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1958 / 2008

The creation of the European Investment Bank

Messina Conference (June 1955)

At the Messina Conference on the revival of European integration, the Foreign Ministers of the six Member States of the European Coal and Steel Community (ECSC) adopted an action plan largely based on the Benelux Memorandum.

Left to right: Joseph Bech, Paul-Henri Spaak and Johan Willem Beyen

The creation of the
European Investment Bank

Introduction

Fifty years ago, on 1 January 1958, the EIB took up the task that it had been given by the Treaty of Rome. What better way to start off the European Investment Bank's 50th anniversary than with a bit of prehistory? In 2006, following the first transfer of the Bank's historical archives to the University Institute in Florence, the EIB commissioned a junior researcher at the Institute, Dr Lucia Coppolaro, to explore and write a short history of the negotiations that led up to the creation of the EIB. Her essay lies before you now.

When the Ministers of Foreign Affairs of the European Coal and Steel Community met in Messina in 1955 to discuss setting up the European Economic Community, the idea arose of creating a European investment "fund" as an instrument to deepen European economic integration. The ministers from the six original Member States readily agreed on the need for such a fund. However, as this essay shows, it proved more difficult to agree on what it should actually be doing once the Community got going. All agreed that the "fund" should help to develop Europe's economic potential and, at Italy's firm insistence, that it would concentrate on fostering development in the regions that were lagging behind. But just as the various Member States differed in their approach to the common market, their take on this new instrument also differed.

The "fund's" priorities, the way that it would finance itself, and finally its governance and management became a matter of prolonged debate among the Six. When in the end the European Investment Bank was set up by the Treaty of Rome in March 1957, the budding institution was a very special one, unique among the institutions. The decisions taken at the outset have had a very long-lasting impact on the character of the institution. The large measure of financial autonomy given to the EU's financial arm has blended with a unity of purpose which overcame the national visions and remains a key strength for future developments.

When reading about the negotiations, and the compromises and conclusions to which they led, one realises that many of the issues have continued to play a role in the EIB's 50-year history: bank or institution, policy versus profit, value added, governance, and many more. "The Creation of the European Investment Bank" is therefore a most timely publication in view of the Bank's 50th anniversary.

Philippe Maystadt

Strasbourg meeting (January 1953)

Jean Monnet, the President of the High Authority of the European Coal and Steel Community (ECSC), had a close relationship with Paul-Henri Spaak, the former Belgian Foreign Minister. After his resignation Jean Monnet became one of the driving forces behind the revival of European integration.

Left to right: Jean Monnet and Paul-Henri Spaak

From early attempts to the Messina resolution (1949-1955)

When the Ministers of Foreign Affairs of the European Coal and Steel Community (ECSC) gathered in Messina in June 1955 to discuss new forms of European integration, a proposal to set up a European investment fund came to the fore. Yet the idea of setting up a financial institution that could promote investment at European level was not new. It had already been suggested in late 1949 by the French Ministry of Finance to the Organisation for European Economic Cooperation (OEEC), the basic underlying idea being that the liberalisation of trade promoted by the OEEC had to be accompanied by measures to harmonise the economies of the participating countries. In order to balance the effects of trade liberalisation, the French Ministry of Finance proposed a schedule of investments to be carried out by a European investment fund with a view to increasing the competitiveness of French and European industry, promoting the balanced development of the regions of the Member States and strengthening their economic and social cohesion. The plan did not receive the support of the entire French government, which was soon to become fully involved with the negotiations leading to the European Coal and Steel Community (ECSC). Neither did it receive support from the proponents of market economics outside France who were against harmonisation and planning. [1]

In 1953 the Dutch Foreign Minister Johan Willem Beyen presented to the Council of Ministers of the ECSC a memorandum containing a plan for wider economic integration through the establishment of a common market. The Dutch memorandum envisaged a European fund tasked

[1] On the early attempts to create a European Investment Bank see Matthias Kipping, "La Banque européenne d'investissement, de l'idée à la realité (1949-1968)" in *Le rôle des ministères des finances et de l'économie dans la construction européenne* (1957-1978), actes du colloque tenu à Bercy du 26 au 28 mai 1999, ministère de l'Économie, des finances et de l'industrie, comité pour l'Histoire économique et financière de la France, pp. 526-542.

with financing the modernisation and reconversion of the economies of the Member States so as to help them adapt to a common market. The Dutch proposal was for a reconversion fund rather than an investment fund, but like the French proposal, it also contained the basic notion that the conditions of increased competition caused by the implementation of a common market had to be accompanied by instruments to facilitate the Member States' adaptation to the new economic environment. The Dutch memorandum was not accepted by the Council of Ministers of the ECSC, and so the plan for a fund also came to nothing. [2] In reaction to the Dutch plan, France again suggested that the ECSC members should coordinate their investments so as to increase the productivity of industry, but yet again this fell on unreceptive ears. [3] The Dutch and French initiatives, while abortive, showed the necessity of coupling the creation of a common market with measures to mitigate its impact. Thus the need to deal with investment at European level had already been recognised, before the issue was successfully dealt with in the framework of the negotiations leading to the creation of the European Economic Community (EEC) and the European Investment Bank (EIB).

When the negotiations leading to the establishment of the EEC started in Messina in June 1955, the plan for an investment fund crystallised. In April 1955 the Dutch Foreign Minister Beyen again raised the plan for a common market, so paving the way for the creation of the European Economic Community. After consulting with Paul-Henri Spaak, the Belgian Foreign Minister, and Joseph Bech, the Premier and Foreign Minister of Luxembourg, the three governments presented a memorandum in May 1955, based on the Beyen plan of 1953, suggesting the creation of a common market and calling for integration of the electricity, transport and nuclear energy

[2] HAEU (Historical Archives of the European Union) CM3 – NEGO 3, *Mémorandum du gouvernement des Pays-Bas concernant la Communauté européenne*, 5.03.1953. On the Dutch plan see Richard T. Griffith, "The Beyen Plan" in Richard T. Griffith (ed.), *The Netherlands and the Integration of Europe*, 1947-1957 (Amsterdam: NEHA, 1990), pp. 165-182.

[3] Ministère des Affaires étrangères français (MAEF), Documents diplomatiques français (DDF) 1955 (I) – Document 301, Note "Plan Beyen" du département Intégration européenne au Quai d'Orsay, 26.05.1955. Though dated 1955, this document describes the position of the French government in 1953.

sectors. In line with the Dutch memorandum of 1953, the Benelux memorandum also proposed the creation of a reconversion fund.[4]

Following the Benelux initiative, the creation of a common market came to be on the agenda of the Six members of the ECSC at the Messina conference, where the Six Foreign Ministers met to discuss new forms of European integration and examine the Benelux memorandum. Within this framework, the plan for an investment fund moved to the forefront of the discussions. In reaction to the Benelux memorandum, the Italian delegation tabled a memorandum to present its position. Italy agreed to study the creation of a common market, and accepted the suggested reconversion fund whilst at the same time proposing that countries forming a common market should not only facilitate the necessary adjustment of their economies through a reconversion fund but should also pursue a policy of growth and investment in areas that lacked capital. Italy therefore called for the creation of an investment fund so that capital could be channelled to regions – such as the South of Italy – which were traditionally short of capital. [5]

The German government favoured the plan for a common market. Among the observations it presented in its memorandum tabled in Messina, it also called for the creation of an investment fund that would encourage productive investment and help to iron out the wide and socially dangerous disparities in living standards between the regions of the countries that would form the common market. [6] France too supported the creation of an investment fund, having already suggested the coordination of investment in 1949 and then in 1953. Thus in Messina France also proposed that the creation of the common market be accompanied by a European investment fund. [7]

[4] HAEU CM3 – NEGO 3, *Mémorandum des pays Benelux aux six pays de la CECA*, 21.04.1955. On the Dutch initiative and how this led to the creation of the EEC see Alan S. Milward, *The European Rescue of the Nation-State*, London, Routledge, 2ª ed., 2000, chapter 4: "Foreign trade, economic and social advance, and the origins of the European Economic Community", pp. 119-223.

