

# EURECOM

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## PRESIDENTS BUSH AND DELORS MEET AGAIN

Before briefing NATO on the US-Soviet summit off Malta, US President George Bush met with EC Commission President Jacques Delors in Brussels, further confirming the increasing importance Washington attaches to its relations with the Commission.

After President Bush summarized the main areas of discussion with Soviet President Mikhail Gorbachev (human rights, the economy and disarmament), the US and EC delegations exchanged views on the role of the Commission in Eastern Europe. President Delors gave a quick overview of the political and economic situation in Poland and Hungary and of Western aid to both countries. (The Commission is responsible for coordinating aid to Poland and Hungary for the 24 Western industrialized nations.)

Once again, President Bush strongly indicated support for the 1992 initiative, urging "continued, perhaps even intensified efforts" towards integration of the EC's 12 member states.

This is the third meeting of the two Presidents since Mr. Bush took office in January 1989. They also met at the G-7 summit in July. President Delors is keen on deepening the political dimension of US-EC relations; trade issues have hitherto dominated the relationship.

## INSURANCE SERVICES PLAN UNVEILED

EC Commissioner for financial services Sir Leon Brittan has disclosed plans to create a single market in insurance services, a sector which remains highly fragmented despite Brussels' efforts to dismantle national barriers.

Early next year, Sir Leon will propose framework directives on life and non-life insurance, enabling companies to operate throughout the EC on a single insurance license.

He said: "Companies will be free not only to set up branches in other member states, but also to sell the full range of their products through freedom of services on the basis of a single authorization and supervision from the country where their head office is located." This approach closely tracks the strategy followed in the banking sector and will also be adopted for the investment services sector.

Sir Leon stressed that the forthcoming non-life framework directive must still cover the prudent investment of assets while allowing for flexibility consistent with the liberalization of capital movements from next July. The Commission's approach would be to establish a small number of rules governing permissible assets; their diversification; their valuation; and the match-

ing of the currency of investments against the currency of risks. In addition, the framework directive will address issues related to contract law and policy conditions with a view toward removing national mandatory contract conditions whose effect is to limit consumers' freedom of choice without justification on consumer protection grounds.

Regarding the taxation of premia, the EC will continue to apply the territoriality principle established in earlier insurance directives. However, Sir Leon will be making sure that member states' tax authorities do not impose onerous bureaucratic procedures in the forthcoming directives which would deter foreign companies from providing their services.

## AGREEMENT ON INSIDER TRADING

In light of recent scandals on and the continued liberalization of international financial markets, the Council of Ministers has adopted a directive on insider trading, which forms a common basis within the Community to combat such dealings.

The directive makes it illegal both for "primary" insiders (those who acquire privileged information in the course of their profession) and



for "secondary" insiders (those who trade on the basis of confidential information. "Inside information" is defined as anything not yet made public which, if widely known, would have a significant effect on a share's price.

Primary insiders will not be allowed to trade on inside information either on their own account or for third parties, and they are also prohibited from passing on such information. The rules forbid secondary insiders from "knowingly" taking advantage of inside information when executing a security transaction.

Further, the directive provides for cooperation between the member states' competent authorities and contains rules regarding professional secrecy vis-a-vis these authorities. Closer cooperation between the Twelve is becoming increasingly important in this area as cross-border trades increase.

Several member states already have insider trading legislation but some others (Ireland, Luxembourg and Italy) are in the process of introducing rules. In the Federal Republic of Germany, insider trading is not a crime, although there is a voluntary agreement barring traders from making use of inside information.

It will be the responsibility of each member state to ensure that the new rules, designed as minimum requirements, are applied. More stringent national legislation will be possible, provided that it is applied generally. The deadline for member state implementation is June 1, 1992.

### **COMMISSION ATTACKS INTERBANK AGREEMENTS**

The EC Commission has called for an end to interbank agreements on interest rates, contending that such agreements are similar to price cartels in restricting competition.

It also argued that these agreements, which determine certain interest rates at national levels, run counter to the objectives of the single market.

The Commission stresses, however, that the normal use of monetary instruments does not infringe Community competition rules if public authorities do not encourage the forming of illicit cartels or reinforce their effects.

### **APPROACH TO RULES OF ORIGIN CLARIFIED**

"Rules of origin are a tool to implement trade measures and must be neutral and technical. The European Community must continue to apply rules of origin in a way which would not affect trade or investment," according to EC Commissioner Christiane Scrivener, who is responsible for taxation and the customs union.

