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European Council of 15-16 October 2008 - Economic and financial situation

Greens/EFA motion for a resolution

Tabled by Daniel Cohn-Bendit and Monica Frassoni
on behalf of the Greens/EFA Group

The European Parliament,

– having regard to the European Council conclusions of 15-16 October 2008,

– having regard to Rule 103(2) of its Rules of Procedure,

A. whereas many problems highlighted by the crisis are due to the complexity and increasing opacity of financial instruments,

B. whereas financial innovation has had detrimental effects on financial stability, given that the creation of complex financial instruments allowing banks to offload risks has led to decreasing attention being paid to the underlying assets and real economic fundamentals,

C. whereas executive remuneration schemes in financial institutions are one of the root causes of the current crisis, as they have contributed to a focus on risk and short-term profit,

D. whereas the role of credit rating agencies is to assess properly the risks associated with increasingly complex new financial products, and whereas toxic products, such as subprime mortgages, received high ratings, wrongly implying low risks to investors, financial firms and other users,

E. whereas the deregulation of the financial markets has cleared the way for the development of new financial products which bear no relation to economic reality, and whereas the accumulation of real risks (such as the increasing poverty of borrowers and the energy-climate crisis) has thus been hidden and the financial crisis has turned into a recession, with dramatic consequences for ordinary people and small- and medium-sized undertakings confronted with a credit crunch,

F. whereas the EU must be exemplary in promoting long-term investment, especially to achieve the objectives of the climate-energy package,

G. whereas the fulfilment of the objectives of the Lisbon-Göteborg Strategy and the climate-energy package requires long-term investments, and whereas the role of the European Investment Bank must be further expanded in this respect, in association with ECB, which has developed a practice of refunding during this financial crisis,

H. whereas the recapitalisation of banks needs public funding, and whereas the measures taken by the State must be subject to strict conditions concerning governance, compensation schemes, investment strategies, realistic accounting standards, suitable changes to business models and a high degree of accountability to public authorities,

placeI. whereas all financial actors are closely interdependent, and whereas the coexistence of lightly regulated and unregulated markets (as in the case of private equity funds and hedge funds) alongside tightly regulated institutions has increased financial instability,

J. whereas surveillance means overseeing the whole market to identify worrying trends and to obtain sufficient information about transactions outside organised markets,

K. whereas EU countries' existing tools are no longer adequate to contain the impact of the financial crisis in ways that minimise collective costs and avoid moral hazard, and whereas a European approach to risk exposure, a European prudential oversight body and a European structure to allow for rapid exchanges of information and a clear assignment of supervisory responsibilities are still lacking,

Economic and financial situation

1. Welcomes the initiatives taken by the European Council to devise urgent and practical solutions to cope with the financial crisis relating to savers' deposits or the interbanking market; agrees that these measures were necessary to curb the current financial crisis and to restore some confidence in the financial markets; underlines, however, that other medium- and long-term measures need to be taken to counter remaining risks and to avoid systemic crisis in the future; regards as crucial, for example, a permanent ban on certain market practices, such as short-selling;

2. Underlines that Europe faces recession, falling investment and rising unemployment due to the financial crisis; takes the view that investigations must be launched in order to determine whether the current supervisory and regulatory framework, however limited, has been breached (especially in terms of transparency) and whether prosecutions should be initiated where appropriate;

3. Deplores the inability of the Commission (Barroso, Kroes, McCreevy) to prevent and properly tackle the financial crisis, as reflected in the fact that it has systematically promoted self-regulation over regulation;

4. Expresses grave concern at the effects of the financial crisis on the EU's commitment to achieve the Millennium Development Goals; urges the Member States and the Commission not to use the financial crisis as a pretext to postpone meeting their international obligations relating to the fight against climate change and poverty; points out, on the contrary, that their efforts to provide development aid must be substantially stepped up in various international fora or institutions (United Nations, International Red Cross, Oxfam, Brot für die Welt, etc.) to cope with the impact of the financial crisis on people's living conditions;

5. Agrees with the European Council that a genuine, all-encompassing reform of the international financial system is needed; calls on the Member States to take prompt initiatives to strengthen the global regulatory architecture;

6. Calls, ahead of the forthcoming meetings on the reform of the Bretton Woods institutions, for a strengthening of multilateral cooperation in order to stabilise capital flows, including more stringent disclosure requirements and strict regulation of institutional actors investing in food and energy; calls for the establishment of rules on transparent income reporting by and effective taxation of transnational corporations; calls for the strengthening of worldwide tax cooperation and the setting-up of an

