

EUROPEAN ECONOMY

COMMISSION OF THE EUROPEAN COMMUNITIES • DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS



**Commission report to the Council and
to Parliament on the borrowing and
lending activities of the Community in 1987**

No 37 July 1988

European Economy appears four times a year, in March, May, July and November. It contains important reports and communications from the Commission to the Council and to the Parliament on the economic situation and developments, as well as on the borrowing and lending activities of the Community. In addition, *European Economy* presents reports and studies on problems concerning economic policy.

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- Series A—‘Economic trends’ appears monthly except in August and describes with the aid of tables and graphs the most recent trends of industrial production, consumer prices, unemployment, the balance of trade, exchange rates, and other indicators. This supplement also presents the Commission staff’s macroeconomic forecasts and Commission communications to the Council on economic policy.
- Series B—‘Business and consumer survey results’ gives the main results of opinion surveys of industrial chief executives (orders, stocks, production outlook, etc.) and of consumers (economic and financial situation and outlook, etc.) in the Community, and other business cycle indicators. It also appears monthly, with the exception of August.

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Commission report to the Council and to Parliament on the borrowing and lending activities of the Community in 1987

The Commission has the honour to inform you that it has completed its annual report on the borrowing and lending activities of the Community in 1987. This report is presented to you in accordance with Article 104 of the Treaty of Rome. It details the operations of the Community's financial institutions, including the European Investment Bank (EIB) and the European Investment Fund (EIF), and provides a comprehensive overview of the Community's financial position at the end of the year. The report also discusses the Commission's policies on borrowing and lending, and the impact of these activities on the Community's economy and financial stability.

The Commission's financial institutions have continued to play a vital role in supporting the Community's economic development. The EIB, in particular, has been successful in raising funds from the capital markets to finance infrastructure projects and other development activities. The EIF has also made significant contributions to the Community's financial resources. The Commission has also been active in promoting the development of the Community's financial markets, and in ensuring that the Community's financial institutions are operating in a sound and efficient manner.

The Commission's financial position at the end of 1987 was strong, with a significant increase in the Community's financial resources. This was due to the successful completion of the Community's borrowing operations, and to the continued contributions of the EIB and the EIF. The Commission's financial institutions have also been successful in raising funds from the capital markets, and in providing a wide range of financial services to the Community's businesses and individuals.

The Commission's financial institutions have also been successful in promoting the development of the Community's financial markets, and in ensuring that the Community's financial institutions are operating in a sound and efficient manner. The Commission has also been active in promoting the development of the Community's financial markets, and in ensuring that the Community's financial institutions are operating in a sound and efficient manner.

Abbreviations and symbols used

Countries

B	Belgium
D	Federal Republic of Germany
DK	Denmark
E	Spain
F	France
GR	Greece
I	Italy
IRL	Ireland
L	Luxembourg
NL	The Netherlands
P	Portugal
UK	United Kingdom
EUR 9	Community in 1985 excluding Greece
EUR 10	Total of the Member States of the European Community in 1985
EUR 12	Community

Currencies

ECU	European currency unit
BFR	Belgian franc
DKR	Danish krone
DM	Deutschmark
DR	Greek drachma
ESC	Portuguese escudo
FF	French franc
HFL	Dutch guilder
IRL	Irish pound (punt)
LFR	Luxembourg franc
LIT	Italian lira
PTA	Spanish peseta
UKL	Pound sterling
CAD	Canadian dollar
ÖS	Austrian schilling
SFR	Swiss franc
USD	US dollar
YEN	Japanese yen

Other abbreviations

ACP	African, Caribbean and Pacific countries having signed the Lomé Convention
ECSC	European Coal and Steel Community
EDF	European Development Fund
EIB	European Investment Bank
EMCF	European Monetary Cooperation Fund
EMS	European Monetary System
ERDF	European Regional Development Fund
Euratom	European Atomic Energy Community
Eurostat	Statistical Office of the European Communities
GDP (GNP)	Gross domestic (national) product
GFCF	Gross fixed capital formation
LDCs	Less-developed countries
Mio	Million
NCI	New Community Instrument
OCTs	Overseas countries and territories
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
SMEs	Small and medium-sized enterprises
SOEC	Statistical Office of the European Communities
toe	Tonne of oil equivalent

Contents

Methodological comments	9
Foreword	10
1. The creation of a Community financial area	11
1.1. The establishment of an integrated financial market in the Community	11
1.2. Financial engineering activities	12
1.3. Application to large-scale infrastructure projects of European interest	13
<i>Box</i> : The EIB, the other financial instruments and strengthening economic and social cohesion	15
2. Investment in the Community in 1987	17
2.1. Macroeconomic developments in 1987	17
2.2. Investment in the Member States	17
2.3. The role of industrial investment	18
3. Developments and decisions relating to the borrowing and lending instruments in 1987	21
3.1. New Community Instrument (NCI)	21
3.2. Euratom	21
3.3. European Coal and Steel Community (ECSC)	21
3.4. European Investment Bank (EIB)	21
4. Borrowing	22
4.1. Situation on capital markets in 1987	22
4.1.1. General	22
4.1.2. Currencies of borrowing and interest rates	22
<i>Box</i> : Recent financial events	26
4.2. Community borrowing in 1987	27
5. Lending	30
5.1. General	30
5.2. Sectoral breakdown	30
	5

5.2.1.	Productive sector	30
5.2.2.	Infrastructure	32
5.2.3.	Energy	32
5.3.	Breakdown by country	33
5.4.	Employment effects	33
	<i>Box</i> : Operations under the Community loans mechanism designed to support Member States' balances of payments	35
6.	Lending in the Community, by instrument	36
6.1.	New Community Instrument (NCI)	36
6.1.1.	General analysis of utilization	36
6.1.2.	Country-by-country review	37
	<i>Box</i> : List of NCI loans signed in 1987	38
6.2.	European Investment Bank (EIB)	40
6.3.	Euratom	41
6.4.	European Coal and Steel Community (ECSC)	42
6.5.	Interest subsidies	42
7.	Lending outside the Community	43
7.1.	General	43
7.2.	Loans to Mediterranean countries	44
7.3.	Loans to African, Caribbean and Pacific States and Overseas countries and territories	44

List of tables

1.	Investment in the Community	20
2.	Volume of capital raised on international markets, 1985-87	23
3.	International bond issues, by currency	23
4.	International bond issues, by geographical zone of issuer	27
5.	Trend of borrowing by Community institutions	28
6.	Community borrowing in 1987, by currency	28
7.	Trend of lending in the Community	30
8.	Lending in the Community in 1986 and 1987, by sector and by instrument	33
9.	Geographical breakdown of lending in the Community in 1986 and 1987	34
10.	NCI utilization	36
11.	ECSC interest subsidies paid out in 1987	43

List of graphs

1.	Public sector yields on national markets	24
2.	Yields on international markets	25
3.	Trend of borrowing contracted by the European Community, by instrument (1977-87)	29
4.	Trend of lending in the Community, by instrument (1977-87)	31
5.	Breakdown of loans in the Community in 1987, by instrument and by sector	32
6.	Breakdown of NCI loans in 1987, by country and by sector	37

Methodological comments

The ecu

The ecu is a 'basket-type' currency unit made up of specific amounts of Member States' currencies, determined mainly by reference to the size of each Member State's economy.

Since 17 September 1984, when the last periodic revision of the composition of the ecu took place and when the drachma was included, the amounts have been the following: BFR 3,71; DKR 0,219; DM 0,719; DR 1,15; FF 1,31; HFL 0,256; IRL 0,00871; LFR 0,14; LIT 140; UKL 0,0878.

A joint declaration annexed to the Act of Accession of Spain and Portugal provides that the peseta and the escudo may be included in the ecu at the request of the new Member States on the occasion of the first five-year review of the weighting of the currencies within the ecu (i.e. in 1989).

Value of the ecu at 31 December 1987

BFR/LFR (convertible)	43,1539
BFR/LFR (financial)	43,2973
DKR	7,94457
DM	2,06034
DR	164,483
ESC	169,467
FF	6,98335
HFL	2,31762
IRL	0,777888
LIT	1521,66
PTA	140,566
UKL	0,696793
SFR	1,66503
USD	1,30335
YEN	158,292

This report is not an accounting document concerned with depicting the financial balance over time between borrowing and lending for all the instruments examined. That purpose is served by specific documents such as the EIB annual report (together with its balance sheet and details of activities under the special section), the ECSC financial report and, as far as the NCI, Euratom and balance-of-payments facilities are concerned, Part II of the preliminary draft general budget of the European Communities, together with its Statistical Annex II.

Generally speaking, the imbalance in this report between lending and borrowing is due to the following main factors:

- (i) Loans contracted during a particular year may give rise to payments, and thus entail borrowing, only in subsequent years.
- (ii) Conversely, funds may need to be borrowed in a particular year in order to pay out loans contracted in previous years.
- (iii) Movements in the cash position may produce a temporary increase or reduction in the funds available out of borrowings.
- (iv) Lending and borrowing operations give rise to costs, premiums and discounts before settlement.
- (v) The EIB and ECSC have sources of revenue which go into their cash holdings.

In addition, some of the discrepancies between the figures given in the different accounting documents are due to the special methodological features of certain instruments, including:

- (i) the dates on which operations are recorded;
- (ii) the periods for which interim sub-totals are calculated;
- (iii) the dates on which conversion into ecu takes place and therefore the conversion rates applied;
- (iv) the rounding of figures and their totals.

Foreword

This is the eighth comprehensive report drawn up by the Commission to provide the Council and Parliament with information on the Community's borrowing and lending activities. It covers the year 1987.

It was drawn up to meet the wishes expressed by Parliament on various occasions, and in particular in its Resolution on improving political monitoring of the Community's borrowing and lending activities.¹

The report reviews all the borrowing and lending activities for structural purposes (i.e. excluding those intended to support the balance of payments of Member States) including those of the ECSC and the EIB.² It thus fulfils the Commission's obligation to inform the Council and Parliament each year about:

- (i) the activities of Euratom, in accordance with Article 4 of the Council Decision of 29 March 1977;³
- (ii) the activities of the NCI, in accordance with Article 6 of the Council Decision of 16 October 1978 (NCI I),⁴ Article 6 of the Council Decision of 15 March 1982 (NCI II),⁵ Article 7 of the Council Decision of 19 April 1983 (NCI III)⁶ and Article 9 of the Council Decision of 9 March 1987 (NCI IV);⁷

(iii) the Community aid granted by way of exception for the reconstruction of the regions affected by the Italian earthquake in November 1980, in accordance with Article 7 of the Council Decision of 20 January 1981;⁸

(iv) the Community aid granted by way of exception for the reconstruction of the regions affected by the Greek earthquakes in February/March 1981, in accordance with Article 7 of the Council Decision of 14 December 1981.⁹

Like the previous reports, this report, which covers the 1987 financial year, provides a complete picture of the borrowing and lending activities for structural purposes of the Community instruments within the European Community. It reviews not only the activities of Euratom and the NCI, but also those of the ECSC and, in brief, those of the EIB.

It also includes loans granted by the EIB in third countries from its own capital market borrowing and from the Community's budgetary resources. These loans concern the ACP States and OCTs, and the Mediterranean countries linked to the Community through agreements establishing different forms of economic and/or financial cooperation (Maghreb and Mashreq countries, Israel, Cyprus, Malta, and Turkey).

The ECSC's financial report and the EIB's annual report will be sent to Parliament and the Council as usual.

¹ Doc. PE 67134 of 5 March 1981; OJ C 287, 9.11.1981.

² An independent Community institution governed by public law and enjoying operational autonomy in its role as a bank.

³ Decision 77/270/Euratom: OJ L 88, 6.4.1977.

⁴ Decision 78/870/EEC: OJ L 298, 25.10.1978.

⁵ Decision 82/169/EEC: OJ L 78, 24.3.1982.

⁶ Decision 83/200/EEC: OJ L 112, 28.4.1983.

⁷ Decision 87/182/EEC: OJ L 71, 14.3.1987.

⁸ Decision 81/19/EEC: OJ L 37, 10.2.1981.

⁹ Decision 81/1013/EEC: OJ L 367, 23.12.1981.

1. The creation of a Community financial area

1.1. The establishment of an integrated financial market in the Community

The borrowing and lending activities of the Community institutions make a major contribution to the movement of capital between Member States: in 1987 public bond issues by those institutions were equivalent to 16 % of all international issues of this same type carried out by all other residents of the Community. During the same year, 70 % of the Community institutions' borrowing was denominated in Member States' currencies or in ecus.

However, the flow of capital organized by the Community institutions cannot fully compensate for the current division between national financial markets. A European financial area, efficient and attractive to the rest of the world, is an essential requirement if the large internal market is to be completed. In order to carry out effectively their task of mobilizing savings for the financing of projects or activities of Community interest, the Community institutions' borrowing and lending instruments must themselves be able to benefit from the dimension and depth of an integrated European financial market.

The communication on financial integration¹ presented by the Commission to the Council in April 1983 gave new impetus to Community discussions on this topic. The first stage of the programme for the liberalization of capital movements,² which was presented by the Commission to the Council in May 1986, was completed with the adoption of a Directive (which came into force on 1 March 1987) extending the list of liberalized transactions.

Several Member States have already taken measures which go beyond their Community obligations; and the relaxation of exchange controls in France and Italy has made it possible to repeal the decisions authorizing these countries to take protective measures under Article 108 of the Treaty. Leaving aside the transitional arrangements for Spain and Portugal based on the Act of Accession, two Member States, Ireland and Greece, are currently benefiting from safeguard clauses which have been strictly limited in terms of scope and dur-

ation. The extension up to the end of 1988 of the derogation granted to Ireland has been accompanied in that Member State by a further relaxation of controls over the acquisition of foreign securities.

On the basis of a forward study made in collaboration with the Monetary Committee and the Committee of Governors of the Central Banks on the conditions and implications of the complete liberalization of capital movements, and in the light of the measures agreed at Basle and Nyborg to reinforce the EMS, the Commission presented to the Council in November 1987 a package of proposals³ for implementing the final stage of the programme adopted in May 1986. After consulting Parliament, the Council responded to those proposals by adopting two instruments:

- (i) Directive on the complete liberalization of capital movements;
- (ii) Regulation establishing a single facility providing medium-term financial support for Member States' balances of payments.

Under the terms of the liberalization Directive, all restrictions on capital movements between residents of the Member States are to be abolished. Compared to the current legal position, this means in particular that monetary or quasi-monetary transactions (financial loans and credits, current and deposit account operations and operations in securities and other instruments normally dealt in on the money market) will be liberalized. The new Directive will come into force within two years (on 1 July 1990). Four Member States (Spain, Greece, Ireland and Portugal) may make use of a derogation and maintain certain restrictions until the end of 1992. The same applies to Belgium and Luxembourg, which have been authorized on certain conditions to continue to operate their dual foreign-exchange markets until that time.

A specific safeguard clause is included in the new Directive. This enables Member States to re-introduce restrictions on short-term capital movements for a maximum of six months should their monetary or exchange-rate policies be disrupted. In each case, such measures must be authorized by the Commission, although Member States may, in an emergency, take precautionary measures without authorization.

¹ COM(83) 207 final.

² COM(86) 292 final.

³ COM(87) 550 final on the creation of a European financial area.

The new Directive contains provisions concerning relations with non-member countries in the area of capital movements. Member States will have to endeavour to achieve the same degree of liberalization with non-member countries as has been attained within the Community. However, this does not prejudice other existing or subsequent provisions in related areas (right of establishment, supply of financial services and admission of foreign securities to national capital markets), where the principle of reciprocity must be applied.

Should external monetary or financial shocks occur, provision is made for the Community to take concerted action.

A timetable is also laid down for accompanying measures which might become necessary — to combat distortions and tax avoidance and evasion induced by differences between national tax rules on savings — once capital movements have been fully liberalized. The Commission is to present proposals on this matter to the Council before the end of 1988, with the Council required to act on them by the end of June 1989.

The medium-term financial support facility introduced is the result of a merging of two existing instruments: the medium-term financial assistance¹ and the Community loan mechanism.²

The purpose of the new facility is to grant medium-term loans to Member States confronted or seriously threatened with balance-of-payments difficulties. Financial assistance may also be granted to help a Member State implement a capital movements liberalization programme despite a precarious balance-of-payments situation.

On a proposal from the Commission, the Council, acting by a qualified majority, will decide whether a loan should be granted and, if so, what its size and duration are to be and what economic policy conditions are to be attached. The Commission, in collaboration with the Monetary Committee, will monitor compliance with those conditions. The normal procedure is therefore for the loan to be disbursed in instalments.

The outstanding amount of loans granted under this facility may not exceed ECU 16 billion; the loans will normally be financed by Community borrowing on capital markets of up to ECU 14 billion. If market borrowing should prove difficult or if the ECU 14 billion ceiling for this type of funding has been reached, the Member States will be called upon to contribute, within the limits of the ceilings laid down for the previous medium-term financial assistance facility (ECU 13,925 billion in total).

In tandem with the steps taken to liberalize capital movements, the programme of legislation initiated to harmonize national rules on the prudential supervision of financial institutions, which is designed to facilitate freedom to supply services in the financial field, has been actively pursued in accordance with the guidelines laid down in the White Paper on completing the internal market.

In the field of banking, the Commission transmitted to the Council in January 1988 a proposal for a second coordinating Directive based on the principle of a single licence valid throughout the Community. This would enable credit institutions to operate in all Member States either through branches or through the supply of cross-border services.

In the case of securities markets, the Council adopted in 1987 a Directive on the mutual recognition of listing particulars and the Commission presented a proposal for a Directive on insider trading. Discussions continued on the proposal for a Directive on the prospectus to be published when securities are offered for subscription or sale to the public.

1.2. Financial engineering activities

In a communication presented in December 1986,³ the Commission set out the objectives it wanted to see pursued by financial engineering on a Community scale. By seeking both to adapt to a changing financial environment and to meet new needs, financial engineering must encourage the market to create or develop instruments or mechanisms for facilitating the financing of measures or projects to which the Community attaches particular importance and which are not spontaneously or adequately financed through the market. To achieve this, Community action must exert a catalytic, multiplier and leverage effect while being sparing with budget resources. This new sector of Community ac-

¹ Decision 71/143/EEC, as last amended by Decision 86/656/EEC: OJ L 382, 31.12.1986.

² Regulation (EEC) No 682/81, as amended by Regulation (EEC) No 1131/85: OJ L 118, 1.5.1985.

³ COM(86) 723 final, 15.12.1986.

tivity must also help to strengthen economic and social cohesion.

Two priority areas have been singled out for this financial engineering activity: large-scale infrastructure projects of European interest and small and medium-sized enterprises (SMEs). The first is examined in greater detail below. In the case of SMEs, the involvement of NCI IV is described at point 3.1 below. A further important development in this context is the financing of leasing activities, first by the EIB from its own resources and now also by the NCI.

1.3. Application to large-scale infrastructure projects of European interest

The concern of national authorities to limit their budgetary commitments has prevented them from contributing to the implementation of a large number of economically sound infrastructure projects.

Such projects — involving railways, telecommunications, roads, the environment and energy — could help appreciably to improve the competitiveness of European industry and the standard of living of Europeans. Furthermore, as some of the projects are transnational (the broadband telecommunications network, the Brenner and Spluga tunnels, the Spain-France high-speed train link) or located in less-favoured areas (Messina bridge), they would help to improve the cohesion of Europe. Finally, while such would not be their prime aim, large-scale infrastructure projects would have beneficial effects on economic activity and growth.

