‘Trying to keep the EEC institutions’ from the Financial Times (18 April 1978)

Caption: On 18 April 1978, the British newspaper Financial Times reports on Luxembourg’s vocation as the permanent capital of the European institutions.

Source: Financial Times (18.4.1978), "Trying to keep the EEC institutions", David Buchan, Londres: Pearson PLC.

URL:
http://www.cvce.eu/obj/trying_to_keep_the_eec_institutions_from_the_financial_times_18_april_1978-en-49011808-0bcd-411a-8c32-cf91fa5bc853.html

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Trying to keep the EEC institutions

ACROSS THE deep gorge from Luxembourg city cluster a number of EEC organisations on the Kirschberg Plateau. In the middle 1960s Luxembourg lost the "high authority" of the Coal and Steel Community, when it was decided to amalgamate all the executive bodies under the three treaties—the EEC, Euratom, and the ECSC—and put them all in Brussels. In return, it was agreed that Luxembourg should keep or get any existing or new Common Market institution of a legal or financial nature. So, as well as keeping that part of the old Coal and Steel authority that deals with finance and investment, it has the Court of Justice, the European Investment Bank and the EEC's new external accounting body, the audit court. In addition, of course, Luxembourg houses the large secretariat for the European Parliament and provides the home for about half its full sessions each year.

The EEC institutions are important for two reasons. First, for the political kudos they confer upon the Duchy. They also form an important ancillary tourist attraction. Second, the presence of several thousand well-paid Eurocrats injects a regular and substantial level of spending into the Duchy's small economy.

Therefore, the slightest threat that any of these institutions is about to depart has Luxembourg politicians aroused and standing on their dignity and treaty rights. The only immediate threat concerns the Parliament and its staff, who have increasingly found their nomadic existence irksome and, some Euro-MPs would claim, downright ridiculous. The problem stems from the fact that a single seat for the European Parliament has never been agreed. This decision can only be taken, according to the Rome Treaty, by "Governments of member states." Until the governments do so—and they show no sign of wanting to add this prickly problem to their plate of woes—the Parliament is condemned to carry on its triangular peregrination.

Sessions

The dozen or so full sessions a year are supposed to be held in Strasbourg, though up to half now take place in Luxembourg; by a 1965 treaty Luxembourg is the seat of the 1,500 strong Secretariat: and by increasing and convenient practice, committee meetings are generally held in Brussels, within easy reach of the Commission and council officials. Many Euro-MPs, particularly late arrivals like the British who feel they were not party to the original set-up, complain about the waste of money and time travelling. So does the Secretariat, some 500 of whose staff uproot and travel down to the Strasbourg sessions, with documents packed into accompanying pantechnicons—and a lesser exodus takes place for Brussels committee meetings. Some parliamentary officials spend as many as 100 days outside their Luxembourg base, and frequent are the grouses by MPs about poor travel links with Strasbourg and Luxembourg (a complaint Luxair strongly refutes).

Many Luxembourgers, Mme, Colette Flesch, the Mayoress of Luxembourg city among them, now regret that right in the beginning, in 1958, the Duchy did not make a stronger pitch to have all the Parliament's activities sited there. But at that time, Luxembourg was not at all confident that its then underdeveloped service sector could handle this sort of influx. Now it feels it could, but the pass may have been sold. Certainly, a growing number of MPs feel they should have a single workplace, but also feel that that city should be Brussels, "where the rest of the action is."

The catalyst, which has sharpened the dilemma, is the imminence of direct elections to the European Parliament—now to take place between June 7 and 10, 1979—which will double the number of MPs from the present 198 nominated MPs to 410 directly elected ones—more if and when Greece, Spain and Portugal join the Community in the 1980s. This quite literally creates a space problem in all three centres for the Parliament.

The squeeze is worst in Brussels, where in any case the Parliament's offices lease comes to an end next spring. So the Parliament has been looking at various sites in the Belgian capital—one of them so large that it gave the two other interested parties, the Luxembouger and French Governments, the idea that the Parliament, despite its statements that it was not trying to "prejudge" an intra-governmental decision on a single site, was intending to shift completely to Brussels.

Modest

Within the last month, this fear has been soothed by the Parliament's decision to choose a more modest Brussels site. But not before the Luxembourg Government has pulled out all the stops. The most dramatic was its threat, in conjunction with the French Government, to block the setting of a new date for direct elections at the recent EEC Copenhagen Summit. In the event, the Parliament gave way on the Brussels real estate issue, and the threat never materialised. But the Thorn Government has also prepared what it believes to be an additional incentive. Last year it called in the French architect of the 1976 Montreal Olympic Stadium, and last January a plan for a 600 seat hemicycle and office complex was sprung on an unsuspecting public. Greeted as "Mr. Thorn's ski-jump" and the "Leaning Tower of Luxembourg," this extraordinary edifice would be financed by the banks. Mr. Thorn's officials say they have had offers from 10 different consortia to do this. The Luxembourg state would guarantee the rent for the building which might cost as much as Lux.Frs.4bn.

