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Outcome of the G20 Summit in Pittsburgh (24-25 September 2009)

Greens/EFA motion for resolution on the results of the G20 Summit

Tabled by **Daniel Cohn-Bendit** and **Rebecca Harms**
on behalf of the Greens/EFA Group

The European Parliament,

- Having regard to the conclusions of the G20 summit of Pittsburgh of the 24-25 September 2009;

- Having regard to the joint letter of Britain, France and Germany calling on for "binding rules" to rein in bankers' bonuses;

- Having regard to the joint statement published on 4 September 2009 by seven European finance ministers (France, Sweden, the Netherlands, Luxembourg, Spain, Germany and Italy) calling on the G20 to join them in adopting strict rules on the pay of the financial operators;

- Having regard to the outcome of the G20 finance ministers meeting in London of 4-5 September 2009;

- Having regard to the outcomes of the OECD Global Forum meeting on transparency and exchange of information for tax purposes held in Mexico on 1-2 September 2009;

- Having regard to the conclusions of the G20 of London the 2 - 3 April 09;

A. Whereas the financial and economic crisis was caused by the world's richest countries, but is affecting all countries; and whereas the G20 has a collective responsibility to mitigate the social impact of the crisis, especially in developing countries which have been hard hit by the side-effect of the crisis;

B. Whereas delivering on climate finance is an essential component of efforts to promote global economic recovery and develop the foundation for a sustainable 21st century economy;

C. Whereas climate finance for developing countries is a responsibility of the industrialised countries for their historical emissions causing the climate change already observed as well as an investment into global collective security;

D. Whereas growing global trade imbalances and an increasing disconnection of the movements of nominal exchange rates with the inflation differential between countries has been a main cause of the current financial and economic crisis;

E. Whereas offshore centres enable abusive avoidance and evasion of both taxation and financial regulation, and whereas international tax avoidance and evasion constitutes a deep impediment to the achievement of the Millennium Goals;

F. Whereas off-shore centres and tax havens facilitate an annual illicit capital flight of US$1 trillion; and whereas around two thirds of this amount is comprised of transactions motivated by multinational company tax avoidance and tax evasion schemes;

G. Whereas it is of primary importance to address the challenges posed by tax evasion, tax havens and off-shore centres, and whereas a global system for cooperation and information exchange is needed in tax matters;

H. Whereas speculative financial operators such as hedge funds and private equity companies have played a part in feeding the dramatic fluctuations in oil, metal, food and other commodity prices; and whereas financial speculation on food, oil, land and other essential commodities should be forbidden;

I. Whereas highly leveraged institutions need to be regulated, among others with tighter capital adequacy requirement;

J. Whereas financial institutions of systemic size should have higher capital requirements than smaller financial institutions in order to make public rescue operations less likely;

K. Whereas actions on executive pay and bonuses are among the determinant measures to be taken to avoid financial crisis in the future; and whereas these measures are all the more necessary that taxpayers' money has been mobilised to support the financial sector;

L. Whereas actions on executive pay and bonuses will be less effective unless applied in the world's biggest financial centres;

M. Whereas EU finance ministers agree on the need to break the link between high bonuses and the risk-taking culture that they hold responsible for the financial turmoil;

N. Whereas globalization makes economic and financial cooperation crucial, and calls for global answers in areas such as balance-of-payments adjustments, financial regulation and supervision, debt management and debt resolution; whereas international coordination should be orchestrated by bodies that satisfy four traditional criteria: effectiveness, legitimacy, representativeness and accountability;

O. Whereas it is of primary importance to close the gap between the regulated and unregulated market on finance; and whereas regulatory arbitrage or regulatory avoidance must be avoided at all costs;

A Framework for green and global recovery

1. Recalls that the financial and economic crisis has a disproportionate impact on the vulnerable in the poorest countries, where it exacerbated poverty, debt and food crisis; therefore, expresses its concern that the G20 leaves completely aside the other "G 172" countries, which suffer the most from the consequences of the financial, food, energy and environmental crisis; considers in this context that the G20 still lacks legitimacy to solve the economic and financial crisis on its own or write the new rules of a new global economic order; deems essential to enlarge the G20 so as to take effectively into account the concerns of

other emerging and developing economies, including the poorest;

2. 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;

3. Agrees that stimulus programs still need to be implemented to support economic activity until recovery clearly has taken hold ; regrets however that the G20 endorses the use of 5000 bn USD in anti-cyclical spending until the end of 2010 without a credible commitment to green investment;