International Tax Organisation; calls for a multilateral facility to be set up within the IMF in order to help developing economies confronted with large capital outflows in the context of the global financial crisis, including a multilateral guarantee framework; calls for a reform of the governance of the Bretton Woods institutions;

7. Regards it as crucial to introduce a special tax on speculative financial transactions, such as a Tobin tax, whose revenues would be allocated to finance common objectives relating to the fulfilment of the aims of the energy-climate change package or the achievement of the Millennium Development Goals; calls on the Commission and the Member States to strive for an international agreement committing all signatories to impose such a tax on financial transactions;

8. Considers that the objective of avoiding financial crises and safeguarding financial stability in the long run can only be achieved if Member States show willingness to tackle the problems created by offshore financial centres (where hedge funds are located, for instance, for tax or light-regulation reasons); takes the view, in that connection, that strong action must be taken to prevent tax fraud and tax evasion effectively, shutting down tax havens within the EU and putting pressure on those outside the EU; calls for a strengthening of the directive on tax and savings so that it covers legal persons and all sources of capital income;

9. Takes the view that we need a 'New Deal' to relaunch the real economy; emphasises, in this respect, the need for concerted Europe-wide action, especially on an investment strategy to achieve energy-efficiency and CO2-reduction goals; considers that the European Investment Bank should have a strengthened role so that it can contribute to meeting these objectives; welcomes, in this context, the EIB's decision to mobilise EUR 30 billion to support European SMEs and its commitment to step up its ability to intervene in sustainable infrastructure projects; stresses that millions of small projects, such as housing insulation and the installation of zero-carbon devices, represent the most cost-effective and employment-creating form of an ecological New Deal;

10. Underlines the role of long-term investors in financing the Lisbon-Göteborg Strategy; urges the Member States and the Commission to come up with initiatives to encourage banks and financial institutions to implement long-term strategies and to take measures to redirect liquidity towards longer-term investments;

11. Expresses its concerns at the existing gaps between over-the-counter transactions and organised markets or between regulated and unregulated entities; invites the Member States to rethink completely the functioning of the current financial system if they are serious about their willingness to restore confidence in the financial markets and to tackle the financial crisis globally, which means recognising the interdependence of national economies, and to close the gap between regulated and unregulated entities so as to establish a level playing field for all financial actors;

12. Takes the view that enhancing the transparency of non-regulated markets is one of the key problems to address if new systemic financial crises are to be avoided; urges the Member States and the Commission to address these issues effectively and to take the measures required promptly;

13. Urges the Commission, in this context, to submit a legislative proposal on hedge funds and private equity funds; reiterates its conviction that such legislation should aim, inter alia, to set up an EU framework for the registration and licensing of hedge funds and hedge fund managers and to create an EU register for structured products;

14. Emphasises that the crisis highlights the need for greater vigilance as regards complex financial products; notes in this respect that securitisation, which was conceived as a tool to diminish risks, has instead arbitrarily spread credit risk throughout the financial system;

15. Supports the European Council's decision to speed up the work on the Capital Requirements Directive; regards it as crucial that all entities or activities with the same potential to create systemic risk should be subject to the same prudential rules; emphasises that the Commission's proposal concerning capital requirements should require that originators hold portions of securitised loans on their balance sheets; regards it as crucial, further, that banks should be required to manage soundly and report off-balance-sheet exposures;

16. Welcomes the European Council's decisions as regards remuneration schemes for company executives; shares the view that they should be in line with the executives' actual contribution to the success of the company and should not encourage them to take ill-advised risks; urges the Commission to submit promptly a legislative initiative on this matter to ensure that financial institutions disclose their remuneration policies, in particular the remuneration and compensation packages of board members, and that prudential supervisors include in their risk management assessments the influence of remuneration, bonus schemes and taxation so that they do not encourage extreme risk-taking;

17. Points out that credit rating agencies bear their share of responsibility for the crisis; welcomes the European Council's call to speed up the long-awaited forthcoming Commission legislative proposal to tighten up the rules on rating agencies; in that connection, regards it as vitally important to ensure that rating agencies are registered, to encourage the development of alternative models and to ensure that agencies separate their rating business from any other services (such as advice on structuring transactions) that they provide in respect of any obligations or entities that they rate; takes the view that the Commission should establish a public and independent EU credit rating agency in order to improve transparency in this sector;

18. Approves the European Council's decision to allow more flexibility in applying fair value rules given the current 'exceptional market circumstances'; points out, however, that there is a need to tackle in the future the series of weaknesses relating to the way different accounting systems set a value on assets on balance sheets and to address more generally the issue of the market volatility created by the current system of 'fair value';

