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Den europæiske Investeringsbank
Europäische Investitionsbank
Ευρωπαϊκή Τράπεζα Επενδύσεων
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Denmark: 12 years of EIB finance

The European investment Bank helps to finance investment projects which further the balanced and steady development of the Community. By granting loans and giving guarantees, the Bank pursues the economic policy objectives as defined by Article 130 of the Treaty of Rome. First and foremost, it helps to finance projects concerned with production, infrastructure and energy, which contribute to the economic development of regions in difficulty. Second, the EIB finances projects of common interest to several Member Countries or benefiting the Community as a whole, and projects to modernise or convert enterprises or create fresh activities called for by the progressive establishment of the common market.

The task definition of the Treaty leaves room for interpretation and permits the EIB to adapt itself to changing economic circumstances and Community priorities. Under the heading of common interest, for example, the Bank finances projects in the energy sector which help to attain the aim of reducing the Community's dependence on oil through the development of indigenous resources, more rational use of energy, and diversification of energy imports. This heading also includes Community infrastructure projects which contribute towards European economic integration by improving communication links within the Community and projects that help to attain Community objectives, such as protection of the environment. Projects for the industrial modernisation or conversion of undertakings, whether called for by the progressive establishment of the common market or necessitated by structural difficulties, specifically those contributing towards honing the competitiveness of Community industry by developing or introducing innovative or advanced technology, also serve a Community interest. The same is true for projects resulting from close technical and economic cooperation between enterprises in different Member Countries.

Focus and volume

Since Denmark joined the European Community in 1973, the EIB has channelled more than 1 545 million ECUs (Dkr 12 300 million) in loans for investments throughout the country and in Greenland. Most of these were loans from the Bank's own resources (essentially funds borrowed on the capital markets) but 375 million ECUs (Dkr 2 900 million) in loans were from New Community Instrument resources[1].

Almost 90% of the loans provided (1 360 million ECUs, or Dkr 10 867 million) has been lent in the period 1980 - 30 April 1985. With a lending total of 324.6 million ECUs (Dkr 2 646.3 million) in 1984, EIB loans that year accounted for about 3% of gross fixed capital formation (GFCF) in Denmark. Although not quite on the same level as the contribution to the Irish (GFCF 3.5%) and the Italian economies (GFCF 4%), this is still well above the Community average of 1.2%. On the other hand, on 31 December 1984, the 1 068 million ECUs (Dkr 8 700 million) in loans that were outstanding made up almost 5.5% of the country's net external debt.

The focus and volume of EIB lending activities in each individual country vary with the economic situation and the demand for the type of finance the Bank offers. The liquidity of the national banking system and the level of interest rates directly influence the demand for EIB-finance. From its side, the European Investment Bank does not set targets per country or sector but is ready to help when there is a need for its loans, which are always intended as complementary finance.

Two thirds of the EIB's total lending throughout the Community is for **regional development.** In Denmark loans to projects that support this objective do not reach the same level, while the focus on investments

[1] The New Community Instrument is a lending facility created by the European Community in 1979. It enables the EEC to borrow funds in its own name on the capital markets to lend on for investment projects which promote priority Community objectives in the sectors of energy and infrastructure and, since 1982, for the financing of investment principally by small and medium-sized undertakings in industry and other productive sectors. The EIB examines the loan applications in accordance with its customary criteria, decides on the loans to be granted and the terms, and administers the loans.

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for other economic policy objectives is stronger than in other Member Countries. A total of 355.3 million ECUs (close to Dkr 3 000 million) has, however, found its way to the less developed regions of Denmark and to Greenland since 1973, 60% of which between 1980 and 1984.

While modern growth industries and services have until recently tended to concentrate around Copenhagen, the relative position of much of Jutland and the islands to the South and East has become more difficult, with unemployment stemming largely from modernisation on the farms and uncertainties surrounding the fishing industry and shipbuilding. This has called for establishment of new activities in Assisted Areas, in which about 20% of Denmark's population lives. The Bank's loans have gone to a wide range of capital investment projects, in particular to small and medium-scale ventures receiving loans through Danish intermediary institutions which on-lend EIB funds. The process of industrial development is also backed by EIB-loans for extending and improving infrastructure and transport facilities as well as energy supply.

Most of the 24 ECUs per inhabitant that the EIB has provided for projects in Denmark on the average each year, have gone towards investments in **energy projects** that help reduce dependence on imported oil and to projects facilitating cross-border **communication.** Loans also went to projects that reduce **environmental** pollution.

Energy investment

A striking characteristic of the EIB financing in Denmark is the preponderance, especially since 1980, of energy projects that help to meet the Community objective of reducing dependence on imported oil. Of the total lending in Denmark, 77% went to energy investments — this is more than double the average (36%) of EIB loans for the energy sector in the Community as a whole over the same period.

The Danish emphasis on energy investment is hardly surprising. When, in 1973, the first oil price crisis hit the country, it was still almost totally dependent on imports: 99% of the energy demand was covered by outside suppliers, of which 88% consisted of imported oil and the remainder of coal imports.

Financing provided in Denmark from 1973 to 30 April 1985

	Number	Loans m ECUs	%
Energy, communications and other infrastructure	**70**	**1 365.7**	**88.4**
Energy	**43**	**1 016.8**	**65.8**
Production	27	474.8	30.7
Power stations	*21*	*302.4*	*19.6*
Development of oil and natural gas deposits	*6*	*172.4*	*11.1*
Supply systems	16	542.0	35.1
Power lines	*1*	*3.2*	*0.2*
Gaslines and oil pipelines	*15*	*538.8*	*37.5*
Communications	**20**	**290.6**	**18.8**
Transport	15	268.9	17.4
Railways	*1*	*55.6*	*3.6*
Roads, bridges and tunnels	*4*	*165.6*	*10.7*
Shipping	*7*	*29.1*	*1.9*
Airlines	*3*	*18.6*	*1.2*
Telecommunications	5	21.7	1.4
Water schemes	**3**	**7.2**	**0.5**
Water catchment, treatment and supply	3	7.2	0.5
Infrastructure global loans	**4**	**51.1**	**3.3**
Industry and services	**42**	**179.8**	**11.6**
Industry	**14**	**29.0**	**1.9**
Construction materials	2	4.9	0.3
Woodworking	1	2.4	0.2
Chemicals	1	1.1	0.1
Metalworking	3	6.0	0.4
Motor vehicles, transport equipment	1	2.3	0.1
Electrical engineering	2	4.4	0.3
Foodstuffs	4	7.9	0.5
Services	**3**	**15.6**	**1.0**
Research and development	2	7.4	0.5
Other	1	2.8	0.5
Industrial global loans	**25**	**135.2**	**8.7**
Total	**112**	**1 545.5**	**100**

* * *

Global loan allocations
for smaller-scale industrial ventures

	Number	m ECUs
Mining and quarrying	2	0.6
Metal production and semi-processing	10	2.7
Construction materials	8	3.2
Woodworking	43	11.5
Glass and ceramics	4	0.8
Chemicals	14	5.3
Metalworking	100	29.3
Motor vehicles, transport equipment	10	2.3
Electrical engineering, electronics	27	7.4
Foodstuffs	66	20.4
Textiles and leather	17	3.7
Paper and pulp, printing	42	11.3
Rubber processing	25	6.7
Other	12	2.6
Buildings – civil engineering	1	0.6
Industrial estates and buildings	1	0.7
Services	11	1.9
Total	**393**	**111.0**

Since then the situation has changed considerably as a result of a government programme adopted in 1976, and revised in 1981. This programme reiterates the Community's energy objectives and aims to:

— reduce dependence on oil imports through the development of oil and natural gas deposits in the Danish sector of the North Sea;

— decrease the total energy demand by stimulating rational use of energy and energy savings, in particular in buildings and in industry; develop urban heating systems and give priority to renewable energy sources;

— diversify energy imports by substituting oil by coal, especially in power plants.