[5] HAEU CM3 – NEGO 3, *Mémorandum du gouvernement italien sur la poursuite de l'intégration*, 1.06.1955. On the Italian position in Messina see Enrico Serra, "L'Italia e la conferenza di Messina" in Enrico Serra (ed.) Il Rilancio dell' Europa e i Trattati di Roma, (Brussels: Bruylant; Milan: Giuffrè; Paris: L.G.D.J; Baden-Baden: Nomos, 1989), pp. 93-124.

[6] HAEU CM3 – NEGO 3, *Mémorandum du gouvernement fédéral sur la poursuite de l'intégration*, 1.06.1955.

[7] MAEF DDF 1955 (I) – Document 301, Note "Plan Beyen" du département Intégration européenne au Quai d'Orsay, 26.05.1955 and ibidem Document 332, circulaire 49, A. Pinay, ministre des Affaires étrangères, aux représentants diplomatiques de France à l'étranger, 10.05.1955.

The Messina conference showed that the aim of establishing an investment institution was shared among the Six even if this did not mean that they agreed on the nature of this institution. [8]

The Messina conference ended with a resolution calling for a study on integration in the transport and energy sectors and the establishment of a common market. Taking up the Benelux memorandum and the memoranda tabled by Germany and Italy, the Foreign Ministers agreed that further economic integration could be based on common institutions, a common market, coordinated social policies, a gradual fusion of national economies, and sectoral integration in the fields of energy and transport. For the implementation of the common market, it was agreed to study the pace at which obstacles to the free movement of goods, people, services and capital could be eliminated and to examine the harmonisation of financial, monetary, economic and social policies, a system of safeguards, the free movement of labour, rules for competition and the creation of a European investment fund.

The resolution stated that "The creation of a European Investment Fund will be studied. The objective of this fund would be the joint development of European economic potentialities and in particular the development of the less developed regions of the participant states." It therefore put the accent on the fact that the fund would have to contribute to fostering economic development, particularly in regions that were lagging behind, as demanded above all by Italy. [9]

Even if the Messina resolution did not overtly link the plan for a European investment fund to the establishment of the common market, the two were correlated. The implementation of a

[8] The literature on the Messina conference is very extensive. See among others, Pierre Gerbet, 1957: *La Naissance du Marché commun* (Brussels: Editions Complexe, 1987).

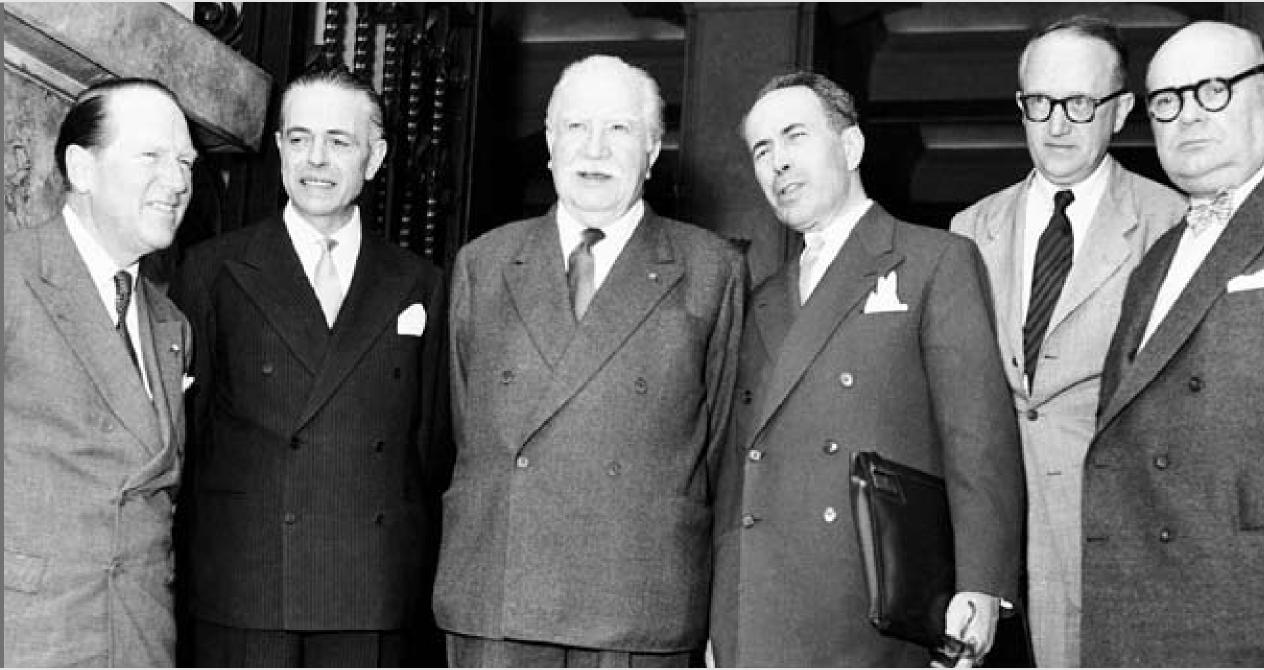
[9] For the Messina resolution see HAEU – CM3 NEGO 3, Réunion des ministres des Affaires étrangères, Messine, 01-03.06.1955.

common market implied the free movement of goods, capital, labour and services and, consequently, an increase in competition within the area of the common market, resulting from the integration of the economies of its members. Following the Messina conference and during the negotiations leading to the creation of the European Economic Community, the Six governments were clearly aware that the differences in economic structure between their countries would be obstacles to such integration. Certain regions were more developed than others; productivity varied between regions, Member States and sectors; inadequate communications and lack of electric power characterised some regions of the Member States. To overcome these obstacles and implement a balanced common market, large-scale investment was necessary. The total volume of gross investment in the Six countries was already considerable and these countries were part of one of the regions of the world where the rate of investment in relation to GDP was at the higher end of the spectrum and where the banking system was most developed. The Six governments favoured investment that could promote the smooth implementation of the common market and also reduce both the existing inequalities across regions, states and sectors and the inequalities that would be caused by the liberalisation process leading to the common market. An investment fund was required to address these needs. From the Messina conference onward, the creation of an investment fund can be seen as a necessary corollary of the common market. Since the Six had agreed to study the implementation of a common market, the creation of an investment fund came to be logically linked. [10]

[10] HAEU – CM3 NEGO 2, PV de la réunion des ministres des Affaires étrangères des États membres de la CECA, Messine, 1.06.1955 and ibidem, EIB Annual Report 1958. The first annual report of the EIB discusses, in addition to its first year of activities, the origins of the EIB since the Messina conference.

Messina Conference (June 1955)

Left to right: Johan Willem Beyen, Gaetano Martino, Joseph Bech, Antoine Pinay, Walter Hallstein and Paul-Henri Spaak



The Spaak report: setting the negotiating basis for a European investment fund (June 1955 – April 1956)

To take the Messina resolution forward, the Six Foreign Ministers agreed to set up an intergovernmental committee, headed by Paul-Henri Spaak. The intergovernmental committee would be aided by experts from the ECSC, the OEEC, the Council of Europe and the European Conference of Transport Ministers. The intergovernmental committee met for the first time on 9 July in Brussels. Four commissions were then set up: on conventional energy, on nuclear energy, on transport and public works, and on a common market, investment and social issues. This last commission had the task of studying the methods and timetable for dismantling restrictions on the free movement of goods, people, services and capital, the setting-up of a common external tariff, the necessary harmonisation in the economic, financial and social fields, the institutions of the new community and the creation of a fund for investment and a reconversion fund. Thus the investment fund was again linked to the establishment of the common market.

Given the importance of the investment fund and the technicalities of its requirements, the task of examining the issue was assigned to a sub-group of experts chaired by the Italian Giuseppe Di Nardi. [11] To guide its drafting on the fund, the sub-group considered the Articles of Agreement of the International Bank for Reconstruction and Development (the World Bank). [12]

The fact that the Six agreed to the creation of an investment fund did not mean that they agreed on its exact function and nature. In fact divergences existed and became clear in the work of

[11] MAEF DDF 1955 (II) – Document 22, *Télégrammes n° 452 à 458, M. Rivière, ambassadeur de France à Bruxelles, à M. Pinay, ministre des Affaires étrangères*, 9.07.1955 and ibidem Document 48, *M. Rivière, ambassadeur de France à Bruxelles à M. Pinay, ministre des Affaires étrangères*, 20.07.1955.

