

Facebook's Libra gets stark warning from G-7 finance chiefs

July 18 2019, by Thomas Adamson



French Finance Minister Bruno Le Maire, left, shakes hands with US Treasury Secretary Steve Mnuchin next to German Finance Minister Olaf Scholz, background left, during a meeting at the G-7 Finance in Chantilly, north of Paris, on Thursday, July 18, 2019. (AP Photo/Michel Euler)

Finance chiefs from the Group of Seven rich democracies issued a stark

warning on Thursday that cryptocurrencies like the Libra digital money recently unveiled by Facebook should not be allowed before "serious regulatory and systemic concerns" are addressed.

France, which this year chairs the G-7 gatherings on topics ranging from the economy to security, said it is worried that what some call the "future of money" - encrypted digital currency - could spiral out of control.

France's concluding summary from this week's meeting said that the finance officials agreed that while cryptocurrencies could help make payments cheaper and more efficient around the world, they could also be used for money laundering and terrorism financing and could even endanger the stability of global currencies.

Host French Finance Minister Bruno Le Maire likened the creation of Libra to the development of a whole new state.

"We won't allow private states to emerge that would have the same privileges of a state but without the controls that go with it," Le Maire told reporters after the meeting in Chantilly, near Paris.

Facebook has proposed pegging Libra to existing currencies to make it more stable than the likes of Bitcoin and useable as a way to pay for things. Governments around the world are rushing to assess how that would affect or destabilize the economy—if, for instance, the cryptocurrency decides to weigh in favor of the dollar or the euro.



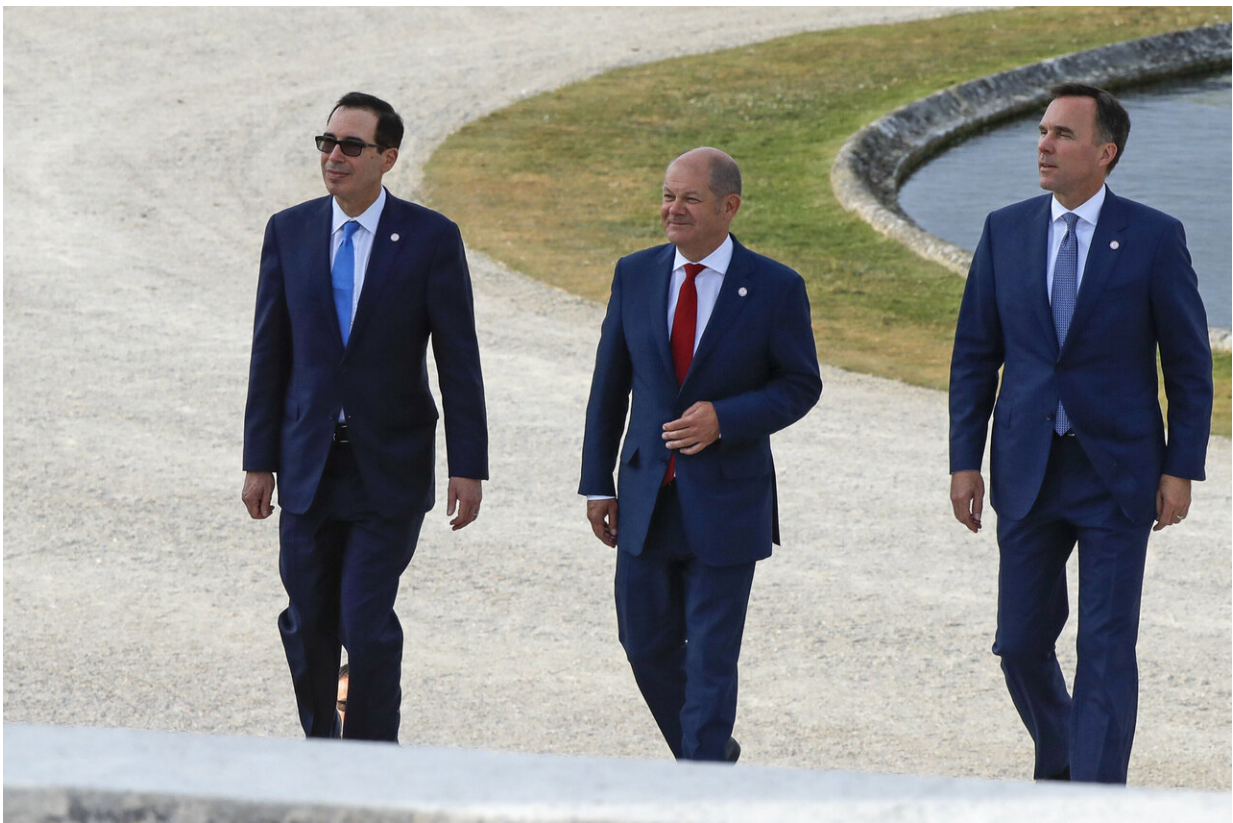
French Finance Minister Bruno Le Maire delivers his speech at the end of the G-7 Finance Thursday, July 18, 2019 in Chantilly, north of Paris. Finance ministers from the Group of Seven rich democracies are sounding the alarm on the dangers of cryptocurrencies and pouring cold water on Facebook's Libra as they wrap up a two-day meeting in Chantilly, France. (AP Photo/Michel Euler)

