Financial, economic and social crisis: Recommendations concerning the measures and initiatives to be taken (mid-term report)

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European Parliament resolution of 20 October 2010 on the financial, economic and social crisis: recommendations concerning measures and initiatives to be taken (mid-term report) (2009/2182(INI))

(2012/C 70 E/03)

The European Parliament,

— having regard to its decision of 7 October 2009 on setting up a special committee on the financial, economic and social crisis, and its powers, numerical composition and term of office [1], adopted under Rule 184 of its Rules of Procedure,

— having regard to Rule 48 of its Rules of Procedure,

— having regard to the report of the Special Committee on the Financial, Economic and Social Crisis (A7-0267/2010),

Causes

1. Notes that the causes of the current crisis are manifold and its effects both immediate and long-term, and that several warning signs were overlooked and the scale of the crisis, as well as its impact and spillover effects, underestimated;

2. Notes that the crisis that originated in the United States with the subprime bubble had roots that go back a long way;

3. Notes that global imbalances, regulatory governance (regulation and supervision), and monetary policy - together with specific factors inherent in the financial system, such as the complexity and opacity of financial products, short-term featured remuneration systems and inadequate business models - are the main factors contributing to the current financial crisis;

4. Considers that the proliferation in the financial sector of conflicts of interest, vested interests and cases of operators who are 'too close to talk' has in some cases aggravated the crisis;

5. Notes that the USA's expansionist monetary policy encouraged an excess of liquidity in search of high returns and the development of domestic demand based on consumer credit, and thus household debt, as well as high government expenses financed through cheap access to capital;

6. Notes that there has been speculative behaviour in the financial markets, with some investors taking very large risks, which was aggravated by the oligopoly in rating agencies; notes that any market economy works best when accompanied by democratically agreed, transparent, multilevel regulation accompanied by healthy ethics and morality that encourage sound financial and economic systems and do not damage the real economy;

7. Notes that the proliferation of complex off-balance-sheet products (SPVs, CDOs, CDS, etc.) and securitization arrangements resulting from an unregulated parallel banking system has increased, rather than decreased, systemic risks; notes that establishments that concentrate on savers and financing for SMEs have proved their value;

[1] OJ C 230 E, 26.8.2010, p. 11.

8. Believes that the absence of a more sustainable pattern of production, distribution and consumption in the face of climate change, the loss of biodiversity and the depletion of natural resources feeds into the root causes of the crisis;

9. Considers that the economic and financial governance structures in place at the onset of the crisis, whether at global level, in the USA or within the European Union, lacked coherence and consistency in separating macro- from micro-prudential supervision, focussed excessively on bottom-up micro-prudential supervision of financial institutions and country-level monitoring of macroeconomic indicators, whilst neglecting the system-wide view of the financial and macroeconomic developments that would necessitate monitoring of the interconnectedness among financial institutions and among countries;

10. Notes that globalisation has developed without the emergence or parallel evolution of global governance structures to accompany market integration, especially as regards global balances or imbalances and financial markets, and sees the G20 process as a step in the right direction, but points out that an effective representation of the EU-position at the G20 is necessary;

11. Notes that the European Union recognised the free movement of capital as provided for in the EU Treaties in July 1990, which contributed to economic development; notes, however, that the free movement of capital was not accompanied by a harmonisation of taxes on savings, adequate cross-border regulation or supervision on a European level;

12. Condemns the fact that the principles of the SGP were not always respected in the past and notes that substantial imbalances between the euro-zone economies have occurred;

13. Notes the absence of proper regulation and robust supervision, and the complete lack of instruments for contingency management in the event of a banking crisis showed how much further the European Union needs to go to have in place mechanisms fit to manage the policy challenges associated with having an internal market and an integrated financial system; notes in particular the absence of a cross-border bankruptcy mechanism;

Effects

14. Notes that the public deficit in the European Union rose from 2,3 % of GDP in 2008 to 7,5 % in 2010, and from 2 % to 6,3 % in the euro zone according to Eurostat, with the public debt-to-GDP ratio rising from 61,6 % of GDP in 2008 to 79,6 % in 2010 in the European Union and from 69,4 % to 84,7 % in the euro zone, brushing aside in two years all the efforts at budgetary consolidation made over almost two decades by some Member States; deplores this setback as it will make responding to unemployment and demographic challenges much more difficult;

15. Considers that Europe's public finances were already in a poor state before the crisis: since the 1970s the level of Member States' public debt has gradually crept upwards under the impact of the various economic downturns the EU has experienced; notes that the cost of recovery plans, falling tax revenues and high welfare expenditure have caused both public debt and the ratio of public debt to GDP to rise in all Member States, although not to a uniform degree across the Union;

16. Considers that the full effects of the crisis have not yet been unleashed and that a relapse, as in a double-dip recession, cannot be ruled out, particularly as regards the unemployment level;

17. Notes that the crisis has had an impact on employment throughout the EU, although the jobless rate rose by an average of only 1,9 % across the EU-27, and that the negative impact on employment will continue as a result of the customary delay with which economic trends are mirrored in the job market; underlines that the Commission forecasts point to an EU-wide rate of unemployment of almost 11 % in 2010, which will have serious implications for the EU's labour force.

18. Notes that the social effects of the crisis are very different depending on the Member State: whereas the unemployment rate is 10 % on average, in some countries it reaches 20 %, escalating to over 40 % of young people, which underlines the extent of the structural improvements needed in some countries;

19. Considers that while a policy of debt reduction is important, a rapid consolidation of public finances should not be detrimental to the systems of social protection and public services when these have rightly been welcomed for the role they play as automatic stabilisers in mitigating the crisis; notes that fostering efficiency in social protection and public services can simultaneously improve economic efficiency and the quality of services; recognizes that the failure to strike the right balance could lead to sluggish growth over a long period, accompanied by persistent unemployment, and thus the inexorable erosion of Europe's global competitiveness;

20. Notes that high levels of unemployment carry not just social costs but also high economic costs in that the unemployed cannot contribute much to domestic demand and pay fewer taxes and social security contributions; notes that this increases the burden on those working, in the form of higher taxes, and on future generations through a higher debt burden;

21. Notes that on the basis of the figures for 2007, which are the last available and thus date back to before the crisis, there were 30 million working poor and, according to recent figures, 79 million people live below the poverty line in the European Union, and that this number has probably risen since then;

22. Notes that, beyond unemployment, the crisis has had a multifaceted social impact, notably including some erosion of working conditions, increasing difficulties for some people to access basics needs and services, increasing homelessness, over indebtedness and financial exclusion;

23. Notes that, as with any crisis, the current one is having negative effects on growth and employment, first affecting the most vulnerable, including young people, children and women, as well as ethnic minorities and migrants;

24. Shares concerns about the pro-cyclical aspects of the regulatory, prudential accounting and taxation rules which amplify the fluctuations that are inherent in the functioning of the market economy;

Response

25. Notes that the bail-out of the banking sector by governments represents only part of the costs inflicted on society by the financial crisis, while the costs of the recession and the increase in public debt will be substantial, some USD 60 trillion being lost worldwide;

26. Notes that the crisis has led to a dramatic increase in state aid following the adoption of the temporary framework for state aid, and regrets the damaging effect this may have had on upholding a level playing field in Europe. Calls on the Commission to take a strong lead in fighting protectionism and distortion of competition;

27. Approves the non-conventional measures put in place by the ECB and national central banks over the last two years to bail out banks in the Member States that that were at risk of bankruptcy because of unprecedented levels of toxic assets; welcomes especially the fact that guarantees on deposits were provided for clients of these banks, but stresses the need to gradually phase out these unconventional measures in order to prevent unfair competition in the banking sector;

28. Points out that in October 2008 the European Union adopted the European Economic Recovery Plan, amounting to 1,6 % of its GDP, compared to 5 % in China and 6,55 % in the United States;