In support of these objectives, the European Investment Bank has helped to finance off-shore drilling for oil and natural gas in the Danish sector of the North Sea as well as transport, treatment, and distribution throughout the country by a pipeline network that is also connected to the Northern-European system.

The single largest investment project the Bank has helped to finance is the DANGAS gasline project: the construction of a national transmission system enabling DANGAS to transport gas from the North Sea to Copenhagen and the surrounding areas. The project not only comprises a transmission line which runs from Nybro on the West Coast of Jutland straight across Denmark to Copenhagen and North-South branches which will run from the German border to Lille Torup in Jutland. Also, regional distribution schemes in the five main gas distribution areas are under construction. The estimated total investment cost of the transmission system is close to 800 million ECUs (Dkr 6 420 million) in current prices, of which the European Investment Bank has so far contributed 293 million ECUs (approx. Dkr 2 350 million), close to 37% of the investments costs, from its own and from NCI resources.

Loans to help rationalise the use of energy have gone to urban heating systems in Kalundborg, Aarhus, Esbjerg, Randers and Varde and to a waste-burning heat incinerator which fuels the district heating system serving Nykøbing-Falster. Apart from meeting energy objectives, heating systems based on household waste also benefit the environment in a double sense as they not only get rid of waste but also often replace oil-fired plants and reduce air pollution. For that reason, a recent loan has also gone to the Centralkommunernes Transmissionsselskab I/S for the construction of a district heating system in the Copenhagen area where household waste as a energy source is in abundance. This new heat supply will to a large extent replace existing individual heating or oil-fired plants, thus contributing to a reduction of crude oil imports of 620 000 tons of oil equivalent per year while at the same time reducing air pollution in the Copenhagen area.

The Danske Statsbaner's plan to electrify all main railway lines in Denmark by 1999 will have a similar effect. The European Investment Bank has granted a loan for the electrification of the Helsingør-Copenhagen-Korsør line, the first stretch to be modernised of the Sjaelland railway system. This will help to save an estimated 50 000 tons of oil equivalent per year.

Over the past ten years the government's efforts with the support of EIB loans have changed the face of energy consumption in Denmark:

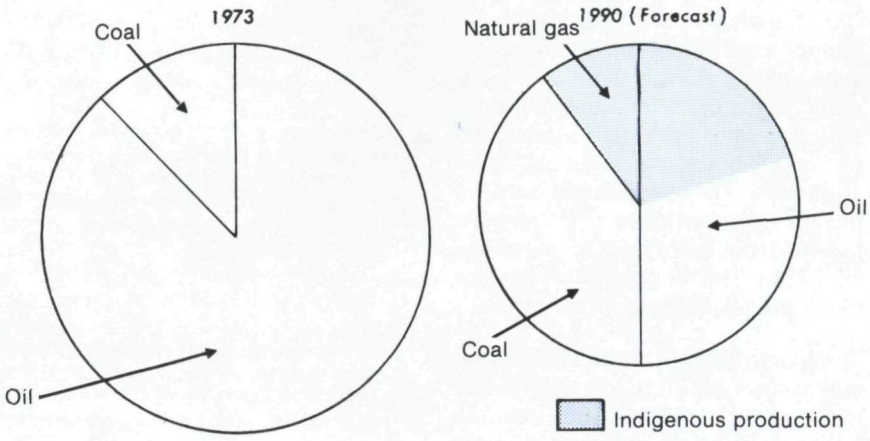
— the proportion of oil in energy consumption has declined from 88% in 1973 to 64% in 1983;

— imports of oil have more than halved, falling from 18.3 million tons of oil equivalent in 1973 to 8.5 million toe in 1983;

— internal production of oil which had been close to nil before 1973, covered some 14% of energy consumption in 1983;

— the overall consumption of energy has been reduced by about 17% between 1973 and 1983.

Danish energy consumption by source



The level of energy consumption in 1990 is expected to be the same as that in 1979, but with a very different composition: coal will continue to meet 40% of the demand, natural gas from the Danish sector of the North Sea — which only appeared on the scene in 1984 — will meet a remarkable 10%, and although oil will still cover the remaining half, two fifths will be produced internally. Notwithstanding the substantial fuel price increases of recent years, especially in 1979, the share of energy in total imports of goods (volume in current prices) has dropped from 19% in 1975 to 17% in 1983. Denmark does not have nuclear power stations and a role for nuclear energy is not foreseen. Energy supplied by hydroelectrical power stations is virtually negligible in the total energy supply (0.3%).

Transport and communication

Denmark has always been the connecting link between the Scandinavian countries and western Europe. Financing of cross-border communication projects facilitating contacts between Denmark and other Community members as well as between the Community and other Nordic countries, accounted for over 10% of EIB lending in Denmark. Many of the loans also helped to improve infrastructure in the Assisted Areas of Denmark as a necessary condition for further economic development.

The two largest loans for infrastructure were for the construction of the Jutland motorway, running from Christiansfeld to the German border and for a section of the South motorway linking Rødby with Copenhagen. This project included the construction of two bridges to the island of Farø above the strait of Storstrømmen. These roads not only improve cross-border transport facilities but also help to stimulate economic development in the regions crossed by the motorways.

The electrification of the Danish railway system, an infrastructure investment project which the EIB helps to finance, involves a more efficient use of available energy sources and reduces pollution by replacing some 200 diesel locomotives. The investment will result in lower operating costs, lower energy consumption, increased operating reliability and better customer service.

The European Investment Bank has also been involved in financing maritime infrastructure, an important area of investment for a country like Denmark which has such a long coastline. Loans have gone to harbour works in Bornhom, at Rønne and Tejn, to the deepening and broadening of the fairway to the sea at the port of Aalborg, and to the extension of the port of Aabenraa.

Telecommunication links between Denmark and other Community Members have been improved with the support of an EIB-loan for laying a submarine telecommunications cable between the Danish island of Rømø off the west coast of Jutland and Anjum in the North of the Netherlands. The link enhances telephone connections with the Netherlands, Belgium and France and helps to meet the demands of the increasingly expanding traffic. In recent years, the bulk of Denmark's international communications have had to be routed through the German network, making for increased costs. Four loans, mentioned below, went to improve communications with and within Greenland.

