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EU position in relation to the G20 Toronto Summit (26 and 27 June 2010)

Greens/EFA motion for a resolution

*Tabled by **Daniel Cohn-Bendit, Rebecca Harms***

on behalf of the Greens/EFA Group The European Parliament, ¶ having regard to the Leaders' Statement issued following the Pittsburgh G20 Summit of 24 and 25 September 2009,

¶ having regard to its resolution of 8 October 2009 on the Pittsburgh G20 Summit of 24 and 25 September 2009[1], ¶ having regard to its resolution of 24 April 2009 on the London G20 Summit of 2 April 2009[2], ¶ having regard to the Staff Paper of the Commission on Innovative Financing at a global level of 1 April 2010; - having regard to the European Parliament Resolution of 10 February 2010 resolution on promoting good governance in tax matters, - having regard to the European Parliament legislative resolution of 10 February 2010 on the proposal for a Council directive on administrative cooperation in the field of taxation, ¶ having regard to the European Parliament Resolution of 10 March 2010 on financial transaction taxes ¶ making them work[3], - having regard to the European Parliament Resolution of 25 March 2010 on the effects of the global financial and economic crisis on developing countries and on development cooperation[4], ¶ having regard to the Monterrey Consensus, adopted at the International Conference on Financing for Development held in Monterrey, Mexico, on 18-22 March 2002, ¶ having regard to the UN Millennium Declaration of 8 September 2000, which sets out the Millennium Development Goals (MDGs) as objectives established jointly by the international community for the elimination of poverty, ¶ having regard to Rules 115(5) and 110(2) of its Rules of Procedure, A. whereas the G-20 leaders have a collective responsibility to mitigate the social impact of the crisis, especially in developing countries, which have been hard hit by indirect effects of the crisis, B. whereas the availability of easy credit, short-termism, the deregulation of finance and excessive debt and risk-taking in financial markets have fuelled speculative behaviour, which in turn has led to a bubble-driven growth and the rise of unsustainable EU internal and global imbalances; whereas the crisis involves a massive transfer of wealth from the public to the private sector, C. whereas the G-20 Leaders at the Pittsburgh Summit in September 2009 gave the mandate to the IMF to prepare a report on how the financial sector could make a fair and substantial contribution toward paying for any burdens associated with government interventions to repair the banking system; and whereas the European Parliament has welcomed such proposal; D. whereas the European Council has encouraged the IMF to consider the option of a global financial transaction levy, E. whereas tax havens offer a place to hide money, provides incentives to undermine good governance and the rule of law, particularly in taxation issues, and whereas tax havens encourage rent-seeking, undermine public finances and increase the inequitable distribution of tax revenues in developing countries, F. whereas off-shore centres and tax havens facilitate an annual illicit capital flight of US\$1 trillion; whereas

these illicit monetary outflows are roughly ten times the amount of aid money going into developing countries for poverty alleviation and economic development, G. whereas trade mispricing is one of the most prominent drivers of illicit financial outflows, and whereas developing countries lose approximately US\$160 billion a year from all forms of trade mispricing, H. whereas developing countries have been severely hit by the global economic crisis and are facing additional difficulties to meet the Millennium Development Goals; I. whereas the EU, as the world's largest donor, needs to play a leading role at the United Nations MDG + 10 Summit and adopt an ambitious, united position that can drive the planet forward towards meeting the MDGs on time, and whereas the European Parliament has already called on Member States to deliver fully on their ODA commitments, J. whereas speculation on commodities that increases volatility in agricultural markets has a devastating impact on the hungry poor in developing countries, who account for a considerable share of agricultural commodity producers and consumers worldwide and have no access to financial services or financial mechanisms to manage risks,