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29. Welcomes the adoption by the Ecofin Council on 10 May 2010 of the EUR 750 billion stabilisation plan, which established a financial stability mechanism to address the risks of default by sovereign borrowers, partly using Article 122 of the TFEU as the legal basis of this plan; notes the inherent democratic deficit and accountability void of the Council's rescue package decisions, which did not include consultation with the European Parliament; demands that the European Parliament be involved as co-legislator in forth-coming crisis rescue proposals and decisions;

National recovery plans

30. Regrets the modest level of coordination among the different national recovery plans, as the multi-plying effect and leveraging potential of EU-level coordination would most probably have exceeded the effect that can be reached through largely national-level planning, which carries the risk of being mutually contradictory; calls for an increase in the European dimension of future recovery plans and large-scale investments;

31. Calls on the Commission to give a very precise report on the effectiveness of the national bank rescue packages and national and European recovery plans decided over the autumn and winter of 2008-2009 with respect to the Union's long- and short-term objectives, including a thorough analysis of the consequences of the revised state aid mechanisms adopted in response to the crisis and with regard to competition and the upholding of a level playing field in the EU, financial reform and job creation;

32. Notes that some Member States, particularly those that received the EC balance of payments assistance, do not currently have opportunities to create real national recovery plans with elements allowing growth and employment to be stimulated, since all the options until the year 2012 are limited to public expenditure cuts, tax increases and reduction of GGD;

The future - a Europe of added value

33. Deems it unacceptable for the Union to be the only integrated area in which the question of energy, especially the energy mix, is not regarded as a strategic issue both internally and in the context of relations with partner countries; considers that initiatives on energy need to be taken in the EU on a basis of close coordination between the Commission, the Member States and the relevant sectors of the industry in order to safeguard the supply of energy sources, such as oil and gas, to its Member States through a diversified network of energy pipelines, notably by negotiating supply contracts and organising storage capacity, as well as by funding and coordinating research and development on new energy sources as part of all relevant programmes such as the 7th Research Programme 2007-2013 and its subsequent updates;

34. Proposes that the Commission assume full responsibility for ensuring the steering and financing of projects in the following fields:

— new investment in research and the development and deployment of renewable energy sources, in energy efficiency, especially in the European building stock, as well as in resource-use efficiency more generally,

— strengthening the European energy network by interconnecting national networks and distributing power from major centres of renewable energy production to consumers, as well as introducing new forms of energy storage and the European High Voltage Direct Current (HVDC) 'super-grid';

— promoting EU space-based infrastructures in the area of radio navigation and earth observation in order to foster the provision of new EU services and the development of innovative applications, as well as to facilitate implementation of EU legislation and policies;

— developing a high-speed public rail service connecting the Union from east to west and north to south, together with plans to facilitate investment in its infrastructure and critical infrastructure in public ownership;

— providing fast internet access throughout the Union, ensuring the rapid execution of the EU's digital agenda and providing all citizens with reliable, free access;

— developing EU leadership in the field of e-health,

— completing the development of, and creating common standards for, electric mobility;

35. Believes that, while there may be agreement on matters of governance and on EU activity in terms of shared competence and supplementary action, the Union requires resources, especially financial resources, to pursue such a strategy;

Financial regulation and supervision

36. Points out that the ultimate purpose of the financial system is to provide appropriate instruments for saving and for putting savings to use in the form of investment to provide support to the real economy and to promote economic efficiency, assuming part of the risk of enterprises and private households, to optimise long-term financing of pensions, and to create jobs, as done for example by regional and local retail banks; notes that this function is especially important in a situation where new means of growth are needed, entailing substantial investment in clean technologies;

37. Emphasises that financial development must also be put to use in the cause of fairness by extending access to credit and insurance – subject to adequate safeguards – to sections of the population currently cut off from it; insists that regulatory reform in the financial sector must not be carried out for the sole purpose of ensuring financial stability, but must also reflect the aims of sustainable development;

38. Notes that this crisis marks the limits of a system of self-regulation and over-reliance on the capacity of market participants in the financial sector and of rating agencies always to correctly assess and properly manage risks and avoid moral hazard;

39. Welcomes the present proposals of the Basel Committee on Banking Supervision (BCBS) and the role played by the institution as such, but bearing in mind that a 'one-size-fits-all' approach is detrimental to financial institutions in the EU, takes the view that regulation should be timed and proposed on the basis of thorough assessments of its impact on the extent to which financial institutions serve the real economy and society; shares concerns expressed about the right level of capital requirements and the length of transition periods;

40. Notes that transparency in both corporate and Member State financial statements is required in order to restore confidence; calls upon the Commission, therefore, to investigate the use of off-balance sheet transactions, unfunded liabilities and the proliferation of SPV and SPEs and to consider limiting their use or requiring mandatory declarations in published accounts;

41. Notes that a major deficiency in the oversight system has become evident as a result of this crisis; calls for opportunities for regulatory arbitrage to be minimised globally through firm agreement at G20 level and within the European Union, and, where possible, to be abolished through the application of a common rule book for financial services;

42. Believes that loopholes in regulation which allowed subsidiaries of foreign financial services to operate significant unregulated business in the EU need to be closed;

43. Notes that there is at present insufficient international regulation of crisis management in the financial sector; calls on the Commission to come forward with concrete proposals for an EU framework for cross-border crisis management in the financial sector, taking into account initiatives taken by international bodies, such as the G20 and the IMF, in order to ensure a global level playing field;

44. Notes that standards, notably when using fair value, are pro-cyclical in their impact on decision making, notably by financial institutions that have been over-reliant on them; notes that this fault can also be observed in some regulatory, prudential and taxation rules;

45. Is aware of the specific problems associated with the important part of of the banking and insurance sectors held by foreign establishments in many of the New Member States;

46. Notes that it is necessary to strike a balance between the need to take steps that help preserve financial stability and the need to maintain banks' ability to provide credit to the economy; it is important that the banking system should be able to fulfil its fundamental tasks in normal times as well as in times of crisis;

47. Notes that the size of financial institutions and their respective balance sheets have introduced the concept of 'too big to fail'; calls on the Commission, therefore, to require banks to produce a 'living will' detailing their orderly liquidation in the event of a crisis;

48. Welcomes the European Central Bank's (ECB) strong role in the framework of the European Systemic Risk Board (ESRB), enabling it to make a major contribution to financial stability in the European Union;

49. Stresses the need to introduce new standards for statistical data on the financial sector, strengthening the risk-monitoring and surveillance capacity of the European Commission;

50. Wishes to encourage financial innovation provided that it leads to the development of transparent tools for financing useful technological innovation, long-term investment, pension funds, jobs and the green economy; is looking forward to further EU action in the area of innovative financing with the aim of mobilising long-term savings in favour of sustainable, strategic long-term investments and expanding access to financial services;

51. Reaffirms the paramount importance of a system of supervision and regulation which leaves no financial transaction and no financial instrument off the record book; insists that hedge funds must be submitted to the same rules as any and every investment fund; stresses that supervision and regulation must target speculative movements on the financial markets in order to curb and rein in speculation against countries, currencies and economies;

52. Considers that lax corporate governance of financial institutions has contributed to the crisis and needs addressing in order to ensure that risk committees are operational and effective, board members are sufficiently knowledgeable about the institution's products and management and non-executive directors assume responsibility for aligning investor and employee interests with respect to compensation policies;

53. Notes a lack of values and ethics in the behaviour of some actors in financial markets and institutions; underlines that financial markets and institutions have to take into account, as part of their corporate social responsibility, the interests of all of the parties involved, such as their clients, shareholders and employees;

54. Takes the view that a sufficiently broad set of criteria for systemic risk needs to be used as the basis for categorising financial institutions, especially within the EU; considers that use of these criteria entails asking how many Member States' institutions operate in and how big they are, and, most importantly, ascertaining the capacity of a given institution to disrupt the internal market – a point underscored when the crisis demonstrated that large size was only one of several factors that posed systemic risk;

55. Deems it vital that the EU should take into account, in defining new rules, the need to maintain and expand the structural diversity of its financial sector, and believes that the European economy needs a sound network of regional and local banks, such as savings banks and cooperative banks, while recognising that different banks have different areas of expertise and core competencies; notes that plurality has proved its worth in the financial crisis and has added to stability, and that uniformity can lead to systemic fragility;

