

**INFORMATION****FINANCIAL AFFAIRS****European Coal and Steel Community (ECSC) Financial Activity during 1974 80/74****1. Provisions of the ECSC Treaty**

The Commission has the task under the ECSC Treaty of facilitating the financing of investment in the coal and steel industries. This involves financing projects which relate strictly to productive purposes as well as those which contribute to a reduction in manufacturing costs or to the marketing of products covered by the Treaty. It has been possible, amongst other things, to grant loans to conventional coal-using power stations. The ECSC is thus able to go beyond strictly sectoral limits and finance activities both upstream and downstream from the actual production of coal and steel.

The Treaty also provides for reconversion loans to be granted to undertakings in various sectors of the economy in order to further the re-employment of workers made redundant following rationalisation in the steel and coal sectors.

**2. Investments of ECSC undertakings**

The latest annual ECSC Survey of Investment, which for the first time covered the nine Community countries, shows that capital expenditure for 1974 could reach levels of:-

- 400 million u.a. in the coal industry
- 3,100 million u.a. in the iron and steel industry

In real terms, these figures are probably a little lower than those for capital expenditure in 1973. In fact it would seem that, by and large, the major steel producers have not responded as quickly as in the past to the incentives provided by the favourable market conditions which have been experienced until very recently. Similarly, the Community's coal enterprises have not up till now started on any important new investment programmes.

Nevertheless, in the iron and steel industry, 1974 has been marked by the implementation of the very important investment decisions taken at the beginning of the decade, particularly in regard to the creation and expansion of coastal plants.

### 3. Borrowings

The ECSC has as far as possible continued to rely on the various money markets. By 30th November, it had contracted 13 borrowings in 1974 totalling an equivalent of 585 million u.a. (compared to 260 million u.a. in 1973 and 230 million in 1972).

The ECSC was able to obtain this amount of 585 million - a figure never previously attained since the beginning of its financial activities - despite the tensions which until recently have characterized the money markets and which have even made it impossible to make public issues during the greater part of the year.

Most of the borrowings were contracted in U.S. dollars. The most recent, representing an amount of 100 million dollars has just been concluded in New York. The ECSC was thus the first foreign issuer to contract a public loan since the reopening of the United States money market. The success of this operation in a very selective market reflected the Institution's credit standing - a standing confirmed by the "AAA" rating which was again given by the specialised American agencies.

### 4. Loans

1974 has been characterized by an appreciable increase in ECSC credit operations. Loans over the first 11 months of the year totalled 350 million u.a. compared to 286 million in 1973 and 188 million in 1972. Moreover further decisions to extend loans have now been made which will give rise to important disbursements in the course of the next few months, if not before the end of the year.

In more detail, and again with reference to the first 11 months, industrial loans have exceeded 300 million (compared to 278 million last year). The total figure for loans granted includes 238 million for the iron and steel industry, 53 million for the coal industry and 12 million for thermal power stations.

In the coal sector the ECSC has had two main concerns: first to safeguard a certain amount of Community autonomy, particularly in the supply of coking coals, and secondly to maintain or even increase Community coal supplies to conventional power stations. In the iron and steel sector it has contributed towards the financing of the investment programmes which have priority status under the General Objectives.

Some programmes benefited from reduced interest rates, particularly those aimed at eliminating bottlenecks in coking capacity, as well as those for the purposes of environmental protection.

Finally, reconversion loans amounted to 42 million u.a. and housing loans totalled 4 million u.a.

ECSC financial activity during the period under consideration was particularly in evidence in Germany (125 million u.a.), the United Kingdom (73 million), France (71 million) and Italy (58 million).

Owing to the increase in interest rates which continued for most of the year, the normal lending rate which remained at 8 1/4 until July had to be successively raised to 9 1/4 and 10%. Nevertheless, the recent relaxations have made it possible for the ECSC to grant longer-term loans to enterprises. The reduced interest rate on certain industrial and redevelopment loans is three points lower than the normal rate.

At the present time loan applications amount to a considerable figure: approximately 750 million u.a. for industrial loans and almost 100 million u.a. for reconversion loans.

### 5. Prospects

According to the latest ECSC Report on Investments, the capital expenditure of enterprises within the Community could decrease in 1975 while still remaining at a high level. However, it appears that the enterprises, anxious to guarantee their supplies of raw materials, are about to make further investments outside the Community. Some applications for help in financing this type of investment have already been made.

In these circumstances it is to be expected that the ECSC will again have to deal with applications for large amounts of capital from the iron and steel and coal industries as well as for thermal power stations. The present state of the money markets still presents some considerable problems. However, the ECSC will make every effort to accomplish the tasks laid down for it in the Treaty.

---

Ref. Information P-75 published by Spokesman's Group

---

Reproduction authorized, with or without indication of origin. Voucher copies would be appreciated. 12/74