

SYMPOSIUM

INTERNATIONAL PROBLEMS OF PETROMONEY: AFTERMATH OF THE ENERGY CRISIS

*Petrodollars—The Recycling Problem:
Some Introductory Remarks*

*The Petrodollar Energy Crisis:
An Overview and Interpretation*

*Recycling the Petrodollar:
Current Problem, Future Opportunity*

*The European Community and the
Recycling of Petrodollars*

EDITOR'S PREFACE

The following four articles were prepared in anticipation of the Twelfth Annual Regional Meeting of the American Society of International Law, which was to have been held at the Syracuse University College of Law on April 5, 1975. Unfortunately, a paralyzing snowstorm on the weekend of the meeting forced a cancellation of the proceedings.

The four papers published in this issue outline the proposed discussion. The remarks of Mr. Sassoon were prepared as an introduction to a session on the necessary role of international financial institutions, while the article by Dean Alnasrawi which follows was scheduled as the keynote, presenting his overview of the petrodollar problem. Professor Pattillo, originally scheduled as a member of the panel discussing petromoney investment problems in the United States and elsewhere, subsequently submitted an analysis of balance of payments problems generated by the new petrofunds. Completing this section is the presentation scheduled to open the afternoon session, an analysis by Professor Herzog of the response of the "European Community" to the petromoney imbalance. The economic analyses of these articles, especially those of Mr. Sassoon and Dean Alnasrawi, are based upon data available at the time of conference.

The College of Law International Law Society would like to express its appreciation to those persons yet unmentioned who had graciously agreed to attend the Twelfth Annual Regional Meeting: Associate Professor Jon E. Bischel; Pierre De Ravel D'Esclapon, Esq.; James G. Evans, Jr., Esq.; Associate Professor George M. Frankfurter; Professor L.F.E. Goldie; Assistant Professor Douglass J. Klein; Professor Eric Lawson; Howard Mennell, Esq.; Lester Nurick, Esq.; and James E. Price, Esq.

THE EUROPEAN COMMUNITY AND THE RECYCLING OF PETRODOLLARS

Peter Herzog*

I. INTRODUCTION

It is impossible to summarize for a symposium on the recycling of petrodollars what the "European Community" is doing about this problem without defining the terms used. Legally speaking, there is no "European Community," though the expression is in fairly general use.¹ There are, instead, three distinct international organizations, founded at diverse times, but with the same membership²: the European Coal and Steel Community, established in Paris in 1951, and the European Economic Community and the European Atomic Energy Community, both established in Rome in 1957. As these three organizations have had a common institutional framework³ since July 1967, it is possible to refer to them jointly as the "European Community" and that expression will be used here in this sense, though it is not quite correct from a technical point of

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1. For example, a monthly publication issued by the Press and Information Service Office of the European Communities in Washington is called *European Community*.

2. The original "six" were Belgium, France, Germany, Italy, Luxembourg, and the Netherlands, and the new "three" are Denmark, Ireland, and the United Kingdom.

3. The European Coal and Steel Community was created by the Treaty establishing the European Coal and Steel Community, Paris, April 18, 1951, 261 U.N.T.S. 140 (1957). The European Economic Community was created by the Treaty establishing the European Economic Community, Rome, Mar. 25, 1957, 298 U.N.T.S. 11 (1958). The European Atomic Energy Community was created by the Treaty establishing the European Atomic Energy Community, Rome, Mar. 25, 1957, 298 U.N.T.S. 167 (1958). For the official English translations of the treaties' texts, see *EUROPEAN COMMUNITIES, TREATIES ESTABLISHING THE EUROPEAN COMMUNITIES* (1973). The two principal policy-making organs of each of the three Communities, the High Authority of the Coal and Steel Community and the Commissions of the European Atomic Energy Community and of the European Economic Community on one hand, and the Special Council of Ministers of the Coal and Steel Community and the Councils of the European Atomic Energy Community and of the European Economic Community on the other, were merged into a single Commission and a single Council with jurisdiction for all three Communities by the Treaty establishing a Single Council and a Single Commission of the European Communities, Brussels, April 8, 1965, 1967 OFFICIAL JOURNAL OF THE EUROPEAN COMMUNITIES No. 152, at 2. [The *Official Journal of the European Communities* will hereinafter be cited as O.J.] For a comment on that latter Treaty, commonly called the Merger Treaty, see Houben, *The Merger of the Executives of the European Communities*, 3 COMM. MKT. L. REV. 37 (1965). The other two principal organs of each of the three Communities, the Court of Justice and the Assembly, had already been combined by protocols annexed to the Rome Treaties of March 1957.

