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MOTION FOR A RESOLUTION

to wind up the debate on the European Council report and Commission statement

pursuant to Rule 103(2) of the Rules of Procedure

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on behalf of the GUE/NGL Group

on the European Council of 15-16 October 2008

European Parliament resolution on the European Council of 15-16 October 2008

The European Parliament,

- having regard to the conclusions of the Presidency of the Brussels European Council of 15 and 16 October 2008,
 - having regard to Rule 103(2) of its Rules of Procedure,
- A. whereas the current financial crisis, which was initially triggered by the collapse of the US housing bubble, sub-prime mortgages and derivatives, has spread worldwide owing to the increasingly integrated but also unregulated nature of financial markets, and whereas more financial turbulence can be expected in consequence as a result of failing credit default swaps and pressure on credit-card companies,
- B. whereas the commonly held belief of political and business leaders and mainstream economists that ‘free markets know best’ and that the free interplay of market forces guarantees an efficient and effective allocation of resources has been convincingly disproved by the recent events; whereas in the USA alone some USD 760 billion have been written off by the banks, insurance companies, hedge funds and others that own debt; whereas the IMF’s ‘base case scenario’ on the financial crisis estimates that American and European banks will ‘burn’ some USD10 trillion of assets,
- C. whereas the extremely unequal distribution of earnings, globalisation, liberalisation and deregulation of financial markets paved the way for financial innovations (derivatives, hedge funds, private equity, securitisation, structured investment vehicles etc.), which in turn contributed to excessive and excessively pro-cyclical leverage, short-termist behaviour, the imposition of untenable demands for high rates of return on production and service enterprises (‘shareholder-value orientation’) and also fast and widespread global contagion of risks,
- D. whereas these developments have been important driving forces behind the build-up of bubbles (new economy bubble in 2001, housing and commodity bubbles later on) and asset price inflation; whereas as soon as these latter bubbles burst, the contagion of risks became obvious, the credit crunch emerged and market liquidity collapsed; whereas both the neo-liberal policies of financial market liberalisation and the short-termist orientation of increasing shareholder value at any price have therefore proved to be entirely bankrupt,
- E. whereas, therefore, not only are ‘greedy’ managers and shareholders in the financial industry to blame for the current crisis, but also the governments of the USA and the EU Member States, and the European Institutions, which are all responsible for promoting the liberalisation of financial markets; whereas the financial crisis and the downturn in the ‘real economy’, intertwined with other structural factors (climate change and environmental degradation, food and energy crisis, trade etc.), show this to be a systemic crisis of contemporary capitalism,

- F. whereas the EU Financial Market Action Plan and the voluntary financial market supervisory cooperation in the EU (Lamfalussy structure of supervision) were mainly based on a ‘self-regulatory’ approach to the financial sector, with private banks as part of the structure, which has demonstrated its inability to prevent the building up of asset and housing bubbles, to curb financial risk, to counter the financial crisis and to safeguard financial stability,
- G. whereas the Commission has consistently refused to take into consideration the EP’s calls for legislative measures to improve the regulation of financial markets; whereas as early as 2002 the European Parliament pointed out that executive compensation schemes in financial institutions had contributed to a focus on risk and short-term profit; whereas the European Parliament, in its resolution of 21 November 2002 (Van den Burg report), noted that hedge funds were booming and called for renewed thinking about their impact on systemic stability in the light of the LTCM case and the 2002 turmoil in the financial markets,
- H. whereas the current financial crisis is combined with the beginning of a major downturn in the global economy, which is already affecting some of the larger European Union Member States (UK, Germany, France, Italy, Spain); whereas output in the euro area had already fallen at an annualised rate of 0.8 % in the second quarter of 2008; whereas the IMF is already warning of the current disinflation turning to deflationary pressures and of the prospect of a depression or a longer phase of economic stagnation,
1. Strongly criticises the European Union, the inactivity of the Commission, the Council’s early mismanagement of the financial crisis, the policy of the ECB and the selfishness of those Member States that are most affected, because none of them took any initiative to curb the housing, commodity and asset bubbles which were all already apparent in mid-2007;
 2. Points out that a sharp economic recession around the world, with much higher unemployment rates and more poverty, will emerge as a result of the crises;
 3. Stresses that the meltdown of the financial system and the slow speed of reaction to it in Europe have cruelly exposed the institutional and political limits of the European Union’s integration project and the lack of the solidarity that would have allowed a genuinely common response to be embarked upon;
 4. Strongly criticises the fact that European Union leaders, for all their customary talk of collective European action and solidarity on the one hand and their inability to agree on a joint European rescue operation at the beginning of October 2008 on the other, instead started a ‘beggar thy neighbour’ policy of competing national schemes to guarantee deposits and prop up banks in order to prevent outflows of savings towards other EU Member States;
 5. Criticises in particular current moves by certain Member States to strengthen the competitive position of ‘their’ respective national banking champions at the expense of others by ‘buying up cheap’ some parts of failed banks (e.g. Fortis, Dexia) after these have been broken up and compartmentalised for sale; considers that these strategies on the part of the stronger banks, backed by their respective national governments, of