19. Deplores the fact that the European Council's decisions relating to the strengthening of the supervision of the European financial sector, particularly cross-border groups, are far from being enough to respond to the challenges posed by the current systemic risks;

20. Points out, in that connection, that the fact that financial supervision has not kept pace with market integration has been an aggravating factor in the spread of crisis, since national supervisory bodies were not able to take a European view of the risks created by these complex financial innovations;

21. Reiterates, therefore, its conviction that there is a need to set up an EU supervisory body to cover trans-European financial transactions; points out that this EU supervisory authority should be able to collect and analyse micro- and macro prudential information with the central banks and should act as a rapid reaction force in crisis situations which have a systemic impact on the EU;

22. Notes that some flexibility is needed in the implementation of State aid policy in view of the current exceptional circumstances, but stresses the need to change the incentives for large financial institutions with potential systemic risks, taking into account the fact that if they are 'too big to fail' they are encouraged to maximise the risks they take;

23. Questions the role played by the Commission in preventing the growth of large financial institutions with systemic risks; as regards State aid, regards it as essential to implement suitable rules on the conduct of beneficiaries that prevent any abuse of State support, such as expansion and aggressive market strategies, notably vis-à-vis smaller institutions, on the back of State guarantees;

24. Emphasises, further, that an appropriate contribution by the private sector is needed, as a counterpart to the introduction of the State guarantee scheme; takes the view that the Commission should consult it on the implementation of these principles;

Lisbon Treaty

25. Acknowledges that there is increasing mistrust on the part of European citizens towards the European Union; however, reiterates that the Lisbon Treaty contains the elements needed to overcome that mistrust by strengthening parliamentary democracy, transparency and the rule of law, by enshrining fundamental rights, developing citizenship and enhancing the ability of the enlarged Union to act effectively at home and abroad; acknowledges also, however, that the financial crisis has shown that the Community instruments in the area of economic and financial policy are inadequate;

26. Welcomes the in-depth analysis by the Irish Government of the causes of the negative outcome of the referendum, but is concerned about the delay; urges the Irish Government to make all possible efforts to come forward with a concrete proposal establishing the conditions under which the ratification procedure could be resumed in time to allow the Lisbon Treaty to come into force before the 2009 European elections;

27. Calls on the responsible authorities of Sweden and the Czech Republic to complete their respective ratification procedures before the end of the current year;

Energy and climate change

28. Is convinced that the economic case for tackling climate change is clear and every step to delay the necessary action will ultimately lead to greater costs; furthermore, considers that improving energy efficiency and shifting to renewable energy sources and a climate-friendly economy will save money, reduce our dependence on energy imports and have a positive impact on job creation in Europe at this critical time;

29. Welcomes the progress made within Parliament and the consensus that has been reached on starting negotiations with a view to seeking first-reading agreement with the Council before the end of this parliamentary term;

30. Strongly condemns the European Council's attempt to hijack the climate and energy package by removing it from the scope of the normal codecision procedure and making it subject to the unanimity rule in the Council; is concerned that this could seriously undermine the integrity of the package and put EU efforts to lend impetus to a future international climate agreement at risk;

Energy security

31. Acknowledges that the EU is now importing 82.5% of its oil and that if the EU were to immediately stop importing oil Member States' existing reserves would last 15 months;

32. Acknowledges that roughly 70% of the oil consumed in Europe is used by the transport sector, with the remaining 20% used in buildings and 10% as raw material; notes that the Commission expects energy demand in the transport sector to grow by at least 30% until 2030, with an unacceptable rise of up to 5% per year for air transport, which increases CO2 emissions and dependency on imported energy;

33. Underlines that developments in the transport sector are critical for oil dependency and a better environment and deplores the fact that the European Council hardly tackled the question of oil dependency and completely failed to address the transport sector;

34. Is confident that substantial developments in this area of energy efficiency and renewable energies will enhance energy security, curb the projected rise in energy prices and reduce greenhouse gas emissions; urges the Commission to identify energy saving, energy efficiency and renewable energies as the key measures needed to achieve the EU's climate targets whilst simultaneously increasing security of supply in the EU;

35. Considers that a target of improving energy efficiency by over 20% by 2020, as already agreed by the European Council in March 2007, is entirely feasible technically and economically; deplores the fact, therefore, that the European Council has not made this target mandatory;

36. Calls once again on the EU to take concrete measures to make its economy the least fossil fuel-dependent and most energy-efficient by 2020; urges, therefore, the EU and its Member States to invest urgently and massively in energy-saving and energy-efficiency measures and the development of joint EU renewable energy projects, which can not only ensure the EU's security of supply, but can also create a link between this goal and the Lisbon goal (economic and social development) and the Göteborg goal (environment);

