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## MOTION FOR A RESOLUTION

to wind up the debate on statements by the Council and Commission  
pursuant to Rule 110(2) of the Rules of Procedure  
on the G20 Summit in Pittsburgh

**Lothar Bisky and Jürgen Klute**  
on behalf of the GUE/NGL Group

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**European Parliament resolution on the G20 Summit in Pittsburgh**

*The European Parliament,*

- having regard to the conclusions of the G20 Summit held in London on 2 and 3 April 2009,
  - having regard to the report of 25 February 2009 drawn up by the High-Level Expert Group on EU Financial Supervision, chaired by Mr Jacques de Larosière, for the 2009 Spring European Council,
  - having regard to its legislative resolution of 6 May 2009 on the proposal for a directive of the European Parliament and of the Council amending Directives 2006/48/EC and 2006/49/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements and crisis management,
  - having regard to the Commission Communication on European financial supervision (COM(2009)0252),
  - having regard to the Commission proposal on Alternative Investment Fund Managers (COM(2009)0207),
  - having regard to the conclusions of the G20 finance ministers meeting in London on 4 and 5 September 2009,
  - having regard to Rule 110(2) of its Rules of Procedure,
- A. whereas the world is suffering a severe and deep recession and it is still unclear whether it will become a depression comparable with the nightmare of the 1930s,
- B. whereas the current recession is the deepest since the Second World War, resulting in a brutal contraction of the economies of the Group of Seven (G7) countries by 3.7% of GDP in 2009, as forecast by the OECD,
- C. whereas the collapse of the financial system has left the real economy facing problems such as serious job losses, a decline in living standards, people losing their homes, and tremendous pressures on pensions and social security schemes,
- D. whereas people in the poorer countries are suffering most; hundreds of millions of people there are badly affected by soaring food prices and it is forecast that the recession will bring more than 50 million people into unemployment and an additional 200 million into absolute poverty this year, thus calling into question whether the UN Millennium Development Goals on poverty reduction can be achieved; stressing that the developed countries have to earmark a much greater volume of resources to achieve these goals,
- E. whereas the increasing inequality in the distribution of income and wealth (rising

corporate profits and individual wealth, steep decline in labour's share of national income) over the last 30 years has been the major driving force behind the massive growth in investment in financial markets and the creation of asset price bubbles; whereas both the neo-liberal policies of financial market liberalisation and the short-term approach of increasing shareholder value at any cost have proved to be entirely bankrupt,

- F. 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 clearly disproved by the financial and economic crisis,
- G. whereas the financial crisis and the downturn in the 'real economy', combined with other structural factors (climate change and environmental degradation, food and energy crisis, trade etc.), have been revealed as a systemic crisis of contemporary capitalism,
- H. whereas the current crisis underlines the need to pool 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,

#### **A new financial order**

- 1. Deplores the fact that the G20 member countries failed to achieve their self-declared goal from the first G20 Summit, held in London in April 2009, of taking immediate, strong steps to introduce rules for a 'new economic order'; considers that the socialisation of the banking sector and the establishment of a set of publicly-owned financial institutions are urgently needed to steer credit towards socially- and environmentally-useful investment which creates high-quality jobs; considers that decision-making on financial sector credit policies must come under democratic, public control and involve the democratic participation of employees and consumers;
- 2. Criticises the fact that the architecture of a new order of this kind has not been laid down in the meantime; considers that the Commission Communication on European financial supervision of May 2009 represents only an initial, inadequate blueprint for the proposed new order; is disappointed at the time wasted by the Member States and the Commission by not doing their homework; strongly criticises the widespread attitude among European politicians that broader and more stringent financial regulation would only disturb or harm the 'markets';
- 3. Notes the Commission's July 2009 proposal for a directive on Alternative Investment Fund Managers (AIFM) as a first, but only tiny, step towards curbing financial risk; rejects the immediate vicious lobbying by the 'City of London' and other interest groups against the aims of this directive as being motivated by their narrow and selfish interests; is concerned that the scope of the directive will cover only managers, and not funds;