56. Calls for a return of the role of the traditional bank manager who, knowing the character, track record and business plan of loan applicants, is in a position to take a calculated risk based on personal knowledge in accordance with EU legislation such as the MIFID and consumer credit directives which provide for consumer information and protection;

57. Stresses that, in order to revitalise and unblock the flow of credit to companies and individuals, it is essential to find long-term solutions to the difficulties posed by the enormous amount of private debt for both households and businesses;

58. Calls for increased transparency in the relations between Member States and their relations with leading financial institutions;

59. Welcomes the Commission's proposal of 2 June 2010 and considers that the business model of the Credit Rating Agencies may result in a conflict of interests, given that the agencies are used to measure the financial strength of the companies that pay them, and that their model does not enable them to evaluate the macroeconomic aspects of decisions; realizes that the credit rating agencies contributed to the crisis because their incentives were set up in a harmful way largely resulting from a lack of competition; proposes that research be carried out into the reliability of a system whereby investors and savers pay for access to the information they need;

60. Asks the Commission to launch a feasibility and impact study on the setting up of a public and independent European Credit Rating Agency, and considers that courts of auditors, as independent bodies, ought to contribute actively to the rating of sovereign debt; believes that this development would introduce a welcome plurality of standards; considers that increased competition in the ratings market could improve the quality of ratings;

61. Calls on the Commission to explore proposals on shareholder voting rights in terms of providing for greater transparency in respect of shareholders' identities and strategies and by encouraging long-term investment;

EU governance

62. Considers that at times of economic and social crisis Europeans expect accountability, responsibility and solidarity to be the guiding principles behind European decision making;

63. Notes that for decades before the crisis, many European countries were experiencing low economic growth and high unemployment owing to a lack of capacity in some Member States to reform their economies towards a knowledge-driven economy and to restore their competitiveness on the international markets, as well as to low domestic demand; notes that Europe needs more transparent and efficient financial markets and higher economic growth that is conducive to high-quality employment and social inclusion;

64. Notes that the European Union is finding it more difficult than other regions in the world to get out of the crisis, largely on account of inappropriate, insufficient and belated political responses to the crisis and the structural weakness of its governance capacity, and notes the risk that the crisis will seriously and permanently weaken its economic, and thus political, position on the world stage, which perhaps will only be regained in the long term and if the EU is able to consider the sustainability of the concept of the 'European way of life' without undermining its core values;

65. Considers that the Union will need to achieve greater coherence in policy making to rise to the challenge facing it; therefore deems it essential that the policies implemented be consistent; considers that action by the EU institutions will be decisive here;

66. Notes also the deficient economic governance structures in the European Union, whereby this fragmentation impairs the Union's capacity to impose its weight in discussions on the major macroeconomic imbalances, particularly with the United States and China;

67. Believes that the crisis has revealed a trend in the economic policies of the last years which left many countries both within and outside the euro area with an alarming rate of public debt;

68. Points out that the long-term sustainability of public finances is essential to stability and growth; welcomes the Commission proposals to strengthen the management of the euro zone in the medium and long term, which are designed to prevent any repetition of the current currency crisis, and shares its view that the Stability and Growth Pact requires more effective incentive and penalty mechanisms;

69. Underlines that, in order to restore sound growth rates and achieve the objective of sustainable economic development and social cohesion, priority should be given to dealing with persistent and significant macroeconomic imbalances and disparities in competitiveness; welcomes the recognition of this necessity by the Commission in its communication on economic policy coordination;

70. Notes that the crisis highlighted structural weaknesses in certain EU Member States and notes that the problems of some Member States in financing their debt on the markets can be attributed to inadequate governance and, as reported by the IMF, to international financial markets sounding false alarms;

71. Considers that the financial crisis in Greece and other countries within the euro area are a serious matter for the euro area as a whole and that it reflects the euro zone's weaknesses in coping with the spillover effects of the global financial sector;

72. Considers that any development model based on the universally declared desire not to return to the status quo needs to make the link between sustainability and solidarity; proposes that the Union's future strategy be sustainable in terms of financial markets, the economy, government expenditure, economic and social impetus, climate and the environment;

73. Favours the introduction of a tax on financial transactions, the revenue from which would improve the functioning of the market by reducing speculation and help to finance global public goods and reduce public deficits; considers that such a tax ought to be as broadly based as possible or, failing that, that the financial transaction tax should be introduced as a first step at EU level; calls on the Commission swiftly to produce a feasibility study taking into account the global level playing field and to come forward with concrete legislative proposals;

74. Considers that in order to avoid the risk of structural after-shocks, focusing the exit strategy on long-term sustainable growth should be the leading criterion for policy choices; from this perspective, the content of fiscal packages is essential; policy choices should be made in accordance with medium- to long-term objectives, and public investment must be properly targeted and focus on innovation, research, education and energy efficiency, and new technologies should be considered a priority;

75. Points out that the Union's greatest successes have come from the achievement of practical projects and the implementation of substantive policies, such as the internal market, the common commercial policy (CCP), the euro, the launching of structural reforms and the Erasmus programme, which the Commission is working to drive forward;

76. Considers that solidarity between generations means that neither the young nor senior citizens should be overburdened with debt contracted in the past;

77. Notes that the crash has shed new light on the demographic challenge and the challenge of funding pensions; considers that the funding of pensions cannot be entirely left up to the public sector, but that reliance should be placed on tripartite systems including public, occupational and private pension schemes duly guaranteed by specific regulation and supervision in order to protect investors; considers, furthermore, that pensions will need to undergo European-wide reform to contribute towards financing solidarity between generations; considers that the increase in life expectancy raises cross-cutting issues regarding the organisation of society that have not been anticipated;

78. Believes that what Europe needs is a more united and efficient and less bureaucratic Union and not just more coordination; believes that the Commission, whose task it is to define and defend the general European interest, must, as a priority and in line with its right of initiative, commit to action on behalf of the Union in those fields where it has shared competences or competence to coordinate Member States' actions, while implementing and enforcing common policies and setting boundaries for action by market or state players that would hamper the internal market; considers it vital for the Commission to utilise regulations instead of directives as the legal basis in order to facilitate uniform adoption across the EU and to prevent distortions;

79. Asks the Commission to organise, where necessary, sector-based round tables so that all the stakeholders in a given market can work together with a view to encouraging the re-launch of a genuine European industrial policy as well as fostering innovation and job creation; recalls that in this endeavour we must bear in mind our commitments on climate change and the potential of certain green technologies; considers that the EU budget needs to be better used, so that it becomes a real catalyst for all national efforts in the areas of research and development, innovation and creation of new businesses and jobs; calls further on the Commission to put forward concrete proposals on how to enhance cooperation between business and research and promote clusters, and to support such a strategy with adequate funds; stresses that one fundamental driving force for development in any market is free and fair competition, where it is easy for newcomers to enter the market and where there are no privileges distorting it;

80. Invites the Commission to make full use of the letter and spirit of the Framework Agreement with regard to the special partnership with the European Parliament with a view to setting the priorities of the European agenda in the interest of all citizens; calls for an intensified dialogue with the national parliaments, in particular in the areas of budgetary and financial matters; warns against any attempts to create separate institutions on an intergovernmental basis, which would exclude some countries from decision making and would prevent equal weight being given to the views of all Member States;

81. Believes that effective economic governance implies endowing the Commission with proper, stronger management responsibility, thereby enabling it to use both existing tools and the new tools provided for by the Lisbon Treaty, such as Articles 121, 122, 136, 172, 173 and 194, which confer on the Commission the task of coordinating reform plans and measures and establishing a common strategy;

82. Believes that strengthening economic governance must go hand in hand with reinforcing the democratic legitimacy of European governance, which must be achieved through the closer and more timely involvement of the European Parliament and of national parliaments throughout the process;