Facebook played a key role in creating the underlying technology for Libra, which after the launch in 2020 will be overseen by a nonprofit organization, the Libra Association. Other members of the association include MasterCard, PayPal, Visa, Spotify AB, Vodafone Group, venture capital firms and nonprofits.

The officials agreed that cryptocurrencies like Libra will have to meet "the highest standards" of financial regulation before they can be implemented.

The statement conceded that there is a need for faster and cheaper international money transfers, and that governments could accelerate "ongoing public and private efforts to upgrade existing payment systems."

Some, including Germany's Central Bank President Jens Weidmann, even expressed cautious optimism about digital currencies.



US Treasury Secretary Steve Mnuchin, German Finance Minister Olaf Scholz and Canada's Finance Minister Bill Morneau, from left, walk at the G-7 Finance in Chantilly, north of Paris, on Wednesday, July 17, 2019. The Group of Seven rich democracies' top finance officials gathered Wednesday at a chateau near Paris in search of common ground on the threats posed by digital currencies. (AP Photo/Michel Euler)

"(It) could be quite attractive for consumers if they keep to what they have promised," Weidmann told news agency DPA.

Facebook said in a statement that the company was committed to working with the G-7 and other relevant regulatory authorities "to make sure the project has the proper oversight. We know we need to take the time to get this right."

Libra has come in for a lot of criticism this week, with U.S. lawmakers this week saying they cannot trust Facebook with a big project like Libra after recent data privacy scandals.

While the officials appeared to be largely on the same page on Libra, they diverged on other topics, such as how to tax companies that do digital business in a country but have no physical presence there.



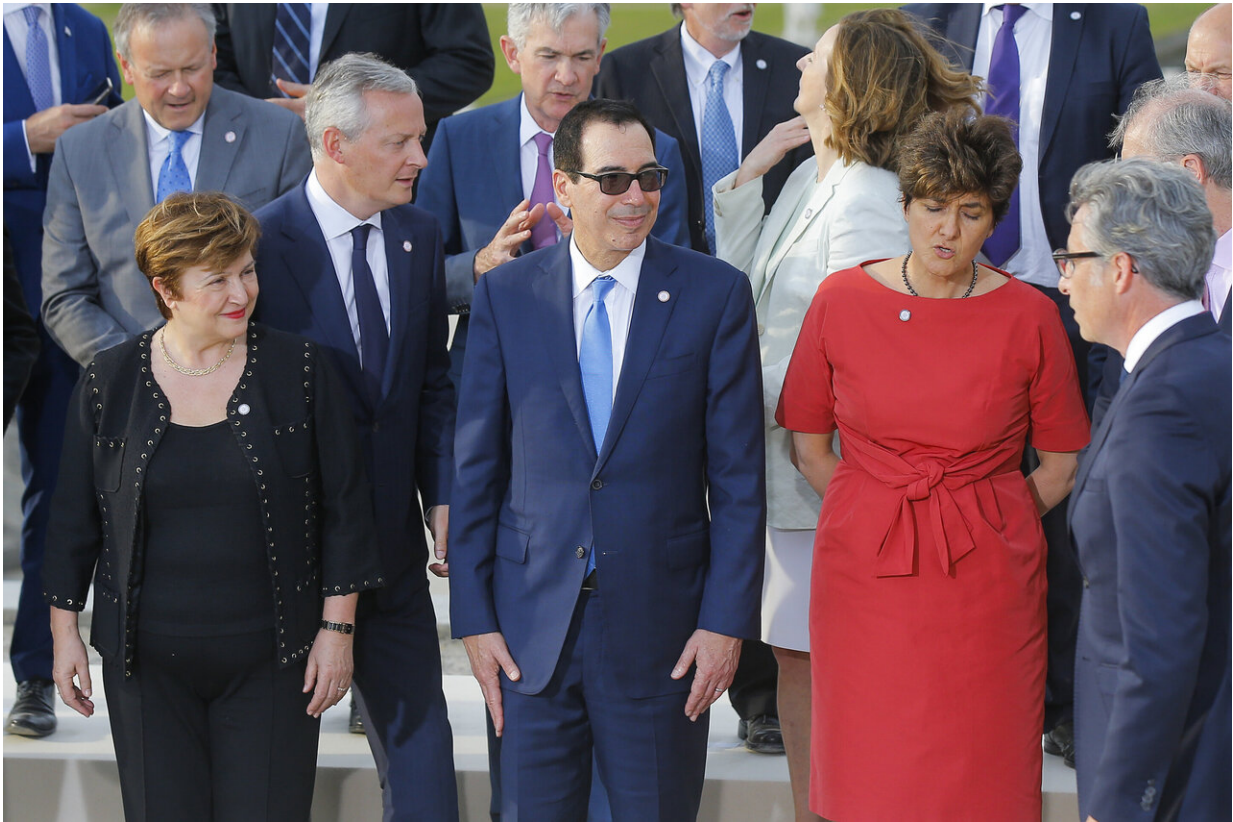
US Treasury Secretary Steve Mnuchin, second left, talks to Chief Executive of the World Bank Kristalina Georgieva, left, next to Japan's Finance Minister Taro Aso, second right, and Bank of France Governor Francois Villeroy de Galhau, right, prior a group photo at the G-7 Finance in Chantilly, north of Paris, on Wednesday, July 17, 2019. The Group of Seven rich democracies' top finance officials gathered Wednesday at a chateau near Paris in search of common ground on the threats posed by digital currencies. (AP Photo/Michel Euler)

