introduced Korea's legislative progress³ on the tax issue.

¹ Korea serves as a co-chair of the G20 International Financial Architecture Working Group (IFAWG).

² It was designed to provide financial support for high carbon emitters to reduce their use or production of carbon.

³ The tax act revision is underway.