The completion of the large single market by 1992 will further increase the exchange of goods and information and will stimulate tourism. Europe must therefore have the infrastructures to deal with this increased traffic. This is made all the more necessary not only by the lack of cross-frontier infrastructures but also by the breaks between national links which lead to traffic, service and technical problems.

Given the constraints on the Member States' and the Community's budgets, and the abundance of readily available private capital which is all too frequently invested in purely financial transactions, the Commission adopted on 9 December 1986 a communication containing a proposal for a Council Decision (COM(86) 722 final). That communication aimed to channel private funds towards the funding of large-scale infrastructure projects of European interest and so enable a start to be made on them. Those projects, which

could all be kept separate for legal and accounting purposes and which would be intrinsically income-generating — thereby permitting a system of user charges — could thus be financed privately or through a mix of private and public funds.

Private or mixed funding of infrastructure projects is hampered by the particular features of such projects:

- (i) a long construction period and a gradual build up of use — hence a delayed return on the project;
- (ii) the sensitivity of economic results to long-term macro-economic developments — entailing a high financial risk;
- (iii) a lack of traditional bank guarantees for the very high amounts of credit needed — making banks reluctant to become involved.

In the case of transnational projects, the absence of a single negotiating partner representing the authorities presents an additional problem at the time when the application is formulated.

The action proposed by the Commission is designed to overcome these difficulties and so provide the conditions necessary for the emergence and launching of large-scale projects (contribution towards the cost of preparatory studies, a 'declaration of European interest', contribution to the financial launching of projects). This preparatory action is also intended to mobilize market resources through a new form of assistance (partial and conditional guarantee) akin to project financing techniques.

The Council held initial discussions on these proposals in May 1987, when reservations were expressed by a number of delegations. The European Parliament and the Economic and Social Committee, by contrast, have both given very favourable opinions. The Economic Policy Committee, which was asked by the Council to make a report on these proposals, stressed the need for large-scale projects. It recognized that the Commission could play an important part in attracting private funding for such projects. Parliament approved the Commission's proposal in a resolution dated 16 September 1987 but at the same time requested that certain amendments be made. The Commission accordingly presented a revised proposal.¹

¹ COM(87) 724 final.

The Commission intends to persevere in its efforts to explain and argue the case for its proposals with a view to prompting further discussion within the Council.

At operational level, the adoption of criteria (OJ C 291, 31.10.1987, p. 3) permitting the ECSC to grant loans for

this type of project (limited to the steel content of projects and to 20 % of the cost of the project) is an interesting step towards a solution to the problem: these loans provide the promoter of a large-scale project with a good opportunity to diversify his borrowing.

The EIB, the other financial instruments and strengthening economic and social cohesion

According to Article 130b of the EEC Treaty, the Community is to support the objectives of strengthening economic and social cohesion by action through the structural Funds (European Agricultural Guidance and Guarantee Fund, Guidance Section; European Social Fund; European Regional Development Fund), through the European Investment Bank and through the other existing financial instruments. This presupposes that the individual financial instruments concerned are able to act jointly and effectively while, at the same time, observing their own specific rules, notably as regards loan financing. In this connection, the EIB's Board of Governors, which, according to the EIB's Statute, lays down general directives for its credit policy, has systematically tailored those directives at all times to the Community's major objectives. The other financial instruments, whose aims and procedures are adjusted regularly, can also be usefully deployed. Accordingly, the institutional conditions are met for Community loan financing to make a major contribution to strengthening cohesion.

Regulation No 2052/88 broadly outlines the role that the EIB and the other financial instruments, operating in conjunction with the structural Funds, can play.

Present contribution to cohesion

All in all, loan financing is an important aspect of Community financial assistance. In 1987, it amounted to ECU 8,7 billion (as against ECU 7,5 billion for budgetary financing).

Leaving aside the Euratom borrowing and lending scheme for financing nuclear power investments, the Community's financial instruments contribute *de jure* or *de facto* to the objective of cohesion. Take, for example, the EIB: Article 130 of the EEC Treaty assigns it the task of contributing to the balanced and steady development of the common market, which is underpinned by the priority given to regional development. For its part, the NCI was set up in 1978 to support investment helping to bring about closer convergence and integration of Member States' economies. Then there is the ECSC, which, because of economic developments in the industries covered by its financing activities, has had to play a part in restructuring and converting declining industrial regions. Lastly, there are the balance-of-payments loans designed to help Member States overcome difficulties on their external account that might hamper investment and growth.

Over 80 % of Community lending has gone to countries facing pronounced regional disparities: Greece, Ireland, Italy, Spain and Portugal (since 1986), the United Kingdom and France (problems specific to certain areas).

A few examples will best illustrate the targeting of loans on regions in need of structural adjustment either because of a

development gap separating them from the other Member States or because of industrial decline:

- (i) in the case of the EIB, its regional development priority, which is based on Article 130a of the EEC Treaty and the directives laid down by its Board of Governors, accounted for over 60 % of lending in the period 1982-87;
- (ii) EIB/NCI loans for promoting regional development totalled more than ECU 21 billion over that same period;
- (iii) the ECSC has pressed ahead with its conversion strategy aimed at fostering the creation of new jobs in other industries, notably through global loans to SMEs; conversion loans have expanded significantly and now account for more than 30 % of ECSC lending in the Community.

Incorporation into the new approach

The new approach advocated by the Commission in Regulation No 2052/88 has a number of basic elements among which the concepts of concentration, programming and effectiveness are particularly important for the activities of the EIB and the other financial instruments.

Concentration means that the thrust of the activities of the EIB and the other financial instruments will reinforce the priority assigned to the less-developed and declining regions. In particular, the EIB's activities in support of regional development will be focused on these two categories of region; the other areas traditionally eligible for regional assistance from the EIB (under Article 130a of the EEC Treaty) will continue to qualify for such assistance.

Since programmes are to be the predominant form of Community action, it is essential that economic agents in the Community should participate fully in their preparation and assessment. Such participation will be secured at the very start of the programming exercise so that, when the 'Community support framework' is being drawn up, the Member States, the Commission and the EIB will be able to agree on a financial plan stating the forms and amounts of finance to be allocated. This will form part of the Community support framework.

In the interests of effectiveness, the programmes and Community support framework defined in this way will be closely monitored and assessed in order to ascertain the relevance of the measures taken and their smooth implementation, to check the use to which finance is put and to trigger any adjustment to the programme and its financing arrangements that might be needed.

Assistance procedures

The search for effectiveness dictates that, when programmes and the Community support framework are being drawn up, an efficient mix of the different forms of Community assistance must be achieved, assembling a financial package that is tailored to the nature of the measures planned. This is the purpose of

the financial engineering activity which the Commission has decided to undertake and which aims to provide investors with the financial tools they need.¹

In practice, this means diversifying the assistance procedures of the structural Funds and attempting to combine loan and grant

¹ *Financial engineering*, Communication from the Commission to the Council and the European Parliament, COM(86) 723 final.

elements in a way that is both judicious and economic in terms of budgetary resources. The search for this 'optimum combination' must be guided by the need to consider the financial return on projects eligible for Community assistance in the form of either a loan or a grant.

The method envisaged links loans and grants and varies the rates of Community assistance in accordance with the principles set out in Council Regulation No 2052/88.

2. Investment in the Community in 1987

2.1. Macroeconomic developments in 1987

Community GDP increased by 2,4 % in real terms in 1987, which is slightly less than in 1986; as the present forecasts for 1988 are for a rate of growth of 1,9 %, this would suggest that the expansion of the Community economy is slowing down to some extent.

As in 1986, the growth of the economy in 1987 was due to buoyant domestic demand, which increased by 3,6 % in real terms. That increase was offset by a negative contribution from the external sector, the rate of growth of imports (6,9 % in volume terms) having been more than twice that of exports (3,1 %). The most buoyant components of domestic demand were private consumption and gross fixed capital formation; within the latter, investment in plant and machinery grew very strongly (5,4 %), whereas the growth of investment in construction was much more modest (2,2 %).

The contribution of domestic demand growth to the Community economy in 1987 reflects a number of factors which have had a negative impact on the expansion of Community exports in recent years and which are in turn likely to affect investment in the period ahead. One of these factors is the loss of competitiveness of Community exports not only in relation to the United States of America but also to the newly industrializing countries. The extent of this loss of competitiveness, induced by the appreciation of the European currencies, can be measured by the market share losses suffered by the Community in 1987: while exports increased by only 3,1 %, export markets grew by 5 %. A further important factor is the continuing contraction of certain markets which in the past provided important outlets for Community exports, namely those of the OPEC and developing countries.

This decline in competitiveness, combined with less promising prospects for sales in the medium term, clearly caused a loss of confidence among industrialists. In 1987 they revised their investment plans downwards, whereas at the end of 1986 they had still been expecting investment in industry to grow in real terms by 10 %. In fact, that rate was nearer to 5 %.

By contrast to industrial investment, which grew more rapidly than GDP, public sector investment marked time as a percentage of GDP. The share taken by public sector

investment was still a good deal lower than that recorded at the beginning of the 1970s, when this category of investment was one and a half times greater as a proportion of GDP. This decline reflects the efforts made by the Member States to improve their public finance positions.

In addition to the unsatisfactory outlook for demand, profitability, a further determinant of investment, failed to improve in 1987 compared with previous years. Between 1982 and 1986, real unit wage costs had fallen appreciably, bringing profitability back to the levels recorded in the 1960s. In 1987, those costs remained stationary and the improvement in profitability in 1986 was not maintained.

Increased profitability would help to reduce the strains between the supply of, and demand for, long-term capital. This would also have a favourable impact on investment, in that financing costs would fall as a result and the relationship between the expected return on investment and interest rates on the financial markets would become much more favourable to productive investment.

On the employment front, the growth generated in 1986 and 1987 was not sufficient to permit rapid progress towards achieving one of the Community's longer-term objectives, namely to bring unemployment down substantially. The unemployment rate in fact fell only slightly in 1987 and a further slight fall in 1988 is the best that can be expected.

2.2. Investment in the Member States

In 1987, investment growth was strongest in real terms in Portugal (+ 18,8 %), Spain (+ 14,4 %) and Belgium (+ 5,2) (see Table 1).

In Portugal, measures to adjust taxation and modernize financial markets helped investment. After a cumulative fall of 25,5 % in real terms in the period 1983-85, investment expanded again in 1986 and accelerated in 1987, which has enabled Portugal to make progress towards correcting its structural deficiencies thanks to the strong improvement in the investment ratio.

In Spain, the very rapid expansion of gross fixed capital formation continued in response to the continuing favourable trend of business profits, promising sales prospects and the need to modernize the productive apparatus in the face of foreign competition, which has intensified following Spain's accession to the Community.

In Belgium, investment growth came mainly from business investment. The expansion of private sector investment was stimulated by the growth in profit margins and real wages moderation, brought about by the policies adopted in 1982 to restore the profitability and improve the financial positions of firms.

Investment also grew in Luxembourg (+3,5%), the United Kingdom (+3,4%), the Netherlands (+3%), Italy (+2,9%) and, to a lesser extent, in France (+2,3%), Germany (+1,6%) and Greece (+1,2%).

In Luxembourg, gross fixed capital formation in industry, which had increased significantly the previous year, was held back by declining demand in the steel industry. The measures taken to replenish the financial resources of the central government's investment funds continued to reinforce firms' competitiveness by reducing their tax burden.

In the United Kingdom, business investment began to pick up, particularly in manufacturing industry, following a somewhat sluggish performance since 1985; this was due in part to changes to the system of company taxation. The marked improvement in business profitability was made possible by substantial productivity gains, especially in manufacturing industry.

After growing sharply for a number of years, business investment in the Netherlands, particularly in plant and machinery, fell appreciably mainly as a result of the completion of major water engineering projects.

Despite improved business profitability, gross fixed capital formation increased only moderately in Italy. Industrial investment in plant and machinery and, to a lesser extent, investment in the market services sector were again the most buoyant components, whereas investment in construction continued to stagnate.

In France, the buoyancy of demand was due primarily to productive investment, which grew considerably in the distributive trades and private industry but fell in the large nationalized enterprises and agriculture. Investment should be stimulated by the government's efforts to liberalize capital movements, improve money market flexibility and remove the remaining price controls.

In Germany, the unfavourable export trend curbed investment in plant and machinery, although there were some signs of recovery towards the end of the year. Investment in

housing and construction showed no increase, mainly because of the decline in residential construction.

In Greece, the gradual removal of price controls, combined with a very moderate increase in wage costs and a consistent exchange-rate policy, helped to improve firms' financial positions appreciably. This should boost productive investment, although firms have initially given priority to improving the structure of their balance sheets.

The level of investment fell in Denmark (-4,9%) and Ireland (-1,5%).

In Denmark, investment grew very vigorously in the period 1984-86 owing mainly to an upsurge in private investment prompted by improved profitability and a favourable export trend. The recent worsening of export prospects and the weakening of domestic demand brought about by a tighter budgetary policy and the measures taken to increase the personal savings ratio have led to a deterioration in the investment climate.

While the fall in domestic interest rates proved beneficial to investment in plant and machinery in Ireland, capital expenditure on construction remained sluggish owing to the fall in demand for private housing and reduced activity in the public sector. The impetus given to business confidence by the progress made in reducing the budget deficit should help to stimulate private investment.

2.3. The role of industrial investment

Industrial investment continued to grow moderately, taking the average for the Community. According to the investment survey carried out in the Community at the end of 1987, industrial investment increased by 8% in 1987, equivalent to 5% in real terms.

Industrial investment in the Community increased fastest (+16%) in processing (textiles, footwear, wood, paper, publishing and plastics). Growth in this sector was very rapid in Portugal, Greece and the United Kingdom.

In the plant and machinery sector, investment grew quite strongly, although industrialists made appreciable down-

ward revisions in their investment plans for 1988. Consequently, the anticipated growth rates for Belgium, Greece, Ireland and the United Kingdom show a marked fall.

Finally, taking the Community as a whole, investment in the metalworking industries fell by 2 % in 1987 owing mainly to the reductions recorded in Germany and Italy.

Table 1
Investment in the Community
(Annual growth rate in volume terms)

	1985			1986			1987		
	Total	Construction	Plant & machinery	Total	Construction	Plant & machinery	Total	Construction	Plant & machinery
Belgium	1,0	-0,5	3,1	6,6	1,8	13,1	5,2	3,0	7,9
Denmark	11,9	9,9	16,3	17,0	19,2	14,4	-4,9	-1,3	-9,1
FR of Germany	0,1	-6,2	10,0	3,1	2,4	4,1	1,6	-0,4	4,2
Greece	5,1	2,9	7,6	-4,8	-3,4	-6,5	1,2	0,0	2,7
Spain	3,8	1,9	7,7	9,3	6,5	10,2	14,4	10,9	20,0
France	1,1	-0,6	6,8	3,5	2,0	4,7	2,3	1,3	3,1
Ireland	-4,4	-7,5	5,5	-2,3	-5,3	0,3	-1,5	-7,1	3,2
Italy	3,3	-1,7	11,4	1,2	-0,7	3,1	2,9	0,7	4,9
Luxembourg	-3,7	—	—	11,5	7,7	19,4	3,5	3,2	4,0
Netherlands	5,2	-3,6	14,1	7,2	4,9	9,9	3,0	3,6	2,4
Portugal	-3,0	—	—	9,5	4,7	16,0	18,8	10,5	29,0
United Kingdom	3,1	-3,3	7,8	0,3	3,7	-3,9	3,4	2,5	4,5
EUR 12	2,1	-2,2	8,9	3,1	2,7	3,6	3,7	2,2	5,4

	Aggregate investment ratio (as % of GDP)			Investment in manufacturing industry ¹ (% change compared with previous year)		
	1985	1986	1987	1985	1986	1987
Belgium	16,2	16,8	17,4	3	13	4
Denmark	18,1	20,5	19,7	31	3	18
FR of Germany	20,1	20,2	20,2	17	11	6
Greece	16,3	15,3	15,5	3	-28	-14
Spain	19,2	20,3	22,3	—	—	—
France	19,7	20,0	20,0	7	4	4
Ireland	23,3	22,9	21,7	59	9	-28
Italy	21,9	21,6	21,6	12	7	11
Luxembourg	18,7	20,2	20,6	16	39	-10
Netherlands	19,5	20,4	20,7	23	3	0
Portugal	21,2	22,4	25,9	—	—	14
United Kingdom	18,3	17,8	17,8	3	5	6
EUR 12	19,8	19,9	20,2	12²	5²	5³

Source: Commission estimates.

¹ Results of business surveys in the Community.

² EUR 10.

³ EUR 11.

3. Developments and decisions relating to the borrowing and lending instruments in 1987

3.1. New Community Instrument (NCI)

Following a conciliation meeting with the European Parliament, the Council approved on 9 March 1987 a new tranche (NCI IV) of ECU 750 million.¹ This tranche is intended for SMEs in industry and other productive sectors, especially to finance the application of new technologies, innovation and greater energy efficiency.

Unlike the previous NCI authorizations, NCI IV does not provide for assistance for infrastructure projects but is targeted exclusively on SMEs.

At the same time as it approved NCI IV, the Council requested the EIB to make available to SMEs, on conditions similar to those applicable to NCI IV, ECU 750 million from its own resources. The EIB's Board of Governors responded favourably to that request in February 1987, authorizing the Bank to take action parallel to that of NCI IV.

Following an earthquake which occurred in the Kalamata region of Greece in September 1986, the Greek authorities asked the Commission in April 1987 for a loan of ECU 100 million to carry out the necessary reconstruction work. On 22 December 1987, the Commission transmitted to the Council a proposal² for a Decision amending the NCI IV Decision with the aim of authorizing, above and beyond the ECU 750 million ceiling imposed, an ECU 100 million tranche of *ad hoc* loans to meet the Kalamata reconstruction needs. This figure would be reduced by the value of any loans made for the same purpose by the EIB out of its own resources. The loans granted from NCI or EIB resources would carry subsidies designed to ease the burden of servicing the debt contracted.

3.2. Euratom

Loans granted in 1987 took the cumulative total to ECU 2,891 billion, thus exceeding the level (ECU 2,8 billion) above which the Commission may propose that the ceiling on Euratom borrowing be raised (currently fixed at ECU 3 billion).

¹ Decision 87/187/EEC (OJ L 71, 14.3.1987).

² COM(87) 727 final.

3.3. European Coal and Steel Community (ECSC)

In 1987 the Commission continued its industrial conversion policy in accordance with Article 56 of the ECSC Treaty. Loans granted for that purpose accordingly increased by 24%. The procedures and conditions for the granting of conversion loans under Article 56 of the Treaty were amended by provisions published in the *Official Journal of the European Communities* on 1 July 1987 (OJ C 173).

Industrial loans, by contrast, fell by 20% despite a significant increase in lending for the energy sector. At the same time, there was a sharp increase in the use made of the loan facility to finance investment aimed at promoting the consumption of Community steel. The procedures applicable to this instrument were extended on 31 October 1987 (see OJ C 291) to major infrastructure projects of European interest.

3.4. European Investment Bank (EIB)

The Bank continued to pursue its activities in the Community of Twelve on the basis of the objectives set out in Article 130 of the Treaty of Rome, spelt out in greater detail by the decisions of its governing bodies and confirmed by the Single European Act.

