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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 Francis Wurtz and Sahra Wagenknecht

on behalf of the GUE/NGL Group

on the conclusions of the G20 summit

**European Parliament resolution on the conclusions of the G20 summit**

*The European Parliament,*

- having regard to the conclusions of the G20 summit held in London on 2 and 3 April 2009,
  - having regard to Rule 103(2) of its Rules of Procedure,
- A. whereas the commonly shared belief of political and business leaders and mainstream economists that 'free markets know better' and that the free interplay of market forces guarantees an efficient and effective allocation of resources has been strongly disproved by the financial and economic crisis,
- B. whereas the increasing inequality in the distribution of income and wealth (rising profits and wealth, steep decline of labour's share in national income) in the last 30 years was the major driving force behind the giant growth of investment in financial markets and the creation of asset price bubbles,
- C. whereas the globalisation, liberalisation and deregulation of financial markets have paved the way for financial innovation (derivatives, hedge funds, private equity, securitisation, structured investment vehicles, etc), which in turn has led to excessive and excessively pro-cyclical leverage, short-term behaviour, imposing untenable targets for high rates of return on enterprises in the context of production and services ('shareholder value orientation'), and fast and widespread contagion of risks; whereas, therefore, both the neo-liberal policies of financial market liberalisation and the short-term orientation of increasing shareholder value at any cost have proved to be entirely bankrupt,
- D. whereas the blame for the crisis lies not only with greedy managers in the financial industry but, equally, with the governments of the US and of nearly all the EU Member States as well as with the EU institutions, all of which have promoted the liberalisation of financial markets, in the EU notably with the EU Financial Market Action Plan and the Lamfalussy package, which were based on 'self-regulation' by the financial sector,
- E. whereas the current crisis underlines the need to combine the economic and political power of the entire world in order to tackle the crisis by means of coordinated fiscal policies and to curb the financial markets; whereas the traditional 'western world', especially the US, Japan and the EU, is no longer able to solve the problems single-handedly; whereas the G20 summit was therefore expected to launch a new world economic order, with an important role for the emerging countries,
1. Points out that the world urgently needs coordinated policies to stabilise the economy against recession, counter climate change, enhance environmentally and socially sustainable development, strengthen public services, and promote full employment with quality jobs and social rights; strongly regrets, therefore, the fact that, except for promises

of more resources for the IMF, the G20 summit has not succeeded in moving the agenda forward towards the self-declared goal of establishing rules for a 'new economic order';

2. Points out that only the US, China and Japan have launched budgetary stimulus packages of a more significant magnitude to counter the downward trend in the economy; regrets that the EU and its Member States are far behind and that the European Economic Recovery Programme is underfunded and consists merely of uncoordinated national stimulus packages of very different orientations; calls for budgetary stimulus packages which will steer funding towards socially and environmentally useful investment, in order to secure and create good-quality employment;
3. Points out that the G20 summit failed to deliver on a global coordinated fiscal stimulus package, thanks to the EU's opposition to such a move; stresses that the summit's alleged \$ 1,100 billion 'global boost package' (IMF funding, trade finance, aid for the poorest countries, allocation of special drawing rights) consists mainly of monies already committed earlier and that only about \$ 100 billion correspond to genuinely new commitments; deplores the fact that the poorer economies, as those hit hardest by the global recession, will therefore not receive the necessary assistance for overcoming the crisis;
4. Strongly criticises the fact that the \$ 250 billion allocation of special drawing rights was not linked to a reshuffling of voting rights, so that 44% of this sum will go to the G7, i.e. the largest economies, and only about \$ 80 billion will go to all the middle-income and poor countries combined; strongly regrets that the G20 summit did not discuss the proposal of the President of the Chinese Central Bank to reform the system of special drawing rights on a basis of global resources; points out that thus the opportunity to move towards a 'new Bretton Woods system' was missed;
5. Criticises the intention of the G20 summit to strengthen the role of the International Monetary Fund (IMF) in restoring credit, growth and jobs in the world economy; underlines the need to start with reform of the political decision-making instruments of the IMF in order to prevent the funds functioning as a tool of the 'western world'; welcomes the cautious announcements regarding implementing the package of IMF quota and voting reforms agreed in April 2008 and the call on the IMF to complete the next review of quotas by January 2011;
6. Calls for a thorough reform of the lending policy of the IMF, which, for example, for Latvia, Hungary and other countries is making loans conditional on cuts in wages and pensions, downsizing of the public sector, curbing healthcare, etc; points out that these types of conditionality will not only hit the poorest strata of society worst but also deepen the economic recession since they heavily curb demand; points out that support for this policy by the EU cannot be considered as 'European solidarity' in the crisis;
7. Supports the proposal of the UN advisory panel headed by the economist Joseph Stiglitz for replacing the institution of the G20 with a new Global Economic Council; underlines that such a UN body would be a much better forum for setting the agenda for worldwide economic and financial policy, since it would ensure the representation of the less and least developed countries now excluded from the G20 process; endorses the proposal for creating a new global reserve system which would provide support to developing