Greenland

When Denmark joined the Community, Greenland, as part of the Kingdom of Denmark, became eligible for Community support. Owing to its geographic location, climatic conditions and low population density, the improvement of the standard of living on this remote island became

EIB loans in Denmark and Greenland 1973-1984

	million ECUs	million Dkr
1973		
Thermal power station at Godthaab, Greenland	3.3	25.0
Harbour installations at Frederikshaab, Narssaq and Julianehaab, Greenland	3.5	26.2
1974		
Creation of a UHF (ultra-high frequency) trunk telecommunications network, Greenland	5.4	38.0
Extension of a diesel engine factory at Holeby (Island of Lolland)	2.1	15.0
Expansion of a factory for producing propulsion systems for ships at Frederikshavn	2.0	14.0
Construction of a dry repair dock at Frederikshavn	2.3	16.0
1975		
Three global loans to finance small and medium-scale industrial ventures in less developed areas of Denmark	6.7	47.7
Acquisition and installation of oil production platforms for the DAN field in the Danish sector of the North Sea	6.1	43.0
Extension of factory producing electric motors at Aalborg	1.4	10.0
Pig slaughterhouse near Sønderborg	3.6	25.0
1976		
Mineral wool factory of Øster Doense	3.6	23.5
Extension of plant producing wood veneer and chipboard at Orehoved	2.4	16.0
Global loan for financing small and medium-scale industrial ventures in development areas of Denmark	3.1	20.0
1977		
Construction of airport at Godthaab, Greenland	7.1	50.0
Adaptation for coal-firing of Asnaes and Kyndby power stations to the west of Copenhagen	8.4	55.0
Provision of anti-pollution installations to cater for coal-firing of Asneas and Kyndby power stations	4.4	31.2
Enlargement and modernisation of biscuit factory at Hjørring	1.7	12.0
Four global loans to finance small and medium-scale ventures in development areas	11.1	75.1
1978		
Conversion to coal-firing of Asneas power station to the west of Zealand	42.6	300.0
Construction of a motorway in South Jutland from Christiansfeld to the German border	37.8	265.0
Acquisition of four freight vessels for Greenland's shipping services	11.3	80.0
Rønne harbour development scheme	2.2	15.5
Expansion of mineral wool factory at Øster Doense	1.3	9.0
Expansion of factory producing electric motors for pumps at Bjerringbro	3.0	21.5
Expansion and rationalisation of cooperative dairy at Esbjerg (Ribe)	3.0	21.5
Two global loans for financing small and medium-scale industrial ventures in development areas	7.5	52.5
1979		
Construction of diesel-fired heat-and-power generating plant with feeders to district heating system at Holsteinsborg on West Coast of Greenland	6.3	46.0
Extension of Greenland's microwave link telecommunications system	3.8	28.0
Expansion and rationalisation of facilities producing sprays for pesticides, fungicides and weed-killers, used in agriculture, horticulture and forestry, at North Alslev on Falster Island in Storstrøm	1.9	13.0
Global loan for financing small and medium-scale industrial ventures in development areas	3.6	25.0
1980		
Construction of Asneas coal-fired power station (Greater Copenhagen-Zeeland)	18.0 8.9*	140.0 70.0*
Construction of coal-fired generating plant at Randers (Aarhus) as combined electricity and district heating unit	11.7 9.2*	90.0 72.0*
Laying of Kalundborg district heating grid and connection to Asneas coal-fired power station (West Zealand)	7.7	60.0
Connection of Herning and Ikast district heating grids to coal-fired combined heat and electricity generating plant (Ringkøbing)	5.8	45.0
Global loan for financing small and medium-scale district heating schemes	20.5	160.0
Laying of submarine cable for supplying electricity from Sweden to Bornholm Island	3.2	25.0
Modernisation and expansion of airport facilities at Narssarsuaq, 500 km south of Godthaab, Greenland	4.7	36.0
Construction of plant for producing protein concentrate from lactoserum for dietary and baby foods (Nr Vium, Ringkøbing)	2.0	16.0
Construction of plant for producing from a byproduct of lactoserum a lactose and protein compound for use in foodstuffs and chemicals industries (Nr Vium, Ringkøbing)	1.1	8.7
Two global loans for financing small and medium-scale industrial ventures in regional development areas	6.4	50.0

one of the priorities of the Community's regional policy.

European Investment Bank lending in Greenland, when seen in relation to the size of the population, represents a higher concentration than anywhere else in the Community. A total amount of 70.8 million ECUs (Dkr 535.7 million), corresponding to 6.5% of the Bank's lending on its own resources in the Kingdom of Denmark, has been made available between 1973 and 1984. The EIB has directed its support mainly towards the construction and improvement of sea and air transportation facilities, telecommunication, power lines and the construction of warehousing facilities.

Two loans have gone to maritime infrastructure. The first was to support the construction of harbour installations in Frederikshaab, Narssaq and Julianehaab; the second loan was for the purchase of four merchant vessels serving Greenland's ports. A further loan has helped to improve warehousing facilities in several ports which, like most ports in Greenland, are cut off each year for long months by ice floes.

In addition, the construction of airports at Godthaab and Jakobshavn and the extension of the airport of Narssarssuaq have helped to improve both the local connections and the connections between Greenland and Denmark. EIB-financed investments in modern telecommunication equipment have greatly facilitated contacts with Denmark.

Two power plants supplying electricity for household and industrial use have also been built with the help of European Investment Bank loans.

As a result of its decision to leave the European Community, Greenland now has the status of an OCT, one of the Overseas Countries and Territories linked to certain Member Countries that are eligible for EIB finance.

However, following the Protocol on the conditions relating to fishing between the European Community, on the one hand, and the Government of Denmark and the local Government of Greenland, on the other, Greenland will receive 26.5 million ECUs annually as compensation for the Member States' continued fishing rights in Greenland waters. Until the Fishery Protocol expires on 31 December 1989, the