strengthening their market share by withholding credit from other banks, with a view to cannibalising and taking over weaker banks more easily, puts severe obstacles in the way of a return to sufficient liquidity in inter-bank lending; calls in consequence on the Member States to discourage and block such strategies;

6. Notes that the Council mainly confirmed the package of measures proposed in the euro area countries' action plan of 12 October 2008 in Paris; considers that the Council thus only agreed on ground rules for national plans to re-capitalise the banking systems and to provide insurance to revive inter-bank lending, without clarifying how to solve the numerous cross-border issues which have arisen; considers, however, that the UK recapitalisation scheme with part-nationalisation of banks could be a starting point for a more systematic approach;
7. Points out that, as a matter of priority, deposits of small and medium savers must be absolutely guaranteed across the entire European Union; welcomes, therefore, the Commission proposal to amend the EU Directive on Deposit Guarantee Schemes, although this is coming late; agrees with the Commission that deposits must be guaranteed up to 100% of the coverage level and that the payout period must be reduced to 3 days after the failure of a bank; insists, however, on a coverage level of at least EUR 100 000 to be applied uniformly throughout the European Union;
8. Supports measures to recapitalise banks by buying up preferred banking stock instead of the State buying toxic assets from them and thus 'socialising the losses of the speculators'; also supports measures to provide government guarantees for senior bank debt insurance, to steer liquidity and credit creation via the ECB and central banks with a view to the proper functioning of inter-bank lending and to tighten the oversight of the entire financial sector;
9. Supports the initiative of the European Trade Union Confederation (ETUC) in favour of a European cooperation such as is now envisaged by the Council; points out that such an initiative must coherently tackle joint rescue operations for cross-border multinational banking groups and abandon the current 'beggar-thy-European-neighbour' policies;
10. Considers that the 'principles' envisaged by the Council to rescue the financial sector are much too vague and incoherent and leave a wide margin for different interpretations; insists that the EU's bail-out scheme must be based on strict conditions that the banking sector has to comply with when receiving public assistance; stresses in this context that the financial sector must be brought back to functioning in the public interest and accepting lower returns and bonus payment systems geared to risk aversion and long-term targets instead of short-term profits;
11. Points out that the recapitalisation approach must be steered towards a sustainable nationalisation of the banks' healthy assets, with a view to the full socialisation of the banking sector and the constitution of a publicly owned financial pole that steers credit towards socially and environmentally useful investments which create good-quality employment; considers that decision making on the banking sector's credit policies must come under democratic public control, with democratic participation by employees and consumers;

12. Supports the Council's call for rigorous implementation by financial institutions of recommendations on the transparency of their commitments and risks; stresses, however, that mere transparency requirements are insufficient and that a stricter regulation of financial markets is necessary;
13. Supports the Council's call for the rules on rating agencies to be strengthened and for their supervision at European level; proposes the establishment of a public European Credit Rating Agency in order to overcome conflicts of interest which impair the credit rating process;
14. Welcomes the intention of the Council to establish an informal warning, information exchange and evaluation mechanism; supports also the Council's plan in this context for a high-level group to be set up by the Commission; underlines, however, that stricter regulation of financial markets is needed to prevent systemic risks caused by new and risky financial products, which must either be prohibited or their trading severely restricted and monitored; stresses furthermore that strict limits on leverage for all regulated financial institutions and stricter rules on banks' capital adequacy must be introduced as a matter of urgency; calls on the Commission and the Member States to expand the EU's prudential and regulatory framework and coordination to reflect all sources of systemic risk, in particular by including leveraged entities carrying systemic risk in such a framework regardless of their legal form or seat;
15. Points out that pension funds, and especially occupational pension funds, must not be allowed to invest in financial products such as hedge funds and private equity that entail systemic risks, because failure of such funds would negatively affect pension entitlements; considers that Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision must be reviewed accordingly;
16. Calls on the Commission and the Member States to adopt measures to close down tax havens and tackle the problems created by offshore financial centres, to introduce taxes on currency transactions (Tobin Tax) and stock exchange transactions (including Over-the-Counter transactions), to stop pension privatisations and to strengthen public pension and banking systems;
17. Stresses that the European Union needs to combine its rescue operation designed to stabilise the banking and credit system with measures to revive and stabilise the 'real economy', setting it on a path towards environmentally and socially sustainable development; welcomes the European Investment Bank's decision to mobilise EUR 30 billion to support European SMEs and its undertaking to step up its ability to intervene in infrastructure projects as a positive first step, but points out that the amount of EUR 30 billion is insufficient; calls on the Commission and the Council to go further in this direction by drawing up a 'European Investment Programme for Sustainable Development, Employment and Social Inclusion' of at least 1 % of EU GDP, which should be complemented by similar public investment programmes on the part of the Member States in order to stabilise the economy, counter climate change and promote full employment with high-quality jobs and social rights;
18. Points out that the EIB and the EBRD must be provided with the resources needed to increase drastically their credit lines at very low interest rates for SMEs, ecological

