Financing Infrastructure in Europe
The Juncker Plan and the role of the National Promotional Banks[1]

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1. Something is changing in European economic policy. After six years of austerity and restrictive fiscal policies we have the Juncker Plan. Too little too late? Perhaps. But if this is the start of a new European policy for growth, we can at least consider it a good sign. The sign of a change which is largely due to the commitment of the Italian Presidency of the EU, which, in recent months, has endeavoured to promote a new expansionary policy after years of stagnation and recession.

We are surely still a long way off from what we really need in order to change direction. In 2009, the US pumped more than 900 billion dollars, in various forms, into the economy in order to boost investments and growth. This involved additional resources – public funds for infrastructures and research, fiscal incentives for infrastructures, climate change and businesses, guarantee systems and a Project Bond plan with fiscal incentives of more than 200 billion in only two years, and much more besides. Thanks to Obama's Recovery Plan as well, in the US growth and employment returned to pre-crisis levels in a matter of only a few years.

Between 2009 and 2013 Europe experienced one of the longest and deepest recessions in its history, with real growth in the euro area equal to only 0.4% per year. Forecasts for the coming years are anything but reassuring. The cure for this "great depression" has been fiscal consolidation and structural reforms.

Fiscal consolidation is necessary to reduce excessive government debt. But fiscal consolidation without growth is not sustainable over time.

Structural reforms are important and definitely useful. To a great extent, they have already been implemented or launched. But they are also expensive, at least in the early years, and their positive effects are only felt in the medium to long-term. In the short term, they are especially necessary to convince financial markets and investors of the sustainability of Italian government debt over time and the prospects for recovering the country's growth and competitiveness in the medium term. Furthermore, they are a *sine qua non* of credibility to be able to open, with some prospect of success, negotiations with European institutions for implementing the flexibility provisions provided for by the European agreements. It is disputed, however, that they are not in themselves sufficient to trigger a recovery during periods

[1] Introductory report to the Conference on *Innovative Infrastructures for Growth,* organized by the Italian Presidency of the European Union and by the European Parliament, Brussels, 3 December 2014.

of low growth and/or stagnation or prolonged recession. They do not, therefore, replace expansionary policies or especially the revival of investments in the real economy and in infrastructures.

Economic literature – both theoretical and empirical – has amply demonstrated the role of investments, especially those in infrastructure2, in stimulating the growth and competitiveness of economic systems. The main studies agree in attributing to investments a positive and significant effect on the potential GDP growth and on the reduction of economic and financial imbalances that characterize some economies. The IMF recently revealed that now is the time, especially for advanced economies, to decisively increase investments, especially in infrastructure.

According to the IMF, increased investments would support the demand in the short-term and would also help to improve the potential GDP in the long term. The IMF estimates, in a sample of advanced economies, that an increase in expenditure on investments amounting to 1% of the GDP would increase GDP growth by approximately 1.4% in the same year and by 1.5% in the next four years. In the Eurozone it was likewise calculated that every percentage point of higher government spending would have a positive effect on the GDP amounting to approximately 1.42% in the first year and 1.46% in the next five years[3], and it is also maintained that the empirical evidence would also show that the multipliers depend on the economic cycle and are more effective in times of recession than in times of growth. (Cristiano et al., 2011 and Valla, Brand and Doisy, 2013).

Similarly to other conditions, it is clear that such an increase in investments would also have positive effects on the dynamics of the debt/GDP and deficit/GDP ratio by a more than proportional increase in the denominator compared with that of the numerator. Investments in infrastructure do not, therefore, only have important economic multipliers but also important "fiscal multipliers", especially in times of economic downturn, in which they can play an important counter-cyclical role.

2. Investments in infrastructure are also significantly important in another respect, crucial for European construction. One of the founding ideas of Europe was the ambition to create a large single market in which free competition between European businesses would produce innovation, efficiency, productivity and therefore growth and employment. In order to do that it was necessary to level the playing field, in order to build a virtuous competitive convergence between European economies. To achieve this goal, strict competition regulations were introduced as well as a complex regulation to prevent State aid policies from creating improper competitive

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[2] Recently, some American researchers, on studying the riskiness of American banks between 1830 and 1860, have empirically shown how the probability of default and solid equity position of credit institutions was significantly lower for those banks located near to important rail networks. The percentage of banks not located near rail networks that have "failed" was approximately 35% compared with 7% of those that worked "closer" to rail networks. Furthermore, they also showed how, following an infrastructure investment in the rail sector, the stability of banks located in the area pertaining to the investment tended to improve significantly. The authors maintain that rail networks have, on the one hand, supported the profitability of banks by creating a larger market of potential customers and, on the other hand, have reduced overall risk, allowing the same banks to significantly diversify their loan portfolio thanks to the development of growing manufacturing activities.