37. Calls on the Commission, further, to launch under the Second Strategic Energy Review a vast energy efficiency programme, including a set of new relevant initiatives, such as a revision of the existing EU buildings directive, a new initiative on co-generation, and new budgetary facilities for investments in energy saving and energy efficiency; stresses that energy saving, energy efficiency and the use of renewable energy offer the greatest, as well as the cheapest, potential for CO2 reductions, whilst enhancing the EU's geopolitical independence; reiterates that only through such measures can the EU offer concrete long-term help to its citizens and businesses in their struggle against rising energy prices;

European Pact on Immigration and Asylum

38. Deplores the fact that the immigration and asylum pact focuses on border control rather than on prioritising means of legal migration; the focus on border controls and the systematic return of illegal immigrants represent barriers to access to asylum and family reunification;

39. Whilst accepting the Blue Card proposal as a first step towards a more open migration programme, rejects any hierarchy of rights for migrant workers; calls, in this connection, on the Member States to ratify the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families;

40. Calls for the mandate of FRONTEX to explicitly include the obligation to meet international human rights standards and its duty towards asylum seekers, i.e. in relation to FRONTEX operations on the high seas;

41. Looks forward to an ambitious review of European asylum directives, followed by their effective implementation, including a thorough revision of the Dublin II regulation;

Follow-up to the Georgian crisis

42. Deplores the fact that the international talks on the security and stability arrangements in Abkhazia and South Ossetia (as provided for in the six-point plan of 12 August 2008) that opened in Geneva on 15 October 2008 were marked by procedural controversies that prevented the parties from dealing substantively and face to face with the points on the agenda;

43. Stresses the urgent need to solve the problem of displaced persons and, in particular, calls for the prompt return, in safety and dignity, of all the people living in the upper Kodori Gorge in Abkhazia and

the Akhalgori region of placeSouth Ossetia;

44. Looks forward to the conclusions of the International Donors' Conference on Georgia to be held on 22 October 2008; welcomes the Commission's commitment to provide strong political, financial and practical support to Georgia; calls on the Commission to submit and quickly follow through with measures aimed at the rehabilitation and recovery of the conflict areas and to step up humanitarian assistance with a view to resettling and providing shelter before winter to the people affected by the war;

45. Welcomes the deployment of the EU monitors in the buffer zones, a measure that enhances the role and the responsibilities of the EU in the region and paves the way for the further deepening of relations with Georgia; calls on the de facto authorities of Abkhazia and South Ossetia and on the Russian Federation to allow EU monitoring operations to take place inside the breakaway territories;

46. Calls on the Council and the Commission to make clear to the Russian President at the forthcoming EU-Russia summit on 14 November 2008 that no strategic partnership is possible with countries that do not abide by international law and violate their neighbours' territorial integrity;

47. Calls on the Commission to make democracy and respect for human rights and the rule of law integral parts of the future partnership and cooperation agreement with the Russian Federation, with a clear mechanism for implementing the suspension clause;

48. Instructs its President to forward this resolution to the Council, the Commission and the parliaments of the Member States.

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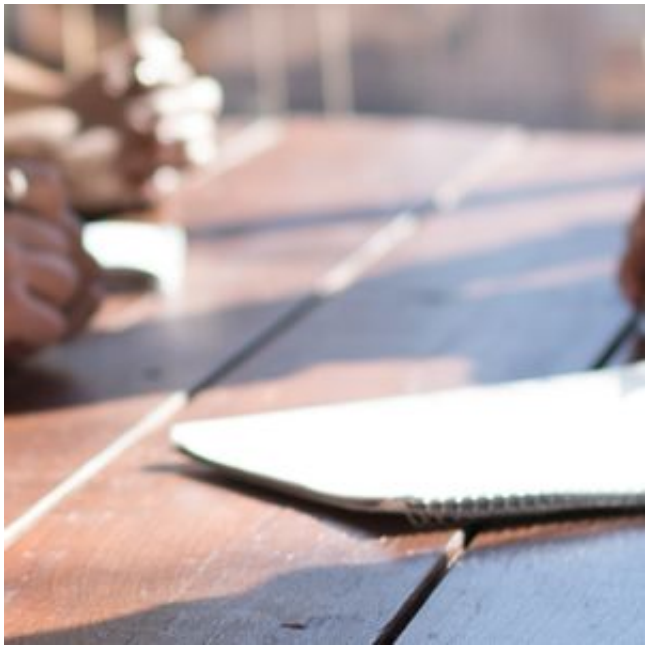

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