Financial and monetary world crisis: consequences on the Union's economy

1998/2194(INI) - 03/12/1998 - Text adopted by Parliament, single reading

In adopting the report by Mrs Christa RANDZIO-PLATH (PSE, D) on the world financial crisis Parliament expressed its concern that the Commission was not taking the threats to the European economy sufficiently seriously. The repercussions of the crisis on unemployment in certain sectors made it essential to take steps at European level. Parliament called for measures to be taken to maintain demand and hoped that consideration would be given to the possibilities for increasing substantially the budgets intended for investment at European level. In order to prepare Europe for any future deterioration in the economic situation, Parliament called for an action plan to be drawn up as quickly as possible. With regard to the international aspect of the crisis Parliament considered that the Brazilian financial sector would play a strategic role and would play a key part in future developments. It therefore urged the IMF to support the Brazilian currency. The measures to be taken should include international initiatives aimed at relieving Brazil's debt burden. Parliament also stressed the need to assist Russia to overcome its financial, economic and social crisis. Parliament considered that greater efforts should be made in the future with regard to the prevention of crises. This would require a radical reform of the international financial system, seeking to introduce a mechanism for international regulation and supervision of financial transactions. Key demands put forward in this report included greater transparency in the actions of the market, the adoption of codes of conduct to which all parties agreed to adhere and ensuring closer supervision of respect for these rules. Parliament also stressed that there must be an improvement in how both national and international organisations manage crises. In order to avoid a situation were investors, assuming that the public authorities would come to their aid, took imprudent risks, Parliament called for a new approach whereby the private sector would be actively and financially involved in the resolution of crises. Parliament considered also that the international financial institutions required substantial reform. The structures of the IMF required changing in order to transform this institution into a political body with decision-making powers, an Economic Security Council should be created under the auspices of the UN, which would provide a more balanced approach between the interests of developed nations and the poorer nations, and financial trade should be integrated within any new WTO trade round. Lastly, it called for IMF resources to be increased in order to assist the most highly indebted countries. Plenary deleted paragraph 13 of the report which considered that controls on capital did not offer a long-term solution. However, Parliament called for a strengthening of public and private investment in the European economy in order to stimulate sustainable growth and employment.