Thus, in 1987, the Bank stepped up the financing of investment projects contributing to a better regional balance, to environmental protection, to the development of Community communications infrastructures, to the strengthening of industrial competitiveness and to the expansion of the Community's own energy supplies.

With regard to SMEs, the Bank's Board of Governors authorized the Bank on 25 February 1987 to accept the mandate to administer NCI IV and responded favourably to the Council of Ministers' request that the EIB should simultaneously draw on its own resources to fund investment projects meeting NCI IV objectives.

Outside the Community, the year was marked by a satisfactory rate of commitment of the amounts available under the third Lomé Convention and by the preparation of lending under the third generation of financial protocols concluded with the Maghreb and Mashreq countries and Israel.

So as to be able to deal with the increase in demand for EIB financing, the Bank endeavoured to adapt its borrowing and lending conditions to market developments and investors' needs.

4. Borrowing

4.1. Situation on capital markets in 1987

4.1.1. General

The volume of funds raised on international capital markets declined in 1987 after expanding rapidly in the first half of the 1980s. As many transactions were denominated in dollars, the steady depreciation of that currency tended to magnify the decline. This is clear from Table 2, where the aggregates are expressed in ecus. Measured in dollars, borrowing remained practically unchanged in 1987.

International bond issues were the weakest sector in 1987. The market in floating-rate issues contracted significantly after having grown sharply to reach a record level in 1985 (ECU 77 billion). After falling by more than 30 % in 1986, variable-rate issues totalled only ECU 9,3 billion in 1987, less than a fifth of the 1986 volume. The market in syndicated credits grew sharply, with borrowing volumes increasing by more than 40 % to ECU 77 billion, although that was still below the record level of ECU 100 billion recorded in 1982. The market responded in particular to heavy demand from companies wishing to finance mergers and acquisitions; the volume of public sector borrowing, by contrast, remained moderate compared with previous years. The average maturity of Eurocredits lengthened in 1987 (mainly as a result of the major long-term credit operation mounted for the Eurotunnel consortium), increasing by a year to approximately eight years. The average spreads on new credits (with the exception of managed loans) have never been as low despite the lack of prime quality public borrowers and increased demand from companies; this was because international banks were actively seeking syndication orders.

Among the new instruments, the recently created Euro-commercial paper programmes (ECP) declined somewhat (by 20 % year-on-year). That decline was offset to some extent by a continuous and rapid growth of Euroequities, the market in which saw an upsurge in new issues until October, when issue activity was affected by the stock market crash. Over the year as a whole, the situation regarding note issuance facilities (NIFs) barely changed, with the volume of such issues stabilizing following the marked contraction in 1986.

4.1.2. Currencies of borrowing and interest rates

On the major international markets, interest-rate levels at the end of 1987 were little changed from those in December 1986. Generally speaking, rates barely varied during the first half of 1987; they then began to climb between June and October. Interest rates and yields subsequently eased (see Graphs 1 and 2) when market liquidity increased as a result of the central banks' reactions to the stock market crash.

The dollar was still the principal currency of borrowing, but its share fell appreciably relative to the other currencies (see Table 3). The decline in dollar-denominated issues was to some extent due to the slide in the dollar, although the growing internationalization of bond issues also played a part. Yen-denominated bonds again gained ground: in 1987 their share of the total volume of bond issues (16.5 %) more than doubled compared with 1985. However, bonds denominated in Community currencies (24,9 % in 1987) were still in second position behind the dollar; sterling issues were much in prominence, which, combined with the increase in issues denominated in ecus, lire and Danish kroner, more than offset the fall in the relative shares of bond issues denominated in German marks, Dutch guilders and French francs. Ecu-denominated issues increased to 5,1 % of the total, from 3,3 % in 1986.

Table 2**Volume of capital raised on international markets, 1985-87**

	1985		1986		1987	
	billion ECU	% change on previous year	billion ECU	% change on previous year	billion ECU	% change on previous year
International bond issues	200,6	73,2	202,5	0,9	140,0	- 30,9
International syndicated credits and loans	56,7	- 22,6	53,7	- 5,3	76,9	43,2
Note issuance facilities	45,3	105,0	25,2	- 44,4	24,4	- 3,2
Total	302,6	44,0	281,4	- 7,0	241,3	- 14,3
Eurocommercial paper programmes	16,6	:	60,0	261,4	47,9	- 20,2
Equities	3,6	:	11,9	230,6	15,8	32,8
Other	25,2	73,7	13,3	- 47,2	14,0	5,3
Grand total	348,0	54,9	366,6	5,3	319,0	- 13,0

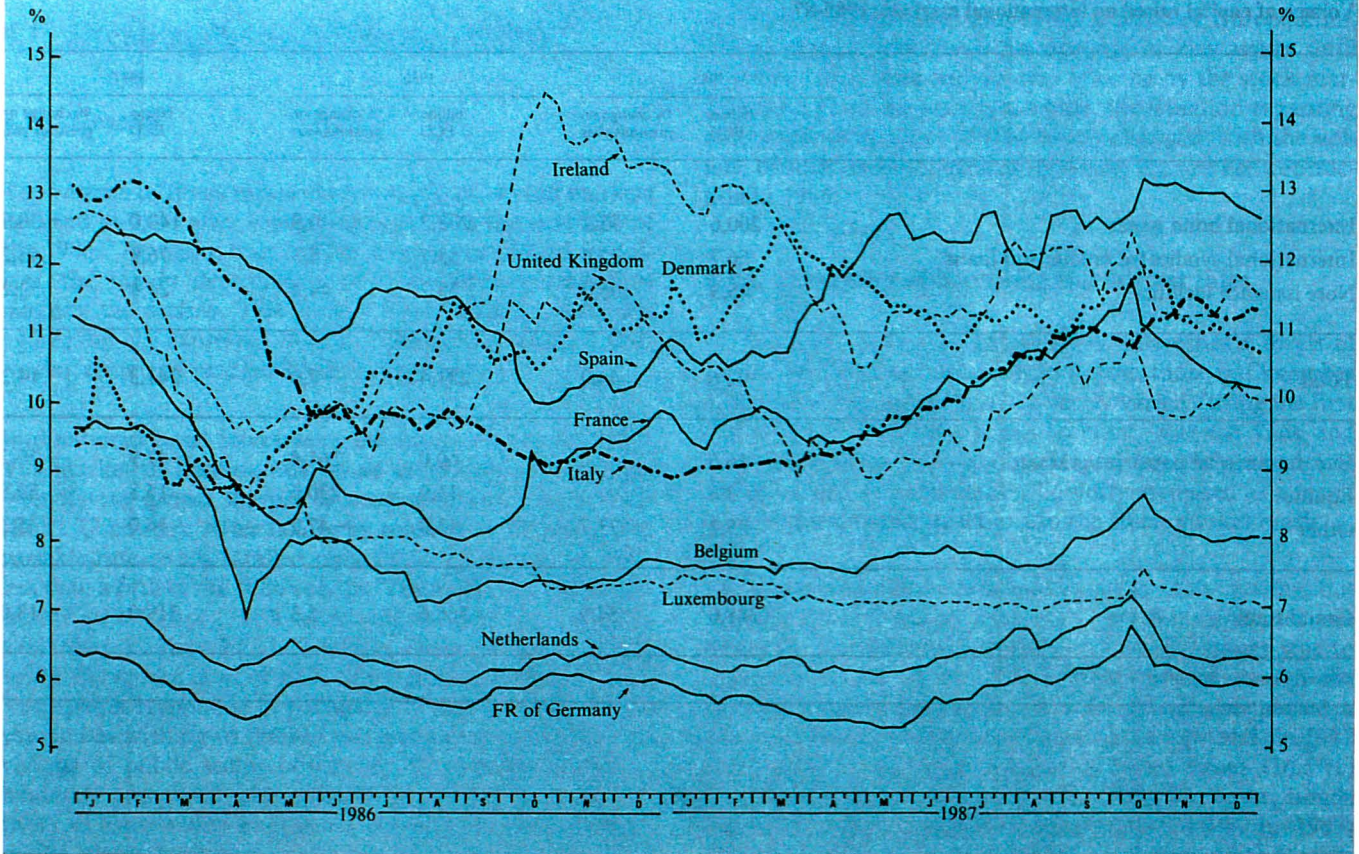
Sources: Bonds — EIB; other — OECD.

Table 3**International bond issues, by currency**

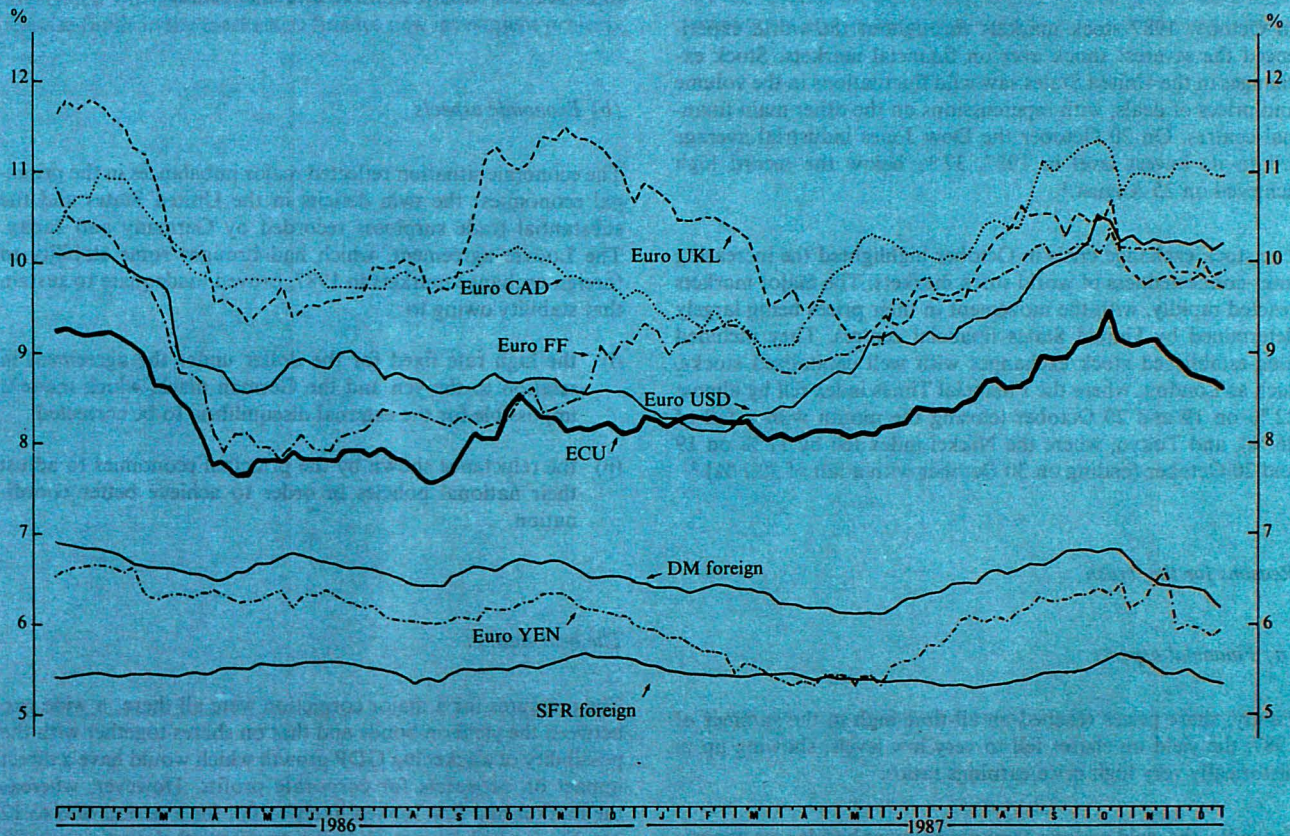
	USD	YEN	DM	SFR	UKL	ECU	CAD	Other
<i>1986</i>								
in million ECU	117 315	21 464	15 147	13 046	11 420	6 675	5 383	11 890
as % of total	57,9	10,7	7,5	6,4	5,6	3,3	2,7	5,9
<i>1987</i>								
in million ECU	57 716	23 159	9 975	9 614	12 971	7 186	5 643	13 783
as % of total	41,2	16,5	7,1	6,9	9,3	5,1	4,0	9,8

Source: EIB.

GRAPH 1: Public sector yields on national markets



GRAPH 2: Yields on international markets



Recent financial events

In October 1987 stock markets throughout the world experienced the severest shock ever on financial markets. Stock exchanges in the United States saw wild fluctuations in the volume and prices of deals, with repercussions on the other main financial centres. On 20 October the Dow Jones industrial average fell to its lowest level in 1987, 37% below the record high achieved on 25 August.¹

The stock exchange crisis in October highlighted the increasing inter-connectedness of world stock markets. The major markets reacted rapidly, with the movement in their prices being largely determined by United States financial centres. They included long-established stock exchanges with well capitalized stocks, such as London, where the Financial Times index fell by almost 22% on 19 and 20 October (closing the month with a fall of 26%), and Tokyo, where the Nikkei index fell by 17% on 19 and 20 October (ending on 30 October with a fall of 30,1%).²

Reasons for the 'crash'

(a) Financial aspects

Firstly, share prices reached an all-time high in the summer of 1987; the yield on shares fell to very low levels, showing up in historically very high price/earnings ratios.

Secondly, the yield on long-term government bonds rose dangerously to the point of breaking through the 10% barrier (in the United States and the United Kingdom). This trend reflected growing concern about an impending resurgence of inflationary pressure.

The reverse yield gap between shares and bonds therefore widened dangerously to reach historically high levels. The only reason which might persuade investors under such circumstances to continue to invest in shares rather than bonds is the prospect of capital gains³ which compensate for this gap.

If the reverse yield gap widens, investors have every incentive to turn to bonds, since they provide the same return from a less

risky asset. The markets therefore came under heavy pressure to correct the situation and re-establish balance.

(b) Economic aspects

The economic situation reflected major imbalances in the principal economies: the twin deficits in the United States and the substantial trade surpluses recorded by Germany and Japan. The Louvre agreement, which had brought some stability to foreign-exchange markets in 1987, proved inadequate to sustain that stability owing to:

- (i) the high rate fixed for the dollar under the agreement in relation to the yen and the German mark, which made it impossible for the external disequilibria to be corrected;
- (ii) the reluctance shown by the principal economies to adjust their national policies in order to achieve better coordination.

The bear market

The pressures for a major correction were all there: a wide gap between the yield on bonds and that on shares together with the possibility of slackening GDP growth which would have a direct impact on prospects for corporate profits. However, whereas the market had first looked likely to fall for a period of 6 to 12 months (as had happened in the recent past) downturn was in fact confined to a period of no more than a week (from 14 to 19 October). This was due largely to the new technologies, to the linkages between markets to information systems and to the modern financial techniques of the global market which had emerged in the second half of the 1980s.

The impact of the October stock market crisis has not been limited simply to the spectacular movements which occurred at that time in share prices. Stock markets are currently still feeling the reverberations of 19 October: the spreads between dealing margins are widening, market liquidity and continuity is being substantially reduced and swings in stock market prices are wider than before October.

Possible consequences

One of the direct consequences of the current uncertainty on financial markets following the October crash is the very sharp fall in new issues of both bonds and shares. This could have a direct impact on firms' financial costs, owing to the higher

¹ The so-called 'crash' occurred on 19 October with a fall of 22%.
² The Paris, Frankfurt and Milan stock exchanges closed on 30 October with falls of 16%, 19% and 18% respectively.
³ Capital gains from equity investment depend primarily on the outlook for profit growth. On a stock exchange with well structured securities, the forecasts for the growth of money GDP provide a fair measure of the expected increase in business profits.

yields demanded by investors in return for the increased risks associated with investments in securities, and on their capacity to raise funds in the markets to finance new investment projects.

This situation could therefore entail a serious interruption to, or even reversal of, the trend towards securitization observed in recent years and an increased role for financial intermediaries.

4.2. Community borrowing in 1987

Table 4 shows international bond issues — the only form of international financing that can be broken down in this way — by geographical zone of issuer.

The relative share of borrowers from the Community countries contracted somewhat compared with its record size in 1986; their borrowings in absolute terms fell by almost 40 %. The fall in the share of United States borrowers continued, with the volume of their issues down to a half of what it was in 1986. Japanese borrowers, by contrast, increased their share of the total by almost a quarter, with the result that Japan has overtaken the United States as the largest debtor country. While falling in absolute terms, borrowing by the other European countries and international bodies increased slightly in relative terms. The share taken by the rest of the world declined appreciably, with the total volume of issues by the developing countries reaching its lowest level since 1980.

The Community institutions reduced their issues by 14 % in 1987 (a fall similar to that in 1986), although their share of the total increased to 4,5 %.

The total amount borrowed by Community institutions in 1987 for structural purposes, i.e. excluding balance-of-payments borrowings, was ECU 8,5 billion, compared with ECU 9,3 billion in 1986, a fall of 8,5 %. This was due principally to a 17,6 % decline in EIB issues, which fell below their 1985 level. ECSC borrowings were down slightly (- 2 %). NCI borrowings increased (+ 13 %), while those of Euratom leapt by 75 % to a record level.

The following points emerge from the analysis of issues by source and currency of borrowing:

- (i) issues denominated in Community currencies increased during a period of general decline, accounting for 70 % of total borrowings in 1987;
- (ii) as in the previous year, the ecu ranked second among Community currencies, behind the German mark. These two currencies were followed by the lira and the French franc;
- (iii) the institutions made increased use of the German mark, the ecu and the French and Belgian francs in 1987, while the guilder, the Luxembourg franc and the pound sterling were less used; for the first time, a Community institution tapped the Spanish financial market with a PTA 10 million loan issue;

Table 4

International bond issues,¹ by geographical zone of issuer

	1986		1987	
	million ECU	%	million ECU	%
EC Member States	64 807	32,0	39 990	28,5
EC institutions	7 291	3,6	6 267	4,5
Other European countries	19 847	9,8	14 380	10,3
United States of America	43 542	21,5	18 860	13,5
Japan	24 708	12,2	34 105	24,4
International bodies (excluding EC institutions)	10 531	5,2	10 773	7,7
Rest of the world	31 796	15,7	15 672	11,2
Total	202 522	100,0	140 047	100,0

¹ This table covers only public issues and hence only part of the borrowings by Community issuers (see Tables 1 and 2 in the Annex).

(iv) the ecu displaced the dollar in 1987 as the Community institutions' second most used world currency, accounting for 14,3 % of total borrowings (as against 12,8 % for the dollar);

(v) borrowings denominated in third currencies declined appreciably because of much more limited use of the dollar by the EIB, the ECSC and the NCI.

Table 5

Trend of borrowing by Community institutions

Year ¹						(million ECU)
	ECSC	EIB ²	Euratom	NCI	Total	
1977	729	1 030	99		1 858	
1978	981	1 863	72		2 916	
1979	837	2 437	153	178	3 605	
1980	1 004	2 384	181	305	3 874	
1981	325	2 243	373	339	3 280	
1982	712	3 146	363	773	4 994	
1983	750	3 508	369	1 617	6 244	
1984	822	4 339 ³	214	967	6 342	
1985	1 265	5 699 ⁴	344	860	8 168	
1986	1 517	6 766	488	541	9 312	
1987	1 487	5 573	853	611	8 524	

¹ Up to 1982, the series are for borrowings signed during the year under all the instruments. From 1983, the figures for the ECSC, Euratom and the NCI represent borrowings collected during the year. As a result of the change in method, a 200 million dollar borrowing under the NCI was counted in both 1982 and 1983.