83. Proposes that responsibility for economic and monetary affairs at the Commission should be given to one of its vice-presidents; proposes that that person be tasked with ensuring that EU economic activity is consistent, with overseeing how the Commission exercises its economic, monetary and financial-market-related responsibilities and with coordinating other aspects of the Union's economic activity; also suggests that he or she should participate in the work of the European Council, chair the Ecofin Council and the Eurogroup and represent the EU on relevant international bodies;

84. Considers that the budgetary difficulties currently faced by Member States and the need for considerable investment call, if the strategic objectives of the Union are to be achieved by 2020, for new financial models involving both public and private funds;

85. Urges the Member States and the Commission to accelerate the creation of conditions for the public and private sectors to cooperate closely including in the form of public-private partnerships, in order to meet the challenge of long-term investment at national and European level, leading to sustainable, inclusive and competitive growth;

Economic and Monetary Union policies

86. Confirms its commitment to the euro; recognises the strategic function and value of a common currency; stresses the transparency and economic benefits the euro has brought to the euro zone; takes the view that, first and foremost, the euro must be a bastion of stability for the European economy;

87. Notes that the primary objective of the ECB's monetary policy is to maintain price stability; points out that the objective of price stability can be achieved effectively only if the root causes of inflation are properly addressed; recalls that Article 127 of the TFEU also assigns to the ECB the task of supporting the general economic policies of the Union; deems it essential that Member States in the euro area and those with a special status strictly fulfil their obligations and leave no doubt about the common aims of price stability, independence of the ECB, budget discipline and fostering growth, employment and competitiveness;

88. Commends the ECB on its efforts to control inflation, but calls for the ECB to play a greater role in controlling asset inflation;

89. Notes that a monetary union needs strong coordination of economic policies to be resilient to economic downturn; regrets that in the Economic and Monetary Union the emphasis has largely been on the 'monetary';

90. Agrees with the IMF that crisis management is not an alternative to the corrective policy actions and fundamental reforms needed to reinforce the foundation of the European Monetary Union;

91. Underscores the need for the euro zone to increase its resilience by finalising an institutional set-up based on both incentives and sanctions for necessary actions;

92. Stresses that the SGP is the only existing regulatory instrument that can provide a fundamental regulatory framework for macro-economic policies and public finances in the EU;

93. Notes that the changeover to the euro, as the report on the first ten years of the euro has shown, has also revealed a widening of divergences in competitiveness between the euro zone economies, thus exacerbating the consequences for the economically weak countries and leading to substantial trade imbalances within the euro zone; notes, however, that the benefits of the euro for the Union as a whole, for example in terms of relative economic stability, price stability and a low inflation rate, have been substantial;

94. Stresses the need for many countries to put their fiscal house in order and reduce significantly their deficit and debt levels; agrees with the Council on the need to ensure fiscal sustainability and enhanced economic growth and employment in all Member States, and therefore agrees that plans for fiscal consolidation and structural reforms need to be defined and implemented accordingly;

95. Notes that this could lead to financial consolidation strategies which will greatly constrain the governments' capacity to act; at the same time, warns that these austerity packages should not lead to measures which could dampen economic recovery, employment creation and social cohesion;

96. Considers that the Stability and Growth Pact is an important tool for putting pressure on the sustainability of public finances, which has contributed to economic responsibility within the euro zone; recognises that it has been hampered by poor enforcement and has not given sufficient leverage for optimising the economic policies of each of the Member States and the euro zone as a whole; considers that this economic policy instrument was not designed to act as a sustainable corrective process to compensate for current imbalances and manage periods of crisis or of very low growth; takes the view that beyond the application of existing rules, Member States should implement internal policies to foster growth, innovation, competitiveness and a qualitative objective whereby the public deficit must not exceed certain benchmarks;

97. Considers that the Stability and Growth Pact does not take into account other imbalances such as the ones in private debt and in current account, which also have an impact on monetary union;

98. Notes that, even after it became clear that the accuracy of statistical data reported by some Member States was questionable in some cases, during the previous parliamentary term when the directive on Eurostat was being revised, the Council was opposed to giving Eurostat the power to conduct the on-the-spot checks advocated by the European Parliament;

99. Considers that the authors of the Maastricht Treaty expected a convergence of competitiveness between Member States in the euro zone and had not anticipated the high degree of divergences, which ultimately led to an increase in the spreads, as fears concerning the solvency of some Member States drove up their risk premium;

100. Notes that the last months have seen a number of temporary exceptions to the application of European state aid norms, thanks to which the Member States had the opportunity to contain the impact of the crisis; notes that the growth phase, towards which we are heading, requires solid foundations and it is in this context that we need to return gradually to the normal state aid regime, thus ensuring a level playing field in Europe;

101. Urges that the provisions of the Stability and Growth Pact be strengthened, especially its preventive arm, where the means of peer pressure is the strongest instrument presently available to make Member States comply with Council recommendations; calls for the economic surveillance carried out by the Commission to be given more teeth; considers that the possibility of creating incentives for fiscal consolidation has to be explored;

102. Proposes the setting up of an effective incentive and penalty mechanism to be applied to the implementation of the Stability and Growth Pact, which would contribute to preventing any worsening of the current crisis and ensure the prevention of a new crisis in the future;

103. Believes that multilateral surveillance and requests for adjustment must be directed at situations of both deficit and surplus, taking account of each country's specific circumstances, in terms of demography for example, and that they must have regard to levels of private debt, trends in wages compared to labour productivity, employment – especially youth employment – and current-account balances; considers that these factors, if they cannot be employed in the same way as the current stability pact criteria, should be used as warning signals; believes more transparency is needed with respect to public finance data, and welcomes the Commission proposal on the quality of statistical data;

104. Urges the Commission to put in place an enforced European sanctioning mechanism which is under its clear competence within the euro zone in order to force Member States to respect the rules of the Stability and Growth Pact;

105. Takes the view that the Stability and Growth Pact proved not to be efficient enough in coordinating fiscal policies, that its reliance on individual countries' policies raised problems with enforcement and fairness of information, that it failed to make the link with employment levels and job creation in such a way as to generate a properly balanced economic policy mix, and that it also failed to address the issues of real convergence, competitiveness and creation of euro zone synergies; takes the view, therefore, that there is a need for further coordination among Member States, and the euro zone economies in particular, in order to strengthen the economic balance in the euro zone;

106. Considers that the broad economic policy guidelines both for stability and growth established jointly with Parliament should be used as a framework for discussion and evaluation of the Member States' budgets – before their presentation to the respective national parliaments;

107. Believes that, in addition to having a single currency, the euro zone countries should go a step further by making arrangements for a mutual issue and management of a proportion of Member States' sovereign debt providing a basis for more complex multilateral surveillance with assistance from the EMF and EFSF, in order to ensure that the euro zone market as a whole is more attractive and for joint debt management;

108. Considers that the implementation of the structural reforms, especially the adaptation and restructuring of the social distribution systems in the new Member States, needs strong support and solidarity from the Union; regardless of any global financial, economic and social crisis situation, the euro zone and the ERM II have to be further enlarged by new Member States which have fulfilled the Maastricht criteria; such decisions, inter alia, would prove the stability and sustainability of the euro zone itself.