view. At times, as well, the term "European Community" can refer, somewhat more loosely, not just to the organizations created in Paris in 1951 and in Rome in 1957, but to both the organizations and the individual states that make up their membership, or even to those states only, and not the organizations.⁴ The actions of the Member States of the European Communities in response to the financial problems created by the increase in oil prices since the Yom Kippur war of 1973 have been complex and not always entirely consistent. It would vastly exceed the scope of a contribution to this symposium to discuss them here. Nor is it possible to discuss here the problems and opportunities arising from the "recycling of petrodollars" through the ordinary banking system in Europe, though such a recycling occurs on a massive scale. This report will focus on the actions of the "European Community" in the narrower sense of the term, that is, on the activities of the three organizations mentioned above considered separate and apart from the activities of the states which constitute their membership, or of their nationals.

There is probably less of a definitional problem for the expression "petrodollars." It will be used here to refer to funds in the hands of countries producing petroleum for export, or of nationals of such countries, generated by the influx of money in payment for petroleum products, in excess of the capacity of these countries to invest such funds locally. There is, however, a practical problem. The origin of funds is not always easily determinable, least of all on the basis merely of official statements issued by borrowers. Consequently, this report will, of necessity, deal to some extent with borrowing and lending operations of the Communities generally, regardless of the source of the funds involved.

The activities of the "European Community" concerning the recycling of "petrodollars" can be divided into three areas: (1) borrowing and lending activities or schemes involving funds from outside the Community not established specifically for the purpose of

4. When used in official documents, the terms "Community," "European Economic Community," "European Coal and Steel Community," "European Atomic Energy Community" almost always refer to the separate legal persons constituting these three Communities. The improper use of these terms as meaning their Member States collectively is, unfortunately, fostered by occasional loose use of language in the constitutive treaties themselves. See, e.g., Treaty establishing the European Economic Community, *supra* note 3, art. 2 ("The Community shall have as its task . . . to promote throughout the Community a harmonious development of economic activities . . ."). Here the first "Community" obviously refers to the Community as a separate entity, the second "Community" to the aggregate of the Member States.

recycling petrodollars, but now of substantial assistance in that respect; (2) Community activities designed specifically for the recycling of petrodollars; and (3) Community action related to recycling activities through international bodies outside the Community. One could add as a fourth area activities which do not involve the borrowing of funds—be they specifically petrodollars or not—from outside the Community, but instead concern operations entirely within the Community, which, however, are due in some respect to the existence of the petrodollar problem and may involve some indirect recycling.

II. THE EXISTING BORROWING AND LENDING ACTIVITIES

Since the beginning of their existence, two of the three Communities have either directly, or through an agency created for that purpose, engaged in substantial borrowing and lending operations on international capital markets, and, of late, a significant amount of these operations seems to have involved petrodollars.