² The EIB also raises funds by selling participations in EIB loans to third parties (ECU 20 million in 1987).

³ Including ECU 289 million in short-term operations (ECU 189 million in commercial paper and ECU 100 million in certificates of deposit).

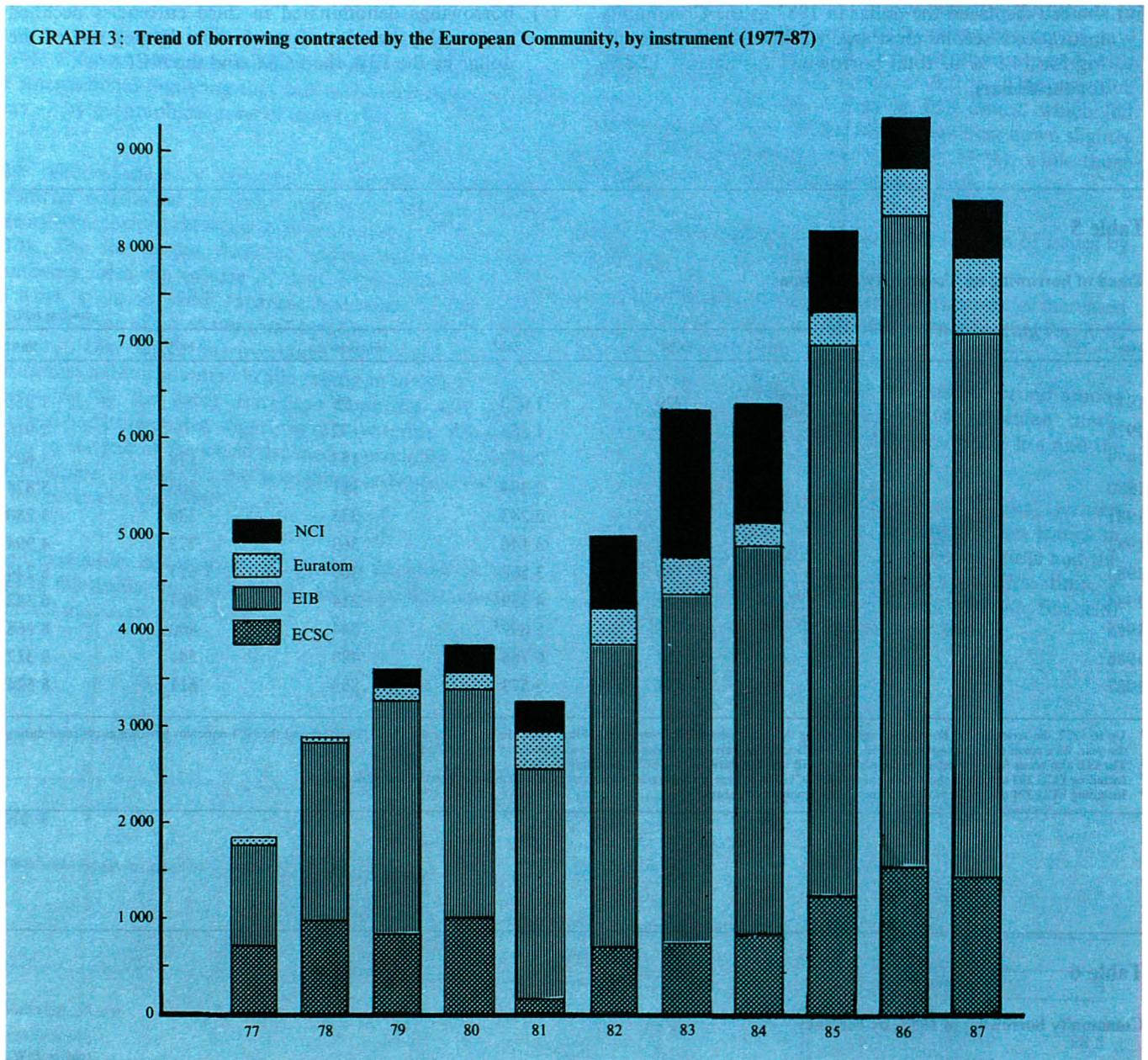
⁴ Including ECU 374 million in short-term operations (commercial paper).

Table 6

Community borrowing in 1987, by currency

	(million ECU)																	
	Community currencies											Other currencies					Total	
	ECU	BFR	DKR	DM	FF	HFL	LFR	LIT	PTA	UKL	Sub-total	USD	YEN	SFR	CAD	ÖS		Sub-total
EIB	807,4	302,2	38,3	1 132,5	464,0	337,9	78,9	639,2	—	142,0	3 942,4	721,9	517,2	370,4	—	20,6	1 630,1	5 572,5
Euratom	232,5	170,5	—	24,3	—	—	—	—	—	—	427,3	225,6	200,5	—	—	—	426,1	853,4
ECSC	106,0	3,8	—	830,8	23,0	5,8	17,8	34,9	—	158,8	1 180,9	60,0	149,1	48,0	48,9	—	306,0	1 486,9
NCI	75,0	—	—	112,9	157,5	—	—	—	71,1	—	416,5	81,9	—	112,9	—	—	194,8	611,3
Total	1 220,9	476,5	38,3	2 100,5	644,5	343,7	96,7	674,1	71,1	300,8	5 967,1	1 089,4	866,8	531,3	48,9	20,6	2 557,0	8 524,1
%	14,3	5,6	0,4	24,7	7,6	4,0	1,1	7,9	0,8	3,5	70,0	12,8	10,2	6,2	0,6	0,2	30,0	100,0

GRAPH 3: Trend of borrowing contracted by the European Community, by instrument (1977-87)



5. Lending

5.1. General

Loans granted in 1987 totalled ECU 8 733,4 million, a nominal increase of 2 % but a much slower advance than in recent years.

ECSC activity decreased by 9 % principally because of a fall in direct industrial loans to the productive sector. At the same time, the use of global loans continued to expand, both for conversion projects and for promoting the consumption of Community coal and steel. These activities accounted for more than 30 % of the ECSC loans granted in 1987.

EIB lending increased by 4,9 % in nominal terms and NCI lending by 13,7 % with the entry into force of NCI IV. By contrast, Euratom loans signed in 1987 fell by 29 % from the very high level recorded in 1986.

5.2. Sectoral breakdown

5.2.1. Productive sector

After a period in which they virtually marked time, loans to the productive sector increased by 10 % in 1987, taking their share of total lending to 36 %.

ECSC lending to this sector declined, however, by 42 % owing to the fall in direct loans to the steel industry, which was not offset by the increase in global loans (by 17 % to ECU 292,2 million — of which ECU 249,2 million were for conversion projects and ECU 43 million for promoting consumption of Community coal and steel).

The increase of almost a third in EIB lending reflects the upturn in global loans, which accounted for more than half of total financings (ECU 2 169,3 million) for the productive sector; individual loans remained close to their 1986 level.

Table 7

Trend of lending in the Community¹

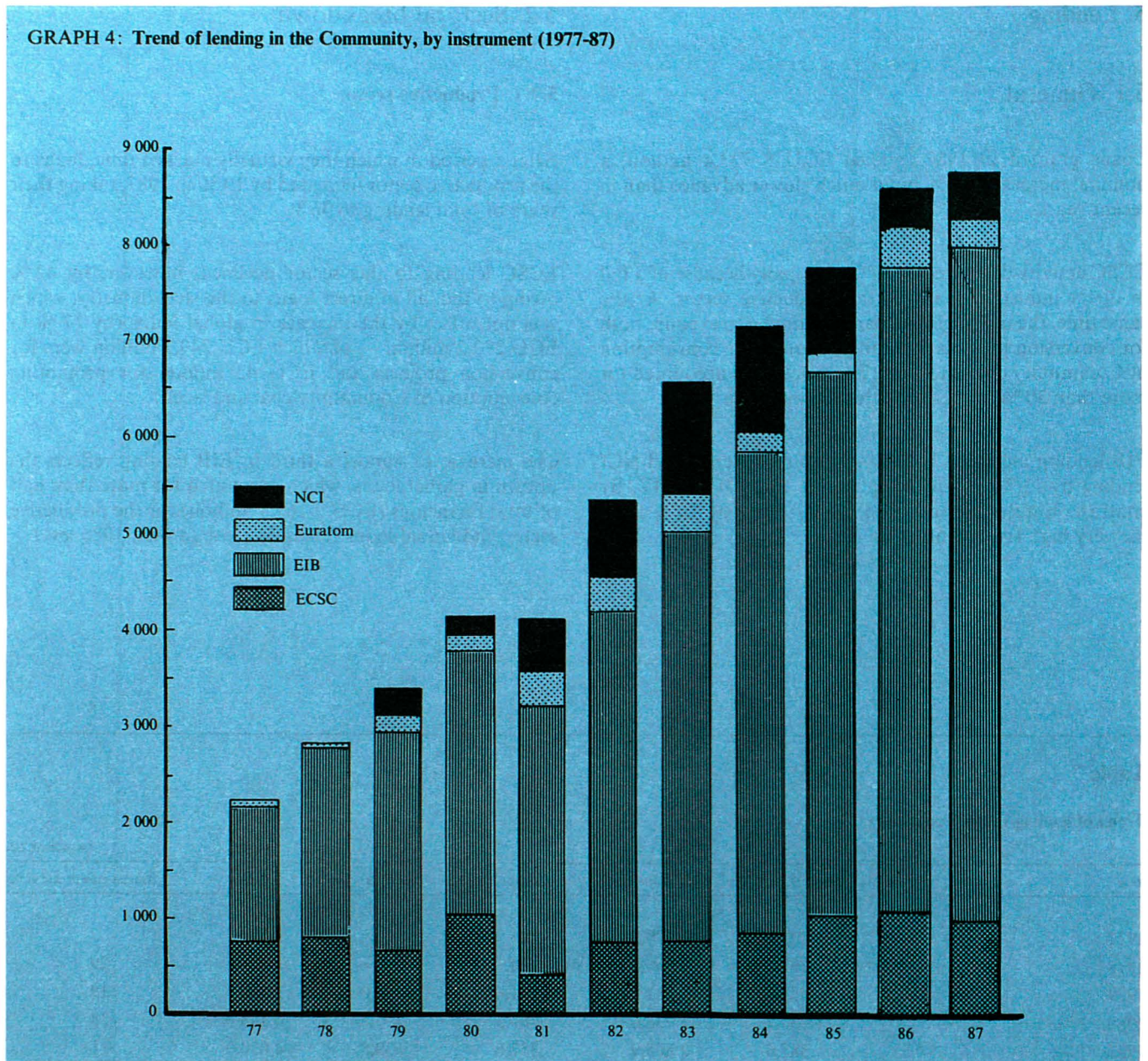
Year	<i>(million ECU)</i>					
	ECSC	EIB ^{2,3}	Euratom	NCI ³	Total	Annual growth rate as %
1977	709,0	1 390,9	96,9		2 196,4	7
1978	797,7	1 966,5	70,3		2 834,5	29
1979	675,8	2 281,2	151,6	277,0	3 386,4	19
1980	1 030,7	2 738,4	181,3	197,6	4 148,0	23
1981	387,6	2 805,9	357,6	539,8	4 090,0	-1
1982	740,6	3 446,0	361,8	791,0	5 339,4	30
1983	778,1	4 243,5	366,4	1 199,6	6 587,6	23
1984	825,5	5 007,0	186,0	1 181,8	7 200,3	9
1985	1 010,6	5 640,7	211,0	883,7	7 746,0	8
1986	1 069,2	6 678,1	443,2	393,0	8 583,5	11
1987	969,3	7 003,4	313,7	447,0	8 733,4	2

¹ Balance-of-payments loans are not included in this table.

² Including loan guarantees: 1980: ECU 14,2 million
1981: ECU 282,1 million
1983: ECU 97,6 million

³ Including loans for reconstruction in areas stricken by the earthquakes in Italy in November 1980 and in Greece in February/March 1981.

GRAPH 4: Trend of lending in the Community, by instrument (1977-87)



The bulk of the global loans were for SME investment projects in the less-favoured areas (ECU 786,4 million); following a decision of its Board of Governors, however, the EIB granted ECU 148,5 million in global loans for investment projects located outside those areas.

Loans from NCI resources showed a sharp upturn with drawings on the new tranche (NCI IV) which was authorized in 1987 and which was intended exclusively for the productive sector. Of the total of ECU 408,9 million granted in the form of global loans, ECU 307,5 million came from NCI IV.

Sub-loans allocated in 1987 from current global loans again declined as a result of the slowdown in the number of global loans signed in 1986. The total of ECU 985,3 million (2 871 sub-loans) breaks down as follows: ECU 578,5 million (1 813 sub-loans) from EIB resources in areas eligible for regional aid; ECU 284,9 million (924 sub-loans) from NCI resources, mainly outside assisted areas; ECU 63,9 million (40 sub-loans) for investment in more efficient use of energy; ECU 35 million (66 sub-loans) for the modernization of businesses; and ECU 23 million (28 sub-loans) for environmental protection projects.

5.2.2. Infrastructure

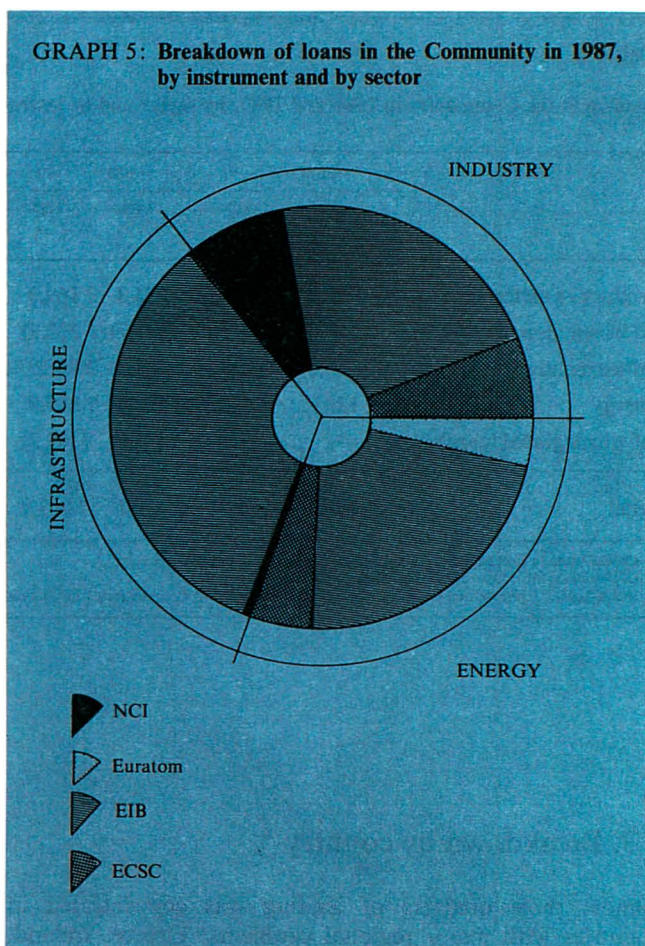
Lending for infrastructure projects increased by 12 %.

EIB loans in this sector increased in line with the general trend, accounting for the bulk of the total amount lent (ECU 2,906 billion out of ECU 2,970 billion). More than half of these funds went to communications, despite a decline in 1987 in financings for transport and, especially, telecommunications. Loans for water engineering projects (principally sewerage projects) increased to a quarter of the total; global loans expanded considerably, accounting for 11 % of the total in 1987.

NCI loans for infrastructure projects (involving investment in transport) showed practically no change in 1987 (ECU 38 million).

ECSC lending to finance low-cost housing marked time in 1987.

GRAPH 5: Breakdown of loans in the Community in 1987, by instrument and by sector



5.2.3. Energy

The level of new financing in the energy sector fell in 1987 owing to a contraction of lending from both the EIB and Euratom. This reduction was concentrated on energy generation; the increase in the financing of conventional thermal power stations failed to offset a corresponding fall in the nuclear field.

Euratom lending in 1987 fell by 29 % compared with the record level recorded in 1986 as it was approaching the authorized ceiling for such operations.

ECSC lending, by contrast, increased sharply, mainly because of substantial funding for the coal industry.

Table 8**Lending in the Community in 1986 and 1987, by sector and by instrument**

Sector	ECSC		EIB		Euratom		NCI		Total			
	1986	1987	1986	1987	1986	1987	1986	1987	Million ECU		%	
									1986	1987	1986	1987
	<i>(million ECU)</i>											
Productive sector	923,0	531,7 ³	1 654,3	2 169,3	—	—	261,5	408,9	2 838,8	3 109,9	33	36
(of which global loans) ¹	(248,0)	(292,3)	(693,7)	(1 232,3)	—	—	(261,5)	(408,9)	(1 203,2)	(1 933,5)	(14)	(22)
Infrastructure	26,2	25,4	2 581,4	2 906,2	—	—	40,5	38,1	2 648,1	2 969,7	31	34
Energy	120,0	412,2	2 442,4	1 927,9	443,2	313,7	91,1	—	3 096,7	2 653,8	36	30
(of which global loans) ²	—	—	(270,6)	(369,2)	—	—	(8,7)	—	(279,3)	(369,2)	(3)	(4)
Total	1 069,2	969,3³	6 678,1	7 003,4	443,2	313,7	393,0	447,0	8 583,5	8 733,4	100	100

¹ Global loans to finance mainly small and medium-sized enterprises.² Global loans for infrastructure and energy projects.³ Including ECU 19,9 million for an iron ore project in Sweden of direct interest to the Community.

5.3. Breakdown by country

Almost three quarters of lending was concentrated in countries with major regional problems: Greece, Ireland, Italy, Spain, Portugal and the United Kingdom; the figure is 87 % if France is included.

As in 1986, the principal recipient was Italy (some 40 % of the total) whether the source was the EIB, the NCI or Euratom.

The United Kingdom (with 18 % of the total) and France (12 %) remained the second and third main beneficiaries.

Spain and Germany were the fourth and fifth main users of Community funds, with Spain showing a sharp increase and Germany a fall. Spain did not use Euratom loans in 1987 and made little use of ECSC funds; Germany did not use the NCI.

Portugal's and Denmark's shares of Community financing increased in 1987 (doubling in the case of Portugal) to reach 4,5 % and 3,7 % respectively.

Each of the remaining Community countries received less than ECU 200 million in Community loans in 1987. These

countries were, in descending order, Ireland, Greece, Belgium, the Netherlands and Luxembourg.

5.4. Employment effects

According to forward estimates, the total amount of investment which the EIB and NCI helped to finance is ECU 19,4 billion; and the average contribution is put at a third of total costs.

Information provided by promoters when investment projects were appraised suggest that the investment projects financed by the EIB and the NCI in 1987 should together help to create 28 000 permanent jobs, two thirds of which will be in the assisted areas; 17 000 of those jobs should be created by SMEs.

While, by their nature, projects financed by Euratom create few new jobs directly, ECSC conversion loans made in 1987 could help to generate about 33 000 extra jobs.

Although these estimates are necessarily very rough, they show that the impact on employment in the Community is considerable.