Strengthening the International Financial Regulatory System

1. Remains deeply concerned about recent developments of the financial crisis, particularly in the euro area and the high level of uncertainty international economic perspectives;
2. Calls the G20 to accelerate progress on financial safety nets and acknowledged a need for national, regional and multilateral efforts to deal with capital volatility and prevent crisis contagion;
3. Expresses its deep concern over the unsustainable level of public debt and its predicted rapid increase in 2010 and 2011, caused by bank bail-outs and the necessary expansionary fiscal policy in response to the crisis, which is an even larger burden bearing in mind that future generations will inherit both a growing ecological and a growing private financial debt; recalls that private debt experienced an unsustainable increase in many Member States during the period preceding the crisis;
4. Recalls that Member States have to take appropriate measures in order to bring public debt back towards sustainable levels, taking properly into account their cyclical situation, including the level of private debt and current account balances; stresses the dangers of a deflation trap if public deficits and wages are cut irrespective of the general financial situation of Member States and more specifically irrespective of the output gap;
5. Stresses that the full commitment of all parties engaged in G20 to a clear and coherent implementation calendar is a precondition for successful reform; underlines however that any search for compromise within the Basel process should not prevent the EU from undertaking ambitious financial reforms and from implementing measures to avoid regulatory arbitrage and to protect the European banks against unfair competition from unsecured jurisdictions;
6. Notes the mechanism of through-the-cycle provisioning (expected loss approach) as a possible measure to reduce procyclicality, but has strong concerns about its effectiveness given its reliance on banks' risks model;
7. Takes note that the finance ministers of the G20 agreed further progress on financial repair is critical to global economic recovery requiring greater transparency and further strengthening of banks' balance sheets and better corporate governance of financial firms;
8. Takes note that financial ministers of the G20 committed in Seoul to reach agreement expeditiously on stronger capital and liquidity standards as the core of our reform agenda and in that regard fully support the work of the Basel Committee on Banking Supervision and call on them to propose internationally agreed rules to improve both the quantity and quality of bank capital and to discourage excessive leverage and risk taking by the November 2010 Seoul Summit;
9. Urges the G20 to make sure the proposed liquidity standards are applied to all financial institutions,

10. Takes note that the finance minister of the G20 agreed in Seoul that these rules will be phased in as financial conditions improve and economic recovery is assured, with the aim of implementation by end-2012; underlines that any transitional period granted to the banking sector for the implementation of the new international standards should be conditioned to the implementation of restrictions on the distribution of dividends and bonuses as well as to the establishment of ambitious targets regarding the distribution of credits to the real economy;
11. Stresses the need to shrink "too big to fail" financial institutions through the use of tax incentives, reserve and capital requirements scaled to the size of the firm, antitrust laws, or other mechanisms;
12. Believes that preserving financial stability at the international level requires a four step approach consisting of:
 - a strong prevention framework based on the fight against speculation and the internalization of negative externalities created by financial markets on the basis of the principle 'polluter pays' including:
 - a financial transaction tax and progressive bank levies at the global and regional levels,
 - substantially enhanced prudential rules encompassing higher and more qualitative capital requirements such as countercyclical capital and liquidity requirements, leverage ratios as well as progressive capital and liquidity requirements according to the size of the firm and targeting all financial actors and markets and particularly the shadow banking system, alternative funds, derivatives and capital flows from and to tax havens,
 - structural reforms of financial markets in order to drive deposits and savings towards sustainable and green investment and job creation;
 - early intervention mechanisms through the reinforcement of control and intervention powers of supervisors including the possibility of temporarily forbidding products and limiting potentially dangerous practices;
 - a strong international framework for cross-border crisis resolution of financial institutions based on a fair burden sharing treating subsidiaries on a equal basis and requiring that stockholders and creditors contribute to resolution before taxpayers;
 - an enhanced international framework for sovereign debt crisis resolution;
13. Calls the G20 to accelerate the implementation of strong measures to achieve a set of high quality accounting standards and to improve transparency, regulation and supervision of hedge funds, credit rating agencies, compensation practices and OTC derivatives which would not preclude the possibility to adopt more stringent standards at the EU level;