production and services, social and health services etc., on condition that these create high-quality employment with social rights and decent pay and working conditions;

19. Stresses that Europe now needs to accept real wage growth that compensates for productivity increases and inflation and also embarks on a redistribution aimed at increasing the wage share in Gross National Income; reminds the ECB, the Commission and the Council that the Great Depression of the 1930s only took a firm grip when employers started to cut wages and the crisis jumped over from the financial market to the goods and services market;
20. Proposes that Member States also introduce measures to stabilise and enhance purchasing power, especially of low-income people (rising prices for food, energy, transport), for example by introducing social default tariffs for gas, electricity, telecommunications, public transport etc.;
21. Welcomes the recent interest rate cut by the ECB and calls on the ECB to further relax its monetary policy in order to counter the coming economic downturn; criticises the fact that the interest rate cut came too late to have greater positive effects; stresses that the inflation threat is already receding across the industrialised countries simultaneously and that deflationary pressures must be prevented;
22. Emphasises that there seems to be an emerging consensus that the Stability and Growth Pact shall not be applied in a situation of financial crisis, which is a step in the right direction; considers, however, that the Stability and Growth Pact must be revoked; criticises the fact that the Council is ignoring the new situation by calling for budget policies to continue to be in line with the revised Stability and Growth Pact;
23. Highlights the fact that the European Union's current Lisbon Strategy will reach its end in 2010 and a future EU strategy must be drawn up soon; emphasises that the current focus on market liberalisation and 'competitiveness' must be abandoned and replaced by a new integrated European Strategy for Solidarity and Sustainable Development which is based on four pillars of equal weighting (economy, environment, employment and social protection and inclusion);

Lisbon Treaty

24. Regrets the fact that the Council again refused to respect the democratic vote of the people of Ireland and has insisted on continuing the ratification of the Lisbon Treaty; calls on the Council to learn the lessons of the outcome of the referenda on the Constitutional Treaty in France and the Netherlands and the rejection of the Lisbon Treaty in Ireland, which clearly reflected opposition to the neoliberal policy and militarisation of the European Union; considers that a failure of the European Institutions to meet the aspirations of citizens in Europe will result in a dramatic deepening of the crisis of legitimacy of the EU; insists that the Council halt the ratification process and initiate a profound revision of the Treaties in order to open the road to a democratic, social and peaceful Europe;

Energy and Climate Change

25. Stresses that the financial crisis should not be used as an excuse to backtrack on climate

change commitments and emphasises that it is crucial to maintain the level of ambition of the energy-climate package; reaffirms its commitment to reaching an agreement on the energy-climate package by the end of this year and asks the Council and Commission to work closely with the EP in this endeavour;

