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## **MOTION FOR A RESOLUTION**

to wind up the debate on statements by the Council and Commission pursuant to Rule 103(2) of the Rules of Procedure by Graham Watson, Wolf Klinz and Margarita Starkevičiūtė on behalf of the ALDE Group on the London G20 Summit of 2 April 2009

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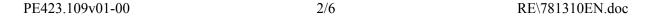
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#### B6-0188/2009

### European Parliament resolution on the London G20 Summit of 2 April 2009

## The European Parliament,

- having regard to the Leaders' statement of the London G20 Summit as well as their declarations on 'Strengthening the financial system' and 'Delivering resources through the international financial institutions',
- having regard to the OECD list of countries which do not comply with international standards for exchange of tax information published on 2 April 2009,
- having regard to the Presidency Conclusions issued following the European Council meeting of 19 and 20 March 2009,
- having regard to the Commission communication of 4 March 2009 entitled 'Driving European Recovery' (COM(2009)114),
- having regard to the report by the High-Level Group on EU Financial Supervision chaired by Jacques De Larosière,
- having regard to the Commission communication of 29 October 2008 entitled 'From financial crisis to recovery: a European framework for action' (COM(2008)706),
- having regard to its resolution of 11 March 2009 on a European Economic Recovery Plan,
- having regard to the Commission communication of 8 April 2009 entitled 'Supporting developing countries in coping with the crisis' (COM(2009)160),
- having regard to the recently released IMF report 'The Implications of the Global Financial Crisis for Low-Income Countries',
- having regard to Rule 103(2) of its Rules of Procedure,
- A. whereas worldwide economic performance is declining fast in 2009 and only slow recovery is expected in 2010 under the most optimistic projections,
- B. whereas the impact of the financial crisis on the real economy has resulted in exceptional economic circumstances that require timely, targeted, temporary and proportionate measures and decisions in the interests of finding solutions to an unprecedented global economic and employment situation,
- C. whereas in countering the downturn of the international and the European economy the main challenge is now the lack of confidence on financial and capital markets as well as rising unemployment,
- D. whereas the Global Plan for Recovery and Reform encompasses the following aims: (1)





restore confidence, growth and jobs; (2) repair the financial system to restore lending; (3) strengthen financial regulation to rebuild trust; (4) fund and reform the international financial institutions to overcome the crisis and prevent future ones; (5) promote global trade and investment and reject protectionism, to underpin prosperity; and (6) build an inclusive, green and sustainable recovery,

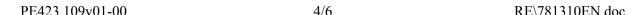
- E. whereas international macroeconomic coordination is essential for both resurrecting and then rebuilding the global economy,
- F. whereas membership of the euro area has proven to enhance economic stability in the relevant Member States, which is due to their efforts to abide by the Maastricht criteria and the Stability and Growth Pact as well as being shielded from currency fluctuations,
- G. whereas several Member States have encountered severe balance-of-payments problems, some of them having to resort to the IMF and the EU for relief,
- H. whereas the Millennium Development Goals, in particular the eradication of extreme poverty and hunger, as well as the development targets and principles agreed at United Nations Conferences, provide a clear vision and must underpin ACP-EC cooperation under the Cotonou Partnership Agreement,
- I. whereas, as a result of the financial crisis, some donor countries have reduced their financial contribution to Official Development Assistance (ODA) to developing countries, which already have rather fragile economies,
- J. whereas the ACP countries are dependent on exports of commodities which account for over 50% of their foreign currency revenue, and the financial crisis is resulting in decreasing exports from and remittance flows into many developing countries, reduced access to credit, reduced foreign direct investment and the plummeting of commodity prices,
- K. whereas new estimates<sup>1</sup> for 2009 suggest that lower economic growth will trap 46 million more people on less than \$1.25 a day than was expected prior to the crisis, in addition to the 130 to 155 million people pushed into poverty in 2008 because of soaring food and fuel prices, and whereas each 1% drop in growth could trap another 20 million in poverty,
- L. whereas international trade growth is slowing down due to the lack of credit and finance and to the general slowdown of the world economy,
- M. whereas strong multilateral cooperation is needed to prevent protectionist measures which the financial/economic crisis may provoke,
- 1. Welcomes the G20 Global Plan for Recovery and Reform; notes that the G20 Summit delivered many of the aims which had been set by the EU Spring Summit and is satisfied that the Global Plan is in line with the efforts already undertaken within the European Union to adopt a more global approach and avoid conflicting policies whose effects cancel each other out; recognises the leading role which the EU took at the summit but insists on

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<sup>&</sup>lt;sup>1</sup> According to the World Bank.

the need to further enhance EU coordination;