4. Warns about implementing exit strategy far too soon; reasserts its conviction that coordinated exit strategies must take the form of a global "Green New Deal" in line with the UNEP report "Out of Crisis - Opportunity" of 16 February 2009, urging the G20 to come forward with a "Global Green New Deal", as a way to address in a comprehensive manner the triple crunch (economic, social, and environmental crisis);

5. Considers that new indicators and accounting frameworks for sustainable development beyond GDP are needed in order to measure well-being and the environmental impact of human activities and therefore as guidelines for the orientation and evaluation of global recovery ; takes note of the Stiglitz/Sen commission final report on alternative indicators and the European Commission communication " GDP and beyond : measuring progress in a changing world " of the 20th of August 2009 ; asks the European Council and Commission to take forward these issue during the next G20 summit in Canada ;

6. Welcomes that the Pittsburgh summit has addressed some of the global imbalances which are at the root of the financial crisis, and that a "Framework for Strong, Sustainable, and Balanced Growth" will be launched, initiating a cooperative process of mutual assessment of national policy frameworks and the implications of those frameworks for the pattern and sustainability of global growth;

7. Recalls that in order to prevent financial crises from occurring in the future, the underlying causes, especially. excessive private indebtness, raising inequality as well as trade and current account imbalances have to be addressed in an effective manner;

8. Considers that an effective multilateral response to the crisis requires a systemic multidimensional regulatory reform in order to tackle exchange rate and commodity price volatility; regrets that the Pittsburgh G20 summit did not raise these issues; urges the European Council, therefore, to adopt a common position in order to tackle these issues at the next G20 summit in Canada;

9. Urges the European Council to raise at the next G20 meeting in Canada the issue of a new multilateral regime for exchange rate management, in order to stave off currency speculation, limit global imbalances and provide enough policy space for all countries to pursue appropriate counter-cyclical fiscal and monetary policies in the face of a recession or financial crisis ;

10. Calls the European Council to back the UNCTAD proposal for the setting-up of a new multilateral regime for exchange rate management and asks the European Commission to identify and assess different policy options in that perspective ;

11. Remains deeply concerned that the IMF, in its recent lending conditions to crisis-affected countries (including Hungary, Latvia and Iceland), prescribed fully-fledged pro-cyclical fiscal and monetary policies of the kind that led Asian countries deeper into economic crisis in 1997/1998; recalls the need for reform of the voting structure of the Bretton Woods institutions in order to create a double majority voting regime based on member states and capital share;

Energy security and climate change

12. Regrets the lack of progress by the G20 towards agreement under the UNFCCC process for the sharing among industrialised countries of the global public climate financing need for mitigation and adaptation in developing countries necessary to maintaining climate change to +2°C; considers that annually at least €120 bn international public financing for climate measures in developing countries will be needed; reiterates that these commitments must be new and additional to offsetting industrialised country targets, as well as existing ODA commitments;

13. Considers that the EU fair contribution to this effort should be at the very least than € 35 bn per annum by 2020;

14. Calls for new, predictable and adequate sources of public finance for the future climate agreement, e.g. charges for emission allowances for industrialised countries under a post 2012 climate regime; fees, charges or auctioning under international shipping and aviation cap-and-trade mechanism, as well as levies on financial transactions;

15. Calls for G20 finance ministers to mobilise resources to support near-term climate action in developing countries as a key component of the collective response to the global economic crisis;

Strengthening the International financial Regulatory System

16. Welcomes the progress and commitments made by the G20 to strengthen the international financial regulatory system in terms of prudential oversight, risk management, transparency and international cooperation; urges however at this stage the G20 to reach quicky an agreement on an international framework of reform to tackle drastically all the risks arising from the current "parallel banking system", derivative markets, Over-the-counter" (OTC), securitized products, excessive leverage, ... in such a way that the general principles already agreed at previous G20 summit can be implemented quickly and that avoids regulatory arbitrage; in particular, urges the G20 to ensure that financial actors are required to soundly manage and report off-balance sheet exposures, and recalls that all entities or activities with the same potential to create systemic risk should be subject to the same prudential rules;

17. Regrets that beyond the pledge of the G20 to require higher levels of capital at banks and other financial institutions, no agreement was reached on how high capital reserves should be to reduce risk-taking; considers also that the commitment to develop by end-2012 internationally agreed rules to improve both the quantity and quality of bank capital and to discourage excessive leverage, in particular for banks, is far too late;

18. Regrets also deeply that the G20 did not come with any concrete measures towards hedge funds and private equity funds, considering that this has led so far to a regulatory race to the bottom;