Table 9**Geographical breakdown of lending in the Community in 1986 and 1987***(million ECU)*

Countries	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	Total
<i>1986</i>													
Amount	47,0	258,2	946,5	253,2	409,2	950,9	263,0	3 464,1	20,2	184,8	190,3	1 521,0	8 583,5 ¹
%	0,6	3,0	11,1	3,0	4,8	11,2	3,1	40,7	0,2	2,2	2,2	17,9	100
<i>1987</i>													
Amount	47,1	319,1	636,4	164,8	713,4	1 103,5	178,6	3 410,1	1,7	21,7	389,9	1 618,6	8 733,4 ^{2,3}
%	0,5	3,7	7,3	1,9	8,2	12,6	2,0	39,0	—	0,2	4,5	18,5	100
of which:													
— ECSC	10,0	3,8	335,6	—	6,0	25,3	—	189,0	0,1	3,7	—	375,9	969,3 ²
— EIB	37,1	283,5	276,5	160,2	593,7	929,8	178,6	2 916,0	1,6	18,0	380,0	1 119,8	7 003,4 ³
— Euratom	—	—	24,3	—	—	71,6	—	108,9	—	—	—	108,9	313,7
— NCI	—	31,8	—	4,6	113,7	76,8	—	196,2	—	—	9,9	14,0	447,0

¹ Including ECU 75 million under Article 18 of the EIB Statute.² Including ECU 19,9 million for ECSC loans outside the Community.³ Including ECU 108,7 million under Article 18 of the EIB Statute.

Operations under the Community loans mechanism designed to support Member States' balances of payments

Established in 1975,¹ the balance-of-payments support mechanism was adjusted in 1981 and 1985.² It serves a different purpose from that of the other borrowing and lending instruments discussed in this report and intended to finance investment projects. The Community uses its credit-worthiness to borrow on international markets and then on-lend the proceeds on identical terms to any Member State in balance-of-payments difficulties.

Under this mechanism the Council, acting on a proposal from the Commission and after consulting the Monetary Committee, decided on 16 May 1983 to grant the French Republic a loan equivalent to ECU 4 billion.³

In July 1987, France repaid part (USD 350 million and ECU 80 million) of the outstanding balance of that loan. The Commission accordingly repaid the corresponding Community borrowing. On 31 December 1987, France still owed the EEC USD 590 million and ECU 70 million.

¹ Council Regulations (EEC) No 397/75 and No 398/75 of 17 February 1975.
² Council Regulations (EEC) No 682/81 of 16 March 1981 and No 1131/85 of 30 April 1985. A Council Regulation of 24 June 1988 combined this instrument and that for medium-term financial assistance into a single mechanism: see point 1.1 above.
³ Council Decision 83/298/EEC.

The mechanism was used again when the Council decided on 9 December 1985, on a proposal from the Commission and after consulting the Monetary Committee, to grant Greece a loan worth ECU 1,750 billion.⁴ The first tranche (equivalent to ECU 875 million) was disbursed to Greece at the beginning of 1986 (see report on the 1986 activities). The operations relating to the second tranche were carried out in February, March and April 1987, with the corresponding borrowings by the Commission taking the form of four public issues:

- (i) a fixed-rate loan of ECU 350 million (ECU 150 million for five years and ECU 200 million for seven years);
 - (ii) a six-year fixed-rate loan of USD 250 million;
 - (iii) a six-year fixed-rate loan of YEN 25 billion;
 - (iv) a six-year fixed-rate loan of DM 300 million;
- plus a five-year fixed-rate bank loan of DM 30 million.

⁴ Council Decision 85/543/EEC.

6. Lending in the Community, by instrument

6.1. New Community Instrument (NCI)

6.1.1. General analysis of utilization

The table below shows the situation regarding the use made of the various NCI borrowing authorizations in relation to their respective ceilings as at 31 December 1987.

This table takes account of the different legal bases which are applicable to the successive NCI tranches and which determine the exact method of assessing the value of each loan signed (and in particular the conversion of NCI I, II and III loans into 'borrowing equivalent').

The following conclusions can be drawn:

- (i) NCI I and II have been fully committed, except for a small outstanding balance from NCI II which will be absorbed at the same time as NCI III is used up.

Table 10

NCI utilization

	NCI I	NCI II	NCI III	NCI IV	Earthquake reconstruction			
					Italy	(of which NCI)	Greece	(of which NCI)
Ceilings	1 000	1 000	2 900	750	1 000		80	
Loans granted	1 000	997	2 834	308	955	(613)	80	(80)
Balance	—	3	66	442	45		—	

- (ii) 98 % of NCI III has already been used up.
- (iii) NCI IV, which came into force in March 1987, started up rapidly, with over 40 % of the authorized amount already allocated by the end of 1987.
- (iv) The special reconstruction operations after the earthquakes of 1980 and 1981, already completed in the case of Greece by a single NCI operation, are also coming to an end in Italy. With 95 % of the total authorized for Italy already granted, some 64 % of the assistance there has been financed by the NCI and 36 % by the EIB.

Table 6 in the Annex provides a breakdown of NCI loans actually signed each year by country and by sector.

After slowing down for two years, as amounts available under NCI III were used up, the rate of NCI lending picked up in 1987 and reached ECU 447 million owing to the implementation of NCI IV.

The productive sector received the bulk of the NCI loans signed in 1987, i.e. ECU 408,9 million. This trend, already

apparent during the course of the utilization of NCI III, has been reinforced with the implementation of NCI IV, which is intended exclusively for SMEs. A total of 32 global loans were granted to 19 intermediary institutions in six countries. One of those loans (amounting to ECU 21,8 million) is specifically designed to enable the recipient SMEs to make energy savings. The other loans are intended more generally for productive investment projects by SMEs outside assisted areas.

The cumulative total of NCI global loans granted for the modernization of SMEs was passed on to final beneficiaries in 1987 in the form of 924 sub-loans totalling ECU 285 million.

Infrastructure projects received 8,5 % of the total, i.e. ECU 38,1 million. Those loans contributed to the electrification of the railway network in Scotland, to the construction of an intermodal rail/road freight terminal in Verona and to the repair of the Italian railway network damaged in the 1980 earthquakes.

6.1.2. Country-by-country review

The total amount of NCI loans signed in 1987 was 13 % higher than in 1986, with substantial increases recorded in Italy, Spain and France and decreases in Ireland, Denmark and Portugal. Loans to the United Kingdom remained fairly static and one loan was granted to Greece following an interruption in lending to that country in 1986. The main recipients were again Italy, Spain and France, which accounted for 44 %, 25 % and 17 % respectively of the loans granted in 1987.

In Denmark, a single loan of ECU 31,8 million was granted; this compares with a total of ECU 59,9 million in 1986. The loan in question was a global loan for industrial and service-sector SMEs.

In Greece too, a single loan of ECU 4,6 million was granted in 1987 in the form of a global loan for SMEs. No loan had been granted to Greece in 1986.

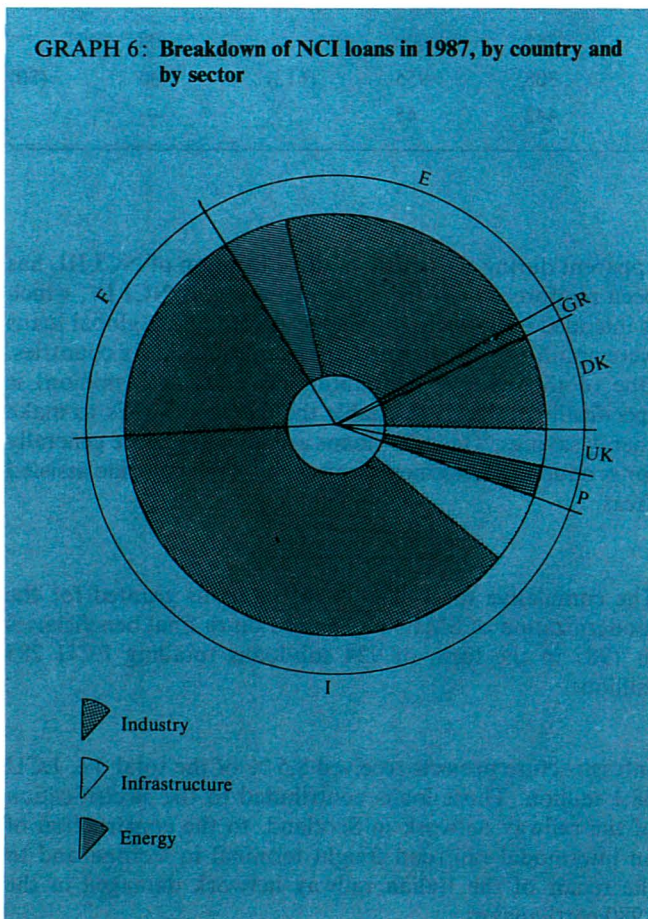
Since 1986, all the lending in Spain has been for SMEs. In 1987, the loans granted increased by 64 % to ECU 113,7 million. One global loan was intended for industrial SMEs to enable them to conserve energy and four others went to finance productive investment by SMEs outside less-developed areas.

In France, all of the funding took the form, both in 1987 and in 1986, of a global loan to CEPME (Crédit d'équipement des petites et moyennes entreprises) to finance productive investment by SMEs. In 1987, this loan amounted to ECU 76,8 million, an increase of 32 % on the previous year.

In Italy, lending increased by 76 % to ECU 196,2 million in 1987. Most of it took the form of global loans to finance productive investment by SMEs in central and northern Italy outside less-developed areas — 23 loans to 10 institutions, totalling ECU 172,1 million. In addition, ECU 2,7 million were lent to finance an intermodal rail/road freight terminal in Verona and a loan of ECU 21,4 million was granted for the final phase of the repairs to the railway network damaged in the 1980 earthquakes in the south of the country. This latter loan and loans granted by the EIB for other reconstruction projects carry interest subsidies financed from the Community budget.

In Portugal, a sum of ECU 9,9 million was lent to finance productive investment by SMEs in industry and the service sector, and investment designed to save energy and protect the environment.

In the United Kingdom, the electrification of the railway network south-west of Glasgow benefited from a further NCI loan; this 1987 loan amounted to ECU 14 million, as compared with ECU 16,3 million for the loan granted in 1986.



<i>(million ECU)¹</i>				
List of NCI loans signed in 1987	NCI III	NCI IV	NCI reconstruction	Total
Denmark				
DKR 250 million				31,8
Global loan to Finansieringsinstituttet for Industri og Handvaerk A/S to finance productive investment by industrial and service-sector SMEs				
DKR 250 million		31,8		
Spain				
PTA 16 billion				113,7
Global loan to Banco Atlántico Ahorro SA to finance small and medium-scale energy-saving schemes				
PTA 3 billion		21,8		
Global loans to finance productive investment by SMEs outside less-developed areas:				
— Banco de Bilbao SA				
PTA 5 billion		34,8		
— Banco de Santander SA through the intermediary of Banco Comercial Español SA				
PTA 3 billion		20,9		
— Banco de Vizcaya SA and Banco de Financiación Industrial SA				
PTA 2.5 billion		18,1		
— Banco Español de Credito SA and Banco del Desarrollo Económico Español SA				
PTA 2.5 billion		18,1		
France				
FF 530 million				76,8
Global loan to CEPME to finance productive investment by SMEs				
FF 530 million	76,8			
Greece				
DR 700 million				4,6
Global loan to Hellenic Organization of small and medium-sized industries and handicrafts (EOMMEX) to finance productive investment by SMEs				
DR 700 million	4,6			
Italy				
LIT 293,1 billion				196,2
Reinstatement of railway network damaged in November 1980 earthquakes. Azienda Autonoma delle Ferrovie dello Stato				
LIT 31 billion			21,4	

<i>(million ECU)¹</i>				
List of NCI loans signed in 1987	NCI III	NCI IV	NCI reconstruction	Total
Intermodal rail/road freight terminal in Verona (Veneto). Consorzio Zona Agricolo Industriale di Verona through Venefondario				
LIT 2,8 billion	1,9			
LIT 1,2 billion	0,8			
Global loans to finance productive investment by SMEs in central and northern Italy outside less-developed areas:				
Efibanca				
LIT 10,5 billion	7,0			
LIT 4,5 billion	3,0			
LIT 7 billion		4,7		
LIT 3 billion		2,0		
IMI				
LIT 56 billion		37,3		
LIT 24 billion		16,0		
Mediocredito Centrale for the Regional Mediocrediti				
LIT 9,3 billion		6,2		
LIT 8,8 billion		5,9		
Istituto Regionale di Credito Agraria				
LIT 3,5 billion	2,3			
LIT 1,5 billion	1,0			
LIT 7 billion	4,7			
LIT 3 billion	2,0			
Interbanca				
LIT 14 billion		9,3		
LIT 6 billion		4,0		
BNL				
LIT 28 billion		18,7		
LIT 12 billion		8,0		
Istituto Bancario San Paolo di Torini — Sezione di Credito Agrario				
LIT 20 billion		13,3		
Centrobanca				
LIT 14 billion		9,3		
LIT 6 billion		4,0		
Banco di Napoli				
LIT 7 billion		4,7		
LIT 3 billion		2,0		

<i>(million ECU)¹</i>				
List of NCI loans signed in 1987	NCI III	NCI IV	NCI reconstruction	Total
Crediop				
LIT 7 billion		4,7		
LIT 3 million		2,0		
Portugal				
ESC 1,61 billion				9,9
Global loan to Banco Portugues de Investimento to finance productive investment by SMEs in industry and service sectors as well as investment designed to save energy and protect the environment				
ESC 1,61 billion		9,9		
United Kingdom				
UKL 10 million				14,0
Electrification of Glasgow-Ayr rail line serving area south-west of Glasgow and acquisition of rolling stock (Scotland)				
Strathclyde Regional Council				
UKL 10 million		14,0		
Total	118,1	307,5	21,4	447,0

¹ The contractual amount of each loan was converted into ECU at the exchange rates obtaining on the last working day of the quarter preceding that in which the loan contract was signed.

6.2. European Investment Bank (EIB)

In 1987 the EIB made loans from its own resources totalling ECU 7 192,2 million; loans within the Community accounted for ECU 7 003,4 million and loans outside the Community for ECU 188,8 million.

Loans were granted in all the countries of the Community of Twelve. They were highly concentrated in countries which have the greatest structural problems (60,4 % of the total went on investment projects in Portugal, Greece, Ireland, Spain and Italy) or which are faced with conversion needs (29,3 % went on projects in the United Kingdom and France). The other loans went to Germany, Denmark, the Netherlands, Belgium and Luxembourg. In addition, a loan for a gas pipeline helping to diversify the Community's energy supplies was granted on the special authorization of the Bank's Board of Governors (Article 18 of the Bank's Statute). Table 9 in the Annex gives a breakdown by country, sector and objective of loans in the Community.

The main feature of the year was the sharp increase in loans for investment projects contributing to regional development and environmental protection.

The bulk of the financing (ECU 4 311,8 million, or 61,6 % of the Bank's total lending from its own resources) continued to go to regional development projects.

Those projects were located mainly in regions accorded priority under Community regional policy: in Portugal (ECU 380 million), in Ireland (ECU 148,6 million), in Greece (ECU 160,2 million), in the Mezzogiorno region of Italy (ECU 1 622,8 million), in the assisted areas of central and northern Italy (ECU 224 million) and in Spain (ECU 459,5 million). Loans were also granted for projects in France (ECU 655,1 million), in the United Kingdom (ECU 520,6 million) and a small proportion in other countries.

These loans were for productive investment in industry, agriculture, fisheries and services (ECU 1 568,5 million) and

for transport and telecommunications infrastructure (ECU 1 135,4 million). The remainder was divided between other infrastructure projects, in particular water engineering (ECU 388,7 million) and energy (ECU 728,2 million).

Loans for environmental protection more than doubled compared with 1986 (ECU 1 579,2 million); they went to investment projects in eight countries, mainly to major projects designed to purify waste water or to improve the quality of drinking water but also, increasingly, to equipment for reducing at source the pollution caused by power stations, refineries and cement works.

Loans totalling some ECU 678,1 million were granted for infrastructure projects facilitating intra-Community communications by road, motorway, railway, air and sea.

Financing for projects helping to attain the Community's energy objectives was used for the efficient use of energy, particularly within the framework of global loans (ECU 841,7 million), for diversifying imports (ECU 695,7 million) and for developing indigenous resources (ECU 667,6 million).

With the aim of helping to strengthen the competitiveness of European industry, the Bank granted a total of ECU 474,1 million for investment projects which, particularly in the electronics and chemical industries, are designed to develop or introduce advanced technologies; ECU 277,5 million were granted for industrial projects carried out jointly by firms from different member countries or intended to make it easier for Spanish firms to adapt to the new market conditions created by accession.

In addition, the Bank made from its own resources 10 global loans for productive investment by SMEs outside regional aid areas in Spain and France. These loans from own resources, which totalled ECU 148,5 million in this first year of operation, supplemented the financing from NCI resources (ECU 408,9 million).

A summary breakdown by sector of the Bank's loans for infrastructure projects shows the high proportion taken by transport and telecommunications projects (ECU 1 578,7 million out of ECU 2 906,2 million) and the high level of loans for water distribution and purification projects (ECU 729,8 million). Loans for the energy sector fell to ECU 1 927,9 million.

Lending for projects in the productive sectors totalled ECU 2 169,3 million: ECU 937,1 million went into individual loans, mainly for investment projects in industry, and a total

of ECU 1 232,3 million (a marked increase) went into global loans for the financing of small and medium-sized firms.

From global loans on tap in 1987, allocations totalling ECU 890,8 million were made, broken down as follows:

- (i) 1 813 allocations totalling ECU 578,5 million for SMEs in regional aid areas and 57 allocations totalling ECU 10 million for investment by SMEs outside those areas (as indicated above, these allocations were made in addition to lending under NCI IV);
- (ii) 98 allocations totalling ECU 77,5 million for small-scale infrastructure and equipment projects carried out by local authorities;
- (iii) 9 allocations totalling ECU 25,1 million for technologically innovative investment projects;
- (iv) 90 allocations totalling ECU 125,7 million for industrial and small-scale infrastructure projects meeting the Community's energy objectives;
- (v) 44 allocations totalling ECU 74 million for investment projects designed to help protect the environment.

6.3. Euratom

In 1987 the Commission continued its lending activities through Euratom to finance investment in the industrial production of nuclear-generated electricity and industrial fuel-cycle installations.

It paid out five loans totalling ECU 313,7 million for investment projects undertaken by the following four enterprises:

1. British Nuclear Fuels (for the Thorpe project);
2. Nersa SA (for the Creys Malville APEC project);
3. Ente nazionale per l'energia elettrica (ENEL) (for the Montalto di Castro project — two loans);
4. KKW Lippe-Ems (for the Lingen project).

With the exception of the Creys Malville APEC project, all these projects are being co-financed by Euratom and the EIB; the EIB, in its capacity as Euratom agent, signed these loan contracts jointly with the Commission.

Between the inception of Euratom lending activities and 31 December 1987, the Commission paid out loans totalling ECU 2 891,2 million.

6.4. European Coal and Steel Community (ECSC)

The total amount of loans paid out by the ECSC in 1987 was 9,3 % lower than in 1986, amounting to ECU 969,3 million (ECU 1 069,2 million in 1986). This figure reflects, on the one hand, an increase in industrial loans for the coal industry, power stations and iron ore mines and in conversion loans under Article 56 and, on the other, an appreciable decrease in industrial loans for the steel industry.

