European Communities

EUROPEAN PARLIAMENT

Working Documents

1983 - 1984

16 January 1984

DOCUMENT 1-1266/83

REPORT

drawn up on behalf of the Committee on Economic and Monetary Affairs

on the creation of a European capital market

Rapporteur: Sir Brandon RHYS WILLIAMS

English Edition

PE 86.131/fin.

At its sitting of 6 April 1981, the European Parliament referred the motion for a resolution (Doc. 1-83/81) to the Committee on Economic and Monetary Affairs as the committee responsible, pursuant to Rule 47 of the Rules of Procedure.

At its meeting of 15 April 1981 the Committee on Economic and Monetary Affairs appointed Sir Brandon RHYS WILLIAMS rapporteur.

The Committee considered the motion for a resolution as a whole at its meeting of 20/21 December 1983 and adopted it unanimously with 1 abstention.

The following took part in the vote: Mr Moreau, chairman;
Mr Hopper, vice-chairman;
Sir Brandon Rhys Williams, rapporteur; Mr von Bismarck,
Mr Bonaccini, Mr De Gucht, Mr Delorozoy, Mrs Desouches, Mr de Goede,
Mr Herman, Mr Heinemann, Mr Hutton (deputizing for Miss Forster),
Mr Nordmann, Mr Papantoniou, Mr Purvis (deputizing for Mr De Ferranti),
Mr Wedekind (deputizing for Mr Schnitker), Mr Welsh and Mr von Wogau.

The report was tabled on 5 January 1984.

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ANNEX: Motion for a resolution (Doc. 1-83/81)

A

The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution :

MOTION FOR A RESOLUTION

on the creation of a European capital market

The European Parliament :

- having regard to the motion for a resolution (Doc. 1-83/81);

- having regard to the report by the Committee on Economic and Monetary Affairs (Doc. 1-1266/83);

A. considering the extreme importance of productive investment and therefore of risk capital in improving the economic situation of the Community [1];

B. considering the positive role in achieving this end which could be played by creating a true European capital market, as laid down in Articles 3(c) and 67 of the Treaty of Rome through the gradual removal of existing obstacles and checks and through the interdependence of the structures of the various national financial markets;

C. judging that the still uncertain economic situation in the Community requires productive investment in both the public and private sectors to create the conditions, in particular, for a genuine recovery of capital expenditure in the public and private sectors of the Community economy;

D. noting however that unemployment is still tending upwards and that investment confidence is lacking except in regard to projects likely to be profitable in the very short term or within the frontiers of the relevant national currency;

(1) See report by Mr Bonaccini, Doc. 1-474/83

E. deploring the hardship and waste which follow from the continuing under-employment of the human and material resources of the Community; and stressing that economic nationalism, protectionism and the pursuit of incompatible fiscal, economic and monetary policies by Member States serve only to weaken the performance of the Community as a whole;

F. insisting that the Community must aim to realise in the shortest practicable period the full potential of the common market for goods, services and capital in order to recover its position in world trade and to sustain the technical and organisational strength of its economy;

G. accepting the importance of deploying the capital available for productive investment in the ways that will be most fruitful in improving the economic strength of the Community; and fearing that local and partial revivals of economic activity, if promoted by un-coordinated initiatives within Member States, will be likely to prove short-lived or to be less beneficial than a general recovery in which all Member States participate;

H. considering it important therefore to deal with the various short-term economic situations not so much by isolating sensitive sectors (which is in any case difficult to achieve) as through coordination and mutual assistance;

I. noting that the Commission and the Parliament have repeatedly placed emphasis on the need for progress towards economic integration and the convergence of national policies,

J. regretting that, despite its directives of May 1960 and December 1962, the Council has failed to take the decisions which would have allowed the greatest possible freedom of movement of capital between Member States and the liberalization of these transactions;

3. Regrets the interruption of the process of liberalisation of capital movements within the Community begun with the Council's directives of 1960 and 1962;

4. Is convinced of the need to resume the process of liberalisation of capital markets to ensure better direction and channelling of European savings towards productive investment, to improve the operation of the common market, to restructure the European economy and stabilize the international financial system;

5. Calls upon the Commission to make the attainment of an integrated European Community market for capital a major objective of its policy and to promote by all practicable means the closer functioning of the institutions in each Member State which provide the essential services for the operation of the capital market;