3 "This is significantly more – note Valla, Brand and Doisy, 2013 - than the multipliers applicable to other fiscal instruments, 1.38 for government consumption, 0.92 for social transfers, 0.55 for VAT cuts, and only 0.37 for employees' social contributions".

advantages to the benefit of the businesses of one or more countries, thus unlevelling the playing field.

This objective remains valid. But it has not been achieved. It cannot be overlooked that in fact today a company in Southern Europe pays a significant competitive handicap to its competitors in Northern Europe, in terms of costs in money, energy, logistics and even in regulatory, bureaucratic, "judicial" and tax costs. The playing field is far from level, looking more like a large German city at the end of the Second World War, after three years of allied air raids.

The same competition rules and their practical implementation require reflection and review. Since the legislation on the prohibition of State aid, which, in accordance with its initial ratio should not prohibit, but rather encourage, public interventions designed to reduce competitive disadvantages and therefore restore equal conditions between companies competing in global markets. Embarrassing questions also need to be asked such as: are we sure that the guarantors of competition and state aid in Brussels are really independent arbiters capable of dealing with every case using the same criteria? And do national lobbies and those of big businesses really not have any power over the choices of European bureaucrats when making decisions involving competition and state aid?

To make the single market more effective it is of course necessary that the States that have not yet done so approve and implement the necessary structural reforms (liberalization of markets, modernization of the Public Administration, reform of the labour market, etc.). But once again, national reforms, while essential, are not enough: the competitive handicaps in the cost of energy and in logistics, for example, require significant investments in European infrastructure networks and, more generally, effective European energy and infrastructure policies. But just as fiscal and regulatory harmonization is spoken of, it is no less essential to ensure a fair competition on a levelled playing field.

An economic and political union is also worth considering that is capable of promoting the resumption of growth and of European competitiveness, boosting investments, enhancing the specificity of individual economic systems and national legal systems. Europe today is in fact compared, on the global markets, with large countries that do not hesitate to use public resources to support growth when needed and that do not desist from defining and implementing effective industrial and commercial policies (think of China, but also the United States of America, home of the free market). These are countries that have strongly re-launched strategic investments, not only in infrastructure, but also in innovation, R&D, education, and technology and that have, even for this, quickly resumed a rate of growth no less than that of the years prior to the crisis.

Europe, however, is still stranded. The Prime Minister of Italy was right when a few days ago - in front of a group of European parliamentarians – he congratulated himself over the new direction taken by Europe thanks to a more courageous investment policy. But he added a warning that this was only the beginning and much more needed to be done to avoid the risk of becoming a "Europe of accountants where policy is limited to discussing the decimal points of parameters" and not the future of

the most important economic region of the new global world which needs much more investment in networks, knowledge and social infrastructures to grow and be competitive.

3. The need for a change in pace, therefore, no longer seems postponed, leading to the definition and implementation of an effective European policy for growth, focusing on actions capable of "directly" activating the aggregate demand and giving scope for the potential recovery of the economic cycle, and especially on investments, primarily investments in infrastructure.

The Monetary Fund, in the latest World Economic Outlook, reported how the time had come to decisively encourage investments (specifically in the sector of infrastructures), including public investments, in order to support aggregate demand.

According to the latest estimates of the Fund, an increase in spending on investments of 1% of the GDP would increase the GDP by approximately 0.4% in that year and by 1.5% over the next four years. All things being equal, this would also guarantee positive effects on the debt/GDP and deficit/GDP dynamics through an increase in the denominator that is more than proportional to that of the numerator.

It is now obvious that obsessive attention to the numerator only in debt and deficit ratios over the GDP does not allow ambitious fiscal consolidation plans to be achieved over time. It's time to change direction. To move boldly from Fiscal Compact to Growth Compact, also as a sustainability condition of Fiscal Compact. Besides, the Treaties do allow it. The necessary flexibility instruments are provided for in exceptional economic conditions.