[12] HAEU – CM3 NEGO 43, Comité intergouvernemental créé par la conférence de Messine, *Rapport présenté par M. le Professeur G. Di Nardi au nom de la sous-commission des investissements à la commission du Marché commun, des investissements et des problèmes sociaux*, 29.10.1955.

the intergovernmental committee. These divergences were caused by the different economic approaches taken by each of the Six countries. When the plans to achieve comprehensive economic integration were debated in Messina, discussions took place on the instruments and approaches to be used to make the common market and the customs union work. The debate concentrated, in particular, on the economic framework to be used. The Federal Republic of Germany – and in particular the Ministry of Economics – and the Benelux countries wanted the common market to be an instrument for establishing a free-market economic area, whereas Italy and France advocated a more dirigiste approach. [13]

This debate also touched upon the setting-up of an investment fund. Germany and the Benelux countries supported the creation of a fund that would borrow on the international capital market in order to finance its lending, which would be based purely on economic needs and limited to productive investments. In this view, the fund had to be a bank that would provide loans – and not grants – and would be run on business principles, independent from the political control of the Member States. [14]

The positions of France and Italy differed. France considered the creation of a European investment fund necessary to facilitate the transformation of the economic structures that would result as a consequence of the progressive dismantling of customs duties. The fund had to finance rationalisation of the productive sector, development of the less-advanced regions, and the reconversion of enterprises in order to cope with implementation of the common market. France also held that the fund had to borrow on the international market, but at the same time

[13] On this aspect see Hans Jürgen Küsters, "The Origins of the EEC Treaty" in Enrico Serra (ed.) *Il Rilancio dell' Europa e i Trattati di Roma*, (Brussels: Bruylant; Milan: Giuffrè; Paris: L.G.D.J; Baden-Baden: Nomos, 1989), pp. 211-238.

[14] HAEU – BEI, *Création de la BEI – G. Sertoli, (hereinafter BEI, Témoignage Sertoli)*, 28.10.1994.

it also wanted the fund to give guarantees and grants. France therefore wanted a bank that, in some situations, could also act as a fund. [15] The French position on the fund was clearly expressed in the memorandum that Paris presented to the intergovernmental committee in October 1955. The functions of an investment fund had to be set fairly broadly so that it would have the opportunity to operate in various fields as necessitated by implementation of the common market. First, the fund would help to finance rationalisation and specialisation schemes conducive to the building-up of enterprises powerful enough to hold their own in an enlarged market. Second, the fund would finance infrastructure and works of general utility. In this context, the fund could lend to less-developed regions as long as this was recognised as being in the common interest of the Member States. Third, the fund would facilitate conversion measures necessitated by the progressive opening of economic frontiers. Additionally, allowances could be paid to workers to help them find new employment. In principle, the fund would finance economically viable projects. This financing would take a wide range of forms, from loans and guarantees to straight subsidisation. The fund would operate as a real "banque d'investissement européenne", with a capital provided by the budget contributions of Member States to which would then be added resources obtained by borrowing on the international capital market. Thus in the French view the fund would also play a fundamental role for the private sector as the need for readaptation emerged, providing not only loans and guarantees but also redeployment allowances. [16]

At Messina, Italy accepted the plan to set up a common market but, at the same time, tried to enlarge the scope of the prospective Community by including support for regions lagging behind in their development. With this in mind Italy backed the plan for an investment fund as

[15] HAEU – CM3 NEGO 39, *Mémorandum de la délégation française sur l'établissement d'un marché commun général*, 14.09.1955.

[16] MAEF DDF 1955 (II) – Document 207, Note de la direction des Affaires économiques et financières, service de coopération économique "Établissement d'un marché commun general", 13.10.1955.

an instrument to promote both the expansion of investment in countries (like Italy) that lacked capital and the development of the less advanced regions. Therefore the setting-up and use of the resources had to take place in relation to these objectives. [17] Moreover Italy held that the fund had to be created "afin d'apporter des possibilités additionnelles aux pays ayant un excès de main-d'œuvre". [18] Above all, for Italy the fund had to retain a social role too. The implementation of the customs union and then of the common market would have not only economic but also social consequences. The opening of barriers to competition from the other members would have implications for the lives of workers and especially those who lived in the less-developed regions. In this context Italy, the least-developed country of the Six, urged throughout the negotiations leading to the establishment of the EEC the case for inserting a social dimension in order to mitigate the negative impact of the increased competition. [19] In the negotiations leading to the foundation of the EIB, Italy stressed the need for this institution to play a social role and to act in accordance with social as well as economic principles. Therefore, in the Italian view, the future Community had to seek to reduce regional imbalances by boosting the development of the less-advanced areas. In this context, the fund had to be a source of financing for investment in the south of Italy. More specifically the fund had to channel capital to this area and, in lending its financial resources, it also had to consider not only economic but also social issues. [20]

Naturally, each of the Six had a vision of the fund that corresponded to its own economic and political interests. These differences dictated the entire course of negotiations within the investment sub-group of the Spaak Committee. Given the fact that the interests of the Six did not coincide, compromises were inevitable in order to create the investment fund.

[17] HAEU – CM3 NEGO 2, PV de la réunion des ministres des affaires étrangères des États Membres de la CECA, Messine, 1.06.1955 and ibidem NEGO 43 – Comité intergouvernemental créé par la conférence de Messine, *Note de la délégation italienne "Fonds européen d'investissements"*, 19.07.1955.

[18] MAEF DDF 1955 (II) – Document 48, M. Rivière, ambassadeur de France à Bruxelles à M. Pinay, ministre des Affaires étrangères, 20.07.1955.

[19] For this aspect see Antonio Varsori (ed.) *Il Comitato Economico e Sociale nella costruzione europea* (Venice: Marsilio, 2000).

[20] HAEU – BEI 1021, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Rapport sur les travaux du groupe ad hoc chargé d'élaborer le statut du fonds d'investissement*, 27.11.1956. This document summarises the positions of the Six from the beginning of the negotiations.

Despite the differences that existed among the Six, the sub-group on investment was able to produce a report on the investment fund that was then incorporated in the Spaak report presented to the Ministers of Foreign Affairs of the ECSC in April 1956. The Spaak report recommended the creation of a common market and an atomic energy community. The report defined the common market as a "vast area with a common economic policy, which would form a powerful productive unit, and which would make possible continuous expansion, increased stability, a rapid rise in the standard of living, and development of harmonious relations between Member States". The common market would require a common policy on competition, special attention to social policy and a European investment fund. [21]

The plan for an investment fund was contained in the section of the report entitled "The development and full utilisation of European resources", the draft of which was the result above all of the Italian effort and the key to which was the establishment of an investment fund endowed with substantial resources for carrying out large projects of European interest. The report highlighted that the common duty and interest of all Member States in developing depressed areas was justified by past experience. "As was shown by the experience of Italian unification after 1860, and also by that of the United States after the American Civil War, the divergence [between regions] can grow in aggregate if the fundamental conditions of the development of production are not immediately created by public bodies, through the construction of roads, ports, means of communication, public works for drainage, irrigation, and land reclamation, and with the creation of schools and hospitals". By pumping investment into the less-developed areas, the investment fund would contribute to steady economic development.

[21] For the Spaak report see HAEU – CM3 NEGO 89, Intergovernmental Committee of the Messina Conference, *Report by the Heads of Delegation to the Foreign Ministers*, 21.04.1956.