6. Calls on the Council to concentrate its efforts on the implementation of measures aimed progressively to dismantle the fiscal obstacles and the restrictive regulations which are now serving to isolate the national financial centres; and to make illegal the protective devices and informal arrangements which are hampering the development of instruments and methods which will improve the efficiency and accessibility of the capital markets for the benefit of the Community as a whole;

7. Points to the existence of a vast international monetary market (Euromarket) in which short-term finance - whether or not linked to commercial transactions - and operations or arbitrage between various currencies can be carried out without restriction: therefore concludes that the existing financial institutions of the Community have already proved themselves capable of providing in practical terms the necessary facilities for the operation of an integrated market for capital in the currencies of Member States quite as effectively as for the offshore currencies;

8. Agrees in principle with the Commission [1] on the need for the creation of a single capital market to proceed as a gradual process; believes that the

(1) See COM (83) 207 final

best areas for intervention for measures designed to achieve this progressive and balanced liberalisation of the capital markets within the Community are the improvement of monetary cooperation and the removal of legislative, administrative and informal traditional obstacles; recognizes that some Member States are better able than others to move positively towards the integration of their capital markets with those of other Member States; but insists that many of the restrictions now in force could be lifted progressively without significant ill-effects in any Member State;

Removal of legislative and administrative obstacles

9. Calls on the Commission, in close cooperation with the Member States, to carry out a review of the restrictions currently applied under safeguard clauses, with a view to their progressive removal; calls also on the Council to adopt the proposals for directives submitted by the Commission aimed at a wider liberalisation of capital movements;

10. Asks in particular that priority should be given to the provision of facilities for a European risk capital market, by:

(a) removing the existing restrictions on operations related to securities issued by companies based in Member States and dealt with on the stock exchanges;

(b) eliminating all discrimination against securities issued in other Member States;

(c) reducing the present compartmentalization of stock exchanges in the Community, as previously indicated by Parliament [1];

11. Asks the Commission and the Council, in the areas for which they are responsible, to introduce practical measures designed to create a unified network of financial services designed to encourage the efficient functioning of the capital and currency markets throughout the Community; in particular:

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(1) See COLLOMB Report (Doc. 1-290/81)

(a) to continue work on the approximation of the various national legislative provisions governing the banking sector;

(b) to resume liberali ation measures in the insurance sector which were begun with the proposal for a directive on insurance other than life assurance of 1975;

(c) to open up the access of all house buyers to the facilities for house purchase finance which are available in other Member States;

(d) to ensure that traders in and users of commodities throughout the Community are granted unrestricted freedom of access to the market where they are able to cover their requirements on the most favourable basis from time to time;

(e) to provide that cover for exchange risks can be obtained on the same terms in all Member States;

12. Calls upon the Council to adopt

- the proposal for a directive presented by the Commission in 1976 on indirect taxes on transactions in securities (1); and once more draws attention (2) to the need for gradual abolition of such taxes;

- the two proposals for a directive on collective investment undertakings for transferable securities (3);

13. Calls upon the Commission to revise its proposal for a directive of 1975 on the harmonization of company taxation (4) in the light of the considerations put forward by the European Parliament (5);

The EMS and the European capital market

14. Reaffirms its conviction, as expressed in the report by the Committee on Economic and Monetary Affairs on the EMS,[6] of the need for the EMS to be perfected with particular reference to the exchange rate mechanism; believes it desirable for adjustments to the pivotal rates to be contained within the normally permitted margins of fluctuation but to be carried out in such a way as to maintain a defensible link with underlying econmic realities;

(1) See Doc. 1-62/76 of 30.4.76
(2) See DYKES report (Doc. 1-315/76) and COLLOMB report (DOc. 1-290/81)
(3) See OJ No. C 171 of 26.7.76 and COM (79) 328 fin
(4) See Doc. 1-903/83
(5) See OJ No. C 253, 5.11.75

(6) See HERMAN report, Doc. 1-

15. Recognizes that the use of the ECU in a free and integrated capital market could provide a valuable facility, particularly for the clearance of short-term obligations;

16. Judges that sterling could be included in the EMS if the margin agreed took account of the effects of capital movements and considers that the establishment of an integrated market between London and other major financial centres in the Community would help the exchange markets to function normally;