The U.S. and France in particular are at odds on the issue after Paris said it would put a pioneering 3% tax on tech giants like Facebook and Google.

France's tech tax, which will soon be signed into law, has provoked a strong rebuke from the White House, which said it could lead to U.S. tariffs on French imports. The French said it will be withdrawn only if a global deal is forged, a diplomatic gamble that aims to obtain leverage with the U.S.

On the orders of U.S. President Donald Trump, Treasury Secretary Steven Mnuchin objected robustly to the plan when he met with Le Maire in Chantilly.

The talks in Chantilly, however, yielded only vague promises.



US Treasury Secretary Steve Mnuchin, front center, stands next to Chief Executive of the World Bank Kristalina Georgieva, front left, and Bank of France Deputy Governor Sylvie Goulard, front right, prior a group photo at the G-7 Finance in Chantilly, north of Paris, on Wednesday, July 17, 2019. The Group of Seven rich democracies' top finance officials gathered Wednesday at a chateau near Paris in search of common ground on the threats posed by digital currencies. (AP Photo/Michel Euler)

The G-7 summary said that the countries aim to sketch out the outlines of a global agreement on taxing digital business by next January, and to create an arbitration forum.

Le Maire said the French tech tax will not be withdrawn in the immediate future, and Mnuchin said Trump will continue the

investigation into the French.

"The president has instructed us to start a 301 investigation," Mnuchin said after the meeting, referring to the section of the U.S. Trade Act that allows the U.S. president to retaliate in some cases against a foreign country over trade. It's the same provision the Trump administration used last year to probe China's technology policies, leading to tariffs on \$250 billion worth of Chinese imports.

Le Maire said the current agreement needed to result in a final decision before France could withdraw its tax.



From left, Bank of Japan governor Haruhiko Kuroda, World Bank President David Malpass, Eurogroup President Mario Centeno, British Chancellor of the Exchequer Philip Hammond, Bank of Canada Governor Stephen Poloz, German

Finance Minister Olaf Scholz, Federal Reserve Chair Jerome Powell, US Treasury Secretary Steve Mnuchin, Bank of England Governor Mark Carney, Bank of France Governor Francois Villeroy de Galhau, European Commissioner for Economic and Financial Affairs Pierre Moscovici, French Finance Minister Bruno Le Maire, Italian Economy and Finance Minister Giovanni Tria, Japan's Finance Minister Taro Aso, Organization for Economic Cooperation and Development (OECD) Secretary-General Angel Gurría, Canada's Finance Minister Bill Morneau, European Central Bank President Mario Draghi, German Bundesbank President Jens Weidmann, Bank of Italy Governor Ignazio Visco and International Monetary Fund (IMF) Deputy Managing Director David Lipton pose for a group photo at the G-7 Finance in Chantilly, north of Paris, on Wednesday, July 17, 2019. (AP Photo/Michel Euler)

Yet he remained upbeat, maintaining that the process was moving "in the right direction," and that the main goal of the G-7's European members of France, Britain, Germany and Italy had been achieved: For the U.S. to accept language that new tax rules need developing for "highly digitalized business models."

The G-7 finance meeting, which also includes Canada and Japan, will set the stage for a summit of the countries' heads of state and government in August.



Melinda Gates, right, and US Treasury Secretary Steve Mnuchin attend a meeting at the G-7 Finance in Chantilly, north of Paris, on Thursday, July 18, 2019. (AP Photo/Michel Euler)

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