The Spaak report took a precise line on the nature of the proposed institution, which it envisaged as more of a bank than a fund. On the credit policy of the fund, the Spaak report suggested that this institution should only finance investment projects that were of a productive nature and likely to yield a return. The fund would have its own capital subscribed by the Member States. Not all the capital would be paid up, and the part not paid up would represent a guarantee. The financing of projects had to be effected by raising financial resources on the international capital market. For the role which the fund would have in implementation of the common market and on the capital market, it had to be both an institution of the Community and an institution with legal personality so that it could borrow on the international capital market. [22]

The Spaak report pinpointed three major fields of activity. First, the fund would contribute to the financing of projects of European character and interest – even if no definition was given of this notion – which on account of their size or their nature could not easily be financed out of the funds available in the individual states. Such schemes could be connected with transport and the generation and transmission of power. The second task would be to promote development of the less-advanced areas, seen as a fundamental condition for the success of the common market. Historical experience showed that putting advanced and less-advanced regions together in one common market did not automatically ensure more rapid progress of the less-developed areas. The disparity in development could increase if the fundamental conditions for expanding production were not initially created out of public funds. These investments in the public sector, i.e. the infrastructure of roads, ports and communication facilities, were considered essential and crucial for a balanced and smooth implementation of the common market and

[22] HAEU – CM3 NEGO 39, Comité intergouvernemental créé par la conférence de Messine, *Projet de rapport de la commission du marché commun, des investissements et des problèmes sociaux*, 11.04.1955.

were deemed likely to generate greater opportunities for employment. The third field of action was investment in the private sector and the reconversion and creation of new enterprises. The help offered to maintain employment in increasingly competitive conditions and enable the best use to be made of available resources was considered to be one of the main features of the common market policy. The reconversion and creation of new enterprises, guaranteeing productive employment for workers, were therefore seen as measures of great social importance. This third field of action had not been mentioned in the final statement of the Messina declaration and was inserted because of pressure from France. [23] Whilst the common market was being implemented, an investment fund was required to help minimise the regional and social divergences caused by increased competition. So, a liberal objective – the implementation of the common market – was accompanied by the activities of an investment fund that had to mitigate the consequences of such liberalisation. The fund had to coordinate investment projects, increase the competitiveness of common market firms and mitigate the negative consequences of liberalisation.

The resources of the fund would be raised on the international capital market and not through contributions charged to the budget of the Member States. As the fund would have to operate as a borrower on the international capital market it needed to be a credible borrower. Its creditworthiness would depend upon its organisation and its administrative rules, but also upon its own available capital and resources on which it could rely for the fulfilment of its tasks and obligations. The initial capital of the investment fund would have to be subscribed either by the States or, on behalf of the States, by other banking institutions and would form the basis of the

[23] On the French effort to include this aspect among the tasks of the EIB see HAEU, EIB Annual Report 1958.

fund's credit standing. Making a comparison with the World Bank's basic capital of USD 10 000 million, the Spaak report suggested a basic capital of USD 1 000 million. This initial capital would not need to be fully paid up but would only need to be made available to the extent of 25%. The general tasks with which the fund would have to deal and the need to ensure continuity in its operations required it to be able to avail itself of sufficient capital to ensure the continuous and certain fulfilment of its tasks. The authorities administering the capital resources of the fund should not rely on the possibility of additional contributions by the Member States. The possibility of such contributions being made, however, was to be used to raise the credit standing of the institution and thereby obviate as far as possible any need to call upon them. The additional contribution which the states were to make, if necessary, during the first five years of a transitional period would be regarded as an increase in the original capital. This could happen only under specific conditions, which, however, had to be spelt out in order to ensure that the fund made every effort to raise the necessary resources on the capital market. The general management or governing board had to be similar to that of a banking institution. Instructions, however, would emanate from the Board of Governors, which would be composed of representatives of the Member States and of the European Commission of what would be the EEC. The Board of Governors would give directives to a managing board that would work according to banking principles. The report also stated that the bank should not finance projects in full but only contribute to their financing; thus it would have a complementary role. [24]

Thus the general line of the Spaak report was that the creation of an investment fund with an assured capital of its own and capable of operating on European and international markets as

[24] HAEU – CM3 NEGO 10, *PV de la Conférence des ministres des affaires étrangères des États membres de la CECA*, Bruxelles, 11-12.02.1956 and ibidem CM3 NEGO 89, Intergovernmental Committee of the Messina Conference, *Report by the Heads of Delegation to the Foreign Ministers*, 21.04.1956.

a borrower of the highest standing appeared to be indispensable for the balanced and smooth development of the common market. Despite the basic agreement on this, which had already emerged during the conference of the ministers of foreign affairs of the ECSC held in Brussels in February 1956, the Six delegations could not entirely agree on the functioning, financing and structure of the fund as suggested by the Spaak report. [25] France, for example, doubted whether a fund along the lines of the Spaak report would be able to ensure the smooth and balanced development of the common market. [26] The Dutch Minister Beyen held that a number of issues had to be further developed by the Spaak report, notably the structure of the fund and the question of whether the projects that the fund would finance needed to yield a return. The Italian Minister of Foreign Affairs Gaetano Martino underlined the effort that the Italian government was making to enhance the development of the less-advanced areas of the country. The fusion of the economies of the Six must not halt this effort, and it was indispensable to set up immediately a European fund for investment to benefit Italy. [27]

The Venice conference of the Six Foreign Ministers in May 1956 approved the Spaak report – including the part relating to the investment fund – and upheld it as the basis for the intergovernmental negotiations creating the European Economic Community and Euratom. [28] Therefore, despite the disagreement that still existed, there was a basis for establishing a common market and together with it a European investment fund. It was on this basis that the negotiations among the Six were to continue.

[25] HAEU – CM3 NEGO 42, PV *de la conférence des ministres des affaires étrangères des États membres de la CECA*, Bruxelles, 11-12.02.1956.

[26] MAEF DDF 1956 (II) – Document 265, *Note de la direction générale des affaires économiques et financières sur les problèmes posés à la France par le projet de Marché commun*, 21.04.1956.

[27] MAEF DDF 1956 (II) – Document 377, *Projet de procès-verbal de la conférence des ministres des affaires étrangères des États membres de la CECA*, Venise, 29-30.05.1956.

[28] For the text of the declaration of Venice of the Ministers of Foreign Affairs see MAEF DDF 1956 (II) – Document 377, *Notes succinctes et projet de procès-verbal de la conférence des ministres des affaires étrangères des États membres de la CECA*, Venise, 29-30.05.1956.

The Venise conference (mai 1956)

On 29 and 30 May 1956, as part of the process of reviving European integration, the Foreign Ministers of the six Member States of the European Coal and Steel Community (ECSC) met in Venice to discuss the Spaak report and set the course for the common market and Euratom projects.

The negotiations for the creation of the fund: the issues on the table (June – October 1956)

The negotiations among the Six to establish what would become the European Economic Community and Euratom commenced in the Château de Val Duchesse in Brussels at the end of June 1956 and ended in March 1957. The heads of the national delegations formed an organising committee chaired by Spaak and set up two groups, one dealing with the creation of the common market and the other with the energy authority. The negotiations on the fund took place in the forum of the common market committee chaired by the German Hans von der Groeben. In October 1956, because of the specific issues that had to be discussed to set up the fund, a sub-group was established with the task of drafting its Statute. The job of the common market sub-committee was to draft two articles to be inserted in the Treaty of the new EEC, defining the fund and its functions. A Statute, to be annexed to the Treaty, specifying the characteristics and structure of the fund would then be drafted.

The negotiations among the Six concerned the functions of the fund, its institutional organisation, the voting procedure, the raising of the fund's financial resources and its credit policy. Regarding the functions of the fund, Germany and the Benelux countries favoured limiting the operational scope of the institution, while France and Italy tended towards enlarging it. Accepting the proposal of the Spaak report, the group on the common market agreed that the task of the fund would be to favour the development of less-developed regions, reconversion operations, and projects that by their nature could not be financed by any one Member State on its own. Germany and the Netherlands wanted a general preamble to specify that, to qualify for financing, projects should be of European character and interest. Italy and France, on the other hand, wanted to follow the approach of the Spaak report which had mentioned the "European character and interest" clause only with reference to works that by their nature could not be financed by one Member State. [29]

In the negotiations, France wanted to give the fund a broader role than that assigned by the Spaak report: the fund would not only lend but also guarantee loans. Most importantly, the fund would finance projects to promote reconversion and the creation of new activities, but also the modernisation of enterprises. Therefore France wanted the fund to play an important role in helping industry to adjust to the increased competition resulting from implementation of the common market, and also in assisting the private sector by raising the productivity of firms. [30]

Italy supported the French position, but at the same time wanted the fund to treat the development of the less-advanced regions as a priority. Italy wanted the article of the Treaty to state clearly that the fund's guiding principle, above all in the transitional period, should be the establishment of balanced capital and labour markets through targeted investments and the fixing of interest rates. In the Italian view, the general aim of the common market was the equitable and harmonious development of the economies of the Member States, and governments had to ensure the essential conditions for a balanced functioning of the common market. The new Community had to ensure that such development would be achieved by eliminating the imbalances that existed within and between the economies of the Member States. Having the

[29] HAEU – *Création de la BEI – G. Sertoli, (BEI 1004)*, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Projet de procès-verbal des réunions des* 24-26.09.1956 (MAE 361) and HAEU – CM3 NEGO 248, *Conférence intergouvernementale : historique de l'article 129 du traité instituant la CEE*, groupe du Marché commun, *Procès-verbal de la réunion du groupe du Marché commun des* 24-25-26.09.1956.