A. *The European Coal and Steel Community*

Article 49 of the Treaty establishing the European Coal and Steel Community⁵ authorizes the High Authority of the Community (whose functions are now fulfilled by the single Commission of the European Communities) to contract loans. Such loans may not be used to finance any operating deficit of the Coal and Steel Community, but only for relending to enterprises within the Community for the purpose of assisting the coal and steel industry in its investment programs and for the purpose of assisting in the creation of new jobs either within or without the coal and steel industry if unemployment in coal and steel results from technological developments or from fundamental changes in market conditions for these products.⁶

The Coal and Steel Community has widely used the authority to borrow funds and relend them to finance either investment programs in coal and steel or programs to assist areas hurt by technological and other structural changes in the coal and steel industries.⁷

5. TREATIES ESTABLISHING THE EUROPEAN COMMUNITIES, *supra* note 3, at 46. For an unofficial translation of the original text of Article 49, see 261 U.N.T.S. 140, 147 (1957).

6. Treaty establishing the European Coal and Steel Community, arts. 51, 54-56, TREATIES ESTABLISHING THE EUROPEAN COMMUNITIES, *supra* note 3, at 47, 49-53. For an unofficial translation of the original text of these articles, see 261 U.N.T.S. 140, 179-83 (1957).

7. The problem has been most acute for the coal industry as a result of a reduction in the consumption of coal due to the increased use of petroleum products, a process now at least

It has, from its beginnings, borrowed large sums of money in world capital markets, first, to help with the rebuilding of the war-torn coal and steel industry, now, to promote investment programs in these industries for the conversion of enterprises or areas affected by technological and economic change, and, most recently, to reduce the impact of the energy crisis.⁸

The borrowings of the European Coal and Steel Community from the beginning of its operation until the end of 1974 have reached a total of 2,103 million "units of account," equivalent to U.S. dollars as defined before the August 1971 devaluation.⁹ Early borrowings occurred chiefly in the United States.¹⁰ Later borrowings took place on European capital markets generally, including the Eurodollar market. It is notable that borrowings of the European Coal and Steel Community since the beginning of the energy crisis have increased dramatically. In 1972, it borrowed 230 million units of account; in 1973, 260 million units of account; and in 1974, 585 million units of account. After a long period of absence from the American capital market due to the interest equalization tax, the Coal and Steel Community again entered that market in 1974, floating an issue of about 100 million dollars. Some of the remaining funds were raised on local European capital markets.¹¹ It seems a safe assumption that a substantial portion of the balance of the funds raised in 1974 represent "petromoney."

B. The European Economic Community

The Treaty establishing the European Economic Community does not authorize the Commission, the administrative body equivalent to the Coal and Steel Community High Authority, to borrow money for the purpose of relending it. It has, however, created a

halted because of the energy crisis.

8. See EUROPEAN COMMUNITIES, COMMISSION, EIGHTH GENERAL REPORT ON THE ACTIVITIES OF THE EUROPEAN COMMUNITIES No. 68 (1975). For instance, loans were granted to increase productive capacity for coal to be used in fueling thermal power plants and for the construction of power plants consuming coal.

9. *Id.* at No. 67.

10. These early borrowings took place under a complex legal scheme known as the "Act of Pledge" under which the Coal and Steel Community in effect pledged the sums due it from its borrowers to the Bank for International Settlement acting as trustee for the American bondholders of the Community. See Zimmer, *The Legal Experience of the European Coal and Steel Community in International Loan Operations*, in INTERNATIONAL FINANCING AND INVESTMENT 266 (1964). For the Act of Pledge of May 25, 1955, see 238 U.N.T.S. 340, 348 (1956). For a history of Coal and Steel Community borrowings, see R. QUADRI, R. MONACO & A. TRABUCCHI, COMMENTARIO CECA 674-76 (1970).