	million ECUs	million Dkr
1981		
Construction of coal-fired generating plant at Randers (Aarhus) as combined electricity and district heating unit	11.4	90.0
Laying of Kalundborg district heating grid and connection to Asnaes coal-fired power station (West Zealand)	7.6	60.0
Laying of Herning district heating grid (Ringkøbing)	5.3	42.0
Laying of Ikast district heating grid (Ringkøbing)	3.1	25.0
Construction of 93 km gasline between Frøslev/Flensburg (on German border) and Egtved (South Jutland)	14.7	115.0
Laying of 214 km submarine gasline between the Tyra field in Danish sector of North Sea and Nybrø (Ribe)	76.9	600.0
Extension and deepening of Aabenraa port	1.9	15.0
Connection of Greenland telecommunications network to Danish system, improvements to satellite links and domestic network	6.8	54.2
Improvements to drainage network and sewage treatment plant at Kalundborg (West Zealand)	1.9	15.0
Construction of a fishery reasearch and development centre at Hirtshals (North Jutland)	3.8	30.0
Two global loans for financing small and medium-scale industrial ventures in regional development areas	9.5	75.0
1982		
Modernisation and extension of Aarhus district heating grid	68.5	560.0
Construction of piping system for Varde district heating grid	4.9	40.3
Two loans for construction of a 273 km gasline serving natural gas transmission systems for 21 municipalities in southern Denmark (South Jutland, Ribe, Vejle)	26.9	220.0
Construction of 28.5 km Udby (Zealand) — Ønslev (Falster) section of South Motorway linking Rødby with Copenhagen and two bridges on island of Farø above Strait of Storstrømmen	79.1	650.0
Extension of port installations at Tejn (Bornholm)	1.1	9.3
Deepening and widening of Limfjord fairway between Aalborg and the Kattegat (North Jutland)	8.3	68.0
Construction of a regional airport at Jakobshavn on west coast, Greenland	6.8	56.0
Laying of fourth submarine telecommunications cable between Island of Rømø, west of Jutland, and Anjum in the Netherlands to improve traffic between the Nordic countries and the Community	2.1	17.5
Improvements to Nakskov sewage treatment plant; construction of 11 km pipeline and 1 km off-coast outlet into the Langelandsbaelt (Storstrømmen)	1.7	14.0
Construction of fishery research and development centre at Hirtshals (North Jutland)	3.7	30.0
Global loan for financing small and medium-scale industrial and tourism ventures in regional development areas	6.1	50.0
1983		
Construction of domestic waste incineration plant for supplying heat to district heating grid at Nykøbing-Falster (Storstrøm)	3.2	26.2
Extension and improvement of Esbjerg district heating grid (Ribe)	6.3	50.0
Acquisition of riser/pumping platform for Gorm field in North Sea; construction of 220 km subsea oil pipeline to West Coast of Jutland and 110 km on-land pipeline across Jutland; ancillary installations and terminal at Fredericia (Ribe and Vejle)	39.3 39.9*	320.0 326.0*
Construction of plant at Nybro (Ribe) for treating natural gas from Tyra field in North Sea, Egtved compressor station (South Jutland) and 56.6 km gasline	43.3 43.3*	345.0 345.0*
Construction of 273 km gasline serving natural gas transmission systems for 21 municipalities in Southern Den mark (South Jutland, Ribe and Vejle)	9.2	73.0
Construction of 177 km gasline (including subsea sections under the Little Belt and the Great Belt) between Egtved compressor station (South Jutland) and Korsør (Sjaelland) for transporting natural gas from Tyra field in North Sea	67.4	550.0
Construction of natural gas transmission and distribution system serving 27 communes on island of Fyn	41.6	340.0
Extension of port installations at Tejn (Bornholm)	0.7	5.7
Improvements to sewerage network and sewage treatment plant at Kalundborg (West Sjaelland)	3.6	28.7
Construction and extension of warehousing facilities at various ports in Greenland	8.2	67.0
Four global loans (three from NCI resources) for financing small and medium-scale industrial and tourism ventures in regional development areas	6.2 22.2*	50.0 100.0*
Two global loans for financing ventures — promoting rational use of energy in industry	6.1	50.0
— connected with energy production, transformation or transmission, particularly district heating grids	18.4	150.0
Global loan for financing small and medium-scale energy-related infrastructural schemes, particularly district heating grids	6.1	50.0

Council of Ministers has decided that Greenland shall not receive financial aid by virtue of its OCT status.

From a legal point of view, EIB-loans to Greenland cannot be excluded as Article 18 of the Statute of the European Investment Bank allows the Bank, on a unanimous authorisation of the Board of Governors, to grant loans for investment projects to be carried out, in whole or in part, outside the European territories of Member States. A few such authorisations have been extended for financing specific projects of common interest to the country concerned and the Community, for example for a loan for development of oil and gas deposits in the Norwegian sector of the North Sea. This question in relation to Greenland is at present under review.

	million ECUs	million Dkr
1984		
Two global loan for small and medium-scale ventures in development areas	4.9	40.0
	36.9*	300.0*
Global loan for small and medium-scale energy-saving and industry schemes	6.1	50.0
Construction of a regional gas transmission and distribution system in the Greater Copenhagen area	37.1	300.0
	61.0*	500.0*
Construction of a regional gas transmission and distribution system in the Counties of Vestsjaelland and Storstrøm	30.5	250.0
Construction of an oil pipeline linking Danish North Sea oil fields to the east coast of Jutland	48.9	400.0
	36.7*	300.0*
Construction of a natural gas transmission system supplying South Jutland	3.3	27.0
Reinforcement and extension of the telecommunications network, Greenland	3.6	29.3
Electrification of Helsingør-Korsør railway	55.6	450.0
1985		
Construction of a regional gas transmission and distribution system in the Greater Copenhagen area	37.6	300.0
Construction of a district heating transmission system in the Central Copenhagen area	34.5	275.0
Global loan for financing small and medium-scale industrial and tourism ventures in Assisted Areas of Denmark	5.0	40.0
Modernisation and extension of the Aarhus district heating grid	31.3	250.0

* Loans from NCI funds
** Conversion rates applicable at dates of loan contract signature

Industry

Three quarters of the loans to industry since 1973 (180 million ECUs, or Dkr 1 346 million) have been made in the form of 25 global loans (for an overview of allocations see table). These loans, basically lines of credit, are put at the disposal of Danish intermediary financial institutions, such as the Direktoratet for Egnsudvikling, which on-lend the EIB funds in smaller amounts to meet the investment needs of Danish promotors, predominantly of small and medium-sized enterprises. In this way European Investment Bank Funds are coupled with the experience and the knowledge of local circumstances of the intermediaries to maximise their efficient use. The average size of the almost 300 allocations since 1980 was just over Dkr 2 million. (For direct loans to industry, the average for each was Dkr 30 million).

The majority of global loans were for industrial investments in the Assisted Areas, but close to 50 million ECUs in New Community Instrument funds have been allocated by the Finansieringsinstituttet for Industri og Handvaerk to small and medium-sized productive investments **outside** the Assisted Areas. New Community Instrument global loans accounted for 4% of total lending.

Among the sectors receiving most of the allocations from global loans to small and medium-sized enterprises were metalworking, foodstuffs, paper and pulp, woodworking, electrical engineering, rubber and plastics processing, and textiles and leather. Jobs created by these small and medium-scale investment projects totalled over 5 000.

The impact on the environment is always an integral part of the EIB's project evaluation. At all times the Bank assures that national and Community rules and regulations are strictly respected. It constantly aims to avoid or minimise possible damage to the natural environment and, if alternative solutions are available, it tries to convince the promotor of the project to select the non- or least polluting alternative. At times industrial investments directly benefit the environment. This was the case for projects financed by the Bank which involved a factory in West Jutland where dairy waste, formerly discarded to the detriment of the environment, is recycled for use in food and chemical industries.