[30] HAEU – BEI 1003, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Proposition de rédaction des articles 63 à 65 présentée par la délégation française*, 24.09.1956.

least-developed economy of the Six and having one of the least-developed regions in western Europe, Italy emphasised that regional development was one of the fundamental imperatives of the common market. It was only, argued Italy, if such areas were provided, with infrastructure suitable for their development that they could benefit from the wage cost differential or higher productivity of their investments. For this reason, Italy stressed the importance of measures conducive to regional development and the creation of employment in the less-developed areas, in order to avoid widening the differences in living standards and productivity between the regions of the common market. [31] Luxembourg, France and Germany opposed the drafting of a clause on these lines and preferred to leave the fund a greater degree of freedom to decide its credit policy. [32]

The different opinions on the goals of the fund drove the negotiations on the other aspects of the institution. As for the formulation of the credit policy, all the governments agreed that the fund should be managed as a bank with credit criteria determined by the return on investments. But whereas Germany and the Netherlands wanted the fund to follow criteria of cost-effectiveness and economic utility, Italy wanted the fund also to take social considerations into account, so allowing it to finance projects with a social dimension, even if the return would be low. Moreover the fund had to act to reduce joblessness by granting financial aid to projects located in regions of high unemployment – a preferable alternative to the emigration of workers. Thus in the Italian view the fund would also grant financial aid and would not lend solely on the basis of return on investment. [33]

[31] HAEU – CM3 NEGO 248, *Conférence intergouvernementale : historique de l'article 129 du traité instituant la CEE : Banque européenne d'investissement ; Extrait du procès-verbal de la réunion du groupe du marché commun des* 24-25-26.09.1956; HAEU – BEI 1001, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du marché commun, *Proposition de rédaction de l'article 63 présentée par la délégation italienne*, 24.09.1956; HAEU – BEI 1002, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du marché commun : *Comité des chefs de délégation : note présentée par la délégation italienne sur les questions à soumettre aux ministres des affaires étrangères*, (MAE 329), 26.09.1956.

[32] HAEU – CM3 NEGO 248, *Conférence intergouvernementale : historique de l'article 129 du traité instituant la CEE, groupe du Marché commun, Procès-verbal de la réunion du groupe du Marché commun des* 24-25-26.09.1956.

[33] HAEU – BEI 1004, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Projet de procès-verbal des réunions des* 24-26.09.1956 (MAE 361).

Differences existed also on the composition of the financial resources of the fund. All the Six agreed that the Member States would subscribe the fund's initial capital which, on German insistence, would be denominated in USD and would amount to USD 1 billion. The choice of the American currency was made as it was thought this would help the fund to raise capital on the international market. France preferred the capital of the fund to be denominated in European Payments Union (EPU) units of account so that it would not be associated with the currency of a third country, but decided for the time being to accept the German position. Disagreement existed on what proportion of the subscribed capital countries would pay up: France proposed 25%, Germany 20%. [34] Most importantly, France and above all Italy held that the fund should also be financed by contributions from the Member States, while Germany firmly dissented on the ground that this possibility would weaken the incentive for the fund to raise capital on the international markets. Germany wanted a bank that would not be a charge on the national budgets. [35]

Since the Six did not agree on the functions of the fund, they also disagreed on its structure. Germany wanted a bank with its own capital that would borrow on the international market in order to raise funds to finance investment. Therefore the fund had to be shaped by this principle. To be a credible borrower on the capital market, the fund had to be independent from Member States. Accordingly, Germany suggested the establishment of a Board of Governors at its apex, where the Member States would be represented, with the duty of fixing the principles guiding the fund; a representative of the European Commission could attend the sessions of the Board of Governors with consultative power. A Board of Directors would be established with the right

[34] HAEU – BEI 1001, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Proposition de rédaction des articles 63 à 65 présentée par la délégation française*, 24.09.1956.

[35] HAEU – BEI 1001, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Exposé présenté par le porte-parole allemand* (MAE 326) 24.09.1956 and HAEU – BEI 1004, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Projet de procès-verbal des réunions des* 24-26.09.1956 (MAE 361).

of deciding on lending, together with an executive committee which would be responsible for day-to-day management. [36]

While the German proposals had three levels of organisational structure, the French proposed a two-level structure: a Council of Ministers composed of representatives of the Member States and the European Commission and charged with the duty of establishing the general guidelines; and a Board of Directors, consisting of executives responsible for managing the fund and taking lending decisions. [37] Totally different from the German suggestion was the Italian proposal. Italy, unlike Germany, wanted to maintain a certain political control over the fund: therefore the Council of Ministers of what would be the EEC would also be an organ of the fund and would lay down guidelines to set the operational priorities. In this way the fund would be subject to more political control. Because of the fund's crucial role in implementation of the common market, Italy wanted it to be subject to the authority of the EEC Council of Ministers and the Commission, and hence to the political influence of the Member States, so that the fund's credit policy could be shaped accordingly. Given the important role that investment had in assuring economic growth and that the fund would have in implementing the common market, Italy held it unacceptable that the future EEC should have no power over the fund, which in practice would turn out to be the only real supranational institution. The other delegations were not inclined to follow the Italian line and held that it would be up to the fund itself to decide its credit policy and to adapt to the economic circumstances. [38]

[36] HAEU – BEI 1001, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Exposé présenté par le porte-parole allemand* (MAE 326) 24.09.1956 and HAEU – BEI 1004, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Projet de procès-verbal des réunions des* 24-26.09.1956 (MAE 361).

[37] HAEU – BEI 1001, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Proposition de rédaction des articles 63 à 65 présentée par la délégation française*, 24.09.1956.

[38] HAEU – BEI 1002, Conférence intergouvernementale pour le Marché Commun et l'Euratom, groupe du Marché commun, *Comité des Chefs de délégation – Note présentée par la délégation italienne sur les questions à soumettre aux ministres des affaires étrangères*, (MAE 329), 26.09.1956 and HAEU – BEI 1005, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Comité des Chefs de délégation – Exposé du président du groupe du Marché commun au Comité des chefs de délégation*, (MAE 373), 3.10.1956.