countries on a regular basis and would not be subject to veto by the industrialised countries that dominate existing international financial institutions such as the IMF;

8. Welcomes the agreement by the G20 leaders that major failures in the financial sector and in financial regulation and supervision were fundamental causes of the crisis; criticises, however, the summit's failure to address the need for stabilisation of banks and the financial system in order to get the credit system working again; points out the urgent need to build a stronger and more globally consistent supervisory and regulatory framework for the future financial sector, which will support global sustainable development; underlines that the summit should also have agreed to establish much greater systematic cooperation between countries to regulate finance; stresses that the financial sector must accept lower returns and agree to bonus payment systems geared to risk aversion and long-term targets instead of short-term profits;
9. Notes that the G20 leaders wish to implement the Action Plan agreed at their last meeting establishing a new Financial Stability Board (FSB) as a successor to the Financial Stability Forum (FSF), including all G20 countries, FSF members, Spain, and the European Commission; deplores, however, the absence of any formal powers for the FSB, which is supposed only to work alongside the IMF; points out that the question of how the FSB can ensure proper monitoring and implement global consistency between national responses for crisis management has not been resolved at all;
10. Strongly criticises the fact that the extent of regulation and oversight will include only all *systemically* important financial institutions, instruments and markets; underlines that stricter regulation is needed to prevent hazards caused by any new risky financial products and that either these must be prohibited or their trading must be severely restricted and monitored; strongly criticises, also, the notion that regulation should prevent only *excessive* leverage; believes that strict limits need to be introduced on leverage for all regulated financial institutions; underlines that pension funds, and especially occupational pension funds, must not be allowed to invest in financial products that entail systematic risks such as hedge funds or private equity, because the failure of such funds would negatively affect pension entitlement;
11. Welcomes the intention of the G20 leaders to take action against non-cooperative jurisdictions, including tax havens, and to deploy sanctions to protect public finances and financial systems; welcomes their declaration that 'the era of banking secrecy is over'; underlines in this context that EU countries that function as tax havens (Austria, Belgium, the UK, Luxembourg) as well as Switzerland must do away with banking secrecy and put an end to their outrageous practices;
12. Calls on the EU and its Member States also to tackle the problems created by internal and external offshore financial centres (the Channel islands, the Cayman Islands, etc), and to prohibit doing business with these in case of non-compliance; underlines that a global response to the problem of tax evasion also means targeting the big financial centres, of which many of the small tax havens are mere satellites;

13. Welcomes the intention to extend regulatory oversight and registration to credit rating agencies; points out that a public European Credit Rating Agency that does not work for profit is required in order to overcome conflicts of interest which impair the rating process;
14. Regrets that proposals on taxes on currency transactions ('Tobin tax') and on stock exchange transactions (including over-the-counter transactions) were not mentioned by the G20 leaders;
15. Criticises the commitment of the G20 summit to securing an ambitious conclusion to the Doha Development Round; points out that the Round would expand a system of trade rules that do harm to the economies of developing nations and interfere with countries' domestic policy space; calls for the suspension of the negotiations on government procurement, intellectual property rights, and the liberalisation of investment and services, since these are in the sole interest of the developed countries, undermine the provision of public services, and threaten economic and financial stability;
16. Instructs its President to forward this resolution to the G20 leaders, the Council, the Eurogroup, the Commission, the European Central Bank, the Parliaments of the Member States, the Committee of the Regions, and the European Economic and Social Committee.