But before work is started, the Government wants an assurance that the Parliament is not about to depart the Duchy for good. That is the sticking point. Many MPs want no deal done with Luxembourg which would bind the hands of their directly elected successors. The interest of Luxembourg is obvious, and its financial gamble is big. But in the meantime, pending an eventual intra-governmental decision on a single site, the Parliament is forced to expand on all three fronts. Not that the cost of this would be directly borne by the Parliament. Like Luxembourg, the city of Strasbourg has also offered to improve and expand its facilities there. But bigger buildings mean bigger rents for the Parliament to pay.

One institution which shows every sign of expanding and reinforcing its position—including building itself a brand new home on the Kirschberg—is the European Investment Bank. With its quiet, unassuming manners—it does not for instance advertise for business in order not to be seen to be stealing clients from commercial banks—the EIB often goes unnoticed by the general public. Not so by EEC governments, which are its political masters along with the EEC Commission. At this month's Copenhagen Summit, the heads of government decided to double the Bank's subscribed capital to some 7bn. European Units of Account. This will allow the Bank to give loans and guarantees of up to 17bn. EUA (£11.39bn.) (250 per cent. of subscribed capital is the rule), in recognition of the reputation that the EIB has built up since 1958 of choosing projects which are both commercially sound and economically and politically important to the Community and its member states.

Last year the EIB granted 1.57bn. EUA in loans—a 23.5 per cent. increase over the previous year. Given the political push from EEC governments to the Bank's operations, EIB executives expect the growth to be maintained. The Luxembourg based Bank has in addition been given by EEC ministers the job of disbursing any new money raised on the capital markets under the Brussels Commission's proposal to borrow up to 1bn. EUA, on the Commission's name. It is the Bank's estimate that close to 20,000 jobs were directly created or safeguarded by the different investments made by the Bank in 1977 alone. The priorities of the Bank can be seen from a rough breakdown of its 1977 loans. Infrastructure projects of all kinds took 975m. EUA, and this included energy (nuclear, oil and gas), electricity grids, down to sewage schemes. These are held to be of common interest to the EEC, either to one or more than one of its member states, or to the Community in that they reduce its dependence on outside forms of energy, for instance. The European steel industry, in its painful attempts to modernise, got 197.5m. EUA last year.

The EIB lends an increasing amount of money outside the Community, in furtherance of the EEC's aid policy, under for instance the Lome Convention, or to the Community's Mediterranean associates or to applicants for EEC membership like Greece and Portugal. These loans are often accompanied by interest rate subsidies paid out of the EEC aid budget. But inside the Community some 70 per cent. of the loans are made to Ireland, the U.K. and Italy—the three member states with the most serious regional problems. Trying to right these regional imbalances is the other main goal of EIB lending policy.

The EIB, as its executives often point out, is not a philanthropic organisation and has to cover its borrowing costs. The demand by industry for its loans has been slack in recent years due to the current industrial depressions. But last year the Bank reports with evident gratification the level of its industrial loans increased by 43 per cent., many of them to medium sized businesses whose operations tend to be more labour intensive and therefore do more to soak up unemployment.

The Bank has in the past often found it hard to reach this smaller category of customer. The EIB mainly lends in foreign currencies. It would serve no useful purpose to lend sterling which a British bank could provide to a U.K. company, or lira to an Italian company. It sees its role as complementing the European capital markets by going outside the EEC for its borrowing.

Demand

Prominent among the remaining EEC institutions in the Duchy is the August Court of Justice, handing down community law on tablets of stone to the frequent fury of erring member states or European companies. But there has been one important new arrival this year—the new Audit Court, designed to tighten up the external accounting of EEC budget expenditure. Replacing the part time Audit Board, the Court has nine members nominated by each member state, including Sir Norman Price, a former head of the Inland Revenue from the U.K. and M. Marcel Mart, the former Luxembourg Finance Minister who resigned to take a seat on the Court's bench. With more staff and greater scope in carrying out audits (including spot checks in the member states), it is hoped that the Court can bring a new rigorousness to the examination of how EEC money is used, in particular the 70 per cent. of it which still goes on agriculture. Certainly, the Parliament hopes so and plans to make use of the court's services in making the Commission more accountable.

D.B.