The Netherlands and Germany remained firm in their proposal to set up an independent institution with all the attributes needed to affirm its credibility on the international capital market. These two countries wanted a bank, along the lines of the World Bank. By contrast, other delegations wanted the institution also to be a fund that could distribute financial resources made available through the national budget. The basic quarrel about the fund was on this point and was an indication of the different interests and objectives among the Six. [39]

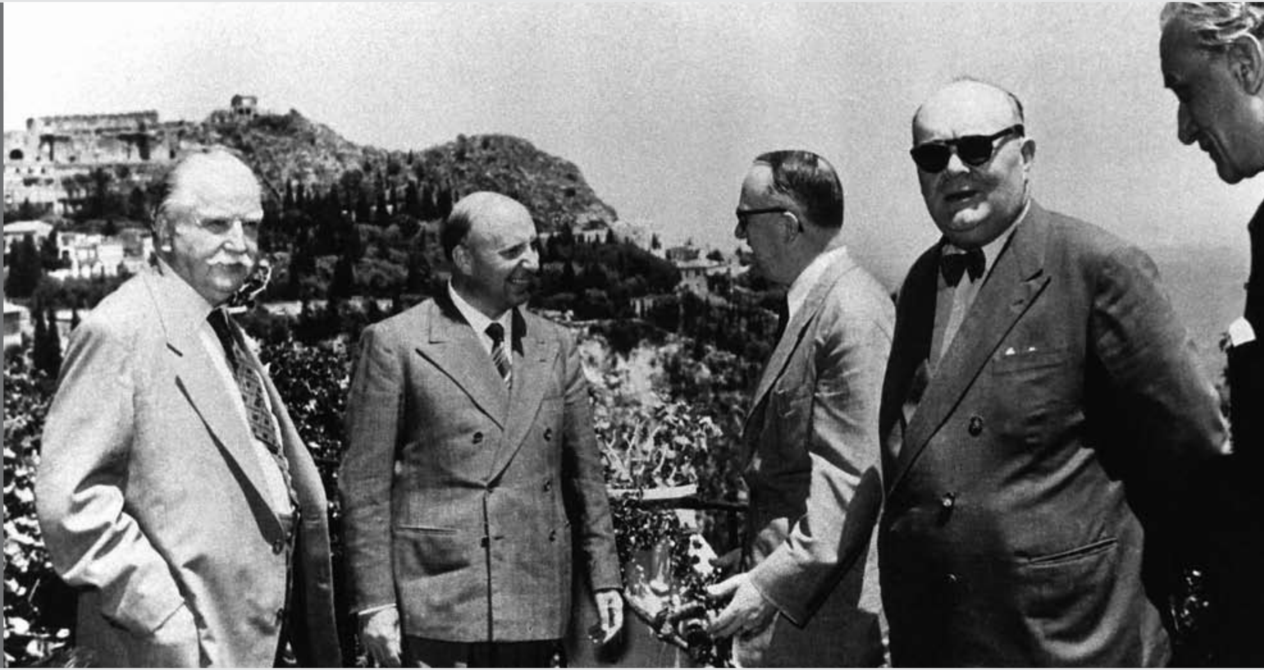
These were the issues on which the Six had to find a compromise in order to establish the fund. Moreover, the difficulty of shaping the fund stemmed from the need to reconcile two different requirements. On the one hand, the fund had a social aim and had been conceived within the framework of the common market, so underlining its character as a European public institution, with activities and functions linked to those of the other institutions of the common market. On the other hand, as a financial institution that had to be able to raise funds on the international capital market, it needed to have a structure that could ensure the best credit rating and, hence, it had to be free from political influence. [40]

[39] HAEU – BEI, Témoignage Sertoli, 28.10.1994.

[40] HAEU – BEI 1021, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Rapport sur les travaux du groupe ad hoc chargé d'élaborer le statut du fonds d'investissement*, 27.11.1956.

Messina Conference (June 1955)

Left to right: Joseph Bech, Italian diplomat, Walter Hallstein, Paul-Henri Spaak and Jacques Fouques Duparc



The final phase of the negotiations: finding a compromise between two visions (October 1956 – February 1957)

Due to the specific problems that the establishment of the fund posed and the amount of work it required, the group on the common market assigned the task of drafting the Statute of the fund to an ad hoc group. Thus on 8 October 1956 the negotiations were shifted to the sub-group which, working in close cooperation with the common market group, was required to conclude its task by 20 October. Because of the complexity and technicalities of the questions to be addressed and the disagreement that existed among the Six, the deadline proved too short to settle all the questions that remained outstanding. As a result, the sub-group concluded its work on 14 November without being able to draft a definitive version of the Statute. It was only after further negotiations at common market group level and in the ad hoc group that in February 1957 a final agreement was reached. In the ad hoc group, differences remained on the drafting of the Treaty articles that would define the functions of the fund. Formally the task of the ad hoc group was to draft the Statute, but without an agreement on the functions, the Statute could not be finalised. For this reason it also devoted attention to the drafting of the two articles to be included in the Treaty creating the EEC.

A first step towards an agreement was reached when the Six delegations agreed to drop the notion of "European interest and character", which was considered vague and geographically imprecise. [41] However, disagreement remained on the function of the fund. France and Italy insisted that the institution should be permitted to finance projects leading to the modernisation

[41] HAEU – BEI 1015, groupe ad hoc pour le Fonds d'investissement, Résumé des travaux du 25 octobre 1956; HAEU – BEI 1021, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Rapport sur les travaux du groupe ad hoc chargé d'élaborer le statut du fonds d'investissement, 27.11.1956.*

of a particular sector of the economy. The basic French and Italian position was that the projects financed by the fund had to help industry to adjust to the common market. As the establishment of the common market could cause the demise of certain economic sectors, the fund had to be able to help firms not only to convert to or create new economic activities, but also to modernise. [42]

From the outset Germany and Benelux worked to restrict the functions of the fund and opposed inclusion of the modernisation of industry on the basis that it would enlarge the scope of the fund. Germany was also against including the "creation of new economic activities", as being unrelated to the establishment of the common market. By contrast, the other delegations held that financing the creation of new activities had to be inserted because the notion of conversion was too limited. [43] These delegations believed that the creation of new activities could help to reduce the social and economic difficulties ensuing from the implementation of the common market. In this case, to keep old firms in being with the aim of converting them could be economically wrong. By the same token the creation of new activities could arise when firms were obliged to reduce the number of workers to face new competitive conditions created by the common market. [44]

Differences also existed on the period of time during which the fund could finance projects to facilitate the conversion of firms and create new activities. Italy and France maintained that this should be possible not only during a transitional period but in the long term as well. The other delegations, on the other hand, argued that these activities should be limited to a transitional period of four or five years. [45]

[42] HAEU – BEI 1007, groupe ad hoc pour le Fonds d'investissement, *Résumé des travaux du 8 octobre 1956*; HAEU – BEI 1008, groupe ad hoc pour le Fonds d'investissement, *Résumé des travaux du 9 octobre 1956* and HAEU – BEI 1021, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Rapport sur les travaux du groupe ad hoc chargé d'élaborer le statut du fonds d'investissement*, 27.11.1956.

[43] HAEU – BEI 1007, groupe ad hoc pour le Fonds d'investissement, *Résumé des travaux du 8 octobre 1956*; HAEU – BEI 1008, groupe ad hoc pour le Fonds d'investissement, *Résumé des travaux du 9 octobre 1956* and HAEU – BEI 1021, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Rapport sur les travaux du groupe ad hoc chargé d'élaborer le statut du fonds d'investissement*, 27.11.1956.

[44] HAEU – BEI 1015, groupe ad hoc pour le Fonds d'investissement, *Résumé des travaux du 25 octobre 1956*; HAEU – BEI 1021, Conférence intergouvernementale pour le Marché Commun et l'Euratom, groupe du Marché commun, *Rapport sur les travaux du groupe ad hoc chargé d'élaborer le statut du fonds d'investissement*, 27.11.1956.

[45] HAEU – BEI 1021, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Rapport sur les travaux du groupe ad hoc chargé d'élaborer le statut du fonds d'investissement*, 27.11.1956.

In order to restrict the function of the fund, Germany wanted the Treaty articles to underline that projects financed by the fund had to have a crucial importance for the implementation and development of the common market. Germany wished to prevent the fund being inundated with numerous requests for projects of merely local importance. France agreed with the need to impose a restriction, but held that the criteria to be used were those of economic viability. In Italy's view, it was up to the Council of Ministers to set limitation guidelines and up to the fund to apply them. In this way, more political control over the credit policy and activities of the fund could be achieved. Accordingly the articles of the Treaty and the Statute should not include any limitations of this kind, not least because they would be too general to be correctly interpreted. Additionally, Italy continued to maintain that the fund should concentrate its activities on development of the less-developed regions and on projects of European character. [46]

While Germany seemed disposed to compromise on the fund's functions, it had no intention of doing so on the institutional structure on which the fund's capital market credibility and hence capacity to borrow depended. To be a credible international player, the fund had to accentuate its character as a bank and demonstrate its freedom from political influence. In order to sustain the credibility of the fund as a borrowing institution on the international financial market, Germany, fully supported by the Netherlands, wanted the fund to have a Board of Governors, like the World Bank, where Member States would be represented, rather than a Council of Ministers of the EEC. Germany was particularly adamant that the fund had to be an institution free from the pressure of the Member States and underlined the banking character of the fund. [47] This was a crucial aspect, as only in this way could the fund be economically independent and not

[46] HAEU – BEI 1008, groupe ad hoc pour le Fonds d'investissement : résumé des travaux du 9 octobre 1956 and HAEU – BEI – 1015, groupe ad hoc pour le Fonds d'investissement : *Résumé des travaux du 25 octobre 1956*.

