

Opinion on the proposal for a Council Decision empowering the Commission to contract loans for the purpose of promoting investment within the Community

The text referred to the Committee has been published in *Official Journal of the European Communities* No C 341 of 31 December 1980, page 18.

A. LEGAL BASIS FOR THE OPINION

On 11 November 1980 the Council referred the abovementioned proposal to the Economic and Social Committee in accordance with Articles 235 and 198 of the Treaty establishing the European Economic Community.

B. OPINION OF THE ECONOMIC AND SOCIAL COMMITTEE

The Economic and Social Committee prepared its opinion on the above matter at its 185th plenary session held in Brussels on 25 and 26 February 1981.

The full text of the opinion is as follows:

THE ECONOMIC AND SOCIAL COMMITTEE,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 235 and 198 thereof,

Having regard to the letter of 11 November 1980 in which the Council of the European Communities requested the Committee's opinion on the proposal for a Decision empowering the Commission to contract loans for the purpose of promoting investment within the Community,

Having regard to the decision taken by its Bureau on 18 November 1980 entrusting the preparation of an opinion on the matter to the Section for Economic and Financial Questions,

Having regard to the opinion it adopted on 27 April 1978 on the proposal for a Council Decision empowering the Commission to issue loans for the purpose of promoting investment within the Community ⁽¹⁾,

Having regard to the oral report of the rapporteur, Mr Rouzier,

Having regard to the discussions of the Section for Economic and Financial Questions at its 62nd meeting held on 17 February 1981,

Having regard to the discussions at its 185th plenary session, held on 25 and 26 February 1981 (meeting of 25 February 1981),

HAS ADOPTED THE FOLLOWING OPINION

unanimously, with no votes against and one abstention:

1. General remarks

1.1. In responding to the request for an opinion on the present proposal, which basically extends and expands the scope of the NCI (New Community Instrument), the Committee would first of all reaffirm what the Committee said in its opinion on the original NCI proposal.

1.2. The Committee points out that the NCI forms part of a set of Community measures for resuming the movement towards Economic and Monetary Union. The NCI should be seen as an additional facility that is not in competition with any organization or authority. The prime objectives lie in the energy, industrial and infrastructure sectors; they must take account of both regional imbalances and the need to reduce unemployment.

1.3. The present proposal furthers these aims by removing the overall ceiling on the loans the Commission is empowered to raise. It also slightly modifies the system of borrowing in tranches, thereby permitting different tranches to run concurrently. The proposal would have the Council lay down the guidelines for the eligibility of projects,

⁽¹⁾ OJ No C 269, 13. 11. 1978.

by a qualified majority rather than unanimously as before.

1.4. The Committee has repeatedly placed great emphasis on the need to increase investment so as to be able to achieve the Community's economic and social goals and in particular so as to be able to better combat unemployment. There has in recent years been a tendency for investment to decline as a percentage of national income. This has happened at a time when there is a great need for structural adaptation and such adaptation always requires large investment. In its opinion on the Commission's annual economic report 1980/81 ⁽¹⁾, the Committee said that the need for investment arises from many directions. The change in the relative price of energy will change consumer habits considerably over a period of time. It also makes some industries relatively more unprofitable and others more profitable than in the past and it makes necessary large expenditure for energy saving and for the production of forms of energy alternative to oil. In addition there must be investment to create the new activities which will permit a return to full employment in the future and to increase the competitiveness of the economy.

1.5. In the same opinion, the Committee went on to say that since manufacturing has been severely affected both by the increase in the cost of energy and by loss of competitiveness, it considered it necessary that everything possible should be done to encourage investment in manufacturing. The Committee believes, therefore, that loans to manufacturing projects, specifically those involving small and medium-sized firms, should be given just as high a priority as projects in the energy and infrastructure sectors.

1.6. One of the major failings of the Community so far has been its inability to collectively adapt itself to the industrial realities of the future.

1.7. The Committee realizes that it is not alone in pointing out the need to apply a purposeful policy for industrial cooperation in Europe now that the European economy is going through a series of difficulties requiring its industrial structures to be adapted and its competitiveness increased in view of the unprecedented intensity of competition on a market open to the world ⁽²⁾.

1.8. Indeed, the Committee, in its opinion on the report on some structural aspects of growth ⁽³⁾, urged that the Commission should investigate the possibility of a more efficient use of the existing Community instruments. It said that if such instruments, despite their limited scope (industrial policy being a case in point), are deployed together, their effectiveness can be increased.

1.9. The Committee trusts that these considerations will be to the fore when the Council, acting on a proposal from the Commission and after consulting the European Parliament, lays down the guidelines for the eligibility of projects.

1.10. These guidelines should be integrally linked to the Community objectives of the fifth medium-term economic policy programme (1981 to 1985), shortly to be adopted.