In a Commission paper, Mrs. Scrivener pointed out that the increasing international division of labor in industry, the growing complexity of manufacturing processes and the advent of entirely new products have made it necessary to discuss non-preferential rules of origin at the international level, i.e. in the Uruguay Round negotiations of the General Agreement on Tariffs and Trade (GATT).

Mrs. Scrivener stated that the EC would like the GATT to adopt recognized international principles on the rules, particularly regarding non-discrimination, transparency, cohesion and predictability.

She refuted criticism that the EC has been using its rules of origin as a protectionist tool, arguing that the EC has a clear set of rules which it "has applied in a technical and neutral way for many years."

### **EC-WIDE "BLEEPING" IMMINENT**

The 12 member states have taken a giant step toward cross-border "bleeping" by agreeing to start a European Radio Messaging System (ERMES) after 1992. This will enable businessmen and other "bleeper" users to page across national borders. At present,

each country operates its own national paging system and very few "bleep" across frontiers.

The lack of a common Community standard has limited the Western European pager market to 1 % of the workforce (1,3 million people), compared with 6.5 % in the US. EC research shows that some 650,000 people need pagers with cross-border capabilities, and this number is expected to increase in the run-up to 1992. It is estimated that the market could be worth \$ 450 million by 1995, almost four times its present size.

In addition, the system could also encompass neighboring countries outside the EC (e.g. EFTA countries), although they would not be bound to the timetable agreed by the EC telecommunications ministers.

### **EC GETS TOUGH ON CANCER**

Community health ministers have agreed on tough new health warnings for cigarette packages and on the maximum permissible tar levels for tobacco products in the EC.

Starting January 1, 1992, all tobacco products must carry the general warning label: "Tobacco seriously damages your health." Not only will packages have to carry this compulsory message, but also two additional health warnings of the member states' choice, such as "Smoking causes cancer" or "Smoking harms unborn children." Further, all packages will have to give tar and nicotine information.

EC ministers also established a common position on tar levels in cigarettes, which would require companies to cut the maximum amount to 15 milligrams per cigarette by 1992 and to 12 milligrams by 1997. A longer timetable has been granted to Greece, where tar levels are the highest in the Community.

Both proposals are part of the Commission's "Europe against Cancer" campaign. Said EC Social Affairs Commissioner Vasso Papandreou, a former

heavy smoker : "We want to reduce by 15 % the number of cancer mortalities by the year 2000."

### **A BIG "10-4" FOR FREER TRANSPORT**

After 20 years of fruitless talk on trucking reform, EC transport ministers have scored a breakthrough, agreeing on a bold experiment to liberalize the long-protected road haulage sector.

As of July 1, 1990, member states will be able to distribute a limited number of two-month permits for their national haulers to conduct "cabotage" — the transport of goods within an EC country by a carrier from another. In the beginning there will be 15,000 total permits available, which will be apportioned among the member states according to the size of their respective road haulage sectors. The number of permits will increase by 10 % each year, though a safeguard clause can be invoked if more than 30 % of total available licenses are used in one country.

This means, for example, that a Dutch transport firm could apply for a permit to haul goods from Rome to Milan. The current ban on cabotage precludes the Dutch transporter who delivers a load in Rome from picking up a new load to drop off in Milan on the return trip. This makes for many empty lorries on EC roadways and, unquestionably, higher transport costs.

This "experiment" is slated to expire at the end of 1992, but closer to the deadline the ministers will be asked to endorse total cabotage liberalization.

Late-breaking progress on air transport liberalization will be covered in full in the next Eurecom issue.

### **MR. 1992 VISITS THE US**

EC Internal Market Commissioner Martin Bangemann recently travelled to the US, visiting New York, Chicago and Phoenix for various speaking engagements.

Predominant themes throughout his speeches were that "Fortress Europe" is yesterday's news and that the need for free trade and for mutual trust between trading partners was stronger than ever.

Mr. Bangemann cited the Community's definition of reciprocal treatment on banking licenses, which was modified to meet US concerns, as a stellar example of how the "Fortress Europe" fear was losing credibility.

On the trade front, Mr. Bangemann feels that import barriers are becoming an increasingly ineffective way of protecting national industry, especially when local subsidiaries are established almost everywhere. This gives rise to fierce competition in the home market from which nobody can escape.

