

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(80) 672 final

Brussels, 30th October 1980

PROPOSAL FOR A COUNCIL REGULATION  
ADJUSTING THE COMMUNITY LOAN MECHANISM DESIGNED TO SUPPORT  
THE BALANCES OF PAYMENTS OF COMMUNITY MEMBER STATES

(presented by the Commission to the Council)

COM(80) 672 final



## EXPLANATORY MEMORANDUM

Subject: Proposal for a Council Regulation

Adjusting the Community loan mechanism designed to support the balances of payments of Community Member States.

1. As was stressed by the conclusions of the Presidency of the European Council of 27 and 28 April 1980, the balance of payments disequilibria consequent on the heavy and repeated increases in prices of petroleum products and the dangers inherent in this situation for the stability of the international economic and financial system, mean that international and Community action on recycling must be intensified.
2. The Commission, in cooperation with the Monetary Committee, has devoted itself to examining the initiatives which could be taken by the Community to contribute to the harmonious development of the recycling process, more particularly as far as its members are concerned. From this examination it emerges that the Community must first and above all make the most of the existing instruments, adapting their size and their terms when necessary to improve their effectiveness.
3. To this end, the adjustment of the Community loan mechanism instituted by Regulations (EEC) N° 397/75 and (EEC) N° 398/75 was the subject on 10 October 1980 of a Monetary Committee report to the Council and the Commission. The Commission has endorsed the Committee's conclusions. It considers in particular that the funds which can be raised under this instrument must be increased, that the implementation procedures must be simplified and that the mechanism must be brought into use fairly promptly in order to prevent, by an appropriate adjustment, the occurrence of acute balance of payments crises.

It was considered unnecessary to renew the specific mechanism for possible refinancing by the Member States, earlier experience having shown that the token budget entry of the liabilities was a sufficient guarantee for lenders.
4. The borrowing and lending operations in hand and carried out under Regulations (EEC) N° 397/75 and (EEC) N° 398/75 would still be governed by the provisions of the said Regulations.
5. In accordance with the Council's request at the end of its meeting of 20 October 1980, the Commission submits the attached proposal for a Regulation for the Council's approval.

PROPOSAL FOR A COUNCIL REGULATION

adjusting the Community loan mechanism designed to support  
the balances of payments of Community Member States

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THE COUNCIL OF THE EUROPEAN COMMUNITIES

Having regard to the Treaty establishing the European Economic Community  
and in particular Article 235 thereof;

Having regard to proposal from the Commission,

Having regard to the opinion of the European Parliament;

- \* whereas the Community loan mechanism instituted by Regulations (EEC) N° 397/75 and (EEC) N° 398/75 still, in its general design, meets the needs of the present situation which is marked by balance of payments disequilibria in the Community;
- \* whereas, in the light of experience and in accordance with the conclusions reached by the Monetary Committee in its report of 10 October 1980, it is advisable to adjust the operating techniques of Community loans in order to increase their effectiveness and simplify the procedures for implementing them;
- \* whereas the operation of lending to a Member State must take place fairly promptly in order to encourage that State to adopt measures likely to prevent the occurrence of an acute balance of payments crisis; whereas the economic policy conditions linked to the granting of the loan to a Member State must be adapted to the gravity of the balance of payments situation in that State and to the way in which it develops;
- \* whereas it follows from the foregoing that these operations are necessary to attain the objectives of the Community, as defined in the Treaty and in particular the harmonious development of economic activities throughout the Community;
- \* whereas the Treaty has not provided for the powers of action required for this purpose.

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HAS ADOPTED THIS REGULATION:

Article 1

In accordance with the decision adopted by the Council pursuant to Article 2 and after consulting the Monetary Committee, the Commission shall be empowered to contract loans, on behalf of the European Economic Community, either directly from third countries and financial institutions, or on the capital markets, with the sole aim of re-lending the funds raised to one or more Member States in balance of payments difficulties directly or indirectly related to an increase in prices of petroleum products.

Article 2

On the initiative of the Member State seeking a Community loan, the Council, after examining the situation of that State and the adjustment programme which it undertakes to implement, shall decide, as a rule during the same meeting:

- whether to grant the loan,
- the amount of the loan,
- the economic policy conditions attaching to the loan,
- the techniques for disbursing the loan which may be paid in one amount or in several instalments; in the latter case, the payment of successive instalments may be subject to compliance with economic policy conditions.

At the request of the Member State seeking the loan, the loan may carry the option of early repayment at any time; this would imply the use of the appropriate borrowing formulae.

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### Article 3

Where a Member State receives a loan, the Commission, in consultation with the Monetary Committee, shall take the necessary measures to verify, at regular intervals, that the economic policy of this State accords with the conditions laid down by the Council pursuant to Article 2 and, where appropriate, shall pay the successive instalments on the basis of the development of the adjustment programme. To this end, the Member State shall place all the necessary information at the disposal of the Commission. The Council shall decide on the adjustments to be made to the initial economic policy conditions.

Where a Member State receives a loan carrying an early repayment clause, that State shall be able to use this option only with the agreement of the Commission, which shall consult the Monetary Committee on the matter.

### Article 4

The operations of borrowing and lending, referred to in Article 1, shall be expressed in the same currencies and carried out on the same terms with respect to repayment of the principal and payment of interest. The costs incurred by the Community in concluding and carrying out each operation shall be borne by the beneficiary Member State.

When the borrowings are expressed, payable or repayable in the currency of a Member State, they may be concluded only with the agreement of the competent authorities of that State.

### Article 5

The funds shall be paid only into central banks and shall be used only for the purposes indicated in Article 1.

### Article 6

The outstanding amount of the borrowings authorized by this Regulation shall be limited to 7000 million ECUs in principal. For the application of this ceiling, the operations of borrowing and repayment shall be recorded, where appropriate, at the exchange rate of the day on which they take place.

Article 7

No. later than five years after the adoption of this Regulation, the Council shall examine, on the basis of a report from the Commission, whether the mechanism established in its principle, its arrangements and its ceiling still meets the needs which led to its creation.

Article 8

Articles 1, 2 and 5 of Regulation (EEC) No 397/75 shall be repealed.

Article 9

The Council shall adopt the decisions referred to in Articles 2 and 3 by a qualified majority, acting on a proposal from the Commission which shall consult the Monetary Committee on the matter.

This regulation shall be binding in its entirety, and directly applicable in all Member States.