19. Deplores that the G20 did not come up with strong proposals to forbid certain practices such as short selling, or other measures to deter financial speculation, by proposing e.g. explicitly a financial transaction tax, as well as to strive for an international agreement committing all signatories to impose such a tax on financial transactions;

20. Welcomes the fact that the IMF is mandated to prepare for the next summit a report on instruments to make the financial industry a "fair and substantial contribution towards paying for any burdens associated with government interventions to repair the banking system"; takes the view that such mandate must lead quickly to the setting-up of a transaction tax;

21. In particular, stresses that a Tobin-style financial transaction tax would be desirable amongst other

things not only to curb excessive speculation, but as a means to promote financial stability, longer-term investment and to achieve a fair system of financing public tasks; stresses also that even though it is desirable that such tax is implemented globally, it can also be implemented unilaterally at the EU level;

22. Takes note of the G20' pledge for enhanced supervision, but regrets the absence of ambitious and encompassing proposals to make such prudential supervision effective; reasserts in this context that a powerful EU supervisory structure is needed which shall collect and analyse micro and macro prudential information with the central banks, and should act as a rapid reaction force in crisis situations with a systemic impact for the EU;

Tax havens and non-cooperative jurisdictions

23. Considers that the grown level of inequality in the distribution of income and wealth has contributed significantly to the bubble which was at the heart of the crisis.

24. Affirms that the taxation of capital income and wealth, which are particularly unequally distributed, is a key instrument in order to limit inequality.

25. Deplores that while economic globalization has contributed to a strong increase in capital incomes has rendered more difficult to tax these incomes through the proliferation of cross-border tax evasions, tax avoidance and tax competition.

26. In this context, expresses its deep concern on the lack of progress made by the G20 regarding tax havens and non-cooperative jurisdictions; considers that the conclusions of the summit are once more a toothless rhetoric criticism of tax havens and un-cooperative offshore centres;

27. Recalls that offshore financial centres located in tax havens have contributed powerfully to the financial crisis and considers that the fulfilment of the objective of financial stability will not be achievable as long as the EU and the next G20 summit in Canada don't address equally and effectively the challenges posed by tax evasion, tax havens and off-shore centres;

28. Emphasises that we need a global system for cooperation and information exchange in tax matters in the form of a multilateral framework; takes note in this context of the progress made within the OECD Global Forum on transparency and exchange of information for tax purpose;

29. In particular, takes the view that the setting-up of an in-depth peer review process to monitor and review progress made towards full and effective exchange of information is a good first step forward; but deems nevertheless that this framework must be substantially reinforced in view of its various shortcomings; in this respect, expresses among others its concerns about the fact that the OECD now concludes that "no jurisdiction is currently an un-cooperative tax haven", and that the OECD allows governments to escape its blacklist merely by promising to adhere to the information exchange principles; expresses, in this later respect, that the requirement to conclude an arbitrary number of 12 agreements with other countries jurisdictions is arbitrary and cannot be considered as a sufficient condition to be taken out from the blacklist.

30. Calls on the EU to take action to eradicate abuses of tax havens, tax evasion and illicit capital flights from developing countries, which is detrimental for their development, calls therefore for a new binding global financial agreement which forces transnational corporate companies to automatic disclosure of the profits and the taxes they make on a "country-by-country" basis so as to make it possible to compare what they pay in every developing countries where they operate;

31. In this respect, calls on the European Commission to make concrete proposals before the end of 2010

linking the access to preferential development programmes to good governance in tax matters; such proposals must include quantitative and qualitative indicators allowing to make an objective assessment of the fulfilments of good governance practices by developing countries.

32. Regrets that G20 did not propose yet any incentives, including sanctions, in order to force tax havens to effectively comply with international tax governance standards, and urges the EU and the next G20 summit of Canada to come up soon with a timetable and concrete sanction mechanism to make effective the fight against tax havens; recalls in this context that it of primary importance to put an end to the use of artificial legal persons as a way to avoid taxation;

33. In particular, regrets that the G20 did not confirm the end of bank secrecy, which is used as a shield for tax evaders; stresses also that instead of bank secrecy, automatic information exchange shall occur in all circumstances, including all EU countries and dependant territories; supports the European Commission proposal to introduce the automatic information exchange as a rule for the administrative cooperation in the taxation area; calls for the European Commission to be given a greater role in designing the EU strategy against tax havens at a global level;

Accounting standards

34. Recalls that the quality of financial reporting is a key issue to address either to achieve the objective of financial stability or to fight effectively tax evasion; insists in this context that the International Accounting Standards Board (IASB) should include within its International Financial Reporting Standard on segment reporting a requirement that multinational corporate groups report on a country by country basis on all their transactions (labour costs, finance costs, profits before tax...); considers that this would provide a comprehensive view of each group for investors, stakeholders and tax authorities, thereby facilitating a more effective and transparent international allocation of the tax base.