4. Criticises the fact that, on the basis of the Commission's proposed 'financial supervision package', which will establish a 'European Risk Board', regulation and oversight will cover only *systemically* important financial institutions, instruments and markets; underlines that stricter regulation is needed to prevent hazards caused by existing or new risky financial products (such as hedge funds, private equity funds, commodity derivatives, etc.) and that either these products must be prohibited or trading in them must be severely restricted and monitored;
5. 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; calls for severe restrictions on leveraged take-overs, over-the-counter (OTC) derivatives markets and, something which is vital, higher capital requirements;
6. Underlines that pension funds, and especially occupational pension funds, must not be allowed to invest in financial products, such as hedge funds or private equity funds, that entail systemic risks, because the failure of such funds would have an adverse impact on people's pension entitlements;
7. Supports the proposal for clearly-defined bonus payments for bankers and for restrictions on excessive salaries; underlines that there is a urgent need to curb the bonuses of already well-paid bankers; criticises the outcome of the meeting of the G20 finance ministers in London on guidelines for the payment of bonuses to bankers, on the grounds that the guidelines did not include a cap on the amount that can be paid to individuals; is convinced that 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 and with the EU institutions; all of which have promoted the liberalisation of financial markets; suggests that 'binding rules' for bonus payments are also being proposed as a way of reassuring the public that action is being taken;
8. Welcomes the agreement reached by the G20 finance ministers that banks should be required to retain some portion of the loans they repackage and sell as asset-backed securities, but deplores the fact that the agreement left implementation and enforcement open; strongly criticises, in this context, the position of the majority in the European Parliament, which proposed a loan securitisation rate of only 5%;
9. Points out that huge amounts of aid have been granted by governments worldwide to banks and financial institutions; notes, in that connection, that the EU Member States approved a total of € 363.1 billion (equivalent to 30.5% of EU GDP) in State aid measures or guarantees; criticises the fact that such policies result in the socialisation of financial sector losses; calls, instead, for measures such as the buying-up of preferred banking stock and steps towards a sustainable nationalisation of the banks' healthy assets;
10. Stresses the need to strengthen the rules on rating agencies and to improve the supervision of such agencies worldwide; points out that a public-sector European Credit Rating Agency is also required in order to overcome conflicts of interest which hamper the credit-rating process;
11. Takes the view that the financial sector must return to its original function and operate first and foremost in the public interest, accept lower returns and agree to bonus payment

schemes geared to risk-aversion and long-term targets, not short-term profits; points out that the financial industry in the industrialised countries, and particularly in some EU Member States, is too big for the good of society and needs to be cut down to size, something which could be done by introducing a Tobin tax on financial transactions and capital movements;

12. Urges the G20 leaders to take strong and coordinated action to eradicate tax havens, tax evasion and illicit capital flight; reminds the leaders of their pledge, given at the first G20 Summit, that 'the era of banking secrecy is over'; stresses, therefore, the need for transnational corporations to disclose their profits;

### **Guide the markets, fight economic depression and secure jobs and rights**

13. Calls for coordinated international policies to stabilise the economy against recession, counter climate change, enhance environmentally and socially sustainable development, strengthen public services, and promote full employment based on high-quality jobs and social rights; points out that the G20 Summit needs to organise the international coordination of the recovery plans of, at least, the USA, the EU, China, India, Brazil, Russia and Japan in order to counter the downturn in economic activity and employment, instead of leaving Member States to face the crisis on their own; stresses that countries with huge export surpluses need to revive their domestic economies and strengthen internal demand, and that coordinated policies at global level are needed to curb the heavy imbalances in the world economy;
14. Criticises the fact that the European Economic Recovery Plan (EERP) is too timid to prevent mass redundancies and falls substantially short of the policy response that is required; strongly criticises the fact that we are seeing no real European coordination of the various national recovery plans, but instead a 'beggar thy neighbour' policy involving competing national schemes; calls on the Commission and Council to draw up an additional 'European Investment Programme for Sustainable Development, Employment and Social Inclusion', amounting to at least 1% of EU GDP, which should be complemented by similar public investment programmes in the Member States in an effort to stabilise the economy, counter climate change and promote full employment on the basis of high-quality jobs and social rights; criticises the fact that, at present, EU gender-policy commitments have been sidelined in the development of the EERP; urges that measures to address the financial crisis must incorporate a gender perspective which calls for increased investment in human capital, the public sector and care services - sectors that would contribute to the development of a more sustainable, social economy in Europe and reduce inequalities and poverty;
15. Points out that the launch of scrapping-bonus schemes for cars, introduced first in Germany and then in some other EU Member States, underlines that alternative policies are needed to promote the conversion of the automotive sector towards providing environmentally-sustainable mobility services, safeguarding existing jobs and providing high-quality new jobs;
16. Criticises the intention of some Member States, the ECOFIN Council and the ECB to