109. Considers that levelling out the existing major differences in competitiveness within the euro zone by keeping wage increases in line with productivity gains and inflation expectations is key to avoiding the emergence of rifts within the euro zone;

110. Calls for substantial improvement in the social dialogue on macro-economic issues, which must entail more than merely informing the social partners about guidelines proposed or adopted;

111. Calls on the Commission and the Council to define broad common guidelines for the EU to implement a sustainable market economy; believes that such guidelines should be defined annually on the basis of an assessment which includes wage/productivity evolution at national and European level through proper social dialogue;

Fiscal policy

112. Calls for a common budgetary strategy in order to restore and safeguard the EU as a long-term economic growth area;

113. Considers that public expenditure used efficiently with a view to the future (on education, training, infrastructure, research, environment etc.) can stabilise the economy by nourishing healthy, sustained growth over time; takes the view that high-quality, responsible public spending combined with fostering the entrepreneurial and innovative potential of the private sector can drive economic and social progress;

114. Stresses the importance of establishing a stronger link between the Stability and Growth Pact, macroeconomic instruments and the Europe 2020 National Reform Programmes by presenting them in a coherent way, thereby also making for enhanced comparability of national budgets in terms of spending in different categories; believes that Member States should view their respective economic policies not only as a matter of national interest, but also as a matter of common interest, and should formulate their policies accordingly; reminds the Member States of the enhanced role of the Broad Economic Policy Guidelines;

115. Insists that, if the Europe 2020 strategy is to be credible, greater compatibility and complementarity are needed between the national budgets of the 27 EU Member States and the EU budget; emphasises the greater role the EU budget should play in terms of pooling resources;

116. Considers that public investment that is targeted smartly can have a major leverage effect on long-term investment; proposes extending the mandate of the EIB to include the ability to issue Eurobonds to invest in major structural projects in accordance with the EU strategic priorities;

117. Points out that a common currency can only operate if Member States coordinate their budgetary policies and open their books to each other; recognises that this process requires close cooperation with national parliaments;

118. Calls on the Commission and the Council, with Eurostat's support, to improve the comparability of spending under national budgets in order to identify policy complementarity or convergence;

119. Believes that the Union and Member States must work towards the introduction of fiscal principles that will cease to encourage indebtedness in the public and private sectors and short-term remuneration in the private sector and which could possibly include bonus/malus mechanisms based on criteria relating to decent work and the environment;

120. Notes that recovery from the financial, economic and social crisis and an exit from the sovereign debt crisis will require a long-term process which must be well designed and ensure balanced and sustainable development; acknowledges that compromises may have to be made between growth, fairness and financial stability and that such compromises must be the subject of political decision making; asks the Commission to present financial development proposals that take these aims into account, particularly with regard to the EU 2020 strategy, and to explain the types of compromise on which political choices may have to be made; hopes that this will provide a basis on which the Union can facilitate debate and permit policy comparisons, following consultation with all parties that have a stake in financial-market reform (banks, investors, savers and the social partners); calls on the Commission, furthermore, to involve the European Parliament more closely in this process, particularly when devising and then implementing the EU 2020 strategy;

121. Urges the Union to better equip itself with countercyclical economic policy management instruments;

122. Considers that the Lisbon Treaty provides all the instruments needed at this stage to put in place real economic governance of the Union and better surveillance of the state of public finances in the Member States;

Internal market

123. Highlights calls in the Mario Monti and Louis Grech reports, adopted by the European Parliament on 20 May 2010, for a more holistic approach to the internal market, in terms of both strategy and perception, with a view to making it more effective and restoring public confidence; underlines the importance of the 'Single Market Act' initiative of legislative and non-legislative proposals to strengthen and update the internal market, complete the Digital internal market and address and break down remaining barriers;

124. Considers it essential that the Single Market Act include an ambitious agenda for social and consumer protection in the form of the insertion of a social clause in all legislation related to the internal market, legislation on services of general economic interest, a legislative agenda to strengthen workers' rights, an ambitious legislative package for consumer protection that makes a difference to the daily lives of citizens and better tax coordination by means of harmonisation of the corporate tax base and VAT rates;

125. Notes that the internal market requires the support of all as a cornerstone of the European project and the foundation of sustainable wealth creation in the EU;

126. Points out that the internal market is one of the main drivers of European growth; underlines that the EU 2020 strategy should serve as a concrete program for growth and employment with a view to facing the economic crisis and strengthening the internal market;

127. Takes the view that initiatives by single states cannot be effective without coordinated action at EU level, making it fundamental that the European Union speaks with a strong single voice and implements common actions. Solidarity, on which the European social economy model is based, and the coordination of national responses have been crucial to avoiding protectionist measures of short duration by single Member States; expresses its concern that the re-emergence of economic protectionism at national level would most probably result in fragmentation of the internal market and a reduction in competitiveness, and therefore needs to be avoided; is concerned that the current economic and financial crisis could be used to justify reviving protectionist measures in various Member States, whereas the downturn calls for common safeguard mechanisms instead;

128. Takes the view that progress in the internal market should not be based on the lowest common denominator. Encourages the Commission, therefore, to take the lead and come forward with bold proposals; encourages the Member States to use the method of enhanced cooperation in areas where the process of reaching an agreement among 27 is not achievable; other countries would be free to join these spearhead initiatives at a later stage;

129. Warns against the notion that the European economy can somehow develop and grow without free and fair trade with as many other countries in the world as possible, including our leading trade partner today, the US, and emerging economies like China, India and Brazil; considers that the European Union should also rely on its own strengths by making better use of its internal market, especially since the bulk of its growth is also linked to domestic demand;

130. Stresses the need to unleash the potential of the internal market for business in the era of globalisation, in order to boost job creation and innovation in new technologies in Europe;

131. Believes that in order to establish an effective internal market, the Commission must produce a clear set of political priorities through the adoption of a 'Single Market Act', which should cover both legislative and non-legislative initiatives, with the aim of creating a highly competitive social market economy;

132. Recognises that within the European Union the construction of the internal market without some tax harmonisation, notably regarding corporate taxes and a definition of the components of social protection, have led to some extent to excessive competition between Member States seeking to attract taxpayers from other Member States; notes, nevertheless, that one of the great advantages of the internal market has been the removal of barriers to mobility and the harmonization of institutional regulations, fostering cultural understanding, integration, economic growth and European solidarity;

133. Recommends that the Commission conduct an independent exercise to identify the top 20 single-market-related sources of dissatisfaction and frustration which citizens encounter every day, in particular in relation to e-commerce, cross-border medical care, and mutual recognition of professional qualifications;

134. Calls on the Member States finally to accept correlation tables concerning the implementation of legislation in order to make legislation deficits more transparent;

135. Stresses that a well-functioning procurement market is essential to the internal market; remains concerned, however, that there are still significant problems for public authorities in achieving their policy objectives within a complex set of rules, as well as in ensuring SME access to the public procurement markets;

136. Encourages the Commission to come forward with a proposal introducing a 'sunrise clause', which would ensure that EU internal market laws automatically enter into force at a given time if Member States do not transpose them in time;

137. Believes that putting in place sound, effective rules for an economic area, following a crisis on the scale of the one we have experienced, constitutes a significant contribution to competitiveness; considers that the EU authorities have a particular responsibility for ensuring that the reform agenda is adhered to, inter alia by national political authorities;

138. Takes the view that Europe should once again turn into a favourable location for investments and production, and become a world benchmark for innovation and growth; believes that financial institutions, be they public or private, must do their utmost to ensure that the financial markets work for the benefit of the real economy and of small and medium-sized enterprises;

139. Asks the Commission to carry out an annual assessment of public and private investment needs and how they are being, or should be, met;

Taxation

140. Recognises that in order to further develop the Union's internal market, a coordinated approach is needed at both national and EU level to capitalise on best practices in the fight against tax fraud and evasion, while defining appropriate incentives for tax payers to duly pay their taxes and for the tax authorities in the Member States to adopt effective preventive measures against all types of tax malpractice;

141. Considers that reducing tax fraud levels would help to reduce public deficits without increasing taxes, while maintaining social spending; is concerned about the distortion created in the internal market as a result of the different levels of tax fraud in the Member States; asks the Commission to draw up an impact assessment to evaluate the different problems caused by tax evasion and the black economy in all the Member States;

142. Stresses the fact that achieving sustainable public finances requires not just responsible spending, but also adequate and fair taxation, more effective collection of taxes by national tax authorities and a more intensive fight against tax evasion; calls on the Commission to propose a set of measures to help the Member States restore the balance of their public accounts and to finance public investment by tapping innovative financial sources;

