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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

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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 by the High Level Expert Group on EU Financial Supervision, chaired by Mr Jacques de Larosière, of 25 February 2009 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 management¹,
 - having regard to the Communication from the Commission on European financial supervision²,
 - having regard to the Commission proposal on alternative investment fund managers³,
 - having regard to the conclusions of the G20 Finance Ministers meeting in London on 4-5 September 2009,
 - having regard to the ‘Leaders’ Statement: The Pittsburgh Summit’ of 24–25 September 2009,
 - having regard to Rule 110(2) of its Rules of Procedure,
- A. whereas the world is suffering from a severe and deep recession and it is still unclear whether this recession will become a depression similar to the nightmare during the 30s in the last century,
- B. whereas the current recession is the deepest one since WWII, with the economies of the Group of Seven Countries (G7) experiencing a brutal contraction and a 3.7 % fall in GDP this year predicted by the OECD,
- C. whereas the collapse of the financial system has hit the real economy with tremendous job losses, a decline in living standards, people losing their houses, and tremendous pressures on pensions and social security schemes,
- D. whereas people in the poorer countries suffer most; whereas hundreds of millions of

¹ Texts adopted, P6_TA(2009)0367.

² COM(2009)252.

³ COM(2009)207.

people there are heavily affected by soaring food prices and it is forecast that the recession will push another 50 million people into unemployment; whereas the World Bank estimates that the crisis has pushed another 90 million people into 'extreme poverty', living on less than \$ 1.25 a day, thus calling into question whether the UN Millennium Goals on poverty reduction can be achieved; whereas the developed countries have to provide a great many more resources to achieve this goal,

- E. whereas the increasing inequality in the distribution of income and wealth (rising profits and wealth, steep decline in 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; whereas 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,
- 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 strongly disproved by the financial and economic crisis,
- G. whereas the financial crisis and the downturn in the 'real economy', entangled together with other structural factors (climate change and environmental degradation, food and energy crisis, trade, etc.), reveal this to be a systemic crisis of contemporary capitalism,
- H. whereas huge amounts of aid were granted by governments worldwide to banks and financial institutions, only the EU Member States approved a total of € 363.1 billion (equivalent to 30.5 % of EU GDP) of State aid measures or guarantees in that respect; whereas such policies result in the financial sectors' losses being socialised instead of steps being taken towards a sustainable nationalisation of the banks' healthy assets,
- I. 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 most developed countries, especially the US, Japan and the EU, are no longer able to solve the problems single-handed,

A new financial order

1. Points out that the summit confirmed the legitimacy of the G20's status as the top coordinating mechanism of the world's economic issues; notes that this move means that the G20 is supplanting the G7 and G8 institutions, dominated by rich economies; considers that this symbolizes the fact that the richest industrial nations now lack the sway to govern the world economy alone; underlines that the move is a recognition that the more limited G8 is hopelessly antiquated, as it excluded the emerging economies of China, India, South Africa, Mexico and Brazil;
2. Stresses, however, that even the G20 is only a part of the global economy; insists therefore on the important role of the UN in tackling the economic crisis, especially in meeting the

urgent requirements of the poorest countries in the world;

3. Regrets that the G20 member states have failed in their self-declared goal, proclaimed at the summit in April 2009 in London, to take immediately strong steps towards rules for a 'new economic order'; considers that a publicly owned banking and financial pole are urgently needed to steer credit towards socially and environmentally useful investment which creates good quality employment with workers' rights; considers that decision-making on credit policies of the financial sector must come under democratic public control and democratic participation of employees and consumers;
4. Criticises the fact that the architecture of such a new order has not been laid down in the meantime; regrets that financial regulatory standards, furthermore, vary to a high degree amongst different jurisdictions; criticises strongly the widespread attitude among European and American politicians that a higher speed and broader scope of financial regulation would only disturb or harm the 'markets';
5. Supports the initiative by some leaders of G20 countries for clearly defined bonus pay for bankers and a restriction on excessive salaries; underlines that there is an urgent need to curb the bonuses of already well-paid bankers; criticises the Leaders' Statement of the G20 meeting for not mentioning direct caps on pay and the summit for not reaching a final agreement on executive pay; regrets that the Group only reached a consensus on the 'basic outline' of a proposal to limit bankers' compensation by the end of the year;
6. 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, as well as with the EU institutions, all of which have promoted the liberalisation of financial markets; considers that such vaguely defined 'binding rules' for bonus pay are also proposed to demonstrate action to reassure the public;
7. Welcomes the agreement of the G20 Group that banks should be required to retain some portion of the loans they repackage and sell as asset-backed securities, but criticises strongly the fact that the capital the banks hold to cover positions will probably only be doubled and the new rules will not be applied any earlier than by the end of next year; regrets that the G20 only wants the Basel Committee to draft rules by the end of the year for a 'minimum global liquidity standard', which is a very vaguely designed formula; points out that comprehensive regulation can only take place on the basis of independently verifiable public information and cannot rely on information that is private to the regulated entity; insists that the capital adequacy of the first pillar of Basel II must be overhauled radically, as its risk-weighting of assets relies in part on internal bank models that are private to the banks;
8. Stresses the need to strengthen the rules on rating agencies and to improve the supervision of rating agencies worldwide; points out that the conflict of interest in combining rating activities with advisory services or the sale of other lucrative services or products to customers looking for the best possible rating is obvious and inescapable; points out, therefore, that a European public Credit Rating Agency is also required in order to overcome conflicts of interest which impair the credit rating process;
9. Takes the view that the financial sector must go back to its initial function and operate