- 2. Underlines that all the commitments entered into must be respected in full, put in place rapidly and further detailed, at national and international level, in order to rebuild confidence and maximise effectiveness; takes note of the FSB and IMF assignment to monitor progress made on the agreed Action Plan and invites them to present their report to the European Parliament;
- 3. Recognises the essential role of central banks in this effort and their rapid reduction of interest rates, and welcomes the G20 commitment to refrain from competitive devaluation of national currencies, which could trigger a vicious circle; welcomes the ECB's successive rate cuts to foster growth, and its fast provision of short-term financial facilities destined to revive inter-bank lending; recalls the necessity to create conditions that facilitate the passing-on to borrowers of interest rate cuts;
- 4. Is concerned about the massive recourse of governments to borrowing; warns against the impact of such a policy especially on medium- and long-term inflation and insists that borrowing should be for productive capital investment; stresses the importance of returning to sound State finances as soon as possible and ensuring long-term fiscal sustainability in order to avoid imposing too heavy a burden on future generations, noting that individually this should be considered in the context of total indebtedness;
- 5. Welcomes the G20 leaders' decision to agree on a precise and well-defined blueprint for improving the regulatory framework and functioning of financial markets; hopes that this unprecedented degree of international regulatory coordination, based on an accurate assessment of the current shortcomings, will lead to major positive changes and will reduce the risk of a recurrence of such a crisis;
- 6. Fully supports the decision to assign the central role of coordinating the agreed agenda to the newly renamed and expanded Financial Stability Board; supports the G20's decision to provide it with a stronger institutional basis and an enhanced capacity;
- 7. Stresses the importance of rebuilding confidence in the financial sector, which is the key to restoring lending to the real economy as well as international capital flows; insists on the need to urgently deal with impaired banking assets which are constraining lending; urges EU governments to obtain from banks full and transparent disclosure of the impairment of balance sheets, taking into consideration the Commission guidelines on the Treatment of Impaired Assets in the Community Banking Sector, and to act in a coordinated manner while respecting competition rules; calls on G20 governments to disclose how their impaired asset programmes work and what their results are; recommends maximising international cooperation and rejecting financial and regulatory protectionism;
- 8. Recognises that early recapitalisation measures taken by Member States have averted a financial meltdown but recalls that government support to banks should be temporary and must include commitments to develop well-defined exit strategies;
- 9. Considers that early warning of macroeconomic and financial risks as well as the enhancement of macro- and microprudential supervision are essential to restore financial





- stability; to this end, strongly encourages competent authorities to follow the G20 leaders' recommendation to exchange information and actively contribute to the mandatory establishment of colleges of supervisors for all cross-border financial groups;
- 10. Takes the view that high-level principles for cross-border cooperation on crisis management need to be urgently implemented; in the light of the growing interactions between national financial systems, urges relevant authorities to cooperate at international level to prepare for and manage financial crises;
- 11. Shares the view that the building-up of systemic risk needs to be limited and recognises that all systemically relevant institutions and actors, including alternative investment funds which employ high levels of leverage, have to be subject to appropriate regulation and oversight; regrets that this is limited to systemically relevant institutions only; observes that attention and regulation should focus on function rather than entity; insists on the need to develop efficient cooperation and information-sharing mechanisms between national authorities to ensure effective cross-border supervision while defending open markets;
- 12. Approves the G20 countries' decision to adopt the Basel II capital framework and the efforts to strengthen prudential regulatory standards as soon as possible; notes that, while they have called for the improvement of incentives for risk management of securitisation, no quantitative retention rate has been commonly set in the securitisation process nor any suggestion made for common due diligence regimes;
- 13. Welcomes the G20's decision to promote integrity and transparency in the financial markets as well as increased responsibility of financial actors; welcomes the G20 pledge to reform compensation regimes in a more sustainable way as part of the financial regulatory review and insists on the importance of linking incentives to long-term performance, avoiding incentives that induce irresponsibility and guaranteeing industry-wide application of the new principles in order to ensure a level playing field;
- 14. Notes the publication by the OECD of a blacklist of countries that have not agreed to respect international standards; in this respect welcomes the removal of all the four countries that remained on the OECD blacklist of tax havens, as they agreed to rules on tax transparency shortly after the G20 Summit;
- 15. Welcomes the measures with regard to credit rating agencies that aim at increasing transparency and enhancing cooperation between the national supervisory authorities; remains concerned about the lack of competition in this sector and calls for significantly lower market entry barriers;
- 16. Endorses the G20's pledge to increase the resources available to global financial institutions by \$850 billion to support growth in emerging markets and developing countries;
- 17. Welcomes the reaffirmed commitment to the MDGs and the promise to make an additional \$50 billion available 'to support social protection, boost trade and safeguard development in low income countries';

- 18. Strongly welcomes the G20's plan to reform international financial institutions and calls for these reforms to begin as soon as possible; calls in this regard for the issues of improved transparency and accountability to be addressed at the next World Bank and IMF spring meetings;
- 19. Welcomes the progress made by the IMF with its new Flexible Credit Line, moving away from its past prescriptive and rigid lending and conditionality framework, as illustrated by the recent statement by the IMF, in its report on 'the implications of the global financial crisis for low-income countries' that 'in formulating spending policies, priority should be given to protecting or expanding social programmes or bringing forward approved investments, and, in general, to preserving the momentum toward achieving the MDGs';
- 20. Regrets that the G20's promises on Aid for Trade and overseas development assistance (ODA) were insufficient; stresses that, although the communiqué lists financial measures to increase resources for the developing world through the World Bank and IMF, there was no specific commitment to ensure that Aid for Trade represents additional funding;
- 21. Welcomes the G20's acknowledgement of the importance of a greener, lower-carbon and more sustainable global economy; observes that a binding agreement on climate change at the forthcoming Copenhagen conference is indeed critical; stresses, however, that the G20 leaders should recognise the broad nature of global sustainability challenges such as fisheries, forests and water crises, which affect people in developing countries the most;
- 22. Urges the G20 to provide leadership on persistent global trade governance challenges such as the need to represent the diversity of developing countries in trade decision-making fora;
- 23. Draws attention to the persistent food crisis, which requires immediate measures and a substantial increase in financial aid to agricultural production in developing countries;
- 24. Welcomes the decision to promote global trade and investment and to reject protectionism, which will undermine prosperity;
- 25. Welcomes the pledge to support trade finance, providing for that purpose at least \$250 billion over the next two years; urges that the commitment be honoured with new money;
- 26. Instructs its President to forward this resolution to the Council, the Commission, the ECB, the parliaments and governments of the Member States, the G20 Member States and the IMF.