The European capital market in the world context

17. Recognizes that the establishment of an integrated European Community capital market with institutions freely providing the necessary ancillary services is an aim which cannot be achieved within an envelope of controls to isolate the Community from the world financial markets as a whole;

18. Anticipates that the effect of the time factor in the operation of the market, the close proximity to each other of Member States and the degree of economic integration already achieved by the Community will serve to consolidate the European market for capital and enable it to function as an independent entity in the international financial and monetary systems, having a weight and importance comparable to that of the areas tending to centre on the dollar and the yen;

19. Believes that the eventual unification of the European Economic Community in monetary and financial terms as provided in the Treaty will have a stabilising and beneficial effect on the world eocnomy and will be particularly helpful to the third world;

20. Instructs its President to forward this resolution to the Council, the Commission and the parliaments of the Member States of the Community.

European Communities ANNEX

EUROPEAN PARLIAMENT

Working Documents

1981 - 1982

31 March 1981 DOCUMENT 1-83/81

MOTION FOR A RESOLUTION

tabled by Mr von WOGAU, Mr F. HERMAN

and Mr HOPPER

pursuant to Rule 25 of the Rules of Procedure

on the Development of a united European

market for capital

PE 86.131/Annex

English Edition

The European Parliament,

- having regard to Article 3(c) of the EEC Treaty, under which Member States are committed to the abolition, as between Member States, of obstacles to freedom of movement for persons, services and capital,

- having regard to Article 67 of the EEC Treaty, which requires Member States, to the extent necessary to ensure the proper functioning of the Common Market, progressively to abolish between themselves all restrictions on the movement of capital belonging to persons resident in Member States and any discrimination based on the nationality or on the place of residence of the parties or on the place where such capital is invested,

- having regard to Article 105 of the EEC Treaty establishing a Monetary Committee in order to promote coordination of the policies of Member States in the monetary field to the full extent needed for the functioning of the Common Market,

1. Insists that the intended benefits of membership of the Common Market, which include the creation of a freely functioning market for capital, cannot be achieved while the governments and monetary authorities of Member States persist in retaining controls on capital movements in defiance of the intentions of the Rome Treaty;

2. Points to the benefits of achieving a free and fully integrated European Community market for capital, which include :

   (i) the more efficient deployment of the funds and resources available for investment,

   (ii) the resulting stimulus to the creation of new facilities for the production of goods and the provision of services on the scale and at the level of efficiency made possible by the establishment of the European Community,

   (iii) The consolidation of the markets for national paper currencies with corresponding gains in stability for the European Monetary System,

   (iv) the opening up of opportunities for the development of the full range of activities and services ancillary to the Community capital market, including Stock Exchange facilities, commodity markets, insurance, the credit and cash transfer systems, the provision of personal financial services and the promotion of trade, commerce and research.

3. Notes that very few Member States have so far removed all controls on movements of capital and currencies on a non-discriminatory basis;

4. Believes that the existence of an integrated European Community market for capital will strengthen the Community's bargaining power and influence with world institutions and the Governments of states outside the Community; but places particular emphasis on the realisation of the Community's true economic potential to act fruitfully in relation to world economic trends, and to provide facilities for the recycling of capital accumulations to the most beneficial uses;

5. Believes that the creation of a free European market for capital will require the guidance of the proposed European Monetary Fund as a supervisory authority with effective powers;

6. Calls on the Commission to declare that the development of an unrestricted European market for capital is now a principal policy objective for the Community; and to require all Member States to proceed as rapidly as their different circumstances allow to give effect to their commitments under the Treaty in this respect,

7. Asks the Council to initiate forthwith a programme of measures aimed progressively to dismantle the fiscal obstacles and restrictive regulations which are now serving to isolate the national capital markets; and to make illegal the formal barriers and informal protective devices which are hampering the development of institutions capable of providing the necessary ancillary services to sustain the effecient operation of the capital market throughout the Community;

8. Requests the Committee of Governors of Central Banks of Member States to make active preparations for the establishment of the European Monetary Fund and to formulate specific recommendations as to its constitution and methods of operation;

9. Looks to the appropriate Committee to study the implications of the progressive achievement of a free Community capital market for financial, fiscal and economic policies at national and Community levels; and in particular to consider the likely short term and long term consequence for relationships between the Community and the rest of the world.