143. Notes, echoing the work carried out by Mario Monti, that increases in public revenue linked to good economic performance have generally led to tax cuts; notes that taxation on labour should be reduced in order to increase European competitiveness; supports Mario Monti's proposals for the establishment of a Tax Policy Group, which would bring together representatives from the Member States, as an important way of encouraging dialogue between European countries; invites the policy group to discuss primarily the framework for a tax system that would address environmental goals and support resource efficiency; welcomes the proposal for a directive on a common consolidated corporate tax base in the 2011 Commission work programme;

144. Recognises that a major driving force for institutional improvement and economic growth in the Member States is their sovereignty in choosing how they wish to levy taxes; regards it as essential to reduce taxes on labour, both for the sake of the least fortunate and in order to allow the middle classes to live decently from the fruits of their labours;

145. Advocates a tax structure geared to easing the burden on labour and encouraging, and creating incentives for, employment, innovation and long-term investment;

Regional, economic and social cohesion

146. Considers that cohesion policy should be regarded as one of the pillars of the Union's economic policy, contributing to long-term EU investment strategy;

147. Notes that cohesion policy has become an essential element in the European Economic Recovery Package, being a public policy which can be used to respond to the crisis and address short-term demand stimulation while at the same time investing in long-term growth and competitiveness;

148. Considers that the strength of cohesion policy in linking recovery to long-term growth comes from its three basic characteristics: it sets strategic guidelines that are conditions for resources to be transferred, which are binding on both Member States and regions; it leaves space for Member States and regions to tailor interventions to local specificities; and it has the capacity to monitor and support in pursuit of goals;

149. Underscores that the uneven impact of the crisis across Europe's territory reflects different competitive starting points and varying degrees of recourse to anti-crisis measures, and that it means different long-term outlooks; points out that the effects of the crisis may result in weakened territorial cohesion if it is not countered with policies targeting specific problems in a differentiated manner. Notes that in some of the countries most affected by the crisis, cohesion policy accounted for a major part of total public investment;

150. Considers that the post-crisis strategy will be more effective if regions and cities are involved in its implementation; multilevel governance offers broader policy space, allowing more effective promotion of economic recovery in the EU, as regional and local levels of European governance have the capacity to translate European general strategic goals into their own territorial specificities and are capable of harnessing the policy tools they have at their disposal and the enthusiasm of all partners – business, academia and civil society;

151. Points out that today there are many policy tools at the local and regional levels of governance. Both innovation, which can bring productivity gains, and greening, which can create new demands and markets, require a regional and local focus and a place-based integrated approach to investment and growth policies; a region, a city, a town or a rural area can be a place where all partners can be brought together and all the elements needed to arrive at a solution found;

152. Expresses, therefore, its concerns at the lack of progress in devolving power to communities, given that local and rural communities provide opportunities in terms of the economy, employment and community building, and that providing support for these communities allows exclusion to be reduced by reinforcing the fabric of the community and thus increasing its capacity for absorption;

153. Points out that, as regions will continue to gain in importance in driving the economic agenda of the EU, local lending needs to be strengthened, and that this can be stimulated through strong regional banks; notes that regulation of the financial services industry should take into account the need to stimulate entrepreneurship and financing for SMEs, and that financial support for SMEs in cohesion policy should move towards venture capital finance, which would allow greater involvement of the banking sector and a more efficient use of structural funds;

154. Calls for further reform of the current cohesion policy structure to enable funds to be provided more rapidly and efficiently to Member States, regions and cities; points out that more flexibility is required and that the Commission must take this into account when designing future cohesion policy;

155. Considers it vital that any long-term EU investment strategy supported by the cohesion policy be linked to results in terms of competitiveness, innovation, job creation, green growth, and improvements in economic, social and territorial cohesion at European level, especially between old and new Member States;

EU 2020

156. Calls for the EU 2020 strategy to pursue a broad political concept of the future of the EU as a competitive, social, sustainable Union which places people and the protection of the environment at the centre of policy making;

157. Considers that, if these goals are to be achieved, it is time to coordinate our macroeconomic policies closely, aiming as a priority to increase the Union's growth potential and focusing on a model of inclusive and sustainable development, without which none of our problems can be solved; considers that this should be the focus of the new EU 2020 strategy;

158. Recognises that, in order to prevent the responses to the euro crisis from resulting in a lengthy period of economic stagnation, the Union should at the same time implement a strategy to accelerate sustainable economic growth alongside reforms aimed at restoring and improving competitiveness;

159. Notes the five headline targets agreed by the European Council on employment rate, research and development, greenhouse gas emissions, education levels and social inclusion; stresses that these headline targets should be formulated in the framework of a consistent and coherent sustainable development strategy combining the economic, social and environmental policy agendas;

160. Considers that education should be placed at the very heart of the Union's economic strategy, with the goal of raising the overall quality of all levels of education and training in the EU, combining excellence and equity and reforming the educational model; believes that education should constitute a public good in the eyes of the Union, with investment in all aspects of the education system, in quality of education and in broadening access to higher education; proposes the introduction of a permanent, inclusive European-level system of lifelong learning, under which the Erasmus and Leonardo programmes for education and training mobility would become more generally accessible; points out the need to urgently raise the level of investment in the field of R&D, particularly in view of the 7FP mid-term evaluation and the next EU financial perspectives;

161. Notes that tackling youth unemployment and fostering an effective matching of skills and market needs should be focal points; believes that public-private partnerships in education need to be developed and cross-border mobility for students and researchers in exchanges and internships should be used to enhance the international attractiveness of Europe's higher-education institutions while retaining the target of spending 3 % of GDP on R&D will boosts innovation through research and higher education;

162. Considers that the EU 2020 Strategy as proposed by the Commission should concentrate on making the internal market less bureaucratic, by reducing administrative burdens on business by 25 % by 2012, and more efficiency-driven, by using the internet as the backbone of an EU-wide e-market that will generate new services and jobs;

163. Believes that the governance structure of the Europe 2020 strategy should be strengthened to ensure that it will achieve its objective; considers that a broader use of binding measures is necessary to make the new strategy a success, instead of continued use of the open method of coordination in the field of economic policy; urges the Council and Commission to come forward with an economic strategy for economic recovery based primarily on EU instruments and not mainly on intergovernmental initiatives;

164. Recognises that good governance or an economic government will not, in itself, be enough to provide the EU with the growth strategy it needs in order to tackle the crisis and square up to global competition; is convinced, however, that 10 years of EMU have demonstrated – in the unique context of the euro – the absolute need for such a strategy;

165. Insists that the EU 2020 strategy should include a target for reducing poverty in the EU by half, and points out that a majority of Europeans currently living in poverty, or at risk of poverty, are women, in particular older women, migrant women, single mothers and carers; takes the view, moreover, that a life-course perspective should be introduced, as poverty of its parents has a direct impact on a child's life, development and future;

166. Calls for an ambitious long-term strategy against poverty with the aim of reducing inequalities and social exclusion, with far-reaching targets for poverty reduction and in-work poverty; proposes an EU framework policy on minimum income schemes, taking account of subsidiarity, different practices, collective bargaining and national law in the Member States, and on the basis of European criteria scaled to reflect the standard of living in each Member State; calls also for a child allowance with the above aim of reducing poverty, inequalities and social exclusion;

167. Considers that the Member States should hold debates in their respective national parliaments prior to adoption of their stability and growth (EU 2020) programmes;

Innovation

168. Notes that the Commission's Innovation Scoreboard shows that Europe is still lagging considerably behind Japan and the United States in terms of research and innovation;

169. Considers that, in addition to funding for small and medium enterprises, the European Union needs to take a proactive and coordinated approach to funding research and innovation and to be at the forefront of new employment sectors and attracting private investment;

170. Notes that the transition to an energy-efficient economy as a way of increasing the EU's energy security should be one of the priorities of the Commission and the Member States; considers that the EU should encourage innovation in energy generation from renewable resources, putting the emphasis on low-carbon local sources;

171. Considers that energy network interconnections are crucial to the functioning of the internal market in the energy sector, as well as to more extensive generation of energy from renewable resources; emphasises the importance of smart-grid development;