When the European Parliament discussed it, three examples of exceptional circumstances were jointly evoked: recession or prolonged stagnation over a period of time; deflation or inflation well below the target of 2% per annum; exceptional natural disasters. These conditions exist in various European countries. In the case of Italy, all three are present. We are in an exceptional economic situation, which economic historians have shown to be worse than the crisis in the Thirties. And the effects of climate change make the implementation of the plan for overhauling the necessary structures to prevent hydrological risks and natural disasters something that cannot be put off.

Claiming to apply European treaties ignoring the flexibility clauses would be tantamount to applying the criminal code for the crime of murder ignoring the right of self-defence. The application of the flexibility rules provided for in the European treaties is vital for constructing a common route that can get the euro zone out of a "tailspin" situation with regard to choices of budget policies which are particularly anti-cyclical in this phase of the economic situation.

The restrictive reading of the rules on the subject of the lack of flexibility in the application of the treaties can, in actual fact, have contradictory effects. Europe finds itself in the typical Keynesian situation of the so-called liquidity trap. It continues to focus on supply side policies (which in many countries, Italy included, should have been activated decades ago) when the problem is now demand. The ECB is aware, but it also knows that monetary policy is not enough, especially when rates are close to

zero and constraints outside the euro are very strong. Future European Councils will have to address the problem of effective policies to support growth and therefore investments. Otherwise, it will be impossible to avoid certain questions, only apparently challenging: is there an economic logic to increasing national sovereign debts by more than 500 billion to finance the ESM and oppose financial speculation that operates against peripheral countries first and foremost because they are not growing (and are also not growing because of restrictive fiscal policies)? Wouldn't it be better to use these resources to boost the economy or to lower the fiscal burden? Wouldn't it make more sense to give the ECB the powers of the Fed or the Bank of England?

4. The Junker Plan expects to encourage more than 300 billion of investments, largely financed by private resources. If this is just the beginning, it can only be seen as a turning point. But the resources it is equipped with are, at the moment, very few. It is true that part of the plan consists of guarantees that have important multiplicative factors. But the guarantees are not enough when there are also significant shortcomings on the equity side.

These shortcomings are often underestimated, putting forward the problem of the lack of good projects. The issue with the quality of projects is real, and it is being dealt with, but it is often forgotten that the profitability of infrastructure projects around the world is frequently increased by grants taken from public budgets. This public intervention is justified because of the positive external effects that investments in infrastructure have (such as those in innovation, R&D, education and technology) on a country's entire economy, and also due to the positive effects that they have, in the medium and long term, on public finance aggregates. With a view to the long term, in order to restore the proper importance to role of the denominator (growth) in the process of fiscal consolidation, investments should be encouraged, allowing them to be financed by debt, by recourse to the market. Especially when financial resources found on the market have very low financing costs, as in the present circumstance. This is now prevented in Europe by the Stability Pact and its weak annual logic.

If you consider that only 10% of infrastructures in Europe are achieved through project finance and a further 40% are funded by businesses (particularly, but not exclusively, by smaller or larger utilities and high-tech companies), hence therefore mainly through private capital, the remaining 40% is still financed by the general tax system. A greater presence of private companies in the private PFI is definitely desirable. It is a vital objective in the medium and long-term. Not only in Europe, but also in the rest of the world. But it is a frontier. It will take time to achieve. And nowadays, time is something that is in short supply. Instead, interventions are needed in investments that are capable of taking off quickly and reaching their potential in growth and employment from the outset.

Therefore it is necessary that the "Golden Rule" which the Juncker Plan proposes to apply to the contributions that the States will pay into the mutual fund, is extended at least to the national co-financing of projects that shall be selected as worthy of using the financial facilities provided by the Plan, in the sense of not counting them in the deficit for the purposes of the European Stability Pact.

It would not, in this case, involve introducing a Golden Rule for all public investments, but only for those selected as eligible under the Juncker Plan. On the one hand, therefore, it would not justify the traditional argument based on the risk of smuggling for current investments expenditures; on the hand, the subsequent slowing of the path of fiscal consolidation, established by the Stability Pact would occur on temporarily and exceptionally, as Plan must be considered as exceptional, intended to counter threats of stagnation and deflation with counter-cyclical investments: it would therefore find a legal basis, by unchanging treaties, under the flexibility clause represented by the reference to the "exceptional circumstances", mentioned above. The "Golden Rule" was founded from the rest in the United Kingdom, in order to deal with long recessions, which it helped to counteract with undoubted success.