Environment

The European Investment Bank can also directly finance investments related to the environment. Following a Board of Governors decision in 1984, the Bank is studying further possibilities of extending its financing of environmental investment to meet the Community policy objective of reducing pollution. Besides industrial investments with an environmental component and the loans for district heating systems and waste incineration which were mentioned under the heading of energy, the European Investment Bank has also made almost 6 million ECUs available for specific environmental projects in Denmark.

The first loan helped to reduce pollution in the Kalundborg Fjord by constructing and extending the sewerage system and the sewage treatment works. The second project involved improvements to the Nakskov sewage treatment plant on the island of Lolland, where an 11 kilometre pipeline was constructed and an off-coast outlet into the Langelandsbaelt.
Both projects have helped to meet the objectives of the Helsinki Convention on Pollution in the Baltic Sea and at the same time had an impact on regional development.

Summary

For twelve years now, the European Investment Bank has helped to finance investment projects in Denmark. As in all countries where the Bank is active, its lending reflects the specific needs of the country concerned. In Denmark this has meant a strong emphasis on energy investments to reduce its and the Community's dependence on imported oil. At the same time, the Bank's loans for transport and communication projects have improved Denmark's links with neighbouring countries and the European Com-

munity infrastructure. The global loans from the Bank's own resources and from the New Community Instrument supported small and medium-sized firms to realise their investment plans and create employment. And in Greenland, twelve loans have helped to improve the island's basic infrastructure.

In the years to come the European Investment Bank will, within the context of its task as designated by the Treaty of Rome, continue to follow investment needs in Denmark and to focus its lending activities on projects and sectors where EIB-finance benefits the Danish economy most.

The Private Life of the ECU

John Van Schil, Head of the Treasury Department at the EIB

In December 1984, the "Dooge" Ad Hoc Committee on Institutional Affairs, consisting of personal representatives of the Heads of State or Government of the Community, submitted its interim report to the European Council, meeting in Dublin. That report proposed that a European Union, a genuine political entity, be created between the States of Europe. One of the priority objectives to be pursued was the strengthening of Europe's financial integration, in tandem with the underpinning of the European Monetary System (EMS), chiefly by promoting the ECU. Since then, the full text of that Committee's final report has come out, with the proposals on the EMS and the ECU reiterated. The intention is that the institutional questions raised by the "Dooge Committee" will constitute the central topic for the European Council meeting in Milan at the end of June 1985. Once again the issue of the ECU will raise its head, but this time in the far wider context of the prospective creation of a European Union. Amongst the ways and means available for achieving greater monetary integration within the Community, the report singles out the elimination of obstacles to the use of the ECU in private transactions, to the extent allowed by the need to maintain monetary stability. The message is clear: the private use of the ECU has become an established fact, and its regular, balanced development should not be impeded.

Perusal of the Dooge Report seems to point to the desirability of reviewing the current situation as regards the private use of the ECU, and this Article offers a number of thoughts for consideration in this connection. The Community authorities have played a key rôle, as will presently become apparent. The dynamism of the banking sector has been another spur to development. The aim in the following pages is not to provide a statistical or technical review of the so-called „private ECU" markets, but to look briefly at the history of the private ECU and bring the reader up to date with the latest developments.

Looking back

One often hears tell about the so-called "official ECU" and the "private ECU", but if we leave aside the agricultural and monetary ramifications of the EMS, we find there is in fact only one ECU, defined in only one way, but deployed in two quite separate monetary circuits. One thing we should be clear about: this was not a question of happenstance, but the result of the pragmatic, political thinking of the two main parties directly involved in the emergence of the private ECU, i.e. the banking world and the Community authorities, which succeeded so well in their collaborative efforts that they could work together towards the private ECU, a point that recurs in this article.

The rôle of the Community authorities

As far as the Community authorities are concerned, the private ECU is the latest in a long line of units of account. Long looked upon as simple units of reference, originally expressed as a weight of gold (0.88867088 grammes of fine gold), these were basically used for financial, budgetary and accounting operations.

As a result of President Nixon's declaration on 15 August 1971 terminating the convertibility of the US dollar into gold, the use of the units of account then current ran foul of increasingly difficult technicalities on the calculation side. Neither the system of limited floating rates of exchange against the US dollar enshrined in the Basle Agreement of 24 April 1972 nor the joint floating of the Community currencies within a band against one another limiting fluctuations to 2.25% (12 March 1973) put paid to the technical difficulties besetting transfers between different currencies. This gave rise to a highly complex state of affairs, with a host of conversion regulations geared to the nature of the transfers in question.

On 3 April 1973, there was instituted the European Monetary Cooperation Fund (EMCF), according to Article 5 of the Statutes of which there was created the **European Monetary Unit of Account** (EMUA) to be used exclusively by the EMCF. The "official" sector of the Community's central banks thus remained segregated from the rest of the financial circuits, which at that time made up the "private" sector.

In March 1975 the Monetary Committee proposed, in one of its Opinions, that, within the European Economic Community, use should be made of a unit of account based on a basket of Community currencies along the lines of the Special Drawing Right (SDR) used by the International Monetary Fund. The Commission and the EIB took account of that proposal, and on 21 April 1975, on the occasion of the first Lomé Convention signed between the ACP countries and the EEC, there was created, by Decision of the Council of Ministers, the **European Unit of Account, the E.u.a.** Its use was also extended on 17 November 1975 to ECSC operations, an area in which, under the terms of the ECSC Treaty, the Commission enjoys considerable freedom of action.

It took some time to get the E.u.a. introduced into the Community's other fields of activity, and it was only at the end of 1977 that it proved possible to adapt the European Commission's financial regulation: as from 1 January 1978, all activities covered by the Community budget – including the EC Commission's own

operations and those of EURATOM – were to be expressed in E.u.a.

As the EIB was involved in operations emanating from the first Lomé Convention, transfers in E.u.a. had to be made both between itself and the Commission, on the one hand, and towards the final beneficiaries of its loans in the ACP countries on the other. Contacts were forged, both by the Commission and by the EIB, with a number of commercial banks, for the purpose of studying the technical problems engendered by the transfers in question. Allied issues of some urgency were the need to be able to buy and sell E.u.a. against other currencies and the question of making it possible to place any E.u.a. surpluses temporarily subsisting in the banking circuits against a remuneration also expressed in E.u.a. It was in December 1975 that the Commission opened its first E.u.a.-denominated accounts with a number of banks in several Community countries. The EIB did likewise, so preparing the ground for the commencement of payments in E.u.a.-denominated accounts with a number of banks in several Community countries. The EIB did likewise, so preparing the ground for the commencement of payments in E.u.a. between the Commission and the Bank. The two decided also to make those payments directly in E.u.a., without passing through its component currencies.

Towards the ECU

Banking operations transacted in E.u.a. continued on a modest scale, overall, until the beginning of 1979, but when on 13 March of that year the European Monetary System was launched, the ECU quite simply and gradually ousted the E.u.a.