discontinue at an early stage emergency measures such as higher government spending, low interest rates and quantitative monetary easing; underlines that the implementation of a premature 'exit strategy' to bring down budget deficits quickly to 3% of GDP would repeat the political mistakes made by Japanese governments in the 1990s, pushing the economy on to a deflationary path and endangering economic recovery worldwide;

17. Points out that all the indicators show that the crisis is not over; warns, in this context, against a repetition of the mistakes made during the Great Depression; underlines the call made by the OECD that governments will need to continue to stimulate their economies as rising unemployment and weak housing markets continue to dampen private demand and that the current low interest rates should remain in force for the time being; stresses the opportunity now available to transform their economies by investing heavily in 'green' and 'white jobs' in the area of sustainable development, public services and care and by promoting cuts in working time without loss of pay in order to fight unemployment and allow workers to reconcile their professional and private lives;
18. Points out that some Member States in central and eastern Europe were hit very hard by the crisis and face difficulties in accessing credit and new investment; criticises the fact that these EU Member States were thrown to the wolves of the IMF and its destructive structural adjustment programmes; calls for the anti-social IMF programmes to be banned from Europe; underlines the need for a European Monetary Fund (EMF) to offer emergency loans to governments unable to finance their budget deficits or roll over maturing debts; criticises, therefore, the G20's intention to bolster the IMF with more fresh funding; appeals to the Presidency and the Commission to endorse the analysis and the reform proposals drawn up by the United Nations Commission of Experts on Reforms on the International Monetary System chaired by Joseph Stiglitz;
19. Expresses concern at the IMF's and the EU's policies towards the Member States Hungary, Romania and Latvia and points out that IMF structural adjustment programmes and the conditions attaching to EU financial assistance for Member States force these countries to bring down wages, dismantle the welfare state and cut workers' rights, social spending and public services; underlines that conditionality of this kind will weaken those countries' automatic stabilisers in the recession, push their economies on to a deflationary path and prolong the crisis; criticises the fact that similar counterproductive policies are being pursued in other EU Member States, such as Ireland and some Baltic states;
20. Points out that EU financial support for those Member States must be linked to compliance with European social model principles, including the principle of distributive justice, with robust workers' rights and fair tax systems in which the 'strongest shoulders carry the heaviest burden';
21. Considers that there is an urgent need to avoid extremely low taxes in some Member States, a policy which undermines the revenue basis for the public finances; concludes that we need a European agenda on combating tax havens, zero or near-zero taxes and flat-tax regimes and on cooperating closely on corporation tax, capital gains tax and wealth taxes; proposes that serious consideration should be given to a global or at least European financial transaction tax;
22. Criticises the G20 Summit's commitment to securing an ambitious conclusion to the Doha

Development Round; points out that the Round would expand a system of trade rules that harms the economies of developing nations and encroaches on 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 serve only the interests of the developed countries, undermine the provision of public services and threaten economic and financial stability;

23. Instructs its President to forward this resolution to the G20 leaders, the Council, the Commission, the Eurogroup, the European Central Bank, the parliaments of the Member States, the Committee of the Regions and the European Economic and Social Committee.