

## SUMMARY OF CRIS REPORT

### **The Special Committee on the Financial, Economic and Social Crisis concludes on the following causes, effects, responses and remedies to the crisis:**

Global imbalances, lax financial regulation, a loose monetary policy in the USA, the complexity and opacity of financial products together with wrong risk-incentives and short-term featured remuneration systems, social inequalities and environment-hostile behaviours were among the main causes of the financial crisis;

The current financial turmoil caused world-wide contraction in economic activity and triggered a global economic and social crisis with widespread increases in unemployment, poverty and social exclusion; The rescue measures adopted in the EU had a positive result and the creation of a European stabilisation mechanism was welcome. However, the level of co-ordination between the different national recovery plans was too modest and the Commission should report on their effectiveness. This crisis demonstrates the need for an increased European dimension in the future;

**This is why, the European Parliament believes that what Europe needs is a more united, efficient and less bureaucratic Union and 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.**

The Commission should assume full responsibility to ensure the steering and financing of projects in the following fields:

- renewable energy sources and storage of green power;
- energy efficiency, particularly in the transport and building sector;
- a European energy network and smart grid development;
- a public rail high-speed service throughout the Union;
- critical infrastructure and fast internet access throughout the Union;
- development of EU leadership in the field of e-health;

The European Parliament also 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.

The crisis has revealed the limits of self-regulation. Therefore the European Parliament calls for a regulatory and supervisory system which leaves no financial market, no financial instrument and no financial institution off the record book; To achieve this aim, the following urgent actions need to be taken:

- introducing more counter cyclical regulation;

- reducing systemic risk posed by large and/or interconnected institutions ("too-big-to-fail") and derivative markets;
- enacting strong governance policies on remuneration to remove conflicts of interest and introduce a longer term perspective into the financial system;
- strengthening pan-European and global regulation and supervisory structures;
- investigating the use of off-balance sheet transactions and the proliferation of SPVs and SPEs;
- introducing a tax on financial transaction;
- introducing new standards on statistical data on the financial sector;
- improving shareholder voting rights;

The European Parliament regrets the poor enforcement of the Stability and Growth Pact and calls for improved incentives and sanction mechanisms to ensure compliance under the clear competence of the European Commission. It also believes that a monetary union requires a strong coordination of economic, fiscal and social policies. Consequently, the EU should be better equipped with countercyclical economic policy management instruments.

Multilateral surveillance needs to be deepened, directing adjustment at situations of both deficit and surplus states, taking account of each country's specific circumstances; furthermore, more transparency is needed with respect to public finance data.

The European Parliament calls for a Mr/s Euro, Vice-president of the Commission and chairing the Eurogroup to become the face and enforcement power of economic coordination.

**Moreover**, Member States need to coordinate their budgetary policy and open their books to each other. This requires an improved comparability of spending under national budgets that should be pushed by the Council and Commission;

The internal market is one of the main drivers of European growth; therefore, the EU 2020 strategy should serve as a concrete program for strategic long term investment and employment in order to face the economic crisis and strengthen the internal market;

To further develop the internal market, a coordinated approach is needed at both national and EU level to capitalise from best practices in the fight against tax fraud and evasion. In this context the European Parliament supports, the idea of setting up a Tax Policy Group as an important step to encourage a dialogue between governments on tax policy and advocates a tax structure geared to ease the burden on labour and to encourage and create incentives for employment, innovation and long term investment.

Cohesion instruments are a crucial tool for assistance to the regions, which need it the most, to overcome the consequences of the crisis by supporting investment in infrastructure, businesses and jobs; Therefore it is vital that any long-term EU investment strategy, notably when supported by cohesion policy, be linked to results in terms of competitiveness, growth, creation and preservation of decent jobs and environmental protection.

**The European Parliament believes** that the EU 2020 strategy is vital for the EU to become a competitive, social and sustainable Union and is convinced that the governance structure of EU 2020 should be strengthened, based on EU instruments rather than on intergovernmental initiatives.

In addition to providing funding for SME's, the EU needs to take a proactive and coordinated approach for funding research and innovation and therefore the EU budget should serve as a catalyst in the domains of research and development, innovation and creation of new businesses and jobs.

Sustainable job creation and high-quality employment should be a key priority; therefore the European Parliament urges the Union to link its actions on employment with measures to combat poverty and social exclusion and believes that further efforts to support job creation need to be focused particularly on employing young people and improving working conditions together with creating an effectively functioning Internal Market for workers so that the crisis does not further increase inequalities.

The essential role SMEs play in the economy as key generators of employment and drivers of research, innovation and growth needs to be emphasized; this calls for a facilitation of SME's access to credit, for the creation of an EU-Guarantee Fund for SME's and for an evaluation of the existing funding schemes. Furthermore, the European Parliament requests the Commission to reduce significantly public procurement bureaucracy for SME's, to cut red tape and to propose creating a one-stop-shop for all administrative issues of SME's.

A high number of developing countries have been highly exposed to the effects of the crisis; thus the European Parliament calls for a re-affirmation of the Member State's commitments towards development aid and the exploration of additional innovative sources of financing.

The European Parliament recognises the weaknesses and problems caused by the lack of legally binding powers and the disconnectedness of the global financial and economic institutions. It therefore highlights the urgent need to develop legitimate, effective and efficient institutions for global economic governance, which build on, complete and improve the current set of institutions, such as the UN , the IMF, the Basel Committee, the IASB and IOSCO; finally, the European Parliament concludes that the European Union needs to speak with one voice at these institutions in order to maximise its influence and impact;