It did however take some time for the process of replacement of the E.u.a. by the ECU to run its course, as at the outset the ECU remained within the confines of the central banks' official circuit: it was there to do no more than replace the old EMUA that had been created in 1973. The European Council's Resolution of 5 December 1978 on the establishmend of the EMS had in fact provided for a number of transitional measures designed to underpin the economies of the less prosperous Member Countries that were intending to become active EMS participants. The measures in question were interest subsidies on loans granted by the EIB or out of the New Community Instrument (NCI). The amounts in question continued to be denominated in E.u.a.

At the end of 1980 use of the ECU in the community sector was made general practice for the Community budget, the second Lomé Convention which had just been signed, and all ECSC activities. On 13 May 1981, the Governors of the EIB decided to use the ECU as the Bank's statutory unit of account. This marked the disappearance of the E.u.a. from the financial scene.

One thing that should perhaps be stressed is that the central banks which are members of the EMS never countenanced the possibility of the Community's financial organs being brought as "special members" into the official ECU circuit in the same sort of way as various financial agencies using Special Drawing Rights are accepted at the International Monetary Fund. It was this fact that created the need for collaboration between certain Community agencies (e.g. the Commission and the Bank) and the private banking sector in the devising of a technical infrastructure for the private ECU.

Since the EMS got under way, the ECU has in fact, psychologically speaking, established its place in the scheme of things: whatever its actual legal status, it commands considerable prestige as the monetary symbol of the European Community, and this predisposes the financial markets to place confidence in it.

The banking sector

The commercial banks have for their own part piloted a whole series of units of account, a process which began in 1961 in the field of bond issues, when the Kredietbank launched its maiden issue in **KB units of account,** followed some years later by issues in **European units of account,** a formula slightly different from the previous one. Then, in 1971, there came a number of issues based on the **European Monetary Unit** (EMU), while two years later there appeared the **Eurco,** followed in 1975 by the SDR.

These units of account are all different. The EMU is based on a set of fixed parities. The Eurco is a "closed basket": the SDR is an open one. The KB unit of account and the KB European unit of account were very sophisticated devices, contractual currencies designed to attentuate the exchange risk attendant upon movements in parities between certain currencies. At the same time, technical changes were gradually made to the two systems, leading to a proliferation in units of account. A point to note: the KB European unit of account is a quite different thing from the Community's E.u.a. In a word, the non-specialist investor risked coming to grief in the welter of divergent definitions of units of account: market transparency had ceased to be sufficient. The banks were left looking for a way of instilling order into the situation.

For their part, the major banks had had occasion to join with the Community authorities in mounting the first, experimental E.u.a. operations on the monetary market, and then later the first trials with the ECU. A technical infrastructure had been established, at no little cost. The banks now wanted to see something back for their money: would it not be possible to extend the monetary market to embrace other users of the private ECU?

This was the situation that had the Community authorities and the banks pulling together: both groups were moving towards the uniformisation of the various units of account used in their respective sectors. The quest came to fruition when both sides joined in choosing as their unit of account the ECU used for the EMS.

The present situation

It is not necessary here to conduct a step-by-step survey of the history of the private ECU-transacted monetary and capital markets, although it should be stated that it was the private ECU monetary market that first came into being. The banks started by opening ECU-denominated accounts, accepting the first ECU deposits and carrying out the first ECU buying and selling operations against other currencies. In so doing, they built up an entire technical infrastructure that opened the way for the boom in the ECU capital market that shortly followed, with all that it implied in terms of the movement of funds for the servicing of loans.

More specifically, the EIB has been entertaining regular ECU inflows ever since the first phase of the EMS and has thus for some time been the most important source of supply for

private ECUs on the monetary market.

Monetary market

The private ECU monetary and exchange market has become extremely active. It entertains in particular all deposit operations up to one year. The very short term sector, i.e. placings at 48 hours' notice, one week deposits etc. is also well represented. On the exchange market, too, operations are available: the ECU is used in spot dealings and forward operations up to one year, just like any other currency.

According to the latest estimates from the Bank for International Settlements, covering the situation at the end of September 1984, initial deposits may be put at 3.3 billion ECUs overall and final use at 8.2 billion ECUs. The net credit position of the banking sector, i.e. its net creation of ECUs, thus comes to a very high figure: 4.9 billion ECUs, or 60% of all applications. With the volume of interbank activity estimated at 15.4 billion ECUs, the figure that emerges for gross liabilities in the banking sector is of the order of 18.7 billion ECUs and that for gross assets about 23.6 billion ECUs. Interbank positions thus come to around 65% of gross assets, a higher percentage than with the other major currencies: this points to a high incidence of intermediation by the banks in respect of private ECU operations, i.e. a very high degree of rotation in deposits.

The ECU monetary market certainly remains less than complete. For one thing, deposits of more than one year are missing. With the major currencies, deposits for one to five years are easily to be had: that cannot yet be said for the ECU. Again, the private ECU monetary market does not offer a wide enough range of short-term instruments of investment, to parallel US Treasury bills, certificates of deposit, bank acceptances and commercial paper. Granted, certain banks have issued ECU-denominated certificates of deposit, but the operations in question were designed primarily for placings with institutional investors. The coupon at issue was high, and usually included a commission for the banks handling the placing, but there is still no real secondary market for this kind of investment medium. The deposit format does not always allow of placing for non-standard periods of time or for short durations linked to purchase – repurchase agreements. Indeed, to be effective, such a secondary market must be sufficiently widely-based and offer an adequate range of choice.

Capital market

The ECU capital market, as has already been noted, came into being later than the monetary market, with the first issue taking place in April 1981, since when the development of the **primary bond issuing market** has been remarkable:

289 million ECUs in 1981 (8 issues)
1 859 million ECUs in 1982 (17 issues)
2 516 million ECUs in 1983 (44 issues)
3 814 million ECUs in 1984 (63 issues)

The pointers for 1985 already indicate a further, appreciable rise in issuing activity.

The critical problem for the bond issuing market is the narrowness of the same. For historical reasons, the Belgian and Luxembourg markets remain the leading takers of ECU paper. In these two countries, both private and institutional investors have better than twenty years' experience of issues in composite currencies, and of course their banks have been able over that period of time to build up an impressive investment network. But the base must be broadened, and issues destined for the markets of other European countries, even Japan and the United States, have already been floated. The prospects are good.

Obviously, ECU issues respond to technical developments. The first operations were fixed-rate arrangements, but there have since been numerous instances of floating-rate issues, warrants and other techniques. The inventiveness and adaptability of the long-term Euromarket should never be underestimated.

The primary and secondary bond markets are the chief domain of the ECU capital market, but its second most important segment is **syndicated credit**, which has shown vigorous growth and given proof also of its considerable versatility. Terms run from one-and-a-half years to ten years. The floating-rate format is almost exclusively used, in linkage with LIBOR, LIBID or LIMEAN for ECU deposits.

According to estimates, the trend has been as follows:

230 million ECUs in 1981
381 million ECUs in 1982
996 million ECUs in 1983
2 809 million ECUs in 1984

Figures already coming in for 1985 again indicate that there will be a marked rise in the volume of ECU syndicated credit.