2. Specific comments on the operation of the 1978 NCI Decision and on its future in its amended form

2.1. The original NCI Decision on the draft of which the Committee gave its opinion, imposed an overall ceiling of 1 000 million EUA on the loans which the Commission is empowered to raise. The Council has already approved two tranches of 500 million EUA, and the present proposal seeks to extend the use of this instrument by removing the overall ceiling. In the light of experience to date and the Community's role in fostering growth and employment, and given the safeguards that exist, the Committee can approve the removal of the overall ceiling.

2.2. A further aspect of the present proposal which seeks to amend the original NCI Decision is that the system of borrowing in tranches is to be made slightly more flexible so as to allow for the possibility of simultaneous tranches. The Committee believes that the NCI should be used to further much needed industrial investment and that, as indicated in paragraphs 2.5 and 2.6 below, such loans must be tailored to the requirements of this new objective. The Committee therefore welcomes the greater flexibility implied by this modification of the NCI provisions.

2.3. This proposal differs from the original NCI Decision in that it is proposed that the Council,

⁽¹⁾ OJ No C 348, 31. 12. 1980.

⁽²⁾ Draft report of the European Parliament's Committee on Economic and Monetary Affairs on 'Industrial cooperation between the Member States'.

⁽³⁾ OJ No C 146, 16. 6. 1980.

acting by qualified majority and not unanimously as before, on a proposal from the Commission, and after consulting the European Parliament, should lay down the guidelines for the eligibility of projects. The Committee endorses this amendment, and renews its call for the Committee to be consulted on the same footing as the Parliament.

2.4. The NCI should remain a source of finance that is complementary to the European Investment Bank, and other national and international lenders. The NCI should be seen as an additional facility, in competition with no other organization or authority. The Committee notes from the Commission report on the operation of the NCI during the first 17 months of its existence, that the placing of NCI loans has not in fact impeded issues under other Community borrowing machinery. It emphasizes that the volume and frequency of their issues, notably those of the ECSC and of the EIB, have continued to increase rapidly.

2.5. The Committee notes the geographical distribution of loans authorized so far, their sectoral breakdown, and the estimated short-term impact they might have on employment. Whilst included in the basic Decision, Industry has not yet benefitted directly from the NCI. The question must be asked whether this is due to the manner in which the instrument has been operated (Commission deeming a project is not eligible or the Council deciding against a specific tranche proposal) or whether the provisions of the instrument themselves need amending. Back-to-back loans are obviously too large for most industrial projects. The contracting of loans before the funds are borrowed by the Commission have obvious disadvantages to an industrial investor, more particularly because the investor does not know the loan procedures and terms.

2.6. Since the Decision does not rule out the possibility of borrowing the funds before conclusion of the contracts relating to the loans to be granted, tranches should be authorized by the Council in smaller lots (say 100 million units of account to

150 million units of account), which would be raised on the market, and subsequently lent on to a number of borrowers as eligible requests for loans are made.

2.7. The Committee reiterates its view that the ECU should be introduced for all lending and borrowing operations as soon as possible.

2.8. The necessary controls would exist in so far as the Council would have more frequently to approve the different tranches (several possibly running concurrently). The EIB would continue to consider the creditworthiness of the borrowers and the viability of projects on the basis of normal banking standards. The Commission does repeatedly say that the NCI is obviously one of the borrowing/lending instruments fully covered by the Commission's proposals that such activities be included in the budget. Other safeguards against the NCI getting out of hand exist in the form of the budgetary authority and the Court of Auditors.

3. Conclusions

3.1. The Committee sees the proposal to continue and extend the scope of the NCI as going some way towards meeting the Community's need to take every possible measure to boost the level of economic activity by increasing investment and to support common policies, thus furthering the requisite convergence of the nine economies. It can be a useful tool for assisting the restructuring of industry. The Committee considers the experience so far to have been beneficial to the Community. It sees this as part of a Community strategy that will help restore economic and social equilibrium and help in particular to create employment. The Committee hopes the NCI will be adapted more in the future to the needs of the industrial sector.

3.2. For all these reasons, subject to the provisos made, the Committee supports the present proposal.

Done at Brussels, 25 February 1981.

*The Chairmann
of the Economic and Social Committee*

Tomas ROSEINGRAVE

*ANNEX***to the opinion of the Economic and Social Committee**

The following proposed amendment was rejected during the discussion:

Page 12 (2.1)

Insert on page 4, at the end of 2.1:

'It considers, however, that the Community's total borrowing (for all purposes) should be limited (albeit to a figure representing a sizeable percentage of the Community's annual budget), in order to set an overall ceiling on the Community's financial commitments.'

Result of the voting

For: 16, Against: 38, Abstentions: 0