11. See 1974 BULLETIN OF THE EUROPEAN COMMUNITIES No. 12, paras. 2476-77.

separate organization, the European Investment Bank, which functions in coordination with the Commission, but has a legal personality distinct from that of the European Economic Community. The European Investment Bank has a capital subscribed by the Member States of the Community. The bulk of its funds are, however, raised on capital markets, as is the case of the borrowings of the Coal and Steel Community. The funds raised by the European Investment Bank must be relented on a non-profit making basis (but not interest-free) to assist in financing projects in the less developed regions of the Community (for example, Southern Italy), projects related to modernization or conversion of enterprises when made necessary by the impact of the Community and projects of common interest to several Member States.¹² In addition, the Bank supplies funds for certain projects in countries—whether in Europe or not—associated with the Community, and occasionally for projects located in third countries that are of substantial interest to the Community. The Bank's total borrowings, through the end of 1974, have amounted to about 3,389 million units of account. In its first year of operation, the Bank borrowed the relatively modest sum of 21 million units of account; annual borrowings increased over the years to 825 million units of account, borrowed in 1974.¹³ During 1974, only 42 million units of account out of these 825 million were borrowed on the domestic markets of the Member States (compared with 194 million units in 1973); 35 million units were raised on the Swiss capital market (compared with about 53 million the year before). Substantially all the balance represents funds raised on other than purely domestic markets. The Bank's annual report for 1974 indicates the floating of an issue of 20 million units of account in Kuwait; most of the other issues not placed on a domestic market of a particular country were issued in Luxembourg. Except for one denominated in Luxembourg francs, they were all denominated in U.S. dollars and thus represent "Eurodollars."¹⁴ While it is impossible to say how

12. The basic rules concerning the European Investment Bank are to be found in the Treaty establishing the European Economic Community, *supra* note 3, articles 129 and 130, and in the Statute of the European Investment Bank, annexed to that Treaty as a Protocol. The Statute has been amended by a Protocol annexed to the Act of Accession concerning the accession of the new Member States to the Community.

13. European Investment Bank, Annual Report 1974, Table 3.

14. *Id.* at 41, 71. It is also worthy of some note that as of December 31, 1973, the Bank owed the equivalent of 22.8 million units of account in Lebanese currency; as a result of currency realignments and a small repayment, this sum was reduced to 16.9 million units of account as of December 31, 1974. *Id.* at 61. (The author is grateful to Dr. J.N. van den Houten,

much of this sum involves "petromoney," a good deal probably does.

C. The European Atomic Energy Community

The European Atomic Energy Community has not, so far, engaged in loan activities.

**III. COMMUNITY ACTIVITIES SPECIFICALLY DESIGNED
TO RECYCLE PETRODOLLARS**

While the activities of the European Coal and Steel Community and of the European Investment Bank represent to some extent the "recycling," that is, the borrowing on capital markets, and relending for use in Europe, of substantial amounts of "petromoney," it seemed necessary during 1974 to prepare the legal bases for additional measures in that regard, involving direct assistance to central banks rather than to business firms. During 1974, the balance of payments situation of certain Member States of the Community deteriorated badly, due in large measure to the increase in price for imported oil. This was particularly true of Italy where the effects of the increase in oil prices were compounded by losses in production due to labor unrest, followed by wage settlements granting substantial increases. In July 1974, the Commission proposed to the Council that the Community itself borrow money, in effect "petrodollars," and relend the funds so generated to Member States (principally Italy) in balance of payments difficulties. The Monetary Committee and the Committee of Central Bank Governors, two advisory bodies existing in the Community, gave their approval to the proposal. The Federal Republic of Germany was somewhat hesitant to go along with the proposal, however. In view of the limited resources of the Community, which were largely devoted to covering mandated expenditures, it was very clear that the Community would have little success in floating any loan on world financial markets, unless the Member States acted as guarantors. The Federal Republic of Germany, as the holder of the largest foreign exchange reserves of the Community, was afraid that it might have to shoulder an undue burden should a default occur.¹⁵ Consequently, the Council was able to approve the idea of a Community loan in principle in October 1974, but final approval occurred only

Manager, Legal Department, European Investment Bank, for having made the Bank's 1974 Annual Report available to him.)