The third most important segment of the ECU capital market is **long-term loans**, in which area the EIB was the first financial agency to grant ECU loans over 5- to 20-year terms at fixed rates of interest. The balance outstanding on operations of this kind in the Bank's portfolio currently exceeds 1.5 billion ECUs.

The nature of the ECU

Scratch the surface of the private ECU as it is used in the various sectors of the financial markets, and you find a veritable Euro-currency. In the private ECU what we are dealing with is a new sector of that vast Euromarket that embraces the Eurodollar, Euro-DM and several other Eurocurrencies. Its attributes are most striking: the private ECU markets are extra-territorial; they are based on an international circuit of banks not subject to central bank intervention, and they are buyer's markets.

When it comes to determining prices, the ECU has become an independent monetary entity: ECU interest rates and rates of exchange have long since ceased to be set by the simple, weighted totting-up of the prices of their components. The private ECU has its own specific price, arrived at through the workings of the law of supply and demand.

The private ECU banking circuit has shown considerable development in just a few years. The creation of ECUs out of component currencies and their breakdown back into those currencies are highly complex procedures, calling for a fund of technical know-how and sophisticated exchange dealings apparatus, which makes it quite understandable that most banks would rather deal exclusively in ECUs than work through their component currencies. The banks working in the market thus form two echelons: in the upper, we find a select few – the market mak-

ers – which manage a host of accounts opened in the name of other banks. These market makers create and liquidate such residual amounts in ECUs as may be required to actuate the clearing systems of which they themselves have become the fulcrums. All other banks fall into the *second echelon: they are active* – sometimes even highly active – in the field of ECU operations, but keep outside involvement in the creation or liquidation of ECUs.

Such is the current magnitude of the monetary ebb and flow of ECUs that it has become essential to create a general, multinational clearing system between the market makers. The task has been under consideration for three years, and a solution is in sight. A group of Community banks has laid plans to establish an international association in Paris for the furtherance of ECU operations. That association would enter into an agreement with the Bank for International Settlements in Basle whereby the latter would undertake to carry out a daily, multinational clearing of ECU funds between the market makers in the European Community. The Commission of the European Communities and the EIB have both played a major part in the formulation of the plan.

The private ECU has clearly been the centrepiece of a major financial development during the past few years; the emergence of a new, dynamic market, highly inventive and full of potential. In the field of commerce, too, the ECU has established a solid presence.

The private ECU is undergoing an increasing process of internationalisation; it is no longer restricted to the European Economic Community.

Jacques Rueff once wrote, "Europe will either be built on money, or it will not be built at all". Perhaps the most significant fact of all is the initiative shown by that group of Community commercial banks which have taken on the task of creating a clearing and settlement system covering the whole of the Community.

EIB's borrowing operations in the first four months of 1985

During the first four months of 1985, EIB borrowing operations broke new ground with the first ECU issue on the French capital markets and the first international Danish krone issue. The period also saw a continued growth in the EIB's borrowing in ECUs and the completion of the first phase of the Bank's commercial paper borrowing.

To finance its long-term lending operations, the EIB raised the equivalent of some 2 212 million ECUs at fixed interest rates in public bond issues (1 782 million) and private placements (430 million). In addition, the equivalent of 344 million ECUs was raised at variable interest rates.

This combined 1985 January to end-April total of 2 556 million ECUs compares with the just over 1 466 million ECUs equivalent raised during the same period in 1984, and with the 4 361 million ECUs raised for the whole of last year.

In terms of the fixed rate currencies raised during the period, the US dollar headed the list at 21.6% followed by the yen at 16.3%, the ECU at 15.8%, the Deutsche Mark 10.1%, guilders 8.2%, French francs 6.6% and Swiss francs 6.2%. Other currencies raised included, in order of volume, the Italian lira, pound sterling, Canadian dollar, Danish krone, Luxembourg franc and Belgian franc.

The Bank's ECU borrowings, totalling 350 million, saw a marked growth, more than doubling the level reached in the same period in 1984. (ECU borrowings by the EIB totalled 555 million for the whole of 1984 and it was the third EIB currency borrowed in terms of volume after the US dollar and the Deutsche Mark).

First ECU issue in Paris

The first ECU bond issue ever made in France was the 200 million ECUs international issue by the EIB in Paris at the end of January. It was made possible by recent changes in French regulations allowing ECU denominated issues to be placed on the French national capital market by European Community Institutions. The international nature of the issue was underlined by 80% being destined for the French national market and 20% for the international market.

France is now the seventh European country which has seen an ECU issue place on its capital market; the others being Belgium and Luxembourg, Italy, Denmark, the Netherlands and the United Kingdom. Outside the Community, Swiss, Japanese and the US capital markets have also accepted ECU denominated bond issues.

At the occasion of the EIB issue in Paris, EIB Vice-President Alain PRATE said: "The issue concerns a European operation and, by not being confined just to the French domestic market, contributed to reinforcing the international role of the ECU and towards the integration of European financial markets. The issue has met with a lively success, with potential demand exceeding the actual amount issued, and shows the strong interest French investors have in this type of bond. Our ECU issue in Paris should not be an isolated or short-lived success, but a step in the general direction of linking up the European financial markets".

The EIB also considerably widened the scope of the ECU through a multi-targeted international issue at the beginning of April, to be placed principally in the Dutch, Swiss and Japanese capital markets.

First Danish krone bond issue

The EIB broke new ground again when it launched the first Danish krone issue on the international capital market at the beginning of March. Originally the issue was planned at Dkr 200 million, but was raised to Dkr 250 million (31.3 million ECUs) to meet demand.

Speaking at the signature of the take-over contract in Luxembourg,

EIB Vice-President Noel WHELAN said: "This issue opens successfully a new segment of the international capital market – the young and dynamic Euro-Danish krone market. The EIB tries to diversify both the currencies of its issues and the geographical placement of its bonds. The internationalisation of the Danish krone market has now enabled the EIB to raise funds in a new currency. I expect the net proceeds to be largely disbursed in loans for Danish investment projects".

The Danish krone is now the 8th currency of the Community in which the EIB has borrowed, and the 16th currency in overall EIB borrowing including the ECU and the EURCO (another composite currency based on a basket of currencies of the first nine Member States of the Community in which the EIB borrowed twice in 1973 and 1974).

EIB floating rate borrowings

At its annual meeting in June 1984, the Bank's Board of Governors agreed, within certain limits, to floating rate borrowing and lending operations. A first ceiling was set at 500 million ECUs. On this basis the Bank's Board of Directors authorised the borrowing of up to US$ 250 million as a first tranche to meet demand for floating rate loans from the Bank's clients.

By the end of 1984 some US$ 134 million had been placed as part of the Bank's 10 year commercial paper borrowings, with the balance of the full US$ 250 million being placed by mid-January 1985.

The paper has been well received on the US market, with amounts, placed on a daily basis, ranging up to US$ 30 million and with individual maturities up to 80 days. The commercial paper programme becomes a long-term financing facility by being fully backed-up by a revolving underwriting facility (RUF) from a banking syndicate.