[47] HAEU – BEI 1008, groupe ad hoc pour le Fonds d'investissement, Résumé des travaux du 9 octobre 1956; HAEU – BEI 1010, groupe ad hoc pour le Fonds d'investissement, *Résumé des travaux du 11 octobre 1956* and HAEU – BEI 1022, *Protocole sur le statut du fonds d'investissement* (undated draft).

be a charge on the budget of the Member States. Germany was ready to accept the representation of the Member States on the governing body of the fund, but because of the distrust that the capital market had for political organisations, it wanted this organ to be called Board of Governors rather than Council of Ministers and did not want it to be formally part of the EEC. [48] Governments had to play a role, but in the context of the fund itself this should be through an organ of the fund. Thus when the Council of Ministers of the EEC exercised its functions in relation to the fund, it had to be an organ not of the EEC but of the fund itself. [49]

Italy continued to oppose this position. It saw the fund as an element "de la construction européenne", and hence as an institution that had to be directed and controlled by Member States and linked to the EEC. In this way it could consider both economic and social issues in its operations. Thus the Council of Ministers of the EEC, on which the fund depended, had to set the general directives for the fund's investment and credit policies and to control its activities. Italy, supported by France and Belgium, held that the Council of Ministers of the EEC had to take the main decisions on the policy of the fund. At the same time, differences also existed on the function of the fund's Board of Directors, the organ that would have the exclusive competence to approve loans. The Board of Directors would be appointed by the Council of Ministers or Board of Governors, which meant, in practice, that each Member State would appoint its representatives. Germany wished its members to be independent of Member States, while Italy wanted a stricter control on them. On the voting procedure, Germany, France and the Benelux countries supported a weighting of votes according to the capital subscribed. Italy, on the other hand, held that each member of the Board should have one vote. [50]

[48] HAEU – BEI 1009, groupe ad hoc pour le Fonds d'investissement, Résumé des travaux du 10 octobre 1956 and HAEU – BEI 1021, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Rapport sur les travaux du groupe ad hoc chargé d'élaborer le statut du fonds d'investissement*, 27.11.1956.

[49] HAEU – BEI 1021, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Rapport sur les travaux du groupe ad hoc chargé d'élaborer le statut du fonds d'investissement*, 27.11.1956.

[50] HAEU – BEI 1010, groupe ad hoc pour le Fonds d'investissement, *Résumé des travaux du 11 octobre 1956*; HAEU – BEI 1020, groupe ad hoc pour le Fonds d'investissement, *Résumé des travaux du 14 novembre 1956*; HAEU – BEI 1021, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Rapport sur les travaux du groupe ad hoc chargé d'élaborer le statut du fonds d'investissement*, 27.11.1956.

The different approaches taken by the Six were again evident in the choice of name of the fund, which would be of fundamental importance to the character of the institution, its functions and credibility on the international capital market. During the negotiations both the committee on the common market and the sub-committee used the term *fund* to indicate the institution, but a disagreement remained whether to adopt this term or the term *bank*. The same problem had arisen when the World Bank was created in 1944. Initially, the name chosen for the institution had been International Investment Fund. After the unenthusiastic reaction of the American bankers, who had misgivings about the name in terms of credibility as a borrower, the word *bank* had been adopted. The same problem arose for the institution the Six countries were setting up: Germany and the Netherlands wanted the institution to be called the European Investment Bank. [51]

The sub-group was not able to find a compromise for the capital to be subscribed and that to be paid up. Germany argued the case for only 20% of the capital to be paid up, with the remaining 80% representing a sort of joint guarantee given by Member States for the operations of the fund. In the event that the fund required more financial resources, its capital would need to be increased by a unanimous decision of the Council of Ministers or Board of Governors. France, on the other hand maintained that if the fund could not borrow on the capital market for a given project, it had to be able to access the subscribed capital. Italy proposed a third way whereby, if the fund were not able to raise money on the international capital market for a given project, Member States would have to make additional contributions that would represent an automatic increase of the subscribed capital. [52]

[51] HAEU – BEI 1015, groupe ad hoc pour le Fonds d'investissement, *Résumé des travaux du 25 octobre 1956*; HAEU – BEI 1021, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Rapport sur les travaux du groupe ad hoc chargé d'élaborer le statut du fonds d'investissement*, 27.11.1956.

[52] HAEU – BEI 1021, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Rapport sur les travaux du groupe ad hoc chargé d'élaborer le statut du fonds d'investissement*, 27.11.1956.

While disagreement remained on the functions and structure of the fund, the ad hoc group agreed on other aspects. First it concluded that the fund would normally finance projects located in the territory of the members of the common market. However, as projects of interest to the common market could also be located outside the territory of the Member States, the Council of Ministers of the EEC could agree by unanimous vote to finance them. This was a concession to France, as in this way projects could also be financed in the French former colonies that would form the Associated Overseas Territories. In the negotiations on the common market, France had asked that the former colonies be given a preferential trade association with the Community and that the Six share in the financing of a development fund for those territories. The French demand met opposition from the Netherlands, Germany and Italy, even though it was eventually accepted. Thus the fact that the investment fund could also finance projects outside the EEC was a further concession to the French. [53]

The ad hoc group agreed that both governments and firms could apply for loans. If a firm applied directly, the Member States on whose territory the investment would take place could impose a veto. Firms could apply also through the European Commission. [54] Then, contrary to what had been decided in the Group on the common market, the ad hoc group dismissed the idea of adopting the US dollar as the fund's currency of reference because psychological reasons militated against the currency of reference being that of a third country. In line with the French suggestion, it adopted the EPU unit of account so that the fund could have a European linkage. The ad hoc group felt that the adoption of the EPU currency unit would not create difficulties for the fund's borrowing on the international capital market. Experience showed that lenders paid

[53] HAEU – BEI 1012, groupe ad hoc pour le Fonds d'investissement, *Résumé des travaux du 16 octobre 1956*.

[54] HAEU – BEI 1012, groupe ad hoc pour le Fonds d'investissement, *Résumé des travaux du 16 octobre 1956*.

much more attention to an institution's credibility, which depended on its structure, its financial solidity, the guarantees it could offer and, above all, its good management. Germany, therefore, abandoned its request to express the capital of the fund in USD and accepted the reference to the EPU currency unit. [55] Agreement was also reached on the principle for fixing the share of capital that Member States would subscribe. The ad hoc group adopted the principle that this would be done by taking into consideration the GDP and the economic and political importance of each member and the mission of the fund. It also agreed that France and Germany would subscribe the same share. The group recognised however that the decision had a high political importance and so it would be up to governments to decide the exact share of each of the Six. [56]

When the sub-group ended its work on 14 November the Six governments still disagreed on the nature and the character of the fund, its organs, the financial contribution of the Member States in the case of projects where the fund had not been able to obtain financing on the international capital market, the voting procedure of the Board of Directors, and what share of the fund's capital each Member State would contribute. However, the ad hoc group had attained the positive result of clarifying the issues on which the Six could not agree and in this way it made it easier for the common market committee to reach the final decisions.

[55] HAEU – BEI 1008, groupe ad hoc pour le Fonds d'investissement, Résumé des travaux du 9 octobre 1956; HAEU – BEI 1021, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *Rapport sur les travaux du groupe ad hoc chargé d'élaborer le statut du fonds d'investissement*, 27.11.1956.

[56] HAEU – BEI 1015, groupe ad hoc pour le Fonds d'investissement, *Résumé des travaux du 25 octobre 1956*.

Château de Val Duchesse, Brussels

A former Dominican priory belonging to the Royal Trust, the Château de Val Duchesse was the venue for the negotiations between the Six in 1956 and 1957 in the framework of the Intergovernmental Conference on the common market and Euratom. The plan to create a European Investment Bank was adopted there and incorporated into the Treaty establishing the European Economic Community (EEC).

