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Germany and France to push for bank tax

By Kevin Carmichael
Globe and Mail Update

Merkel and Sarkozy to outline joint position in letter to Harper in advance of G20 summit

The leaders of continental Europe's two biggest economies are joining forces to push for tougher financial regulations, including a global bank tax, upending Prime Minister Stephen Harper's efforts to keep talk of a levy off the agenda at the June 26-27 Group of 20 summit in Toronto.

After a meeting in Berlin on Monday, German Chancellor Angela Merkel and French President Nicolas Sarkozy said they will write a letter to Mr. Harper detailing the joint Franco-German position for the G20 meeting, including a call for a broad levy on banks and a tax on financial transactions.

"We aren't satisfied yet with what has been accomplished since the first G20 meeting, and we agree that regulations must be enacted more swiftly," Ms. Merkel told reporters.

"More than before, Germany and France are determined to speak with one voice," Mr. Sarkozy said.

If they wanted to irritate their host, Ms. Merkel and Mr. Sarkozy couldn't have picked a better subject.

Led by Finance Minister Jim Flaherty, Canada has mounted an aggressive campaign against European and U.S. support for a bank tax being proposed as a way to keep the G20 pledge to ensure taxpayers never pay for another bank bailout. Arguing that such a tax would unfairly punish countries that stayed out of trouble, Mr. Flaherty won enough support from countries such as Australia and Russia to keep the bank-tax lobby from gaining steam.

In Busan, South Korea, earlier this month, G20 finance ministers and central bank governors agreed that there are various ways to make banks pay the cost of future rescues, a compromise that was generally regarded as a victory for Canada.

Mr. Flaherty's spokesman, Chisholm Pothier, declined to comment directly on the Franco-German effort, saying Canada's position is well known.

Significant in Monday's announcement was Mr. Sarkozy's embrace of the German call for a tax on financial transactions. Until now, the debate has largely been about sticking banks with a general levy that would be used for future financial rescues. The idea of a small fee on transactions, referred to by many on the political left as a "Robin Hood" tax, has existed only in the background. Mr. Sarkozy's endorsement could change that equation.

It remains unclear how much political capital Ms. Merkel and Mr. Sarkozy are prepared to spend to win broader backing for their tax initiatives. Their larger goal appears to be improved co-operation in the running of the European Union. Ms. Merkel endorsed France's push for more formal economic governance to avoid the type of ad hoc policy-making used to rescue Greece and the larger, \$1-trillion financial backstop for the entire euro zone.



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