Under its floating interest rate borrowings the EIB has also arranged a swap operation of fixed rate Canadian dollars for US$ 55 million at floating rates for 10 years.

On the lending side, the EIB is making its floating rate facility available to project promoters already experienced in such borrowing in cases where the viability of the project being financed will not be affected.

Demand for floating rate loans so far has come from clients in the UK, Italy, Greece, France and Denmark. In response to this outlook for an increase in future demand for floating rate loans, the EIB Board of Directors in February decided to raise the ceiling for floating rate borrowing from 500 million ECUs to 1 500 million ECUs. Such future borrowings are expected to be mainly in US$ but may be extended to other currencies including the ECU.

Technological innovation in telecommunications

Contributing to regional development and introducing technological innovations in a key sector of the European economy: this fusion of two fundamental aims is characteristic of recent financing provided for investment in the telecommunications industry by the European Investment Bank in the Italian Mezzogiorno. A loan for 70 million ECUs to the ITALTEL Group, the leading Italian producer of telecommunications equipment, will help to modernise three factories in Abruzzi, Campania and Sicily producing equipment for telecommunications and telematics. Another for 10.5 million ECUs to Telespazio, the Italian company engaged in satellite telecommunications, features among lending in recent years totalling 46 million ECUs: the funds for the Telespazio project will go towards developing and extending technical installations at the satellite earth station at Fucino (Abruzzi).

The EIB has made numerous contributions towards financing investment in the telecommunications sector, a notable example being the extension and modernisation of Italy's telephone and telex networks to improve economic and social condijtions in underequipped areas. During the period 1980-84, EIB lending for telecommunications amounted to 2 590 million ECUs, of which 1 406 million ECUs was ploughed into the Mezzogiorno where the EIB also provided financing for restoring installations destroyed by the 1980 earthquake. Similarly, the Bank has funded a vocational training centre set up by SIP, the Italian telephone company.

However, the scope of lending in support of projects mounted by ITALTEL and Telespazio goes beyond simply reinforcing traditional telecommunications infrastructure: it forms an integral part of the Community's campaign to bring about wider use of electronics and advanced digital technology. In the case of ITALTEL, the financing provided fits into a programme aimed at restructuring certain factories to cater for the introduction of digital technology onto the Italian telecommunications scene. The capital investment in question involves adapting the production cycle to turn out new systems designed in laboratories installed for this very purpose. It will facilitate the use of digital technology in transmission systems enabling a large number of telephone conversations to be transmitted simultaneously (up to 10 800) by coaxial cable, optical fibres or microwave links.

The Telespazio investment includes modernising the Fucino station with a view to increasing the capacity and efficiency of satellite links. This technology, the fruit of European cooperation in space, will make for greater application of digital systems in communications and the use of increasingly wider frequency bands. It will enhance the development of networks with the capacity to handle large volumes of traffic and foster the introduction of new facilities.

The very size of the Fucino station attests to the importance of such investment in terms of improving international and national telecommunications: with its 17 radar units, this station is in fact the largest satellite earth station in Europe and one of the largest in the world. It is a key centre for communications within Europe and with other continents.

Telecommunications still represent a "frontier industry" for the industrialised countries. Technological progress in this sector since its first leap ahead some 20 years ago has now been given fresh momentum by the greater involvement of satellites and the wider use of digital systems and optical fibres. However, the rapidity of this growth is most evi-

dent in the United States and Japan; despite considerable progress, Europe has not yet come to be a driving force in telecommunications. Yet sight should not be lost of the fact that the telecommunications industry offers considerable potential from the point of view of getting the economy onto a fresh growth trend. Europe's consolidation as the world's third most important R&D centre for high-tech telecommunications would lead to an immediate increase in labour productivity and in the return on capital in this sector. This, combined with concomitant large-scale capital investment, would result in significant growth in overall demand, given, the impressive contribution which this sector's added value makes to the economy as a whole. One of the more important consequences would be to encourage an upturn in economic activity in Europe.

The introduction of advanced technologies introduces a new element into regional development policy which, in the present context in particular, has perhaps a more immediate bearing on the Community's depressed areas. Development policy no longer aims solely at parallel expansion of the main economic sectors (notably infrastructure and industry) to a level comparable with the European average. It now seeks to create focal points for high technology investment which attracts additional capital into depressed areas by increasing their qualitative appeal compared with the Community's more advanced regions. In the long term, it is also conceivable that this advanced technology will benefit other sectors and accelerate their growth, stimulating both supranational and national efforts to reduce the gap between the economies of the different regions of Europe.

The sea change of technological innovation in telecommunications has a wider significance. First, by the very nature of things, this sector is extremely open to the outside world, a factor which reduces the relative isolation of depressed regions and assists their integration within the European economy. Second, the sector is expanding vigorously, qualitatively as well as quantitatively, providing services for which demand is guaranteed.

Naturally the development of high technology in telecommunications will not of itself resolve the problem of the economic backwardness of the Community's less prosperous regions. This is a much more deeply rooted problem. It derives partly from rigidly uniform methods of assessing economic variables, irrespective of regional disparities. However, all great things have small beginnings and every productive project contributes to reducing regional imbalance, perhaps one of the most serious and difficult problems affecting the process of economic integration.

ECU

Below are the ECU's values in national currencies, as at 29 March 1985; these rates are applied to the present quarter in preparing financial statements and operational statistics of the Bank:

DM	2.23658	Bfrs	45.0079
£	0.584022	Lfrs	45.0079
Ffrs	6.83117	Dkr	7.99418
Lit	1 428.77	Dr	96.7198
Fl	2.52306	IR£	0.717068
		US$	0.727107

N.B.: ECU/national currency conversions given in this article are based on different exchange rates, applicable at the time of each contract signature.

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EIB lending in the Netherlands

After a number of years, the European Investment Bank has resumed lending for investment by Dutch industry. The EIB and NetherLines, the newly established Dutch airline, signed a loan agreement in Amsterdam in March involving Hfl 10 million (approximately 4 million ECUs), to be used for the purchase of four 18-passenger aircraft. In January this year, NetherLines started servicing routes between Amsterdam and Luxembourg and between Amsterdam and Groningen. Later this year it plans to start servicing the Rotterdam – London (Gatwick), Amsterdam – East Midlands, Rotterdam – Hamburg, and Rotterdam – Liverpool routes and, at a later stage, Strasbourg is to be added to the flight schedule. Additional airline connections to Denmark, Italy, the United Kingdom, France and Germany are foreseen for the future.

The European Investment Bank's main tasks are, inter alia, to finance investments that stimulate regional development and projects of common interest to the Member States of the Community, such as communications. As the project will improve interregional cross-border transportation facilities in Europe, it is of special interest, particularly as the airline takes over some routes which have been closed or would be closed in the future, as they cannot be serviced economically by larger aircraft. The Rotterdam – Liverpool and Rotterdam – Hamburg routes, which connect three important ports and commercial centres, are to be newly established.

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