35. Reiterates its conviction that the constitution of the IASB should be reformed to ensure that it will be democratically accountable and that its functioning will be transparent;

Remuneration scheme and bank bonuses

36. Welcomes the commitment taken by the G20 on compensation practices to support financial stability, according to which the payment of bonuses must be spread out over several years and the bonuses paid must correspond to the real performances of the individuals concerned and the activities of banks over this period; however, deeply regrets that the agreed principles of the G20 don't mention the possibility of applying targeted taxes or absolute caps;

37. Reasserts that higher capital requirements on trading activities constitute an important tool to eliminate excessive profits; takes also the view that, considering that excessive leverage has been highly detrimental to financial stability, a tax on financial transaction would equally have the same beneficial effects; urges therefore the EU and the G20 to come up with strong proposals on these topics, as they are both necessary and complementary to the building-up of a more stable financial system;

Currency transaction taxes

38. Welcomes the recent statement of Adair Turner, Chairman of Britain's Financial Services Authority, that he considers the implementation of a "Tobin tax" on banking transactions; regards currency transaction taxes as an efficient means to counter speculative short-term capital movements; in particular, calls on the financial service authorities of other EU Member States to consider the British proposal and to recommend to their respective governments to implement such a taxation;

39. Urges the Commission to present proposals for the introduction of an EU-wide financial transaction tax, which could also help to finance investment in developing countries in order to overcome the worst consequences of the crisis and to keep on track towards the achievement of the Millennium Development Goals

Global financial architecture

40. Reiterates its conviction that there is an urgent need for a radical policy reform to address the systemic causes of food and financial crisis by putting in place a new democratic and transparent regulations for international trade as well as for international finance system;

41. Commends the determination of the Pittsburgh summit to reform the mandates, scope and governance of the international financial institutions in order to reflect changes in the world economy; considers a shift in IMF quota shares "of at least five percent" from over-represented to under-represented emerging market countries as far too little, appreciates the long overdue agreement of the US and European governments at the Pittsburgh summit that the heads and senior leadership of all international institutions should be appointed through an open, transparent and merit-based process;

42. Urges the EU Member States to find a common position on their representation in the boards of World Bank and IMF in order to facilitate the needed changes towards a more equitable system of representation in the international financial institutions;

43. In particular, calls for a new global financial architecture to include developing countries' representation through their respective regional organisations in order to address their legitimate sustainable development concerns, based on their specific situation, and urges the G20 to undertake the necessary reform of International financial Institutions, particularly that of IMF and World Bank to put an end to their harmful conditionalities

EU and global funding needs for developing countries

44. Recognizes the rapidity with which G-20 members committed additional funds to the IMF, especially in the form of additional Special Drawing Rights, in order to stabilize the economies of developing countries, and commends the swift allocation of such funds by the IMF to countries in need; recalls, however, the inadequate size of the initiatives taken by the G-20 so far, covering less than 10 percent of estimated developing countries' financing shortfall in 2009 of $700 billion according to World Bank projections;

45. Urges the EU Member States to find common positions in the IMF in order to facilitate a redistribution of IMF Special Drawing Rights from richer to poorer IMF member states, a decision to the effect that low-income countries affected by the crisis receive money as grants or highly concessional loans, and a five year freeze on all debt payments of developing countries in crisis without the build-up of interest during the moratorium. Insists that EU bilateral contributions to IMF crisis package should be additional to aid budgets;

Global economic crisis and trade

46. Remains unconvinced about the call of the G-20 to conclude the Doha Development Round trade negotiations of the WTO within 2010; notes with delight, however, that in Pittsburgh world leaders refrained from reiterating the illusion of the London summit of April to regard a conclusion of the Doha round as a factor in the stabilization of the global economy, given that any Doha Round results would be implemented with significant time delay;

47. Reminds that the Doha Round calls for additional liberalization efforts, including with regard to financial services operations, at a time at which the benefits of its further liberalization are seriously called into question; calls for a moratorium on further global liberalisation efforts through the WTO until its linkage with economic and financial global stability and with efforts to combat climate change are more thoroughly elaborated.

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