Industrial loans declined from ECU 799,5 million in 1986 to ECU 639,7 million in 1987. This decline was particularly marked in the case of loans to the steel industry, which fell from ECU 661,2 million to ECU 109,7 million. This amount was divided between 23 loans (10 in the Federal Republic of Germany, three in Denmark, seven in Italy, two in the United Kingdom and one in the Netherlands). In addition, a loan was granted in the iron ore sector in Sweden for an investment project of direct benefit to the Community.

Lending to the coal industry increased from ECU 103,6 million in 1986 to ECU 283,2 million in 1987.

Loans for financing investment projects designed to promote consumption of Community coal totalled ECU 36,9 million in 1987 compared with ECU 7,7 million in 1986.

The use made of the new lending instrument for investment designed to facilitate the marketing of Community steel also increased, from ECU 16,4 million in 1986 to ECU 60,8 million in 1987.

The financing of thermal power stations increased sharply compared with the previous year, from ECU 8,7 million to ECU 123,3 million.

Conversion loans increased appreciably (by 25 %), from ECU 243,5 million in 1986 to ECU 304,3 million in 1987. Global loans accounted for ECU 249,2 million of the total.

In 1987 the ECSC paid out a total of ECU 25,3 million to finance low-cost housing for employees in the coal and steel industries: ECU 11,8 million was granted from its own funds at an interest rate of 1 % a year and ECU 13,5 million from borrowings at the market interest rate. Some 2 000 low-cost dwellings were financed in this way in 1987, bringing the number of such dwellings financed by the ECSC since 1954 to more than 196 000.

6.5. Interest subsidies

In 1987 three interest-subsidy mechanisms for lending within the Community were used, all in non-capitalized form:

- (i) ECSC subsidies (on ECSC loans);
- (ii) subsidies related to the special aid for the Italian and Greek areas stricken by the 1980/81 earthquakes (on NCI and EIB loans);
- (iii) subsidies for the pilot scheme for encouraging investment by SMEs in Portugal with a view to promoting economic expansion and job-creation (on loans provided by Portuguese financial intermediaries).

The ECSC interest subsidies granted by the Commission on ECSC loans in 1987 were reserved for conversion projects financed under Article 56 of the ECSC Treaty and for investment projects designed to increase consumption of Community coal financed under paragraph 2 of Article 54 of the Treaty.

Table 11 summarizes the subsidy amounts paid out in 1987.

The interest subsidies for reconstruction in earthquake-stricken areas are governed by Council Decisions 81/19/EEC of 20 January 1981 (in the case of Italy) and 81/1013/EEC of 14 December 1981 (in the case of Greece). They are paid annually on the loan interest dates, a rate of 3 % per annum being applied to the capital still outstanding; the loans and subsidies have a maximum life of 12 years.

The new loans eligible for interest subsidies and signed in 1987 were for economic infrastructure:

- (i) an NCI loan of ECU 21 million for the repair of the Italian railway network;
- (ii) three EIB loans totalling ECU 27 million for industrial estates and the Naples-Bari motorway.

The full list of loans signed in this connection by the end of 1987 is given in Tables 17 and 18 in the Annex. These operations total ECU 975 million for Italy on the basis of loans signed (ECU 955 million in terms of actual and planned disbursements) compared with an authorized ECU 1 billion. A single operation signed in Greece in 1982 had already accounted for the whole of the ECU 80 million authorized for that country.

Table 11**ECSC interest subsidies paid out in 1987**

	<i>(million ECU)</i>									
	B	DK	D	F	IRL	I	L	NL	UK	Total ¹
Art. 54	—	—	1,93	—	—	—	—	—	0,42	2,35
Art. 56	0,17	0,26	21,40	0,42	—	2,42	0,26	0,28	10,32	35,64
Total	0,17	0,26	23,33	0,42	—	2,42	0,26	0,28	10,74	37,99

¹ The total includes an amount of ECU 0,11 million for the special project covering Saarland, Lorraine and Luxembourg under Article 56.

Of the total of ECU 1,055 billion in loans signed for the two countries concerned (68 % of which was from NCI resources):

- (i) 59 % was for economic infrastructure (roads, railways, telephones, electricity, water supply, industrial estates);
- (ii) 38 % was for social infrastructure (housing, schools and public buildings);
- (iii) 3 % was for the rehabilitation of the means of production.

On the loans signed since 1981, interest subsidies worth ECU 28,6 million were paid out in 1987.

The 'Portugal employment' interest subsidies are so calculated as to ensure that the borrower is refunded roughly the first two years' interest which he would normally have paid on his loan. A sum of ECU 10 million was allocated to encourage Portuguese SMEs to carry out investment projects capable of expanding or creating economic activities and, at the same time, of increasing employment. Payments totalling ECU 4 million were made under this heading in 1987.

7. Lending outside the Community

7.1. General

The EIB has been granting loans outside the Community since 1963 for projects contributing to the economic and social development of the countries concerned. The loans are granted from the EIB's own resources and from the budgetary resources of the Community and the Member States.

The 1987 financial year was marked by a satisfactory rate of activity under the third Lomé Convention concluded with the 66 ACP countries and under the specific aid arrangements for the Overseas countries and territories (OCTs). The Convention provides for Community aid of ECU 8,5 billion (ECU 7,4 billion from budgetary resources and ECU 1,1 billion in the form of loans from the EIB's own resources).

However, the delays in concluding negotiations on the renewal of the financial protocols between the EEC and the Mediterranean countries restricted the EIB's financing to what was left under the second generation of protocols.

In 1987 the EIB granted loans in 33 ACP States and two OCTs; it provided financing in five Mediterranean countries.

In 1987 EIB loans from own resources amounted to ECU 188,8 million and to ECU 203,3 million from budgetary resources, making a total of ECU 392,1 million. Of the total amount of loans granted from the EIB's own resources, ECU 27,7 million went to Mediterranean countries and ECU 161,1 million went to the ACP States pursuant to the third Lomé Convention (and, to a minimal extent, the second Lomé Convention) and the decisions relating to the OCTs.

Operations in the ACP States and the OCTs from budgetary resources amounted to ECU 188,2 million in risk-capital financing. In the Mediterranean region, loans from budgetary resources amounted to ECU 15,1 million.

7.2. Loans to Mediterranean countries

As the third generation of financial protocols with the Mediterranean countries was concluded only in mid-1987, deployment could not be started before 1988. EIB activity in those countries was therefore limited to using up any balance still available under the second protocols with the Maghreb and Mashreq countries which expired at the end of October 1986, the protocols with Malta and Cyprus which continue until 1988 and one operation under the 1973 supplementary protocol with Turkey.

The loans granted from the EIB's own resources were covered by a guarantee from the Community general budget set at 75 % of loans outstanding by a guarantee contract concluded between the Commission and the EIB.

Loans from the Bank's own resources totalled ECU 27,7 million and those granted from budgetary resources ECU 15,1 million.

In Algeria, the Bank advanced a loan of ECU 22 million to finance expansion of the diesel-fired power station at Bechar in the south-west of the country. In Tunisia, two global loans totalling ECU 1,5 million were arranged with the Banque nationale de développement agricole to finance agricultural and agricultural-processing ventures; ongoing global loans were drawn on to the tune of ECU 5,2 million in 1987, these funds going to 270 ventures.

In Jordan, a loan of ECU 3,1 million was granted to an agricultural cooperative organization for the construction of five sheep-fattening units.

In Turkey, a loan of ECU 10,6 million was advanced from budgetary resources for the erection of a transmission line between a new power station in the south-west of the country and the main urban centres in the north; this loan accounted for the last of the funds available under the supplementary financial protocol concluded in 1973 after the first enlargement of the Community gave rise to additional contributions from the three new Member States.

In Malta, budgetary funds were also drawn on to provide ECU 3 million for a waste treatment and recycling plant at Sant'Antonin; lastly, on Cyprus, loans worth ECU 2,6 million will help towards upgrading the power transmission and distribution grid throughout the island.

7.3. Loans to African, Caribbean and Pacific States and Overseas countries and territories

Projects were financed in 33 ACP countries (25 in Africa, six in the Caribbean and two in the Pacific) and in two OCTs (French Polynesia and the British Virgin Islands). The funds provided totalled ECU 349,4 million in the form of risk-capital assistance.

Virtually all the loans were granted under the third Lomé Convention, which came into force on 1 May 1986.

In keeping with the guidelines set out under the third Lomé Convention, priority was accorded to projects in industry and agricultural processing and indeed these two sectors absorbed nearly 60 % of total financing. Allocations made in 1987 from ongoing global loans added up to ECU 31,9 million, providing support for 115 SMEs. The other loans concerned improvements to communications, energy installations and protection of the environment by upgrading and expanding water supply and sewage disposal facilities.

In 1987, the Bank provided a total of ECU 314,3 million in 25 countries in Africa (13 in 1986), of which ECU 177,5 million was drawn from risk capital resources.

A total of 32,5 % of the funds provided went to industrial or agricultural processing investment projects: cotton ginning plants and textile mills in the Côte d'Ivoire and Mozambique, industrial slaughterhouses in Botswana and Zimbabwe, tea factories in Kenya, a palm oil mill in Sao Tomé and Principe, equipment for exploiting iron ore deposits in Mauritania and a gold mine in Ethiopia. In addition, global loans totalling ECU 87,4 million were granted to help finance SMEs in 10 countries (Botswana, Kenya, Nigeria,

Zimbabwe, Angola, Uganda, Swaziland, Tanzania, Zambia and Comoros).

In the energy sector, finance was provided to help expand the production and distribution of energy in Madagascar, Niger, Somalia and Mauritius and modernize a refinery in Ghana.

Some 8 % of the funds provided went to improve the water supply networks in large towns in Malawi, Zimbabwe and Benin, the Port of Mombasa in Kenya and telecommunications in Senegal and in a number of other West African countries.

In the Caribbean, funding totalled ECU 25 million, of which ECU 16,9 million came from the Bank's own resources and ECU 8,1 million from budgetary resources. The loans were made to uprate electricity generating capacity in the Bahamas and Dominica, for a port in Jamaica and for development banks in Belize, Grenada and St Christopher and Nevis.

In the Pacific, a total of ECU 10 million (ECU 7,4 million from own resources and ECU 2,6 million in the form of risk capital) went to help SMEs in Tonga and Polynesia and to improve energy supplies in the Solomon Islands and the Virgin Islands.

Annexes

List of tables

1.	Community borrowings in 1987	49
2.	EIB borrowings in 1987	52
3.	Borrowings by the European Communities	54
4.	Breakdown of loans in the Community in 1987, by country, instrument and sector	54
5.	Trend in lending operations in the Community, by sector	55
6.	NCI loans, 1979-87	55
7.	ECSC loans, 1977-87	57
8.	Euratom loans, 1977-87	58
9.	EIB and NCI loans in the Community in 1987 by economic objective	59
10.	Loans from EIB own resources in the Community, 1977-87	60
11.	List of NCI loans in 1987	61
12.	List of Euratom loans in 1987	62
13.	ECSC loans by sector, 1980-87	62
14.	EIB loans outside the Community from borrowings, 1977-87	63
15.	EIB financing in the Mediterranean countries, in ACP States and OCTs, 1987	64
16.	Interest subsidies paid out in the Community by the various Community mechanisms, 1977-87	65
17.	'Earthquake reconstruction' loans carrying interest subsidies: Italy	66
18.	'Earthquake reconstruction' loan carrying interest subsidy: Greece	67
19.	Subsidized loans for reconstruction in earthquake-stricken areas in 1987, by country, instrument and sector	68

Table 1

Community borrowings in 1987

No	Type	Life (years)	Coupon (%)	Currency and amount (million)	Million ECU ¹
(a) NCI					
1	Private placing	12	7,59	USD 36,00	27,621
2	Public issue	10	8,75	FF 600	85,918
3	Private placing	6	7,58	USD 55,75	42,774
4	Private placing	10	6	DM 75,00	36,401
5	Public issue	10	8,75	FF 500,00	71,598
6	Private placing	5	4,125	SFR 76,00	45,644
7	Private placing	4	4,375	SFR 12,00	7,207
8	Private placing	7	5,5	DM 22,50	10,921
9	Private placing	6	5,5	DM 22,50	10,921
10	Private placing	5	5,5	DM 22,50	10,921
11	Private placing	4	5,5	DM 22,50	10,921
12	Private placing	3	5,5	DM 22,50	10,921
13	Private placing	2	5,5	DM 22,50	10,921
14	Private placing	1	5,5	DM 22,50	10,921
15	Public issue	8	12,375	PTA 10 000,00	71,141
16	Private placing	8	5,5625	SFR 100,00	60,059
17	Private placing	6	9,70	USD 15,00	11,509
18	Public issue	7	7,625	ECU 75,00	75,000
Total					611,319
(b) Euratom					
1	Private placing	9	5,80	YEN 4 500,00	28,428
2	Public issue	6	7,50	ECU 50,00	50,000
3	Public issue	10	7,375	ECU 145,00	145,000
4	Public issue	10	8,81	USD 47,00	36,061
5	Private placing	6	5,46	DM 50,00	24,268
6	Private placing	8	4,90	YEN 5 000,00	31,587
7	Private placing	9	5,20	YEN 4 250,00	26,849
8	Private placing	1	8,38	ECU 12,5	12,500
9	Private placing	2	8,38	ECU 12,5	12,500
10	Private placing	3	8,38	ECU 12,5	12,500
11	Private placing	6	8,20	BFR 857,00	19,859
12	Private placing	5	5,70	YEN 18 000,00	113,714
13	Public issue	10	7,71	USD 247,00	189,512
14	Public issue	10	7,75	BFR 6 500,00	150,624
Total					853,402

¹ The conversion rates used were those obtaining on 31 December 1987.

Table 1 (continued)

No	Type	Life (years)	Coupon (%)		Currency and amount (million)	Million ECU ¹
(c) ECSC						
1	Private placing	5	5	DM	24,0	11,649
2	Private placing	3	5	DM	24,0	11,649
3	Private placing	2	5	DM	24,0	11,649
4	Private placing	1	5	DM	24,0	11,649
5	Private placing	5	5	DM	30,0	14,561
6	Private placing	3	5	DM	30,0	14,561
7	Private placing	2	5	DM	30,0	14,561
8	Private placing	1	5	DM	20,0	9,707
9	Private placing	3	7,125	LFR	300,0	6,952
10	Public issue	10	5,875	DM	175,0	84,937
11	Private placing	5	7,375	LFR	250,0	5,793
12	Private placing	10	9,20	FF	30,0	4,296
13	Private placing	6	7,84	USD	29,95	22,979
14	Private placing	11	8,62	USD	12,25	9,399
15	Private placing	12	5,98	DM	34,0	16,502
16	Private placing	5	5,50	DM	102,5	49,749
17	Private placing	5	5,50	DM	10,0	4,854
18	Private placing	1	3,875	SFR	16,0	9,609
19	Private placing	1	3,8125	SFR	8,0	4,805
20	Private placing	2	4,25	SFR	8,0	4,805
21	Private placing	3	4,375	SFR	8,0	4,805
22	Private placing	5	4,725	SFR	40,0	24,024
23	Private placing	4	5,48	DM	6,0	2,912
24	Private placing	3	7,5	LFR	75,0	1,738
25	Private placing	10	6,19	DM	39,3	19,075
26	Private placing	15	6,60	DM	7,7	3,737
27	Private placing	10	9,875	LIT	12 000,0	7,886
28	Private placing	1	6,5625	USD	15,0	11,509
29	Public issue	5	9,375	UKL	100,0	143,515
30	Private placing	5	5,25	DM	100,0	48,536
31	Private placing	5	5,25	DM	192,0	93,189
32	Private placing	5	5,25	DM	81,0	39,314
33	Private placing	5	5,13	DM	22,0	10,678
34	Private placing	7	8,875	FF	30,0	4,296
35	Private placing	3	7,75	BFR	66,296	1,536
36	Private placing	5	5,19	DM	61,0	29,607
37	Private placing	10	9,60	USD	21,0	16,112
38	Private placing	5	9,875	UKL	8,2	11,768
39	Private placing	8	5,65	DM	38,0	18,444
40	Private placing	10	9,50	FF	20,0	2,864
41	Private placing	5	5,375	DM	96,7	46,934
42	Private placing	3	4,25	DM	8,533	4,142
43	Private placing	2	4,25	DM	8,75	4,247
44	Private placing	1	4,25	DM	6,523	3,166
45	Private placing	4	5,30	DM	9,799	4,756
46	Private placing	5	5,55	DM	3,797	1,843

¹ The conversion rates used were those obtaining on 31 December 1987.

Table 1 (continued)

No	Type	Life (years)	Coupon (%)		Currency and amount (million)	Million ECU ¹
47	Private placing	15	6,73	DM	9,10	4,417
48	Private placing	8	5,90	DM	74,00	35,916
49	Public issue	8	10,00	CAD	83,00	48,911
50	Private placing	5	5,73	DM	32,00	15,531
51	Private placing	1	7,25	LFR	30,00	0,695
52	Private placing	5	7,125	LFR	112,00	2,595
53	Private placing	3	5,7	YEN	3 600,00	22,743
54	Private placing	5	10,25	FF	20,50	2,936
55	Private placing	5	8,60	ECU	6,00	6,000
56	Private placing	5	7,9	BFR	95,098	2,204
57	Private placing	5	10,875	UKL	2,508	3,599
58	Private placing	8	6,53	DM	6,00	2,912
59	Private placing	5	5,98	DM	70,00	33,975
60	Private placing	5	11,25	LIT	22 000,00	14,458
61	Private placing	6	6,33	DM	14,50	7,038
62	Private placing	7	6,68	DM	10,00	4,854
63	Private placing	2	5,45	DM	20,00	9,707
64	Private placing	3	5,80	DM	20,00	9,707
65	Private placing	4	5,95	DM	40,00	19,414
66	Private placing	5	6,17	DM	40,00	19,414
67	Private placing	6	6,44	DM	40,00	19,414
68	Private placing	7	6,75	DM	40,00	19,414
69	Private placing	10	6,85	DM	44,509	21,603
70	Private placing	10	12,00	LIT	14 031,00	9,221
71	Private placing	7	8,8	FF	20,00	2,864
72	Private placing	10	6,28	DM	16,00	7,766
73	Private placing	15	6,55	DM	11,00	5,339
74	Private placing	10	12,00	LIT	5 100,00	3,352
75	Private placing	4	5,10	DM	5,311	2,578
76	Private placing	5	5,45	DM	10,777	5,231
77	Private placing	15	9,00	FF	40,00	5,728
78	Private placing	14	6,71	HFL	13,40	5,782
79	Public issue	10	8,00	ECU	100,00	100,000
80	Private placing	3	5,70	YEN	20 000,00	126,349
Total						1 486,966
Total NCI + Euratom + ECSC						2 951,687

¹ The conversion rates used were those obtaining on 31 December 1987.

