

# Resolution on the London G20 Summit of 2 April 2009

2009/2558(RSP) - 24/04/2009 - Text adopted by Parliament, single reading

Following the debate which took place during the sitting of 23 April 2009, the European Parliament adopted by 308 votes to 30 with 25 abstentions a resolution on the London G20 Summit of 2 April 2009. The resolution had been tabled by the EPP-ED, PES, UEN and ALDE groups.

Parliament welcomes the Global Plan for Recovery and Reform. It believes that the task ahead for world's leaders is not to patch up the present financial and economic system, but to recognise that a **new balance** must be struck in the regulatory framework which would take into account environmental and social sustainability, opportunity, revived global economic growth and job creation as well as social justice and participation. It calls for better and all-encompassing regulation and supervision and for a new regulatory and governance framework to be developed. The G20 should have addressed the problem of global imbalances in trade and finance, which have played a fundamental role in the current economic crisis.

Parliament lauds the G20 for having largely opted for **solutions based on loans and guarantees**, which will maximise economic effects whilst helping to reduce the long-term impact on government coffers of the package of measures that is worth over USD 1 trillion. It welcomes the agreement to provide **EUR 832 billion in additional financial resources** for the IMF, other financial institutions and trade finance and the commitment to deliver the scale of sustained fiscal effort needed to restore credit, growth and jobs in the world economy whilst ensuring long-term fiscal sustainability. Members note, however, that no additional European fiscal stimulus was agreed. They recognise that the margin for action is different for each country, but that each needs to act to the limits of its possibilities.

Parliament recognises the essential role of central banks in this effort and their rapid reduction of interest rates, and welcomes the G20's commitment to refrain from competitive devaluation of national currencies, which could trigger a vicious circle. It welcomes the ECB's successive rate cuts to foster growth, and its prompt provision of short-term financial facilities designed to revive inter-bank lending. However, it notes with concern the **rapid increases in public debt** and budget deficits, and stresses the importance of establishing sound State finances as soon as possible and of ensuring long-term fiscal sustainability in order to avoid imposing too heavy a burden on future generations, noting that, country-by-country this should be considered in the context of total indebtedness.

Parliament deplores the fact that **global imbalances**, which are at the root of the financial crisis, were not addressed at the G20 Summit. It points out that if financial crises are to be prevented in the future, the underlying causes have to be addressed (i.e. an excessive US deficit financed by excessive Chinese trade surpluses), which have implications far beyond the realm of banking and financial regulation and institutional governance. An effective multilateral response to the crisis must involve addressing the causes of exchange rate imbalances and commodity price volatility within multilateral frameworks. The European Council is urged, therefore, to adopt a **common position** in order to tackle those issues before the next G20 Summit in New York.

The resolution welcomes the G20's decision to **promote integrity and transparency** in the financial markets as well as increased responsibility of financial actors. It also welcomes the G20 pledge to **reform remuneration schemes** 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 an industry-wide application of the new principles in order to ensure a level playing field. Parliament will remain extremely vigilant regarding the effective implementation of

the principles relating to pay and remuneration in financial institutions and calls for the adoption of more stringent measures in this area.

Members also call on the next G20 Summit to agree on coordinated and concrete action both to close down all **tax and regulatory havens** and to close 'onshore' tax and regulatory loopholes which permit widespread tax avoidance even in major financial centres. They welcome the G20 statement regarding bank secrecy and lauds automatic exchange of information as the most effective tool to tackle tax avoidance. They recommend that the European Union should adopt its own appropriate legislative framework regarding tax havens and calls on its international partners to do the same. Parliament welcomes and fully supports the request made by the EUROLAT Parliamentary Assembly on 8 April 2009 to the EU-LAC countries to act at once to abolish all tax havens on their territory and to work at international level for the abolition of the rest and for sanctions against companies and individuals resorting to their services.

Lastly, it rejects any form of protectionism both in the real economy and in the financial sector as a reaction to the economic downturn and falling world trade.