26. Reaffirms the importance of reaching a new comprehensive international agreement on climate change under the United Nations Framework Convention on Climate Change no later than December 2009 in Copenhagen and considers that reaching an agreement with ambitious targets on the energy-climate package will also allow the EU to maintain its leadership position in the global climate change negotiations; regrets, therefore, that some Member States are pushing to have the EU climate change package amended in a way that could undermine the EU's ability to meet its own targets as agreed in March 2007;
27. Welcomes the Commission's four legislative proposals forming the climate and energy package, in which the revision of the emission permit trading scheme constitutes a major aspect of achieving the EU's greenhouse gas reduction target; calls on the Council and the Member States to guarantee the environmental integrity of the scheme by not allowing any increase in credits under own-development and joint-implementation mechanisms, to respect the 'polluter pays' principle by granting no free allocations to the power sector and to earmark auctioning revenues for climate mitigation and adaptation measures;
28. Points out that energy efficiency and renewable energies are the best foundation for a European strategy on energy security; urges the Council, the Commission and the Member States to make the EU objective of cutting energy waste by 20% by 2020 mandatory, thereby triggering cost savings and environmental and economic benefits across Europe;
29. Takes the view that Carbon Capture and Storage is just one of the measures being developed to combat climate change, the others being the use of renewable energies and increasing energy saving and efficiency; Member States should therefore not neglect funding mechanisms to support renewable energy technologies; takes the view, in this context, that CCS development should under no circumstances lead to a reduction of these efforts in either research or financial terms;

Energy Policies

30. Notes that the main tool for liberalising and harmonising the energy markets is the price formation of wholesale electricity and gas; notes that the main trading places in the electricity markets will be the energy exchanges and that in such exchanges the price of electricity is independent of general or average production costs and dependent on supply and demand, with many speculative elements; calls on the Commission to initiate new rules on market abuse;
31. Notes that the aim of the harmonisation is to have electricity and gas priced in a similar way in all EU countries; notes that it does not result in lower prices in all Member States, but in price increases in those countries where energy is currently cheaper than the EU average; asks the Commission to propose measures to correct this kind of side-effect of harmonisation;
32. Notes that this price formation system, which is the key element in the harmonised

electricity market, unduly favours hydro- and nuclear power plants, with their low variable costs, as they receive the same price for their electricity as those generating electricity by more expensive oil and coal; calls for these windfall profits to be taxed in the Member States;

33. Stresses that the ongoing process of liberalising markets and privatising public utilities such as the energy sector has not brought any visible gains in terms of prices, service quality or a reduction in public expenditure; notes, on the contrary, that consumers' and public service users' associations have reported price increases, a drop in the level of service quality and increases in the costs of provision; notes, furthermore, that liberalisation has contributed to the destruction of jobs and the creation of private monopolies that put the rights of workers, public service users and consumers at risk; asks that these effects to be taken into consideration in all aspects of the energy packages;
34. Stresses that the policy of liberalising the energy sector needs to be rejected, and highlights the importance of public services for the promotion of social, economic and territorial cohesion in the EU; stresses that public structural sectors, such as energy, should not be open to competition but, rather, should be owned and managed by public authorities, as the only way to ensure the quality, availability and affordability of the service provided and so guarantee users' rights;

European Pact on Immigration and Asylum

35. Considers that the European Pact on Immigration and Asylum adopted by the European Council does not introduce any new element as regards the opening up of channels for legal immigration, and leaves only the possibility of 'selective immigration', which causes a brain drain and reinforces a repressive approach and criminalisation of migrants;
36. Condemns the hypocritical approach contained in the Pact in so far as, on the one hand, it affirms that 'zero immigration' would be harmful to our economies and social systems while, on the other hand, everything is done to prevent migrants from coming by legal ways, thus favouring illegality;
37. Stresses that stopping regularisation of workers in an irregular situation, to which the signers of the pact have committed, can only increase the clandestinity to which migrants are condemned, whereas regularisation could represent at least a temporary instrument which would allow illegal work to emerge and social dumping to be decreased;
38. Condemns the plans for a reinforcement of the Frontex agency, to take place, furthermore, before a revision of its mandate to include rescue at sea;

Follow-up to the European Council of 1 September 2008

39. Notes with satisfaction that, following the deployment by the EU of a civilian observer mission in Georgia, Russian troops have withdrawn from the zones adjacent to South Ossetia and Abkhazia; welcomes the start of the negotiations in Geneva which in the first instance are focused on humanitarian issues; expresses the hope that the discussions on the security and stability arrangements in Abkhazia and South Ossetia can start soon; takes the view that the OSCE and the UN, of which Russia and Georgia are members, should

take the lead in the political process; underlines that a stable solution can only be found if all parties concerned can participate;

40. Welcomes the decision of the Council to lift some of the sanctions against Belarus and to take the first steps towards a normalisation of relations; reiterates its view that dialogue and cooperation are the best way to develop good neighbourhood relations and mutual understanding, including on human and democratic rights;
41. Instructs its President to forward this resolution to the Council, the Commission and the parliaments of the Member States.