Table 2

EIB borrowings in 1987

1. Long-term and medium-term operations

Public issues

Life (years)	Coupon (%)	Subscription currency	Amount (million)	Million ECU ¹
5	10,500	LIT	100 000,000	66,595
5	7,500	ECU	50,000	50,000
6	12,000	LIT	100 000,000	66,709
6	9,000	LIT	100 000,000	67,694
6	7,750	BFR	6 000,000	139,788
7	10,000	LIT	150 000,000	99,893
7	9,000	LIT	150 000,000	103,721
7	11,000	DKR	300,000	38,310
7	8,125	ECU	75,000	75,000
7	7,500	ECU	50,000	50,000
7	7,625	ECU	200,000	200,000
7	4,625	YEN	40 000,000	238,481
7,3	9,500	UKL	100,000	142,040
7,9	6,250	DM	300,000	144,370
8	variable	LIT	200 000,000	133,418
8	variable	LIT	100 000,000	66,595
8	7,000	LFR	1 000,000	23,131
8	6,250	HFL	300,000	128,234
8	6,250	DM	200,000	96,484
8	6,125	DM	200,000	96,484
9,9	9,000	CAD	138,000	93,391
10	8,375	ECU	100,000	100,000
10	7,750	ECU	150,000	150,000
10	9,375	USD	150,000	132,418
10	4,750	SFR	200,000	115,716
10	4,625	SFR	200,000	115,233
10	6,125	DM	400,000	193,031
10	6,000	DM	300,000	144,502
12	9,900	FF	1 500,000	216,900
12	8,500	FF	1 500,000	218,181
13	10,125	USD	200,000	176,557
15	6,500	HFL	200,000	85,533
Total				3 768,409

¹ The conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.

Table 2 (continued)

Private placings

Number of operations	Life (years)	Coupon (%)	Subscription currency	Amount (million)	Million ECU ¹
8	5-7	7,25 - 7,6	LFR	2 400,000	55,749
7	5-15	4,9 - 5,9	YEN	62 950,000	378,534
4	7-10	7,75 - 8,625	BFR	7 000,000	162,421
4	10-15	6,7 - 7,3	HFL	290,000	124,109
1	10	7,875	ECU	50,000	50,000
1	5	10,15	FF	200,000	28,920
1	7	9,75	LIT	50 000,000	34,574
1	4	4	SFR	160,000	92,955
1	8	6,625	DM	100,000	48,242
1	8	6,5	OS	300,000	20,589
Total 29					996,093

2. Interbank operations

			DM	850,000	409,359
			SFR	80,000	46,478
Total					455,837

3. Third-party participations in the financing of EIB loans

			DM	42	20,233
--	--	--	----	----	--------

4. Medium-term notes

			USD	398,8	352,108
--	--	--	-----	-------	---------

1. Long-term and medium-term operations:		
— Public issues:		3 768,409
— Private placings:		996,093
2. Interbank operations:		455,837
3. Third-party participations in the financing of EIB loans:		20,233
4. Medium-term notes:		352,108
Total borrowing in 1987		5 592,680

¹ The conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.

Table 3
Borrowings by the European Communities (amounts outstanding at end of each year)^{1,2}

(Million ECU)

Year	ECSC	EIB ³	Euratom	NCI ³	Total borrowings for structural purposes	EEC ⁴	Total
1977	3 955	5 421	99	—	9 475	1 500	10 975
1978	4 416	6 715	172	—	11 303	1 361	12 664
1979	4 675	8 541	323	178	13 717	965	14 682
1980	5 406	10 604	502	491	17 003	1 016	18 019
1981	5 884	13 482	902	894	21 162	1 062	22 224
1982	6 178	16 570	1 272	1 747	25 767	591	26 358
1983	6 539	20 749	1 680	3 269	32 237	4 610	36 847
1984	7 119	25 007	1 892	4 432	38 450	4 932	43 382
1985	7 034	26 736	2 013	4 960	40 743	3 236	43 979
1986	6 761	30 271	2 168	5 202	44 402	1 890	46 292
1987	6 689	31 957	2 500	5 229	—	2 997	—

¹ The conversion rates used were those obtaining on 31 December of each year; as the majority of borrowings are denominated in national currencies, the difference between two year-ends reflects, on the one hand, changes in the valuation of the existing stock and, on the other, the net volume of borrowings during the year.

² Original amount of borrowings, plus or minus repayments of the principal, cancellations, annulments, and exchange rate adjustments.

³ Including borrowings for reconstruction loans for the earthquake-stricken areas in Italy and Greece.

⁴ Balance-of-payments borrowings.

Table 4
Breakdown of loans in the Community in 1987, by country, instrument and sector

(million ECU)

Country	NCI			Euratom			EIB			ECSC				Total					
	Productive sector	Infra-structure	Energy	Total	Energy	Total	Productive sector	Infra-structure	Energy	Total	Productive sector	Infra-structure	Energy	Total	Productive sector	Infra-structure	Energy	Total	
Belgium	—	—	—	—	—	—	37,1	—	—	37,1	8,0	2,0	—	10,0	45,1	2,0	—	—	47,1
Denmark	31,8	—	—	31,8	—	—	4,5	—	279,1	283,5	3,8	—	—	3,8	40,1	—	—	279,1	319,1
FR of Germany	—	—	—	—	24,3	24,3	14,0	114,1	148,5	276,5	211,4	0,9	123,3	335,6	225,4	115,0	296,1	—	636,4
Greece	4,6	—	—	4,6	—	—	70,8	44,5	44,9	160,2	—	—	—	—	75,4	44,5	44,9	—	164,8
Spain	113,7	—	—	113,7	—	—	324,5	218,4	50,8	593,7	6,0	—	—	6,0	444,2	218,4	50,8	—	713,4
France	76,8	—	—	76,8	71,6	71,6	356,4	450,7	122,7	929,8	17,3	2,3	5,7	25,3	450,5	453,0	200,0	—	1 103,5
Ireland	—	—	—	—	—	—	6,5	172,1	—	178,6	—	—	—	—	6,5	172,1	—	—	178,6
Italy	172,1	24,1	—	196,2	108,9	108,9	1 037,1	1 056,8	822,1	2 916,0	172,8	16,2	—	189,0	1 382,0	1 097,1	931,0	—	3 410,1
Luxembourg	—	—	—	—	—	—	—	1,6	—	1,6	—	0,1	—	0,1	—	1,7	—	—	1,7
Netherlands	—	—	—	—	—	—	14,9	3,1	—	18,0	3,4	0,3	—	3,7	18,3	3,4	—	—	21,7
Portugal	9,9	—	—	9,9	—	—	271,4	102,3	6,3	380,0	—	—	—	—	281,3	102,3	6,3	—	389,9
United Kingdom	—	14,0	—	14,0	108,9	108,9	32,3	742,7	344,8	1 119,8	89,1	3,6	283,2	375,9	121,4	760,3	736,9	—	1 618,6
Non-EEC ¹	—	—	—	—	—	—	—	—	108,7	108,7	19,9	—	—	19,9	19,9	—	108,7	—	128,6
Total	408,9	38,1	—	447,0	313,7	313,7	2 169,3	2 906,2	1 927,9	7 003,4	531,7	25,4	412,2	969,3	3 109,9	2 969,7	2 653,8	—	8 733,4
% Sector	91,5	8,5	—	100	100	100	31,0	41,5	27,5	100	54,9	2,6	42,5	100	35,6	34,0	30,4	—	100
% Institution				5,1	3,6					80,2				11,1					100

¹ Funding of projects of direct benefit to the Community:

(i) two EIB loans in Austria (gas pipeline)

(ii) one ECSC loan in Sweden (iron ore).

Table 5

Trend in lending operations in the Community, by sector

(million ECU)¹

Year	Productive sector	Infrastructure	Energy	Total
1977	928,4	607,7	693,2	2 229,3
1978	745,4	1 000,0	1 089,1	2 834,5
1979	753,1	1 055,8	1 577,6	3 386,5
1980	1 249,1	1 187,5	1 711,3	4 148,0
1981	766,3	1 377,2	1 947,5	4 090,0
1982	1 632,2	1 802,3	1 905,0	5 339,4
1983	1 878,6	2 049,5	2 659,5	6 587,6
1984	2 709,0	2 132,4	2 358,9	7 200,3
1985	2 830,2	2 413,1	2 502,7	7 746,0
1986	2 838,8	2 648,1	3 096,7	8 583,5
1987	3 109,9	2 969,7	2 653,8	8 733,4

¹ The conversion rates used were those obtaining on 31 December of the year in question in the case of ECSC loans and those obtaining on the last working day of the quarter before the contract was signed in the case of EIB, NCI and Euratom loans.

Table 6

NCI loans, 1979-87

(million ECU)¹

Country	1979			1980			1981			1982				
	Infra-structure	Energy	Total	Infra-structure	Energy	Total	Infra-structure	Energy	Total	Product. sector	Infra-structure	Energy	Total	
Belgium	—	—	—	—	—	—	—	—	—	—	—	—	—	
Denmark	—	—	—	—	18,1	18,1	—	—	—	—	—	48,6	47,4	96,0
FR of Germany	—	—	—	—	—	—	—	—	—	—	—	—	—	
Greece ²	—	—	—	—	—	—	—	—	—	—	124,9	—	124,9	
France	—	—	—	—	—	—	40,3	—	40,3	37,6	—	—	37,6	
Ireland	62,0	24,7	86,7	27,3	14,4	41,7	8,1	9,2	17,3	—	45,3	37,8	83,1	
Italy ³	39,6	45,4	85,0	62,3	75,5	137,8	363,9	84,4	448,3	204,8	210,7	34,0	449,5	
Luxembourg	—	—	—	—	—	—	—	—	—	—	—	—	—	
Netherlands	—	—	—	—	—	—	—	—	—	—	—	—	—	
United Kingdom	25,9	79,4	105,3	—	—	—	33,9	—	33,9	—	—	—	—	
Total	127,5	149,5	277,0	89,6	108,0	197,6	446,2	93,6	539,8	242,4	429,5	119,2	791,1	
% Sector	46,0	54,0	100	45,3	54,7	100	82,7	17,3	100	30,6	54,3	15,1	100	

Table 6 (continued)

 (million ECU)¹

Country	1983				1984				1985				1986			
	Product sector	Infra-structure	Energy	Total	Product sector	Infra-structure	Energy	Total	Product sector	Infra-structure	Energy	Total	Product sector	Infra-structure	Energy	Total
Belgium	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Denmark	9,9	—	83,2	93,1	36,9	—	97,9	134,6	37,5	31,0	—	68,5	25,3	—	34,6	59,9
FR of Germany	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Greece	—	50,3	35,0	85,3	16,3	18,0	35,0	69,3	4,4	17,6	—	22,0	—	—	—	—
Spain	—	—	—	—	—	—	—	—	—	—	—	—	69,2	—	—	69,2
France	105,5	—	80,7	186,2	342,5	43,8	—	386,3	269,9	87,9	—	357,8	58,4	—	—	58,4
Ireland	3,8	18,8	46,8	69,4	19,4	30,6	—	50,0	27,9	—	—	27,9	—	—	47,8	47,8
Italy ³	289,5	338,2	37,7	665,4	365,4	43,4	88,5	497,3	300,9	73,3	—	374,1	78,7	24,2	8,7	111,6
Luxembourg	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Netherlands	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Portugal	—	—	—	—	—	—	—	—	—	—	—	—	29,9	—	—	29,9
United Kingdom	68,1	—	32,0	100,1	10,5	33,8	—	44,3	16,4	17,0	—	33,4	—	16,3	—	16,3
Total	476,8	407,4	315,4	1 199,6	791,0	169,5	221,2	1 181,8	657,0	226,7	—	883,7	261,5	40,5	91,1	393,0
% Sector	39,7	34,0	26,3	100	67,0	14,3	18,7	100	74,3	25,7	—	100	66,5	10,3	23,2	100

Country	1987			Total operations 1979-87
	Product sector	Infra-structure	Total	
Belgium	—	—	—	—
Denmark	31,8	—	31,8	502,1
FR of Germany	—	—	—	—
Greece	4,6	—	4,6	306,1
Spain	113,7	—	113,7	183,0
France	76,8	—	76,8	1 143,4
Ireland	—	—	—	424,0
Italy ³	172,1	24,1	196,2	2 964,9
Luxembourg	—	—	—	—
Netherlands	—	—	—	—
Portugal	9,9	—	9,9	39,8
United Kingdom	—	14,0	14,0	347,2
Total	408,9	38,1	447,0	5 910,5
% Sector	91,5	8,5	100	

¹ The conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.

² Including earthquake operations in Greece.

³ Including earthquake operations in Italy.

Table 7

ECSC loans, 1977-87

(million ECU)¹

Country	1977				1978				1979				1980			
	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total
Belgium	15,0	0,9	—	15,9	—	1,9	—	1,9	—	0,4	—	0,4	—	—	29,2	29,2
Denmark	—	0,5	—	0,5	13,1	0,1	—	13,2	—	0,3	—	0,3	4,3	—	—	4,3
FR of Germany	28,0	5,8	81,7	115,5	111,6	5,6	21,8	139,0	122,0	6,1	21,0	149,1	98,5	0,8	29,8	129,1
Greece	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
France	125,2	0,9	48,4	174,5	89,9	2,8	34,4	127,1	99,5	3,2	28,7	131,4	237,5	0,5	37,4	275,4
Ireland	—	0,2	—	0,2	—	—	—	—	13,9	—	—	13,9	1,0	0,1	—	1,1
Italy	170,9	2,7	—	173,6	123,8	2,6	—	126,4	94,2	7,4	—	101,6	138,6	4,4	—	143,0
Luxembourg	—	0,5	—	0,5	73,5	0,5	—	74,0	19,5	0,1	—	19,6	68,6	—	—	68,6
Netherlands	—	0,5	—	0,5	42,0	0,8	—	42,8	—	0,5	—	0,5	4,6	0,3	—	4,9
United Kingdom	173,6	—	86,7	260,3	29,0	3,0	241,3	273,3	26,4	3,6	229,0	259,0	140,0	1,7	226,8	368,5
Non-EEC	—	—	—	—	—	—	—	—	—	—	—	—	6,6	—	—	6,6
Total	512,7	12,0	216,8	741,5	482,9	17,3	297,5	797,7	375,5	21,6	278,7	675,8	699,7	7,8	323,2	1 030,7

Country	1981				1982				1983				1984			
	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total
Belgium	—	0,5	—	0,5	17,0	1,0	—	18,0	3,0	0,9	—	3,9	4,4	1,0	—	5,4
Denmark	—	—	—	—	1,7	0,1	—	1,8	—	0,0	—	0,0	3,1	0,1	—	3,2
FR of Germany	53,2	5,9	33,2	92,3	89,3	5,0	90,4	184,7	74,5	2,2	72,7	149,4	254,0	10,2	12,7	276,9
Greece	—	—	—	—	10,9	0,4	—	11,3	—	0,4	—	0,4	—	0,1	—	0,1
France	85,1	2,3	24,0	111,4	10,6	3,7	54,8	69,1	127,0	2,1	148,7	277,8	111,7	3,9	65,9	181,5
Ireland	11,0	—	—	11,0	—	0,1	—	0,1	4,2	0,2	—	4,4	—	0,1	—	0,1
Italy	96,2	5,3	—	101,5	62,7	2,4	—	65,1	19,4	12,8	—	32,2	47,3	18,7	—	66,0
Luxembourg	—	0,1	—	0,1	5,2	0,3	—	5,5	—	0,0	—	0,0	69,4	0,2	—	69,6
Netherlands	—	0,5	—	0,5	43,7	0,4	—	44,1	39,4	0,1	—	39,4	—	0,7	—	0,7
United Kingdom	70,2	0,1	—	70,3	112,4	4,7	152,0	269,1	104,8	1,5	164,2	270,5	81,4	1,7	—	83,1
Non-EEC	—	—	—	—	71,8	—	—	71,8	—	—	—	—	138,9	—	—	138,9
Total	315,7	14,7	57,2	387,6	425,3	18,1	297,2	740,6	372,3	20,2	385,6	778,1	710,2	36,7	78,6	825,5

Country	1985				1986				1987							
	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total				
Belgium	—	1,1	—	1,1	—	0,3	—	0,3	—	—	—	—	8,0	2,0	—	10,0
Denmark	3,7	—	—	3,7	—	—	—	—	—	—	—	—	3,8	—	—	3,8
FR of Germany	285,6	1,8	16,0	303,4	354,1	7,0	119,2	480,3	211,4	0,9	123,3	335,6	—	—	—	—
Greece	—	—	—	—	—	0,2	—	0,2	—	—	—	—	—	—	—	—
Spain	—	—	—	—	—	—	—	—	—	—	—	—	6,0	—	—	6,0
France	200,3	1,7	44,8	246,8	101,0	3,5	—	104,5	17,3	2,3	5,7	25,3	—	—	—	—
Ireland	—	0,1	—	0,1	—	0,1	0,8	0,9	—	—	—	—	—	—	—	—
Italy	168,3	11,0	—	179,3	332,3	10,2	—	342,5	172,8	16,2	—	189,0	—	—	—	—
Luxembourg	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Netherlands	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Portugal	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
United Kingdom	151,2	1,5	—	152,7	47,5	3,8	—	51,3	89,1	3,6	283,2	375,9	—	—	—	—
Non-EEC	114,5	—	—	114,5	—	—	—	—	—	—	—	—	19,9	—	—	19,9
Total	932,5	17,3	60,8	1 010,6	923,0	26,2	120,0	1 069,2	531,7	25,4	412,2	969,3	—	—	—	—

¹ The conversion rates used were those obtaining on 31 December of each year.

Table 8
Euratom loans, 1977-87

Energy sector

Country	<i>(million ECU)¹</i>										
	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Belgium	—	—	50,5	82,2	225,2	72,9	32,5	95,1	—	—	—
Denmark	—	—	—	—	—	—	—	—	—	—	—
FR of Germany	77	34,4	—	—	—	—	—	—	68,7	24,4	24,3
Greece	—	—	—	—	—	—	—	—	—	—	—
Spain	—	—	—	—	—	—	—	—	—	—	—
France	19,9	—	67,9	99,1	98,8	258,9	198,6	90,9	44,8	223,1	71,6
Ireland	—	—	—	—	—	—	—	—	—	—	—
Italy	—	35,8	34,0	—	33,6	30,0	89,0	—	97,5	97,6	108,9
Luxembourg	—	—	—	—	—	—	—	—	—	—	—
Netherlands	—	—	—	—	—	—	—	—	—	—	—
Portugal	—	—	—	—	—	—	—	—	—	—	—
United Kingdom	—	—	—	—	—	—	46,3	—	—	98,1	108,9
Total	96,9	70,2	152,4	181,3	357,6	361,8	366,4	186,0	211,0	443,2	313,7

¹ The conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.

Table 9

EIB and NCI loans in the Community in 1987 by economic objective

	(million ECU) ¹		
	Total	EIB	NCI
Totals ²	7 450,4	7 003,4	447,0
<i>Regional development</i>	4 347,2	4 311,8	35,4
Belgium	37,1	37,1	
Denmark	29,5	29,5	
FR of Germany	56,4	56,4	
Greece	160,2	160,2	
Spain	459,5	459,5	
France	655,1	655,1	
Ireland	148,6	148,6	
Italy	1 868,2	1 846,8	21,4
Netherlands	18,0	18,0	
Portugal	380,0	380,0	
United Kingdom	534,6	520,6	14,0
<i>Energy objectives</i>	2 226,8	2 205,0	21,8
Indigenous resources	667,6	667,6	
— hydro-electric; geothermal energy	108,8	108,8	
— nuclear	214,4	214,4	
— hydrocarbons	325,4	325,4	
— coal, lignite, peat	19,0	19,0	
Import diversification	695,7	695,7	
— natural gas	255,8	255,8	
— coal	439,9	439,9	
Efficient use of energy	863,5	841,7	21,8
<i>Modernization of enterprises</i>	1 287,2	900,1	387,1
Advanced technologies	474,1	474,1	
Modernization, conversion	57,6	57,6	
Industrial cooperation	219,9	219,9	
SME investments	535,6	148,5	387,1
<i>Environment/cultural heritage</i>	1 579,2	1 579,2	
Air pollution	470,6	470,6	
Water and soil pollution	730,9	730,9	
Other measures	368,0	368,0	
Protecting the cultural heritage	9,7	9,7	
<i>Community infrastructure</i>	680,8	678,1	2,7
Transport	655,0	652,3	2,7
— railways	85,0	85,0	
— roads	194,5	194,5	
— sea transport	20,4	20,4	
— air transport	307,8	307,8	
— intermodal freight terminals	47,3	44,6	2,7
Telecommunications	25,8	25,8	

¹ The conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.