172. Points out that SMEs should be the backbone in the development of renewable and energy-efficient technologies; notes that the creation of financial instruments to encourage energy efficiency and innovation in renewable energy use is crucial;

173. Considers that investment in the renewal of housing stock and public transport needs to be prioritised in order to reduce energy costs and energy poverty and to initiate a virtuous circle;

174. Advocates a fair and equitable gradual transition to a green economy; believes that the job losses resulting from the transition need to be anticipated with measures to step up training and improve workers' skills in the new technologies; notes that fuel poverty is a significant and growing concern;

175. Calls on the Commission to develop and propose a mechanism whereby SMEs and other innovators would be offered risk-softening funding in public-private partnership with private equity funds, where money from the European Investment Bank, together with public money from the Member States, with the support of risk-guarantee mechanisms by the European Investment Fund distributed through the private equity fund, would enable the projects to leverage private investment up to 80 %;

176. Supports the establishment of financial institutions to provide financing for innovation projects throughout the Union, which are essential for future sustainable growth;

177. Urges the Commission to work to eliminate administrative hurdles, and to improve the conditions for innovation, for example by creating the single EU patent. Notes that well-intended programmes aimed at boosting competitiveness and shaping a sustainable economy are not working properly, as SMEs, universities and multinationals are discouraged from participating in European programmes;

178. Notes that fiscal and monetary policies are no substitute for structural reform, which must address the underlying weaknesses of the European economy – sharply growing debts and deficits, an ageing population, the probability of a surge in inflation or a process of deflation, the highly probable new surge in inflation, risks to industries generated by climate-change policies, especially owing to uncertainty about new targets and standards, low productivity and lack of competitiveness; calls for higher efficiency in using public money, at both European and national levels; considers that the differences in the timing and intensity of the crisis, as well as the different ex-ante fiscal and monetary positions of the individual Member States, should be taken into account when adopting coordinated policies and targets; believes that these efforts should lead to faster real convergence among national economies;

179. Considers that the European winning strategy has to be based on sound fiscal policies fostering innovation, education and workforce employability – the only way to boost productivity, employment and growth in a sustainable way;

180. Points out that addressing climate change and resource scarcity and halting biodiversity loss are the framework conditions for future European economic growth; notes that this growth must, therefore, be based on decoupling economic growth from resource use, on green innovations and on ecologically sustainable economic progress;

181. Welcomes the strategy adopted in 2007 by the European Council aimed at increasing the EU's energy independence and setting out specific commitments to combat climate change; considers that the crisis has further emphasised the relevance of this strategy; considers, however, that for this strategy to be successful, it requires more ambitious action by the Union on top of measures to regulate the internal market;

Employment

182. Considers that one of the great challenges facing the European Union is that of maintaining its competitiveness, increasing growth and combating high unemployment;

183. Reiterates that high-quality employment should be a key priority in a 2020 strategy and that a stronger focus on properly functioning labour markets and on social conditions is vital to improving employment performance; calls, therefore, for a new agenda to promote decent work, guarantee workers' rights throughout Europe and improve working conditions;

184. Believes that the new strategy must put more emphasis on decent work, including the fight against undeclared work, and on ensuring that people who are currently excluded from the labour market can gain access to it;

185. Believes that the new strategy should encourage labour markets which improve incentives and conditions for people at work while, at the same time, increasing the incentives for employers to recruit and retain staff;

186. Points out the importance of looking at Europe's diminishing competitiveness on a global scale; bearing the projected long-term labour shortages in mind, it is important to look beyond the crisis and to explore European schemes to allow for knowledge migration and the prevention of a European 'brain drain';

187. Considers that firm and resolute action on employment is all the more necessary as there is a risk that economic recovery in the Union may not be accompanied by sustainable job creation;

188. Urges the Union to link its actions on employment to measures to combat poverty and social exclusion, together with an effectively functioning internal market for workers within the EU, so that the crisis does not further increase inequalities;

189. Calls on the Member States and the Commission to achieve a 75 % employment rate for men and women by 2020 by reducing labour-market segmentation and stepping up efforts to facilitate the balance between work, caring responsibilities and family life;

190. Considers that efforts to support job creation need to be focused on employing the young, which in turn calls for furthering the provision of gender-sensitive programmes to equip young people with the skills needed in the real economy;

191. Stresses the need to create inclusive and competitive labour markets which provide greater flexibility for employers while at the same time guaranteeing unemployment benefits combined with active support for re-employability in the event of job loss;

192. Believes that, while education should remain the responsibility of the Member States, EU investments and EU-wide recognition of qualifications are needed in all aspects of the education system, in the quality of education and in broadening access to higher education; proposes the introduction of a permanent and inclusive European-level system of lifelong learning guidelines, under which the Union's Erasmus and Leonardo programmes for education and training mobility would become more generally accessible;

193. Makes the point that employment is one of the key factors in the economy because it contributes to spending power; considers that the EU should pursue the aim of full, high-quality employment and that the sustainable functioning of the internal market depends on a labour market that offers decent work and furthers the cause of innovation;

194. Urges the Member States to address, through labour-market-related policy measures, both the cyclical and the long-term dimensions of unemployment;

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195. Takes the view that Europe needs solid growth to sustain its social system, which contributes to the competitiveness of the European social market economy;

196. Notes that it is important to facilitate mobility, which also makes it easier for companies to find the skills they require and the internal market to function better, including in a crisis; notes that labour mobility needs to go hand in hand with the improvement of working conditions;

Creating new jobs by promoting SMEs

197. Notes that SMEs and entrepreneurs play a significant role in all economies and are the key generators of employment and income, and drivers of innovation and growth; believes that SMEs are crucial to future development, growth and welfare in the EU, and that the EU's competitiveness vis-à-vis the world can be strengthened by prioritising SMEs;

198. Believes that it is time to look to the future and learn from the lessons of the past, thereby achieving over time the structural changes that will make our SMEs more competitive and ready to face the additional pressures that will come from the globalised environment and our competitors' capacity to enter into ever more innovative markets, and in so doing potentially guaranteeing jobs for many of the more vulnerable members of the work force and their families;

199. Recognises that the current definition of an SME in the EU has to be re-examined and that the criterion regarding the number of employees needs to be lowered in order to allow for more targeted policies aimed at SMEs;

200. Realises that the ambition to drive industry and SMEs towards innovation will not be achieved solely by improving access to capital in general, but that there should also be an aim to diversify the sources of financing;

201. Takes the view that, in the context of recovery, particular attention should be paid to the role of SMEs in terms of productivity and the creation of new assets, and that mechanisms should therefore be implemented to avoid the exit of SMEs from the market, increasing unemployment and prolonging economic frailty; considers that efficient distribution of the European Social Fund should also be guaranteed;

202. Considers that SMEs should be regarded as a motor for smaller investments financed by the cohesion funds; believes that the allocation of funds to universities and the promotion of partnerships with SMEs are key in this regard;

203. Realises that the EU internal market helps to create a fertile business environment throughout the Union, whilst also benefiting consumers; is aware, nonetheless, that SMEs face numerous challenges in operating in the internal market and often operate below their efficient scale, and that, especially at the micro level, SMEs need to be supported in order to be able to operate throughout the internal market, that their access to information about opportunities needs to be brought up to the level where trans-European platforms can be established, and that only then can SMEs explore business opportunities, find complementarities and, ultimately, find the means to gain access to markets within the Union;

204. Considers that keeping citizens active and productive after retirement is, among other things, in the economic interest of Europe and that the loss of their expertise can be mitigated by encouraging senior citizens to remain active through looser structures and networks based on their civic engagement and by linking them with economic actors and academia; believes that SMEs could profit most from a network of informal structures such as this, which could be consulted, as most SMEs find it hard to afford these services from the consultancies active in the economy; points out that knowledge accumulated by senior citizens must be circulated for the benefit of all by the establishment of a network at EU level;