15. See 1974 BULLETIN OF THE EUROPEAN COMMUNITIES No. 10, paras. 1201, 1203, 2201.

on February 17, 1975, through the enactment of Council Regulation No. 397/75, by which the basic rules for the floating of a Community loan and the relending of the proceeds were enacted.¹⁶

Regulation No. 397/75 was formally based on Article 235 of the Treaty establishing the European Economic Community, which authorizes the Council, acting unanimously on a proposal from the Commission and after consultation of the European Parliament, to adopt measures not otherwise provided for in the Treaty "[i]f action by the Community should prove necessary to attain, in the course of the operation of the common market, one of the objectives of the Community"¹⁷ This was necessary because of the absence of a specific Treaty provision authorizing the European Economic Community to float loans.

In the recitals preceding the operative portions of the Regulation,¹⁸ the Council indicates that, in its view, the uneven effect of the increased petroleum prices on the balance of payments of the various Member States may compromise the proper operation of the Community-wide market, thus furnishing a justification for the use of Article 235. The Council adds, however, that loans granted to Member States out of funds borrowed by the Community must be conditioned on the adoption, by the Member States concerned, of measures intended to cure its balance of payments problems.

In its operative portions, the Regulation authorizes the European Economic Community to undertake a series of operations to raise funds, either directly from third countries and financial institutions or on capital markets, with the sole aim of relending those funds to one or more Member States in the event of balance of payments difficulties caused by the increase in petroleum product prices. The conditions for the loans must be approved by the Council, which is to formally conclude the loan agreements. Duration of the loans may not be less than five years. The Council also must decide on what conditions the funds received by the Community are to be relent to Member States in balance of payments difficulties. In any event, however, funds may be paid only to the Member

16. Regulation (EEC) No. 397/75 of the Council of 17 February 1975 concerning Community loans, 1975 O.J. No. L 46, at 1.

17. TREATIES ESTABLISHING THE EUROPEAN COMMUNITIES, *supra* note 3, at 335. For an unofficial translation of the original text of Article 235, see 298 U.N.T.S. 11, 61 (1958).

18. All Community enactments begin with recitals indicating on what provisions the operative portions of the enactment are based, what Community bodies have been involved in the preparation of the enactment, what the general purposes of the measure are, and how these purposes relate to the Treaty articles mentioned.

States' Central Banks; furthermore, the loan to a Member State must involve the same terms and the same currency as that by which the Community obtained the funds. The loan operations authorized by Regulation No. 397/75 may not exceed three billion U.S. dollars. The Member States' guarantee obligations for loans are to be limited to a maximum percentage of the total amount equalling 44.04 percent for France, Germany, and the United Kingdom, 29.36 percent for Italy, 14.68 percent for the Belgium-Luxembourg economic union and the Netherlands, 6.6 percent for Denmark, and 2.56 percent for Ireland.¹⁹

Regulation No. 397/75 authorized the Council to enact implementing measures. The Council did so on the same day it adopted Regulation No. 397/75 through the enactment of Regulation No. 398/75, which was not based on Article 235 of the Treaty but referred only to Regulation No. 397/75.²⁰ Regulation No. 398/75 indicates, *inter alia*, how the Member States must make good on their guarantee and through what procedures the Commission must verify that the conditions imposed on the borrowing Member State (as to the measures it should take in the field of economic policy to improve its balance of payments) are complied with.

As a result of other forms of aid granted by the Community²¹ and by individual Member States, and as a result of internal measures taken by Italy, the Italian balance of payments improved subsequent to the adoption of Council Regulations Nos. 397/75 and 398/75. Consequently, the only measure so far adopted by the Community to effectuate a direct recycling of petrodollars in favor of Member States in balance of payments difficulties has received no practical application.