The final settlement: a bank, not a fund

As negotiations on the common market neared their conclusion, it was on the basis of discussions that had taken place in the ad hoc group that the common market committee and then the Ministers of Foreign Affairs reached the final compromise. In the concluding discussions, Germany compromised on the functions of the fund while remaining firm on its organisation and structure. Already in December 1956, Germany had accepted that the fund would finance projects to assist the reconversion, creation and modernisation of economic activities. Germany stuck to its position on the structure of the fund and insisted that the Council of Ministers had to be considered an organ of the fund and had to be called Board of Governors. At the beginning of January 1957, this position was accepted by the other five governments. As a result it was decided that the Council of Ministers would be an organ of the fund acting as its Board of Governors. It would be distinct from the EEC Council of Ministers even though it would work with the same procedures and voting rules as the EEC Council of Ministers. Governments also agreed that, as the Germans had suggested, the fund would be called the European Investment Bank in order to enhance the credibility of the institution on the capital market. [57]

The decision on the Board of Governors opened the way to an agreement on the Board of Directors and the proportion of the capital to be paid up. At the end of January 1957, the Six agreed that they would pay up 25% of the capital to be subscribed – as France had suggested – and agreed on the share each of the Six had to subscribe. Initially the President of the common

[57] HAEU – CM3 NEGO 115, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, Comité de chefs de délégation, *PV de la réunion des 13-14 décembre 1956* and ibidem CM3 NEGO 250, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, Comité de chefs de délégation, *Propositions du président concernant les points à régler pour la Banque européenne d'investissement*, 27.12.1956.

market group von der Groeben suggested payment of the full 1 billion currency units of the Bank's capital, with France and Germany each subscribing 325 million and Italy and the Benelux countries 175 million each. As Germany and France would pay up more capital than Italy and the Benelux countries, they would have more representatives on the Board of Directors than the latter: Germany and France would have three, Italy and the Benelux countries two. [58] Italy opposed both the capital to be subscribed and the number of members it would have on the Board of Directors, which would have the exclusive competence to grant loans and guarantees. Italy aspired to play a greater role. In the negotiations over the other institutions of the EEC, Italy had sought equality with France and Germany. Rome, therefore, wished to have the same number of members on the Board of Directors as France and Germany and was also disposed to subscribe a higher share of the capital. At the same time, Luxembourg claimed a reduction in the capital it had to subscribe and was even ready to renounce the right to appoint a member of the Board of Directors. [59]

The final decision was taken at the end of January by the Conference of the Ministers of Foreign Affairs, which decided that Germany and France would each subscribe 300 million currency units, Italy 240 million, Belgium 86.5 million, Luxembourg 2 million and the Netherlands 71.5 million. The Board of Directors would be made up of 12 members: France, Germany and Italy would each have three, the Benelux countries two and the Commission one. The Six agreed that the European Commission would be represented with a right to vote. The members of the Board of Directors would be independent in carrying out their functions. In this set-up no weighting of votes would be used. Each member would have one vote. [60]

[58] HAEU – CM3 NEGO 250, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, Comité de chefs de délégation, *PV de la réunion des chefs de délégation*, 4-5.01.1957 and HAEU – CM3 NEGO 250, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *PV de la réunion des chefs de délégation*, 26-27-28.01.1957.

[59] HAEU – CM3 NEGO 250, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, Comité de chefs de délégation, *Propositions du président concernant les points à régler pour la Banque européenne d'investissement*, 27.12.1956.

[60] HAEU – CM3 NEGO 250, Conférence intergouvernementale pour le Marché commun et l'Euratom, groupe du Marché commun, *PV de la réunion des chefs de délégation*, 26-27-28.01.1957.

The result of the negotiations among the Six countries was the establishment of the European Investment Bank under Article 129 and Article 130 of the Treaty of Rome, which was signed by the Six on 27 March 1957. The organisational and structural characteristics of the Bank were contained in the Statute annexed to the Treaty. The EIB would have the role of promoting investment in the EEC by providing loans and guarantees, financed by borrowing on the international capital market and from its own resources. Article 130 stated that the EIB would finance projects for development of the less-advanced areas of the EEC; projects for the modernisation and conversion of firms; and projects of common interest to more than one Member State that could not be financed in some other way. However, Article 130 specified that such EIB support for firms would take place only when the size or nature of the investment project went beyond national financing possibilities. As a result the role of the Bank in this field was limited. Italy had not obtained a formal recognition of the priority to be given to under-developed regions. However the preamble to the Treaty of Rome and Article 2 mentioned the reduction of regional imbalances as a fundamental objective of the EEC. Moreover, in the protocol concerning Italy, attached to the Treaty of Rome, the Six recognised that the development of Italy was a common objective of the EEC and that, therefore, an adequate share of EIB resources had to be allotted to this aim. The general directives on EIB credit policy adopted by the Board of Governors in 1958 clearly assigned priority to the financing of projects that could assist development of the less-advanced areas. [61]

The EIB would have a Board of Governors (Conseil des Gouverneurs) composed of the ministers designated by each of the Member States, usually the Finance Ministers. It had the tasks of

[61] HAEU, *EIB Annual Report* 1958.

shaping the general directives on credit policy, approving the financial statements (including the balance sheet) and the annual report, making decisions on financing operations outside the EEC and determining capital increases. Moreover, it had to appoint the members of the Board of Directors, the Management Committee and the Audit Committee. The second organ of the EIB was to be the Board of Directors (Conseil d'Administration), whose members were nominated on a proposal from the Member States and one on the proposal of the European Commission. This body had to ensure that the Bank would be managed in line with the provisions of the Treaty and the Statute and with the general directives laid down by the Governors. Most importantly, the Board of Directors had exclusive competence to decide upon lending and borrowing operations based on majority voting. The third organ, the Management Committee (Comité de Direction), was the collegiate and resident executive board. Under the authority of the President and the supervision of the Board of Directors, it managed day-to-day business at the Bank, recommended decisions to the Directors and was responsible for carrying them out. The President, or in his absence one of the two Vice-Presidents, chaired the meetings of the Board of Directors.

It is worth noting that the structure of the EIB made it the most supranational institution created by the Treaty of Rome. It was the only institution of the EEC with its own financial resources and majority decision-making in the Board of Directors. Moreover the EIB, in contrast to the EEC, had legal personality of its own. Also noteworthy is that, because of the crucial role it had to play in ensuring the smooth and balanced development of the common market, the EIB was created to be immediately effective and operational. The link with the EEC was ensured also by the role that the European Commission could play. This institution was represented on the Board of Directors with a right to vote. All these characteristics made the EIB an instrument to implement the common market.

The EIB came into being on 1 January 1958. At its first meeting the Board of Governors designated the twelve directors who would constitute the Board of Directors of the Bank as required in its Statute: three for Germany, France and Italy, two for the Benelux countries and one for the Commission. The Board of Directors then appointed the Italian politician and financier Pietro Campilli as President. The German economist and diplomat Hans Karl von Mangoldt-Reiboldt and the French official of the Ministry of Finance Claude Tixier were appointed as Vice-Presidents. The initial capital of the Bank was set at 1 billion currency units, of which the Member States paid in one quarter and guaranteed the rest. Analysis of the activity of the Bank shows that regional development occupied a predominant position. The first general statement of the Bank's credit policy confirmed that the selection of projects would be made on the basis of their economic utility and that their financial return would be appraised in accordance with Article 20 of the Statute. Moreover in the initial stage the Bank would devote part of its paid-up capital to loans. After the initial stage, its principal resources had to come from bond issuance on the markets of EEC Member States and other countries. At this point the EIB could start its operations. [62]

[62] HAEU, *EIB Annual Report 1958 and BEI 1023 PV du Conseil d'administration du 6 février 1958 à Bruxelles.*

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Meeting of the Foreign Ministers of the six Member States of the ECSC (December 1951)

Left to right: Robert Schuman, Alcide De Gasperi, Dirk Stikker, Paul van Zeeland, Konrad Adenauer and Joseph Bech

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