² As certain loans serve a number of purposes simultaneously, the amounts under the different headings cannot be aggregated.

Table 10

Loans from EIB own resources in the Community, 1977-87

(million ECU)¹

Country	1977				1978				1979				1980			
	Prod. sector ²	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total
Belgium	—	—	—	—	—	—	62,2	62,2	8,7	—	49,7	58,4	6,2	—	147,0	153,2
Denmark	12,8	7,1	12,8	32,7	12,4	51,4	42,5	106,3	5,4	3,9	6,3	15,6	9,6	4,7	66,8	81,1
FR of Germany	—	—	28,4	28,4	2,3	—	43,2	45,5	4,0	—	43,8	47,8	—	—	14,2	14,2
Greece	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
France	19,6	119,5	157,4	296,5	23,6	237,6	98,1	359,3	1,7	122,1	98,9	222,7	1,7	63,4	213,9	279,0
Ireland	18,3	61,4	—	79,7	14,8	72,6	30,0	117,4	49,2	124,4	79,3	252,9	158,0	114,0	47,6	334,3
Italy	197,1	189,3	39,3	425,7	142,2	374,0	328,9	845,1	244,6	356,3	304,5	905,4	207,2	578,5	366,9	1 152,5
Luxembourg	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Netherlands	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
United Kingdom	167,9	218,4	92,8	479,1	67,3	247,0	116,4	430,7	64,0	299,9	375,1	739,0	166,8	329,6	191,6	688,0
Non-EEC	—	—	48,8 ³	48,8	—	—	—	—	—	—	39,4 ⁴	39,4	—	—	50,9 ⁴	50,9
Total	415,7	595,7	379,5	1 390,9	262,6	982,6	721,3	1 966,5	377,6	906,6	997,0	2 281,2	549,4	1 090,1	1 098,8	2 738,4

Country	1981				1982				1983				1984			
	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total
Belgium	12,3	—	170,2	182,5	5,5	—	55,0	60,5	—	—	—	—	—	—	32,5	32,5
Denmark	13,3	10,6	119,0	142,9	9,8	99,2	100,3	209,3	14,4	4,3	228,7	247,4	4,9	59,2	119,8	183,9
FR of Germany	—	—	292,0	292,0	—	—	20,8	20,8	22,9	—	129,3	152,2	—	—	134,3	134,3
Greece	51,4	82,5	9,8	143,7	138,7	144,1	50,8	333,6	63,2	193,3	107,8	364,3	61,0	125,9	88,6	275,5
France	—	67,7	159,0	226,7	39,8	72,7	311,7	424,3	130,9	316,4	260,6	707,9	128,3	479,6	206,1	814,0
Ireland	81,9	113,7	129,7	325,3	113,8	145,0	66,6	325,4	13,9	201,4	19,3	234,6	64,0	60,0	—	124,0
Italy	265,9	448,8	536,6	1 251,3	584,3	671,3	333,2	1 588,7	730,8	636,5	578,4	1 945,7	894,0	930,0	714,2	2 538,2
Luxembourg	—	—	—	—	—	—	—	—	—	—	—	—	—	16,4	—	16,4
Netherlands	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
United Kingdom	25,8	193,0	—	218,8	72,8	222,3	188,3	483,4	53,4	269,9	268,0	591,3	55,6	255,1	577,5	888,2
Non-EEC	—	—	22,8 ⁵	22,8	—	—	—	—	—	—	—	—	—	—	—	—
Total	450,6	916,3	1 439,1	2 805,9	964,5	1 354,7	1 126,8	3 446,0	1 029,5	1 621,9	1 592,1	4 243,5	1 207,8	1 926,2	1 873,1	5 007,0

Country	1985				1986				1987			
	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total
Belgium	—	—	77,8	77,8	46,1	—	—	46,1	37,1	—	—	37,1
Denmark	9,5	4,0	250,5	264,0	5,0	—	193,3	198,3	4,5	—	279,1	283,5
FR of Germany	—	—	91,4	91,4	—	—	139,7	302,1	441,8	14,0	114,1	148,5
Greece	44,2	285,8	71,7	401,7	178,3	—	50,2	24,4	253,0	70,8	44,5	44,9
Spain	—	—	—	—	—	—	92,0	220,8	27,3	340,0	324,5	218,4
France	290,2	407,8	191,6	889,6	121,6	—	421,1	22,3	565,0	356,4	450,7	122,7
Ireland	25,1	114,5	7,0	146,6	19,2	—	125,9	69,2	214,3	6,5	172,1	—
Italy	723,7	996,3	884,0	2 603,9	951,5	—	1 052,8	908,3	2 912,5	1 037,1	1 056,8	822,1
Luxembourg	—	—	—	—	—	—	18,2	—	18,2	—	1,6	—
Netherlands	—	69,1	—	69,1	—	—	94,9	3,3	98,2	14,9	3,1	—
Portugal	—	—	—	—	—	—	34,9	96,4	29,1	160,4	271,4	102,3
United Kingdom	148,1	291,6	657,0	1 096,7	110,7	—	378,1	866,4	1 355,3	32,3	742,7	344,8
Non-EEC	—	—	—	—	—	—	75,0 ⁶	—	75,0	—	—	108,7 ⁷
Total	1 240,7	2 169,1	2 230,9	5 640,7	1 654,3	—	2 581,4	2 442,4	6 678,1	2 169,3	2 906,2	1 927,9

¹ The conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.² Industry, agriculture and services.³ Norway.⁴ Austria and Tunisia.⁵ Tunisia.⁶ Loan for a satellite concerning the Community as a whole.⁷ Loan for a gas pipeline concerning the Community as a whole.

Table 11

List of NCI loans in 1987

	(million ECU)									
	Denmark	Spain	France	Greece	Italy	Portugal	United Kingdom	Total	%	
A — Infrastructure										
1. Ferrovie dello Stato — NIC II					21,4					
2. Interporto Verona/A — NCI III					1,9					
3. Interporto Verona/B — NCI III					0,8					
4. SRC — Strathclyde Rail NCI/C							14,0			
Total infrastructure					24,1		14,0	38,1	8,5	
B — Energy										
Total energy										
C — Industry										
5. Banco Atlantico GL Ahorro Ener		21,8								
6. FIH Small Business NCI GL IV	31,8									
7. Banco de Bilbao GL SMEs-NCI IV		34,8								
8. Banco de Santander GL SMEs NCI		20,9								
9. Banco de Vizcaya GL SMEs NCI		18,1								
10. Banco Espagnol de Credito GL		18,1								
11. CEPME GL PME III D NCI III			76,8							
12. EOMMEX Global loan II — NCI				4,6						
13. Efibanca GL SMEs III/B NCI					7,0					
14. Efibanca GL SMEs III/C NCI					3,0					
15. IMI GL SMEs V/NCI IV					37,3					
16. IMI GL SMEs V — NCI IV/B North IV A					16,0					
17. Mediocredito Centrale SMEs IV A					6,2					
18. Federagrari GL Agroindustria/B					2,3					
19. Federagrari GL Agroindustria/C					1,0					
20. Interbanca GL SMEs IV-NCI IV/A					9,3					
21. Interbanca GL SMEs IV-NCI IV/B					4,0					
22. BNL GL SMEs V — NCI IV-A					18,7					
23. BNL GL SMEs V — NCI IV-B					8,0					
24. San Paolo GL Agroindustria II					13,3					
25. Centrobanca GL SMEs IV/A					9,3					
26. Centrobanca GL SMEs IV/B					4,0					
27. Mediocredito Centrale GL IV/B					5,9					
28. Federagrari GL Agroindustria/D					4,7					
29. Federagrari GL Agroindustria/E					2,0					
30. Efibanca GL SMEs IV/A					4,7					
31. Efibanca GL SMEs IV/B					2,0					
32. Banco di Napoli GL SMEs/A					4,7					
33. Banco di Napoli GL SMEs/B					2,0					
34. Crediop GL SMEs/A					4,7					
35. Crediop GL SMEs/B					2,0					
36. BPI GL V — NCI IV						9,9				
Total industry	31,8	113,7	76,8	4,6	172,1	9,9	—	408,9	91,5	
Total NCI loan	31,8	113,7	76,8	4,6	196,2	9,9	14,0	447,0	100	
of which: NCI I	—	—	—	—	—	—	—	—	—	—
NCI II	—	—	—	—	—	—	—	—	—	—
NCI III 1	—	—	—	4,6	12,7	—	14,0	31,3	7,0	
NCI III 2	—	—	76,8	—	10,0	—	—	86,8	19,4	
NCI Reconstruction	—	—	—	—	21,4	—	—	21,4	4,8	
NCI IV	31,8	113,7	—	—	152,1	9,9	—	307,5	68,8	

Table 12
List of Euratom loans in 1987

Date	Recipient	Country	Million ECU
15. 1. 1987	British Nuclear Fuels	United Kingdom	108,9
7. 4. 1987	Nersa SA	France	71,6
24. 4. 1987	ENEL	Italy	72,8
24. 4. 1987	ENEL	Italy	36,1
16. 6. 1987	KKW Lippe-Ems	FR of Germany	24,3
Total			313,7

Table 13
ECSC loans by sector, 1980-87

Year	Total ECSC loans	<i>(million ECU)</i>						
		Coal industry (Art. 54 § 1)	Steel industry (Art. 54 § 1)	Thermal power st. (Art. 54 § 2)	Conversion (Art. 56)	Workers' housing (Art. 54)	Iron ore mines (Art. 54 § 2)	Other (Art. 54 § 2)
1980	1 030,7	233,2	424,0	90,0	266,1	7,9	—	9,6
1981	387,6	30,6	223,6	26,6	86,0	14,7	—	6,1
1982	740,6	256,3	139,8	40,9	162,8	18,0	71,8	51,0
1983	778,1	257,2	222,2	128,4	139,5	20,2	—	10,6
1984	825,5	12,7	268,5	65,8	247,5	36,7	148,4	45,9
1985	1 010,6	—	424,6	60,8	363,4	17,3	114,5	30,0
1986	1 069,2	103,6	661,2	8,7	243,5	26,2	1,9	24,1
1987	969,3	283,2	109,7	123,3	304,3	25,3	19,9	103,6
$\frac{1987}{1986}$ %	-9,3	+173,4	-83,4	+1 317,4	+25,0	-3,4	+947,4	+329,9

Table 14

EIB loans outside the Community from borrowings, 1977-87

	<i>(million ECU)¹</i>										
Country	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
ACP States and OCTs	67	91	73	124	158	122	90	79,1	167,8	150,7	161,1
<i>Northern Mediterranean</i>	85	80	186	215	129	252	257	346,3	260,0	—	—
Spain	—	—	—	—	40	105	105	140	160	—	—
Portugal	60	35	46	70	79	80	85	80	100	—	—
Yugoslavia	25	25	—	—	—	67	67	126,3	—	—	—
Greece	—	20	104	101	—	—	—	—	—	—	—
Turkey	—	—	36	44	10	—	—	—	—	—	—
<i>Maghreb</i>	—	—	50	25	52	—	36	63	102	110,5	23,1
Algeria	—	—	—	20	—	—	—	—	75	60	22,0
Morocco	—	—	26	—	30	—	36	54	8,5	—	—
Tunisia	—	—	24	5	12	—	—	9	18,5	50,5	1,1
<i>Mashreq</i>	—	3	109	7	15	28	44	112,3	28,0	87,6	3,1
Egypt	—	—	65	—	—	28	25	62,5	—	62,5	—
Jordan	—	—	11	4	3	—	14	11,5	—	9,1	3,1
Lebanon	—	3	17	3	12	—	5	—	—	—	—
Syria	—	—	16	—	—	—	—	38,3	28,0	16,0	—
<i>Other</i>	—	—	3	—	42	8	—	20	26,5	33	1,5
Cyprus	—	—	—	—	12	8	—	—	26,5	—	1,5
Malta	—	—	3	—	—	—	—	—	—	13	—
Israel	—	—	—	—	30	—	—	20	—	20	—
Total Mediterranean	85	83	348	247	228	288	337	541,6	416,5	231,1	27,7
Total	152	174	421	371	386	410	427	620,7	584,3	381,8	188,8

¹ The conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.

Table 15
EIB financing in the Mediterranean countries, in ACP States and OCTs, 1987

(million ECU)

	Total	Loans from own resources	Operations from budgetary resources	Energy	Infrastructure	Productive sector	
						Individual loans	Global loans
Algeria	22,0	22,0	—	22,0	—	—	—
Tunisia	1,5	1,1	0,4	—	—	—	1,5
Jordan	3,1	3,1	—	—	—	3,1	—
Cyprus	2,6	1,5	1,1	2,6	—	—	—
Malta	3,0	—	3,0	—	—	3,0	—
Turkey	10,6	—	10,6	10,6	—	—	—
Total Mediterranean countries	42,8	27,7	15,1	35,2	—	6,1	1,5
Africa	314,4	136,9	177,5	60,8	64,0	102,3	87,3
Caribbean	25,0	16,9	8,1	12,9	5,3	0,9	5,9
Pacific	1,6	—	1,6	—	—	0,4	1,2
OCTs	8,4	7,4	1,0	4,4	—	—	4,0
Total ACP-OCTs	349,4	161,1	188,2	78,1	69,3	103,6	98,4
Total	392,1	188,8	203,3	113,3	69,3	109,7	99,9

Table 16

Interest subsidies paid out in the Community by the various Community mechanisms, 1977-87

(million ECU)

Year	Non-capitalized systems ¹				Capitalized systems ²	
	ECSC		Employment in Portugal	'Earthquake reconstruction'	EMS	ERDF
	Article 54 (restructuring)	Article 56 (conversion)				
1977	1,3	2,7	—	—	—	—
1978	9,8	16,5	—	—	—	—
1979	10,4	8,0	—	—	200,0	12,1
1980	25,7	33,4	—	—	197,0	—
1981	7,6	6,3	—	—	193,2	—
1982	10,5	19,3	—	3,0	209,8	—
1983	4,0	7,1	—	14,4	200,0	—
1984	6,2	34,0	—	24,4	—	—
1985	3,6	74,9	—	28,4	—	—
1986	5,9	33,1	—	28,6	—	—
1987	2,4	35,6	4,0	28,6	—	—

¹ Interest subsidies spread over time and charged to the funds set aside for this purpose in the annual budgets.

² Interest subsidies paid by the Commission after discounting to a present value, and charged to the budget as a single sum in the initial year.

Table 17
'Earthquake reconstruction' loans carrying interest subsidies: Italy

(million ECU)

Borrower	Project	Total loans contracted end 1987
<i>NCI loans</i>		
ANAS (Azienda Nazionale Autonoma delle Strade, Rome)	Road and motorway infrastructure: I	30,8
FS (Azienda Autonoma delle Ferrovie dello Stato)	Railway network: I A	28,4
	I B	21,9
	I C	14,6
	II A	15,0
	II B	14,1
	II C	21,4
CASSA (Cassa per le opere straordinarie di pubblico interesse nell'Italia meridionale)	Water supply network: I	26,1
CASSA	Repair of Pugliese aqueduct: I	56,5
Italian Government	Industrial estates	65,7
Italian Government	Repair and reconstruction of schools	55,7
Italian Government	Basic infrastructure for areas to be used for housing	155,2
Italian Government	Reconstruction of public property	74,9
Italian Government	Aid centre, Persano	32,8
Italian Government	Repair of university buildings	19,7
NCI total		632,8
<i>EIB loans</i>		
SIP (Società italiana per l'esercizio telef. p.A)	Telephone network: A	11,9
	B	8,0
	C	7,6
	II	2,4
Italian Government	Industrial estates: II A	21,6
	II B	2,0
	II C	6,7
	III A	26,8
	III B	15,9
ENEL (Ente nazionale per l'energia elettrica, Rome)	Electricity grid: A	11,9
	B	7,6
	C	10,8
CASSA	Water supply network: II	11,5
	III	30,4
	IV	9,8
CASSA	Repair of Pugliese aqueduct: II	56,7
ANAS	Road and motorway infrastructure: II A	7,5
	II B	29,2
	II C	13,4
Autostrade (Concessioni e Costruzioni Autostrade spa)	Naples-Bari motorway: I A	3,5
	I B	5,4
	II A	3,4
	II B	4,2
ISVEIMER (Istituto per lo sviluppo economico dell'Italia meridionale, Naples)	Reconstitution of the means of production (industry and hotel trade): A	2,6
	B	4,8

Table 17 (continued)**'Earthquake reconstruction' loans carrying interest subsidies: Italy**

		<i>(million ECU)</i>
Borrower	Project	Total loans contracted end 1987
ISVEIMER	Motor vehicle component factory: A	14,6
	B	5,0
IRI (Istituto per la Ricostruzione Industriale)	Aircraft engine component factory	7,2
EIB total		342,4
Total Italy		975,2
<i>Interest subsidies paid from the 1987 budget (in million ECU):</i>		
	NCI: 17,8	
	EIB: 8,8	
	<u>26,6</u>	

Table 18**'Earthquake reconstruction' loan carrying interest subsidy: Greece**

		<i>(million ECU)</i>
Borrower	Project	Loan signed
<i>NCI loan</i>		
Greek Government	1981 Reconstruction: — economic infrastructure	21,1
	— social infrastructure	58,9
Total Greece		80,0
<i>Interest subsidies paid from the 1987 budget (in million ECU):</i>		
	NCI: 2,0	

Table 19
**Subsidized loans for reconstruction in earthquake-stricken areas in 1987,
by country, instrument and sector**

	Loans signed					Interest subsidies paid in 1987 ¹	
	Initial situation 1987	1987 operations	Number	Situation at end 1987	%	Million ECU	%
	Million ECU	Million ECU		Million ECU			
<i>By recipient country:</i>							
Italy	927,0	48,2	43	975,2	92,4	26,6	93,0
Greece	80,0	—	1	80,0	7,6	2,0	7,0
	1 007,0	48,2	44	1 055,2	100,0	28,6	100,0
<i>By origin of resources lent:</i>							
NCI	691,4	21,4	16	712,8	67,6	19,8	69,2
EIB	315,6	26,8	28	342,4	32,4	8,8	30,8
	1007,0	48,2	44	1 055,2	100,0	28,6	100,0
<i>By sector of use:</i>							
Economic infrastructure	575,6	48,2		623,8	59,1		
Social infrastructure	397,2	—		397,2	37,6		
Reconstitution of means of production	34,2	—		34,2	3,2		
	1007,0	48,2		1 055,2	100,0		

¹ Annual interest subsidies of 3% for a maximum duration of 12 years. These amounts cover all loans signed from 1981.

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