Towards a policy of good tax governance

14. Emphasises that tax havens and off-shore centres constitute a huge impediment to the fulfilment of the Millennium goals; recalls that although some achievements have been reached in fighting non-cooperative jurisdictions on tax matters, much more remains to be done to fight effectively against tax evasion and illicit outflows of capital; urges the G20 to take action on the problem of illicit capital loss in developing countries and increase transparency and accountability in the global financial system;
15. Underlines that trade mispricing is one of the most prominent drivers of illicit financial outflows; urges the G20 to investigate a set of instruments to curtail trade mispricing; considers also that developing countries need the necessary policy space to impose capital controls and other measures to deflect speculation and ensure stability;
16. Encourages the Global Forum on Transparency and Exchange of Information to improve tax transparency and the exchange of information so that countries can fully enforce their tax law to

protect their tax base; insists on the need to go beyond the OECD framework to combat effectively tax havens in view of its various shortcomings; in particular, reiterates the need to improve the indicator for achieving the status of a cooperating jurisdiction by e.g. giving it a qualitative value; in this respect, criticises that this indicator requires the conclusion of a mere 12 tax information exchange agreements; regrets also that the exchange of information is on request only rather than being compulsory and binding and that furthermore the OECD allows governments to escape its blacklist merely by promising to comply with the information exchange principles, without ensuring that those principles are effectively put into practice.

17. Highlights once more that increasing transparency in the global financial system requires automatic cross-border exchange between government authorities of tax information on personal and business accounts as well as beneficial ownership information of all subsidiaries, trusts and foundations, with the aim to put an end to the use of artificial legal persons as a way to avoid taxation; invites the G20 to take initiatives to make known to public the ownership of all companies, trusts and foundations; in this context, urges the EU to take the lead on tax matters at the G20 summit on this line, in full consistency with the position expressed by the European Parliament in its Resolution of 10 February 2010 on promoting good governance in tax matters and on the proposal for a Council directive on administrative cooperation in the field of taxation;
18. Call on the G-20 to come up with a clear timetable and concrete sanction mechanism to make effective the fight against tax havens and to force upon secrecy jurisdiction to comply effectively in cases of non-cooperation with international tax governance standards;
19. Recalls that the quality of financing reporting is a key issue to address to fight effectively against tax evasion and to achieve the objective of financial stability; calls on the G20 to instruct the International Accounting Standards Board to recommend that all multinational corporations report their income and taxes paid on a country-by-country basis;

Financing needs for developing countries

20. Stresses that poor countries are especially badly hit by the crisis and have the fewest resources to counteract it; urges therefore the G20 to ensure that additional resources is made available to developing countries, especially the low-income countries, in order to comply with their ODA commitments and the achievement of the MDGs by 2015;
21. Stresses that the fulfilment of the ODA commitments is imperative but still not sufficient to tackle the development emergency, calls on the G20 to cancel LDC's debt and urges the G20, in a context where governments face massive budget deficits and huge public debts after financing bailouts and economic stimulus packages, to make the search for new innovative mechanism a top priority,
22. Urges the European Union to support, in the framework of the G20, a common position on the need to adopt a Tax on Financial Transactions (TFT), in order to provide additional support for developing countries for mitigation of climate change and adaptation to its effects, as well as for financing development cooperation, i.e. funding to be added to the 0,70% GNI commitments from the Member States and the international donor community; stresses also that even though it is desirable that such tax is implemented globally, it can also be implemented unilaterally at the EU level;
23. Calls for the G20 leaders to follow through on their commitment to maintain global average temperature rise from pre-industrial levels at least to below 2°C, to phase-out fossil subsidies and to mobilise the fast-start funding pledged in Copenhagen Accord from new and additional sources; furthermore calls for the G20 to contribute to finding innovative mechanisms to generate climate finance for developing countries mitigation and adaptation efforts in the longer term, and to

commit to curb expansion of high-carbon intensity industries such as tar sands oil development;