Alongside, a discussion should also be opened on the role of investments in business infrastructures. If they create approximately 40% of infrastructures in Europe why not have special fiscal instruments or instruments of another sort to facilitate and provide incentives for the large and not so large corporations that make investments in tangible and intangible infrastructures? Why not think about "collateralising" the infrastructures created by businesses for the purpose of securitising them or turning them into covered bonds to be transferred to the capital market? Why not look for new forms of collaboration and blending between PFIs, investments in large corporations and the public (Europe and member states) through new financial instruments and public and public/private guarantees? Why don't the big European businesses that manage energy, transport and networks join forces creating special JVs or "European Joint Businesses" – among other things provided for by European treaties?

5. In the meantime, we need to continue expanding the share of infrastructures created with project finance and with PPP. First of all, it is necessary to define and implement the European policies to promote and support long-term investments, whose need and urgency, emphasized by the Larosière report and by the Monti report, as well as by a dozen communications from the European Commission, is now the subject of an almost unanimous consensus, not followed, however, by any concrete fact.

They form part of these policies:

(A) The definition of an international and European regulatory framework that is more "favourable" to long-term investments. Currently, the main accounting and prudential rules (Basel III-CRD IV, Solvency II, IORP, and IFSR) still tend to favour short-term financial commitments and to penalise long-term investments in infrastructures and in the real economy. CRD IV was approved by the European Parliament. Some improvements were made in favour of SMEs. Some recalibrations (especially with regards to liquidity ratios and capital absorption for certain classes of assets) to favour banks in particular during the construction of works are still needed. Can they only be introduced at a later stage? Perhaps. But let's not forget that we might not have a "later stage". We must act straight away and decisively. New European legislation should be aware that regulation should return, at least in part and with all the wisdom and prudence required, into the hands of politics. It's not a question of ignoring the need for rigorous rules safeguarding financial stability, but of recalibrating them through fine-tuning to make them compatible with the

need to finance investments in infrastructures, innovation, R&D and technology, necessary for reviving growth and competitiveness, which are, in turn, conditions that enable the sustainability in the long-term of the fiscal consolidation processes.

There is still time in the delegated decrees on Solvency II, even if it is limited, to obtain more favourable treatment for long-term investments. It is hoped that pension funds could capitalise on the work done by insurance companies to obtain several significant changes. With regards to IAS, in relation to the business model and mark to market philosophy, the subject was brought to the attention of the FSB after the St. Petersburg G20 summit, but the road still seems to be rather an uphill one.

(B) A lot can be done in relation to the subject of fiscal incentives. Obviously great attention should be paid to the risks of moral hazard. This means avoiding fiscal incentives contributing to distort risk assessment. The introduction of fiscal incentives is justified specifically in those cases in which they can be used to correct external effects which come from market failures, as in the case of project finance. Taxation on businesses, in the majority of countries, tends to favour debt over risk capital, thereby creating incentives to use leverage ratios that are usually too high. Interests on debt are, in fact, deductible, while capital returns are very often not. The reduction of financial leverage should be an important goal of the economic policy of governments. Fiscal incentives could also encourage the PPP. On the one hand, they allow investments to be made which would otherwise not be made because they need public resources; on the other hand, these investments make a positive contribution to growth and therefore to fiscal consolidation. This is an undeniable fact, at least in all those cases where the incentive is closely directed at rebalancing the financial plan of something that has been negatively impacted by the cancellation of subsidies or by an increase in bank loan costs. It should be limited to a portion of greater taxes yielded, generated by the investment, after replacement factors.

(C) The third part of our new framework in favour of investments in project finance and in PPP is the mitigation of non-financial risks and regulatory costs. Political and legislative stability, lean and rapid administrative procedures, limited regulatory and bureaucratic burdens, a rapid and reliable judiciary system, an efficient and technically prepared public administration, are, as everybody knows, decisive factors in investment decisions, which currently have the entire globe as their horizon. Under the scope of European administration, which has finally found a legal basis in the Treaty of Lisbon, one can now think about a European policy of better regulation aimed at ensuring the convergence of European and national regulations towards investment-friendly models.