205. Calls on the Union to promote its web of SMEs – which are at the forefront of job creation – by facilitating their access to credit, notably through support for guarantee schemes and the creation of new standard products to combine loans and equity for smaller companies; calls on the Union to create an EU Guarantee Fund for SMEs; also calls for an evaluation of existing funding schemes, especially the CIP programme, and for dedicated efforts to make EU-backed loans accessible to businesses in all Member States and to develop services to SMEs and social dialogue structures;

206. Calls on the Union to aim for a more balanced composition of financing for SMEs; notes that the share of capital markets in financing SMEs has to be increased; takes the view that the share of financing of SMEs via capital markets, venture capital, 'angel investors' and public-private partnerships must be increased and stimulated. Calls on the Commission and the Member States to reduce significantly public procurement bureaucracy for SMEs and to cut red tape, a move which is essential to the wellbeing of SMEs;

207. Encourages the creation of specialised stock markets which cater exclusively to SMEs and have low barriers of entry, with a view to facilitating the equity process; considers that SMEs should focus more on equity, and against this background proposes the removal of negative tax incentives for both sides of the market, the investors and the market;

208. Calls for the EU Member States to consider efforts to coordinate taxation relative to SMEs; believes that completing the internal market to provide cross-border financing and business opportunities for SMEs is essential to fostering the EU's recovery;

209. Stresses that an organic link between industry and innovation, and consequently with education, is highly desirable; innovators, including SMEs, need to be at the forefront of investments at European and national level. Points out that, by definition, innovating start-up SMEs carry a high-risk bankruptcy profile, so that an entire rethink of their financing and corollary activities is needed. Stresses that, since these innovating start-ups are in the most difficult position when it comes to obtaining financing through the banking system, credit guarantee schemes need to be drawn up specifically for this segment;

210. Proposes that the Commission should establish a 'One SME – One Job' project by creating a new financial instrument at EU level to encourage the activities of SMEs in the Union; considers that a more balanced composition of financing of SMEs should be achieved;

211. Calls for the reform of the Small Business Act document, including binding provisions to be applied by all Member States, and for the establishment of a new Social Small Business Act, which would be a necessary reinforcement of the European social market economy in the post-crisis era;

212. Recommends the creation of a one-stop shop; one-stop shops are needed in connection with every administrative issue for SMEs. Takes the view that a reduction in the administrative burden borne by SMEs is of great importance, as is the introduction of a social component in SME-relevant European legislation. Believes that Europe needs to become the most SME-friendly region of the world;

Development

213. Notes that, although some of the emerging and developing countries seem to have escaped the worst effects of the crisis, 40 % of developing countries have nevertheless been highly exposed to the effects of the financial crisis, and an estimated 90 million people will be plunged into poverty as a result;

214. Calls for a re-affirmation of the pledging of 0,7 % of Member States' GNI to development aid and for an exploration of additional innovative sources of financing to close the financing gap caused by shrinking economies in the developing world;

215. Asks European companies, especially multinationals, to ensure that their sub-contracting companies within the production chain are socially responsible;

Global governance

216. Recognises the weaknesses and problems caused by the lack of legally binding powers, and the disconnectedness, of the global financial and economic institutions; welcomes in consequence the initiatives to enhance, by means of reform, the effectiveness, global reach and accountability of the IMF and other UN institutions, so that they can be mandated to serve as a platform for overarching economic and financial sector coordination initiatives and, where appropriate, given powers to lay down legally binding rules in the form of international conventions;

217. Takes the view that the EU's global challenges include matching its economic strength with relevance on the world stage by speaking with one voice; believes that one of the key projects of the EU's foreign policy must be to strive to reform the UN and the UN-related institutions into global institutions with real political leverage over issues of international concern such as climate change, financial supervision and regulation, poverty reduction, and the Millennium Development Goals;

218. Calls on the European Council to convene a G20 summit devoted solely to the reform required in governance at world level;

219. Strongly condemns the role played by tax havens in encouraging and profiteering from tax avoidance, tax evasion and capital flight; urges the Member States, therefore, to make the fight against tax havens, tax evasion and illicit capital flight a priority; calls on the EU to step up its action and to take immediate concrete measures – such as sanctions – against tax havens, tax evasion and illicit capital flight; calls on the Council to come up with a plan, in the context of the United Nations and other international bodies in which the European Union and its Member States have a seat, for closing tax havens;

220. Recommends that, at the same time as improving the governance and operation of the Basel Committee on Banking Supervision, efforts need to be made to strengthen international governance arrangements for other market segments; proposes that the BCBS rules should come into force in the form of international treaties;

221. Notes the progress on fiscal governance made by the OECD and in the G20, but advocates urgent and strong action to strengthen the legal and economic consequences of OECD blacklisting of non-cooperative jurisdictions; asks for rapid, practical steps to be taken on automatic, multilateral exchange of information as standard procedure worldwide, with a view to improving fiscal transparency and combating fraud and tax evasion;

222. Proposes that, following the entry into force of the Treaty of Lisbon, the EU should become a direct signatory of the ILO conventions and that it should sign all the conventions adopted by the ILO to date;

Conclusion

223. Concludes that we need more Europe; considers that there is an urgent need for political and intellectual leadership in order to put the European project back on track; takes the views that the Commission needs to make full use of its initiative rights in the fields of shared competences, notably in energy policies, to empower the EU for challenges ahead; believes that the eco-social-friendly internal market project which underpins the Union needs to be completed; urges that mechanisms for economic governance within the Union be strengthened, especially from the point of view of better accountability, contingency management, and economic and employment policy coordination; Asserts that the financial and supervisory reform agenda must move forward rapidly, addressing not just the shortcomings observed in the crisis but also the need to design a financial system that supports the real economy, is conducive to financial stability and engenders economic growth, long-term investment, job creation, social cohesion and the fight against poverty; Considers it necessary to redesign the taxation systems in a fair manner, in a way that discourages the build-up of excessive leverage and promotes social justice, entrepreneurial spirit and innovation; Calls for a revitalisation of the sustainable social market economy and the values it enshrines;

224. Is committed, within the framework of the Special Committee on the Financial, Economic and Social Crisis, to fulfilling the aims laid down in its mandate in close cooperation with the EU national parliaments, with a view to adopting joint recommendations;

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225. Instructs its President to forward this resolution to the Council, the Commission, the President of the European Council, the President of the Eurogroup, the European Central Bank, the Economic and Social Committee, the Committee of the Regions, the Governments and Parliaments of the Member States and the social partners.

Improving economic governance and stablility framework of the Union, in particular in the euro area

P7_TA(2010)0377

European Parliament resolution of 20 October 2010 with recommendations to the Commission on improving the economic governance and stability framework of the Union, in particular in the euro area (2010/2099(INI))

(2012/C 70 E/04)

The European Parliament,

— having regard to Article 225 of the Treaty on the Functioning of the European Union,

— having regard to Article 3 of the Treaty on European Union,

— having regard to Articles 121, 126, 136, 138 and 352 of the Treaty on the Functioning of the European Union and Protocols (No 12) on the Excessive Deficit Procedure and (No 14) on the Euro Group, annexed to the Treaty on European Union and to the Treaty on the Functioning of the European Union,

— having regard to the Commission Communications of 12 May 2010 on Reinforcing economic policy coordination (COM(2010)0250), and 30 June 2010 on Enhancing economic policy coordination for stability, growth and jobs – Tools for stronger EU economic governance (COM(2010)0367),

— having regard to the Commission recommendation of 27 April 2010 for a Council recommendation on broad guidelines for the economic policies of the Member States and of the Union: Part I of the Europe 2020 Integrated Guidelines (SEC(2010)0488),

— having regard to the Commission proposal of 27 April 2010 for a Council decision on guidelines for the employment policies of the Member States: Part II of the Europe 2020 Integrated Guidelines (COM(2010)0193), and its position of 8 September 2010 (1) in respect thereof,

— having regard to the Commission Communication of 3 March 2010 on Europe 2020: A strategy for smart, sustainable and inclusive growth (COM(2010)2020),

— having regard to the Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism (2),

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(1) Texts adopted, P7_TA(2010)0309.
(2) OJ L 118, 12.5.2010, p. 1.