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## **MOTION FOR A RESOLUTION**

further to the Commission statement

pursuant to Rule 37(2) of the Rules of Procedure

by Luigi Vinci, Fausto Bertinotti and Ilda Figueiredo

on behalf of the GUE/NGL Group

on the 'Parmalat crisis' and corporate governance

**European Parliament resolution on the ‘Parmalat crisis’ and corporate governance**

*The European Parliament,*

- having regard to the action plans to improve auditing and corporate governance in Europe set in motion by the Commission in May 2003,
  - having regard to the brief from Commissioner Frits Bolkestein to the last meeting of the Council of Economic and Finance Ministers, held on 20 January 2004, on the potential impact of the Parmalat affair on EU policies, namely the announcement that the Commission will present a proposal to revise the 8th Company Law Directive in March this year,
  - having regard to Rule 37(2) of its Rules of Procedure,
- A. whereas Parmalat is active in more than 30 countries and employed tens of thousands of persons world-wide, being a major player in the European food business,
- B. whereas since the beginning of 2003 questions have been raised as to the ability of Parmalat to pay outstanding debts,
- C. whereas, in spite of that, several international banks, including Bank of America, Citigroup, JP Morgan Chase Manhattan, Santander and Deutsche Bank, sold billions of euros’ worth of Parmalat bonds and equity to their customers that are now being investigated by the US Securities and Exchange Commission (SEC), and constructed derivatives deals by which Parmalat transferred funds offshore and speculated with them, guaranteeing lucrative fees,
- D. whereas the Parmalat affair will have a negative impact on the milk sector, not only in Europe, but also across the Atlantic, namely in Brazil, and whereas there are strong risks of a lasting market disruption and losses of thousands of jobs,
- E. whereas Parmalat managers used shell companies in tax havens, off-shore special regulations, hedge funds, fake documents and inflated invoices to cover this hole, often using complex offshore structures and financial instruments that involved some of its many subsidiaries to construct bond and derivatives deals,
- F. whereas many people have so far been arrested, including senior executives of Parmalat, such as the chairman, Callisto Tanzi, the financial director, Fausto Tonna, and auditors from the firms responsible for checking the firm's books,
- G. whereas the Italian branches of Grant Thornton and Deloitte & Touche were involved in the cover-up of Parmalat accounts, like Arthur Andersen in the case of Enron, leading to serious doubts about brand name quality of international auditing firms and their accountability,

- H. whereas Parmalat is not an isolated case and, in the last three years alone, many financial scandals, based on creative accounting, stockmarket and accounting fraud and embezzlement, have arisen in the world, such as the Enron, Worldcom and Merck cases, including in Europe - as in the Crédit Lyonnais, Vivendi, Ahold, Kirch, Marconi and Equitable Life cases -, with profound negative social and economic repercussions in the countries or regions affected,
- I. whereas these criminal practices and the lack of corporate economic and social responsibility are interwoven with the process of globalisation, in which the deregulation of capital markets and increasing liberalisation of capital movements world-wide, in connection with tax havens, hedge funds and other complex financial instruments such as derivatives, facilitate speculation, embezzlement, money laundering and accounts cover-up operations,
- J. whereas the degree of ‘financialisation’ of the economy contributes not only to the volatility of capital markets and financial crises, but also to the shift of investment away from the productive economy, with negative social and economic repercussions,
- K. whereas Commissioner Frits Bolkestein considers the Parmalat affair to be ‘on the same scale or perhaps worse than the Enron case in the USA’,
- L. whereas the Parmalat affair shows the lack of transparency and conflict of interest in the relationship between banks, auditing societies and corporations,
1. Deplores the number of cases of bankruptcy due to fraud by large publicly held corporations, and the resulting social and economic effects; calls for those responsible to be prosecuted to the full extent of the law;
  2. Considers that in a bankruptcy case priority should be given to job protection and guaranteeing employees’ rights; considers that, in the particular case of Parmalat, which affects thousands of milk producers in Italy, other Member States and world-wide, these should be considered priority creditors and targeted in advance for compensation aid;
  3. Deplores the lack of information supplied to European works councils, and calls for major attention to be given to workers’ right to be informed, consulted and involved;
  4. Condemns the growing degree of ‘financialisation’ of the economy;
  5. Is concerned by the growing number of economic crises and the extent of the underground economy, and believes that this is, for the most part, related to the neoliberal globalisation process being imposed world-wide;
  6. Deplores the fact that the EU financial services action plan has further contributed to the deregulation and liberalisation of capital and financial service markets, with a lack of proper prudential rules and control mechanisms;
  7. Is concerned at Commissioner Bolkestein’s statement that ‘hasty and ill-considered legislation could add to rather than solve regulatory problems highlighted by high-profile cases such as Enron and Parmalat’, and calls for procedures to be developed to ensure

tighter control and monitoring of the monetary and capital markets;

8. Is concerned at the application of the European Company Statute, which facilitates tax-driven profit transfer operations;
9. Notes some of the proposals mooted by the Commission to tighten the oversight of auditors at the level of Member States, on audit quality assurance, independence of auditors and enhanced cooperation of oversight bodies at European level and with third countries' regulators;
10. Calls for the Commission to put forward proposals for tighter controls on hedge funds and derivatives financial instruments and to issue a communication on their international use and consequences for the 'real' economy;
11. Believes that proposals to apply the same rules as for home-based firms to subsidiaries in tax havens are not sufficient, and calls on the Commission and the Member States to reinforce the international efforts to close tax havens and limit offshore operations;
12. Considers that fiscal instruments are essential to ensure more effective control and monitoring of capital movements: calls for the implementation of a tax on capital movements, such as the Tobin Tax, and for a coordinated effort to tax surplus values on stockmarket exchange operations;
13. Calls for the Commission to make an evaluation of the consequences of the Parmalat affair for the European milk sector and to report to the European Parliament; considers that the policy of producer price reduction on the milk market affects producer income but does not result in reduced prices for consumers; in this context, calls for a reform of the common organisation of the market in milk;
14. Instructs its President to forward this resolution to the Council, the Commission and the governments and parliaments of all the Member States.