6. In this transition phase, infrastructures actually express some typical idiosyncratic characteristics of the newly established markets. As I have just pointed out, the supply of finance has become plentiful again, but the eligible project pipeline is still scarce, even in more advanced markets such as Europe. Investment grade project pipelines are missing, therefore projects that are not only bankable, but also not

suitable for more prudent categories of investors in capital markets, such as pension funds and life insurance companies. The complexity of the construction and funding of a large work, especially in sectors with a high technological content or high regulatory or macroeconomic risk, requires complex collaboration between various parties, and not just for a short period of time, but, in many cases, for 30 or 50 years. The public sector, for example, in many EU countries, does not always appear to be up to the challenge, both technically and from a political, regulatory and administrative point of view. The EU can and should do a great deal in this regard; the measures and policies outlined above may in fact help to maximize the return expected by from many projects now considered non-investable; but the individual member countries should also work on the regulatory context and technical quality of the public structures involved, with various roles, in PPP initiatives.

With less burdensome regulations and with appropriate incentives, new infrastructure can be financed by existing infrastructure. Such infrastructure actually generates important income, which can and should fund development. Naturally, in order for existing infrastructure to be able to fund new works, they must be of a consistent size and not fragmented. Overcoming the fragmentation of the infrastructure sector, creating new private but institutional investment instruments, to unite existing infrastructure in production chains, in order to ensure operational efficiency, balanced financial management, avoiding the impoverishment of society with excessive indebtedness and special dividends; reinvesting most of the generated cash flow in the development of assets and managed networks. These are some of the principles that should guide the process of re-launching investments in infrastructure.

In a time in which public finance is an extremely scarce resource, the infrastructure gap – quantitative and technological – can be bridged with the modern model of institutional finance: use resources derived from the efficient management of existing infrastructure to finance the development of new works; attract capital and private funding to ensure adequate returns and reduced or adequately mitigated risks.

7. But who are the potential backers of works in PFI and PPP? And which are the most suitable financial products?

In the financing of medium and large Greenfield projects, the instruments that can be used by long-term institutional funds (pension funds, insurance companies) are limited, for the time being, to the following: (i) unlisted equity, possibly alongside highly reputable private equity funds, which also play a role as investors; (ii) project bonds underwritten by the EIB (in this case the guarantee and the illiquidity premium justify a higher return); and (iii) through the direct equity interest in the debt by shadow banking.

This type of investment is limited to pension funds or large insurance companies who are the only ones capable of creating these instruments in-house or of acquiring "independent evaluation capacity" from the market.

The numerous smaller pension funds and insurance companies, on the other hand, have difficulty with the internal assessment capacity of the infrastructure risk.

In general, therefore, the new non-banking funding model of infrastructure could require the creation of a new category of intermediaries, capable of acting as a bridge between investors and investments, and also greater standardisation of financial projects and products for infrastructures.

The same type of scheme is also valid for medium and large Brownfield works. The expertise required in this area is, however, different and returns are, on average, lower because they tend to be less risky. Currently, demand for Brownfield works by investors is far greater than for Greenfield works. However, in general, in the coming decades, in emerging economies, but not only, the need to construct new works will be far greater than the requirement to manage and modernise existing works.

8. The global equity market for infrastructure is worth just under 500 billion dollars (Dialogic 2013 figures) of which two-thirds is in Europe. The debt is approximately 2,000 billion dollars. Merely by way of an example, this amount can be compared with the approximately 90,000 billion of assets managed globally by pension funds, insurance companies and sovereign funds.

The growth potential of these instruments globally is therefore exceptional. Demand for infrastructures in the coming decades, in Europe and globally, will be equally exceptional. Therefore, competition in attracting funding for infrastructures will be played out in countries and regional areas that know how to offer the best regulatory frameworks for investments.

Mind you, pension funds and other long-term institutional investors are not being asked to become the major backers of infrastructures. It is a question of promoting the establishment of a new model in which this type of investors is placed in a position of increasing its investment capacity in the infrastructural asset class by at least two or three times. Providing incentives for a greater allocation on behalf of institutional investors in infrastructure investments, going, for example from the current figure of 3% aiming to double it over the next five years would make a significant additional contribution to the funding of infrastructures. Debt for infrastructures has a lower default rate than that for corporate debt, in other words a default rate of 0.5%. In addition, debt for infrastructures has a better recovery rate than that for corporate debt (Standard & Poor's, 2013). It could therefore become an excellent new asset class to be "inserted" in pension fund and insurance company financial statements among government bonds and industrial and bank bonds.