first and foremost in the public interest, accept lower returns and agree to bonus payment systems geared to risk-aversion and long-term targets instead of short-term profits; points out that the financial industry in the industrial countries, and especially in the US and in some EU Member States, is too big for the good of societies and must be cut down to a healthier size; stresses that this could be supported by a broadly based financial transactions tax; regrets that the G20 leaders only gave the IMF responsibility for investigating the possibility of such a financial transactions tax to contribute towards covering the costs of the recent financial crisis and to help to avoid future crises;

10. Underlines the need to take strong coordinated action to eradicate tax havens, tax evasion and illicit capital flight; reminds the leaders of their commitment made 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 depression and secure jobs and rights

11. Points out that all indicators show that the crisis is not over; warns in this context against a repetition of the mistakes made during the Great Depression, especially curbing wages; underlines the call of 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 to transform their economies by heavily investing in 'green' and 'white jobs' in the area of sustainable development, public service and care and by promoting a reduction of working time without loss of pay in order to fight unemployment and allow workers to reconcile work and non-work life; criticises strongly the neo-liberal language in the Leaders' Statement such as 'to strengthen the ability of our workers to adapt to changing market demands';
12. Underlines, with a view to the situation in the European Union, its call on the Commission and the Council to draw up an additional '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 in the Member States;
13. Notes, in the G20 Leaders' Statement, the need to develop a transparent and credible process for withdrawing their extraordinary fiscal, monetary and financial sector support when the time is ripe for an exit strategy; calls for international coordinated policies to stabilise the economy against recession, to counter climate change, enhance environmentally and socially sustainable development, strengthen public services, and promote full employment with quality jobs and social rights; points out the need to organise international coordination of the recovery plans of at least the USA, the EU, China, India, Brazil, Russia and Japan to counter the downturn in economic activity and employment instead of leaving member states to face the crisis on their own;
14. Points out that any exit strategy from economic stimulus programmes must be based on a policy of re-distribution of wealth and income from top to bottom; considers that, in order to bring down deficits as soon as there is a robust recovery, progressive taxation according

to the principle ‘the strongest shoulders carry the strongest burden’ must be promoted in order to achieve distributive justice with robust workers’ rights, a strong welfare state, an expansion of public services and improved social and territorial cohesion;

15. Stresses that countries with huge export surpluses need to revive their internal economies and strengthen internal demand, and that coordinated policies at global level are needed to curb the heavy imbalances in the world economy; underlines that these imbalances are sources of the current crises; welcomes, therefore, the agreement of the G20 to reform the global architecture by rebalancing the world’s economy between debt-laden countries and export powerhouses; supports the idea that over-consuming countries, such as the US, should rely more on saving and those countries hoarding big surpluses, such as China and Germany, should rely more on developing their internal economies;
16. Welcomes the breakthrough which has been made in international financial institutions’ governance reform recognising the developing countries’ rising strength; underlines that a shift of at least five percent of voting power at the International Monetary Fund (IMF) and three percent at the World Bank from over-represented countries to under-represented countries can only be seen as a first step in the right direction; supports the proposal of the leaders of Brazil, Russia and India for a seven percent shift in IMF quotas in favour of developing countries; welcomes the commitment of the G20 to protect the voting share of the poorest in the IMF; appeals to the Presidency and the Commission to endorse the analysis and the reform proposals of the United Nations Commission of Experts on Reforms on the International Monetary System, chaired by Joseph Stiglitz;
17. 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 are victims of destructive IMF structural adjustment programmes and that the EU emergency assistance applies the same conditionalities; points out that the anti-social IMF programmes must be banned from Europe and that EU financial support for those Member States must be linked to European social model principles; is concerned about the G20’s intention to give the IMF more power to monitor member states’ policy frameworks and the right to carry out a form of assessment or peer review to ensure states are following the plan’s objectives;
18. Stresses the need for the EU to have its own European Monetary Fund (EMF) in order to offer emergency loans to governments unable to finance their budgetary debts or roll over maturing debts; regrets, therefore, the G20’s intention to bolster the IMF with more fresh money without a much more radical review of the anti-social conditionality criteria than the recent one implemented by the IMF after the G20 London Summit;
19. Welcomes the fact that the Statement reaffirms the objective, provisions and principles of the United Nations Framework Convention on Climate Change (UNFCCC); underlines the need to reach an ambitious agreement in Copenhagen through the UNFCCC negotiations;
20. Welcomes the intention of the G20 countries to strengthen their support for emerging and developing countries and their undertaking that they will meet the UN Millennium Development Goals, including commitments on Aid for Trade, debt relief, and those made at Gleneagles, especially to sub-Saharan Africa, to 2010 and beyond; calls for more

assistance for the most undeveloped countries to mitigate the social impact of the crisis;

21. Criticises strongly 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 negotiations on government procurement, intellectual property rights and the liberalisation of investment and services to be suspended, since these are in the sole interest of the developed countries, undermine the provision of public services and threaten economic and financial stability;
22. 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.