IV. COMMUNITY RECYCLING ACTIVITIES THROUGH INTERNATIONAL BANKS OUTSIDE THE COMMUNITY

Plans for the recycling of petrodollars have also been formulated within the framework of other international organizations,

19. Regulation (EEC) No. 397/75 of the Council of 17 February 1975, 1975 O.J. No. L 46, at 2.

20. Regulation (EEC) No. 398/75 of the Council of 17 February 1975 implementing Regulation (EEC) No. 397/75, concerning Community loans, 1975 O.J. No. L 46, at 3. That the Regulation had only Regulation No. 397/75 as a legal basis, not Article 235, meant that the European Parliament did not have to be consulted in its enactment; consultation of the European Parliament is, as noted, necessary for all measures to be adopted pursuant to Article 235 of the Treaty.

21. See *infra* note 26.

notably the International Monetary Fund and the Organization for Economic Cooperation and Development (OECD). It has been difficult for the Community to come to a coordinated position in respect to these activities.²² However, Article 116 of the Treaty establishing the European Economic Community provides that the Member States shall, “. . . in respect of all matters of particular interest to the common market, proceed within the framework of international organizations of an economic character only by common action. To this end, the Commission shall submit to the Council . . . proposals”²³ The Commission has, in fact, submitted a draft resolution to the Council in December 1974, which concerns the recycling of oil generated surpluses. It urged that the Community have a single viewpoint and expressed its fear that current recycling through regular banking channels would dry up because the cumulative risks imposed upon banks would become too great. It suggested that the Community and the Member States take a joint position as to all recycling proposals, and consult each other before using any recycling facilities made available outside the Community (for example, within the framework of the International Monetary Fund, OECD, or Bank for International Settlements). It favored multiple facilities, but urged that the International Monetary Fund play a role in recycling activities.²⁴

V. INDIRECT ACTIVITIES CAUSED BY INDIRECT RECYCLING

Certain Community activities are officially quite unrelated to the borrowing of funds outside the Community, and the relending of those funds inside of it, but they may have a somewhat related effect. When the plans for closer coordination between the Member States in the fields of economic and monetary policy—the plans for the so-called economic and monetary union—were formulated,²⁵ it was fairly clear that the envisioned reductions in the fluctuations

22. See, e.g., Thomas, *Oil and Money*, EUROPEAN COMMUNITY, Mar. 1975, at 11.

23. TREATIES ESTABLISHING THE EUROPEAN COMMUNITIES, *supra* note 3, at 267. For an unofficial English translation of the text of Article 116, see 298 U.N.T.S. 11, 91 (1958).

24. See 1974 BULLETIN OF THE EUROPEAN COMMUNITIES No. 12, para. 2201.

25. For a detailed discussion of the historical developments leading up to the plans for “economic and monetary union,” see Waelbroeck, *Recent Developments and Future Prospects of the Common Market*, 1 GA. J. INT’L & COMP. L. 1, 15-17 (1970). The original blueprint for “economic and monetary union” was laid down in the Resolution of the Council and the Representatives of the Governments of the Member States of February 9, 1971, 1971 O.J. No. C 28, at 1, CCH COMM. MKT. REP. ¶ 9415.

of the Member States' currencies would not be possible if means to temporarily assist Member States in balance of payments difficulties were lacking. Otherwise, the Member States concerned would be strongly tempted to resort to unilateral devaluation. Community measures meant to deal with this problem have involved both short-term (less than two-year) and medium-term (two to five years) assistance. Short-term mutual assistance between the Community's Central Banks goes back to an agreement of the Central Banks of the original Member States entered into on February 9, 1970, to which the new Member States became parties on January 8, 1973. It provided for fairly automatic short-term mutual assistance between Central Banks. This system was further improved by an agreement among the Central Banks of April 10, 1972. Eventually, this cooperation was put on a more formalized basis by the creation of the European Monetary Cooperation Fund which may eventually become the nucleus of a "European" Central Banking System.²⁶ Pending this, the Council, by a Resolution of February 18, 1974,²⁷ invited the Governors of the Central Banks to increase the amount of funds available for short-term support. Under the Resolution, the Central Banks of the three largest Member States (France, Germany, and the United Kingdom) are entitled to support to the extent of 600 million units of account, Italy is entitled to support to the extent of 200 million units of account, and the smaller Member States to amounts varying from 35 million units for Ireland to 200 million for Belgium and the Netherlands. There is no direct relationship between the developments mentioned and the petrodollar question, since they go back to basic ideas which were generated before the energy crisis. But Member States in balance of payments deficits because of the energy crisis are currently the principal beneficiaries of the scheme mentioned, and the fact that the Central Banks of certain Member States are in a position to make quick credit available is due in some measure to the influx of petrodollars into these Member States, be it by way of deposits in their banking systems or by way of payments for exports to oil producing countries.