As everybody knows, Canadian and Australian funds are already currently investing approximately 15% in infrastructures. I do not believe it is possible to reach this level in other countries in a short space of time, but getting close to this level should be the aim of a "new" European financial policy for infrastructures.

9. In contrast - but of no less importance - is the case of smaller works in PPP, such as, for example, social infrastructures (hospitals, schools, nurseries, social housing, prisons, public buildings, works for regional and environmental protection) or energy infrastructures or infrastructures of other sorts, but which are always medium or small in size.

If we want these types of works to also be funded, at least in part, by long-term institutional investors, they need to be standardised and gathered together – to create a greater critical mass – in dedicated portfolios. On the other hand, works funded through retention fees (based on the English example) give investors more certainty with instruments related to long-term concessions where the regulatory, political and market risk is decidedly higher. This poses certain challenges which should be at the centre of the EU policy actions in the next legislative period.

10. New instruments and new public/private agencies are also needed to mitigate the risk and hedge market failures. The role of the major national and multilateral promotional banks (EIB, KfW, CDC, CDP, etc.) has grown with the crisis and will remain crucial for years. In recent years they have played an important countercyclical role. They have created new financial instruments and new guarantee schemes; they have provided significant additional resources to support the economy during the crisis.

They may have a role as catalysts in the participation of institutional investors in funding infrastructures and activate credit enhancement instruments, leaving institutional investors to play the senior role in the debt or attracting co-investment in project equity. The project bond Initiative could generate important multipliers. The Greenfield Marguerite Fund could be used as a prototype for a larger family of Funds for investments in infrastructures, technology, R&D, SMEs, start-ups, energy, urban development, healthcare, etc. Among the new instruments that these government agencies can strengthen (including under the scope of the Juncker Plan) are credit enhancement mechanisms, such as credit enhancement for risk mitigation, which can include credit and risk guarantees, first-loss prevention, and the provision of a bridging loan through direct loans.

The global financial markets are going through some radical changes. During this process, the banks are forced by the crisis and new international regulations to reduce long-term financing of infrastructure and the actual economy. Promotional banks are in a position to partly remedy this failure; using their capacity even more to absorb the risk and acting as brokers in the development/transformation of loans.

Promotional banks have an important opportunity ahead of them and the chance to reinvent themselves. They have the credibility to act as financial intermediaries thanks to a long history (and track record of success); predictable (and non-volatile) behaviour; they are untouched by the malpractices that led to the crisis; they are known for the attention and quality of structuring financial transactions; they enjoy preferential creditworthiness; they have political weight policy rather than profit-oriented institutions, in spite of this we have always had returns consistent with the risks (and the market).

Conclusions. Many years have passed since the subject of long-term investments was discussed with regards to the crisis and the failures of the development model that led to the crisis. A great deal of progress has been made since then, at least in identifying political and regulatory solutions. Not only in Europe, but also in the rest of the world. The need to promote long-term investments in infrastructure, innovation and education in order to build sustainable growth is shared by governments, large international organizations, the G20, the market and the European Union. In Europe,

specifically, the Commission has produced an action plan which contains the road map for the next European legislature with several important indications. For some of these there is a wide consensus, for others less so. Some are technically easier, others more difficult. But international and European regulators still appear to be dominated by a purely financial approach, which, by ignoring the fact that financial stability is inevitably precarious in times of stagnation, it ends up perpetuating pro-cyclical behaviour and encouraging the speculative reasoning that led to the crisis. And policy makers are struggling to move from words to facts.

The Italian presidency of Europe in this six-month period has played a significant role in conveying the process from one European legislative period to the other. After six years of talking it forcefully and bravely demonstrated that the time has come to move on to action.

Europe has a lot to do at present to gain back the ground it has lost: it has to fill the gap of infrastructures, which are the connective tissue of every modern economy. In order to work properly, infrastructures must be created and managed like networks. They must develop and be coordinated with one another in a rational way: they must be managed from a European perspective rather than a "country system" perspective or through financial speculation. In the case of infrastructure, priority must therefore be given to networks: to European energy, transport and communication networks.