He said: "We Europeans are ready for this. That is why we have done nothing to restrict direct investments in the Community by non-EC countries. Quite the opposite: US and Japanese firms are more than welcome to invest in the EC because it encourages the integration of the world economy and reduces the risk of protectionism."

Commissioner Bangemann remarked that no trading partner has "a God-given right" to have everything its own way. The principle of free trade depends heavily on mutual trust. Blacklists or counter-measures against trading partners, "unilaterally stigmatizing them as sinners," are incompatible with this. Looking at the balance-of-trade figures in isolation is also of little use. The overall balance of trade between the US and the EC is roughly equal: in 1988 the US enjoyed a small surplus of ecu 4 billion (ecu1:US\$1.14).

He emphasized that the internal market is open to all, especially for medium-sized companies outside the EC which cannot afford to maintain branches or have their own sales forces in the Community. His message to US medium-sized firms: "Discover the Old World! Never before has it been so easy to establish a foothold there."

### **"QUOTES"**

*"The impression of 1992 as a plot for the survival of the fittest - or the richest - is a false one. We are not going to regress and become business savages. We are not about to return to the lawlessness of the jungle in our economic relations. 1992 is about increasing competition, not launching a guerilla war." EC Commissioner Sir Leon Brittan.*

*"One cannot say that Mrs. Thatcher is pursuing an anti-European policy. She is European in her own way - not the same way as mine." French President Francois Mitterand.*

*"It is clear for us that developments in Germany and in the other part of Germany make it urgently necessary... that we push the process of European unity further forward. German problems can only be solved under a European roof. We are not wanderers between the worlds. Our place is in the western community of values." Chancellor Helmut Kohl.*

*"I am not afraid of reunification. I think the desire for reunification is legitimate for the Germans. What counts above all is the determination and will of the people." French President Francois Mitterand.*

*"Sovereignty is not virginity, which you either have or have not. Only Robinson Crusoe could count himself master of all he surveyed." British Deputy Prime Minister Sir Geoffrey Howe.*

*"Faced with the movements taking place in Eastern Europe, the Community must remain a pole of attraction." EC Commission President Jacques Delors.*

*"Joining the ERM is not a prize to be given to our partners when they come up to scratch, but a benefit for ourselves if only we would take it." EC Commissioner Leon Brittan commenting on British reticence to joining the EMS exchange rate mechanism.*

*"Our European colleagues have said repeatedly that there are no angels in agricultural trade. We agree. The question is how do we get closer to heaven ?." US Agriculture Secretary Clayton K. Yeutter.*

### ... IN BRIEF

... The Twelve have agreed on the scope and authority of a new environmental agency, reflecting the prominence "green" issues have attained in the Community. The agency's chief task will be to collect objective EC data on problems such as air and water quality and soil pollution.

... According to a new study by the London-based Centre for Economic Policy Research, the 1992 program is likely to provide a much greater stimulus to economic growth than predicted in the Commission's Cecchini Report. The study suggests the 1992 program could produce an increase of between 3.5 and 19.5 % in the EC's GDP, compared with Cecchini's projection of a 2.5 to 6.5 % increase.

The Study's central argument is that as well as increasing the efficiency of the existing capital stock (on which Cecchini concentrated), 1992 will encourage European and other companies to make fresh investments in Europe, further boosting output and growth.

... A majority of European business leaders favors a common European currency. This is the finding of a recent poll conducted by the Association for the Monetary Union of Europe. Of the 1,400 businessmen polled (all

of whom are engaged in international trade), 83 % favor a single currency. However, the poll revealed differences in support among businessmen from the seven EC countries represented in the survey; Italy, Spain, France and Belgium indicated 90 % support; the Netherlands, 82 %; Germany, 69 %; and 65 % in the UK. As for a European Central Bank, 73 % of the respondents approved.

... A single emergency telephone number - 112 - will be in use in most EC countries by the end of 1992. To overcome language problems, the

Commission envisages a system which would identify callers and would be operated by "international" telephone operators.

... The Fordham Center on EC Law and International Antitrust is offering four evening seminars starting January 16, 1990 on the following topics: "Comparative Constitutional Law of the US and EC"; "EC Competition Law"; "EC Corporate and Trade Law" and "US International Antitrust and Trade Law." For further information please contact Ms. Helen Herman, Executive Director, at (212) 841.5178.

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