Short-term loans are not a sufficient remedy for the persistent

26. See Regulation No. 907/73 of April 3, 1973, establishing the European Monetary Cooperation Fund, 1973 O.J. No. L 89, at 2. Cf. Louis, *Le Fonds Européen de Coopération Monétaire*, 9 CAHIERS DE DROIT EUROPÉEN 255 (1973).

27. Resolution of the Council of February 18, 1974, concerning short-term monetary support, 1974 O.J. No. C 20, at 1.

balance of payments problems of a country if these problems are due to a structural weakness in the economy. Assistance in such a situation was made possible by the Council Decision of March 22, 1971, on the establishment of a mechanism for medium-term financial assistance.²⁸ Under that Decision, the Member States are to commit sums aggregating (since the accession of the new Member States) 2,725 million units of account for medium-term credits to Member States in balance of payments difficulties, if the Council (acting on the recommendation of the Commission) grants the country in difficulties mutual assistance. Member States themselves in balance of payments difficulties may be exempted from contributing to the loan made to the country that has been granted mutual aid. The first application of medium-term financial assistance occurred as a result of the energy crisis. As has been noted above, the increase in oil prices, coupled with other factors, caused severe balance of payments problems in Italy in 1974. To help solve these problems, the Council decided in December 1974 to grant Italy medium-term financial assistance in the form of a four-year loan of 1,159.2 million units of account at a rate of interest slightly in excess of 7.5 percent. The United Kingdom, itself in serious balance of payments difficulties, was exempted from contributing to the loan.²⁹ The scheme for medium-term financial assistance also was created before the energy crisis, but it too involves, to some extent, the recycling of petrodollars. So far, its only beneficiary has been Italy, which has used these funds principally to pay for petroleum imports. And it may be surmised that the reason certain other Member States were in a position to make funds available on a medium-term basis was due to the influx of petrodollars.

VI. CONCLUSION

It is interesting to note in conclusion that the only Community scheme created expressly for the recycling of petrodollars has thus far received no practical application. But schemes which had been created without reference to petrodollars, and sometimes long before that word even existed, have played a significant role in channeling surplus funds from oil producing countries into Western Eu-

28. Council Decision of March 22, 1971, 1971 O.J. No. L 73, at 15, amended by the Act of Accession, Annex I, point VII(2).

29. Council Directive of December 14, 1974, 1974 O.J. No. L 341, at 5, granting medium-term financial assistance to Italy. It is to be noted that the Federal Republic of Germany in its individual capacity also granted a large loan to Italy.

rope. Apart from the funds channelled through official Community agencies, very large sums of money have also flowed into Western Europe through traditional banking channels. This may suggest that it is more meaningful for the European Communities, when faced with new problems, to attempt a solution through the fullest possible utilization of existing facilities and instrumentalities rather than by attempting to laboriously provide for new instruments or agencies, something which usually leads to substantial controversy and stress.³⁰

30. See in this connection the somewhat similar conclusions reached by former Commission Vice-President Robert Marjolin in his report on monetary and economic union of April 1975, summarized in Longworth, *Europe on the Move*, EUROPEAN COMMUNITY, Sept. 1975, at 3, 5-6.