Global financial architecture

24. Emphasises the need to develop a multilateral approach to international finance; deplores the fact that the G20 leaves completely aside the concerns of the other "G 172" countries, although the developing countries are facing additional problems of tackling multiple crisis, which they are the least responsible for;
25. Stresses that the United Nations should imperatively be invested with a real role of coordination in the area of international economic policy, considering that it is the only institution which has the universality of membership and credibility to ensure the legitimacy and viability of a reformed governance system; in particular, reiterates its conviction that bodies taking de-facto decisions on global level should - in the long term - be brought under the auspices of the UN, possibly by further developing existing UN organisations such as the Economic and Social Council, provided that the veto right for any countries is excluded; meanwhile, emphasises the need to guarantee at minimum robust relationships and consultative links between the G20 and the "G-172" other UN member states to ensure that the voices of all relevant stakeholders are heard throughout the process;
26. Takes the view that further reforms of the Breton Wood institutions in terms of governance, accountability and transparency are still needed: in particular, they should aim at reviewing IMF and world Bank conditionality's and put in place a new financial architecture, which includes developing countries' representation through their respective regional organisations in order to address their legitimate sustainable development concerns; accordingly, urges the G20 to push up for further reforms of the mandates, scope and governance of the IMF and the World Bank so as to improve the representation of developing countries in international financial institutions;
27. Calls on the G20 to create a mechanism to transfer some of the IMF member states' allotted new allocations of IMF Special Drawing Rights (SDRs) to Low Income Countries, which could double the medium-term concessional lending capacity of the IMF;
28. Recalls that large fluctuations in exchange rates are detrimental to global stability and that competitive devaluations should be avoided; deplores the fact the existing global economic governance system lacks institutional arrangements that could exercise multilateral discipline on exchange rates; takes the view that a well-designed global financial system requires closer and more effective monetary cooperation within a strengthened framework of multilaterally agreed rules and regulations; in particular, calls on the development of regional financial/monetary instruments, institutions and coordination mechanisms, drawing on new schemes such as the Bank of the South in Latin America and the Chiang Mai initiative, which offer a "bottom-up" approach and could be the building blocks of a new system ;
29. Urges the G20 to address the implications of commodity derivatives on food security, considering the steadily growing flow of speculative capital from financial investors into agricultural commodity markets; underlines that speculation on agricultural commodities affects the poor the hardest; recalls, in particular, that fluctuation of prices has negative macroeconomic effects for food importing countries, whose balance of payments deteriorates, and such fluctuation additionally worsens their level of indebtedness; recalls also that many developing and least developed countries rely heavily on the export of raw materials or agricultural commodities to earn foreign exchange;
30. Urges in particular the G20 to take measures to regulate on commodity derivatives; reiterates its call for an agreement on the need to ban speculative activities such as short-selling or index derivatives, while ensuring the clearing of all OTC transactions; recalls that supply management mechanisms are the best known tool to address excessive commodity price volatility, i.e. through international commodity agreements;

G-20 and Global Trade

31. Recalls the acknowledgment in the declaration of the G-20 meeting in Pittsburgh that global trade imbalances have been at the roots of the financial crisis, and that a cooperative process of mutual assessment of national trade policy frameworks should be launched ("Framework for Strong, Sustainable, and Balanced Growth"); calls for a moratorium on further trade liberalisation efforts by the G-20 members until its linkages with economic and financial global stability and with efforts to combat climate change are further elaborated;
32. Commends G-20 member states to agree on principles which could help achieving more sustainable global trade balances, including through measures discouraging aggressive export-orientation, higher and binding social standards, a redefinition of the anti-dumping rules to include the dimension of environmental dumping, the elaboration of criteria and limits for the liberalization of trade in financial services, a ban on all agricultural export subsidies, and criteria for foreign investment in the food and distribution sectors; regards regional integration models and the strengthening of regional trade relations a valid economic alternative to the potential pitfalls of global trade;
33. Regards the aim of the G-20 members to come to an agreement about the further liberalization of trade in financial services within the Doha Round of the WTO as politically insensitive, conceptually outdated and ethically corrupt; calls for the elimination of financial services from the Doha Development Agenda as long as the case has not been made that 15 years of liberalization of trade in financial services had nothing to do with the spread and the depth of the current financial crisis;
34. Calls on G-20 member states to draw the conclusions of more than eight years of unsuccessful negotiations on the Doha Development Round of the WTO and to recognize that it no longer bears potential to foster sustainable development for the countries most in need; calls on the Canada meeting of the G-20 to discuss a new agenda for the WTO, under the premise of the adaptation of global trade rules to financial crisis prevention, poverty reduction and climate change mitigation goals.
35. Instructs its President to forward this resolution to the Council, the Commission and the governments and parliaments of the Member States.

[1] Texts adopted, P7_TA(2009)0028.

[2] Texts adopted, P6_TA(2009)0330

[3] Texts adopted P7_TA(2010)0056

[4] Texts adopted, P7_TA(2010)0089

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Rebecca Harms

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